

King County Home and Hope Initiative

AFFORDABLE HOUSING INCENTIVES ANALYSIS: NORTH HIGHLINE AND SKYWAY-WEST HILL

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NOVEMBER 2020

Executive Summary

This report is intended to provide an examination of the market for new residential development in the Skyway-West Hill and North Highline areas of unincorporated King County. In particular, we detail the likelihood that existing incentives in King County that rely on market-rate development activity could provide the affordable units required to support local needs.

To develop these results, we relied on a residential real estate pro forma model, which examined the likely cash flows from prototype representative developments in different zoning districts in each neighborhood. This model incorporated available information about allowable development, current rents, expected sale prices, and costs of construction to understand what kinds of cash flows could be expected from these examples, and what the implications of these results would be on efforts to promote market-rate solutions to achieving affordable housing targets.

This research provides the following findings:

- **As-of-right multifamily development is currently not feasible in either neighborhood on occupied parcels.** Under the assumptions used in this study, development is generally infeasible due to the higher costs of land and lower rent levels. Higher-density developments in R-48 zones are the closest to being feasible investments and may be possible with increases above assumed rents as detailed in section 4. Existing vacant parcels can provide space for development, but in both neighborhoods sites without planned development are limited.
- **Available density incentives do not provide enough benefit to encourage new affordable development.** For the types of development identified for this area that would meet likely affordability targets, the current incentives available for affordable units would not result in a substantially higher return, and developers would be unlikely to build these units over those with only market-rate units.
- **While increases in local rents or changes to Residential Density Incentives (RDIs) could result in some improvements in feasibility, this may affect overall goals for housing access.** Local increases of up to 25% in rents beyond the assumptions noted in this report could make development much more feasible and improve the likelihood that individual construction efforts would go forward. Similarly, increasing benefits or reducing eligibility requirements for affordable housing could make marginal increases in the feasibility of development. However, these actions could risk overall program goals to support housing affordability in these areas, and higher rents could increase the risk of displacement of current residents.
- **Other types of subsidies may be required to promote development of affordable units.** Without feasible market-rate development and the incentive structures to promote the construction of affordable units, yields of new affordable units in these neighborhoods are likely to be very low in the short-term. Market-rate construction would require additional subsidies to produce affordable housing at the levels targeted, and most completely affordable development would not even reach a financial break-even point.
- **The County Transfer of Development Rights (TDR) program will impact the ability to use in-lieu fee payments to replace on-site affordable housing.** At present, the County's TDR program presents

an alternate approach to achieving additional density for projects in the area. If TDRs are available at prices consistent with recent transactions, this would place an upper limit on the amount that could be charged as in-lieu fees for affordable housing to gain density benefits. Developing in-lieu fee payments would require coordination with this program to prevent competition.

- **Short- and long-term impacts on the national and regional economy and in real estate markets due to COVID are uncertain.** At present, the full ramifications of the COVID-19 pandemic are unknown, with significant disruption across the economy as well as with the construction, financing, and operation of real estate developments. This report examines conditions prior to the pandemic, with the assumption that conditions will adjust to previous levels over time. Over the short term, however, real-world conditions are likely to be highly variable, and this uncertainty in the market will probably delay development.

Note that this report is not intended to provide financial advice on property investments or assessments of property values. The results included in this report are examples that are intended to highlight factors in development, but the costs and revenues derived from individual sites may differ.

For reference, a detailed market analysis for both study areas is included in the Appendix. This includes information regarding both study areas, including statistics on:

- Population characteristics
- Local employment
- Existing housing and development
- Housing market data
- Housing needs and household housing cost burdens

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1. Background and Approach

OVERVIEW

This report provides market assessment for new residential development in the Skyway-West Hill and North Highline areas, and recommends actions by King County to support affordable housing that meet the local community's needs. These areas are recognized as having growing demands for housing for low-income families, and the potential for increases in housing cost burdens that would lead to displacement of existing residents. Coordinating the necessary incentives to develop affordable housing is one potential component for strategies to address future housing needs for these areas.

To this end, this study evaluates the financial impacts of existing and potential policies on the development of both market-rate units and affordable units created as part of existing incentive programs. The findings of this report are intended to provide guidance as to future actions that could be taken to improve local yields of affordable housing, especially as growth pressures increase.

Note that this report is not intended to provide financial advice on property investments or assessments of property values. The results included in this report are examples that are intended to highlight factors in development, but the costs and revenues derived from individual sites may differ.

STUDY AREAS

This analysis reviews development in two urban incorporated communities in King County: North Highline and Skyway-West Hill. More details about these areas are found in the Appendix.

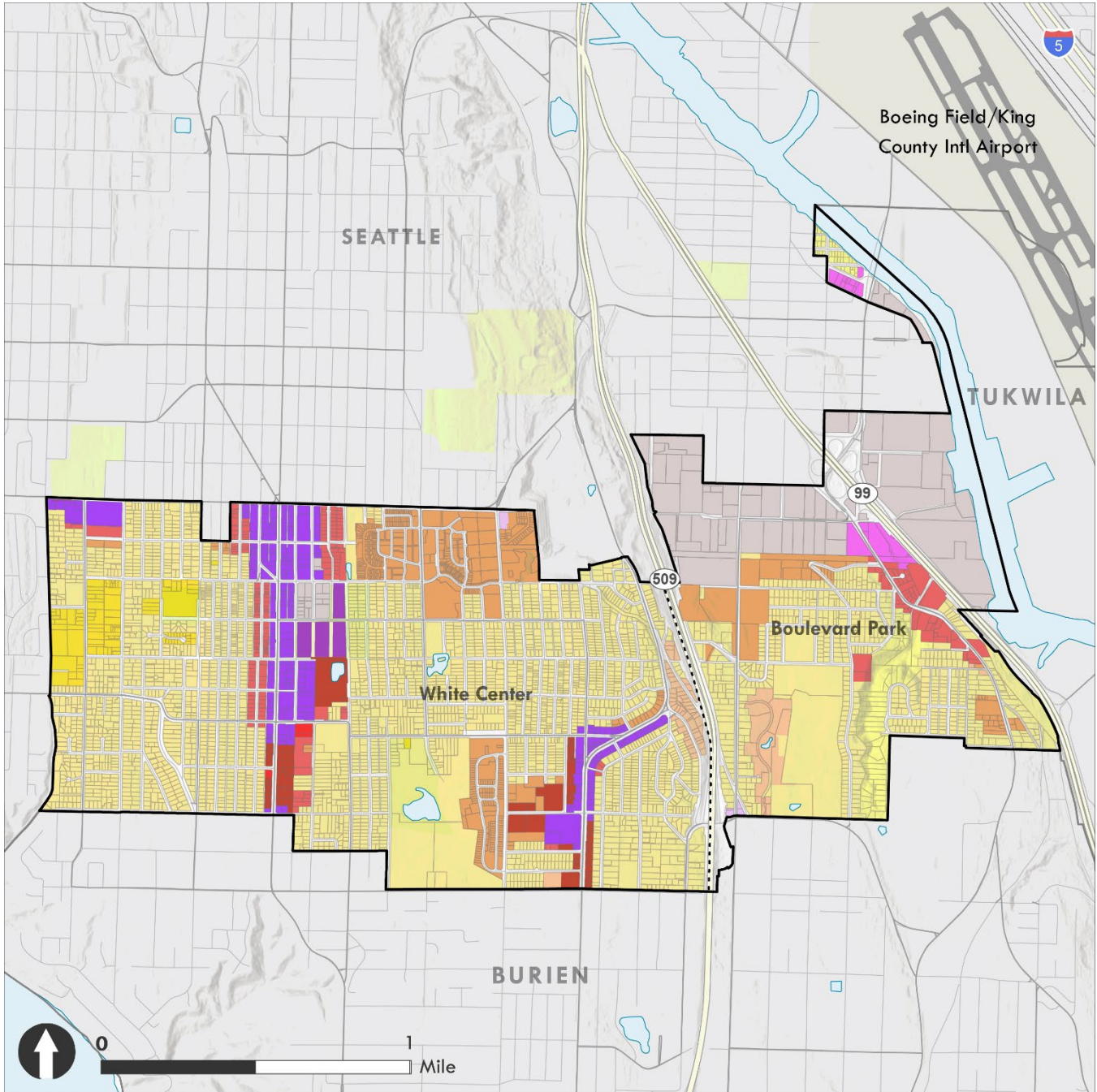
North Highline

The North Highline study area (shown with zoning in Exhibit 1) is an unincorporated community in King County located between the cities of Seattle, Tukwila, and Burien. Consisting of the White Center and Boulevard Park Census-Defined Places (CDPs), this area has evolved over time into a distinct and affordable community for regional workers, with some commercial development in White Center and industrial lands in the northern portion of Boulevard Park. Given its proximity to Seattle and current levels of affordability, however, this community will likely be experiencing increasing displacement pressures over time. Recent non-profit and not-for-profit multifamily affordable housing construction, such as Greenbridge and Seola Gardens, do suggest that there is a local market for expanding low-income housing through incentive programs.

Skyway-West Hill

The Skyway-West Hill neighborhood (shown with zoning in Exhibit 2) is also defined as the Bryn-Mawr West Hill CDP, and is an unincorporated community in King County located within the Renton Potential Annexation Area and bordered by the cities of Seattle, Tukwila, and Renton. Sited close to I-5 and I-405, this community has developed as a residential area for commuters to Seattle, Bellevue, and Renton. With an older original subdivision at its core, it currently includes more expensive single-family residential development closer to Lake Washington, with more multifamily residential development close to the center of the area and lower-income residents further to the south and west.

Exhibit 1. Current Zoning, North Highline.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Zoning

- Commercial**
- CB - Community Business
 - I - Industrial
 - NB - Neighborhood Business
 - O - Office
 - RB - Regional Business

Residential

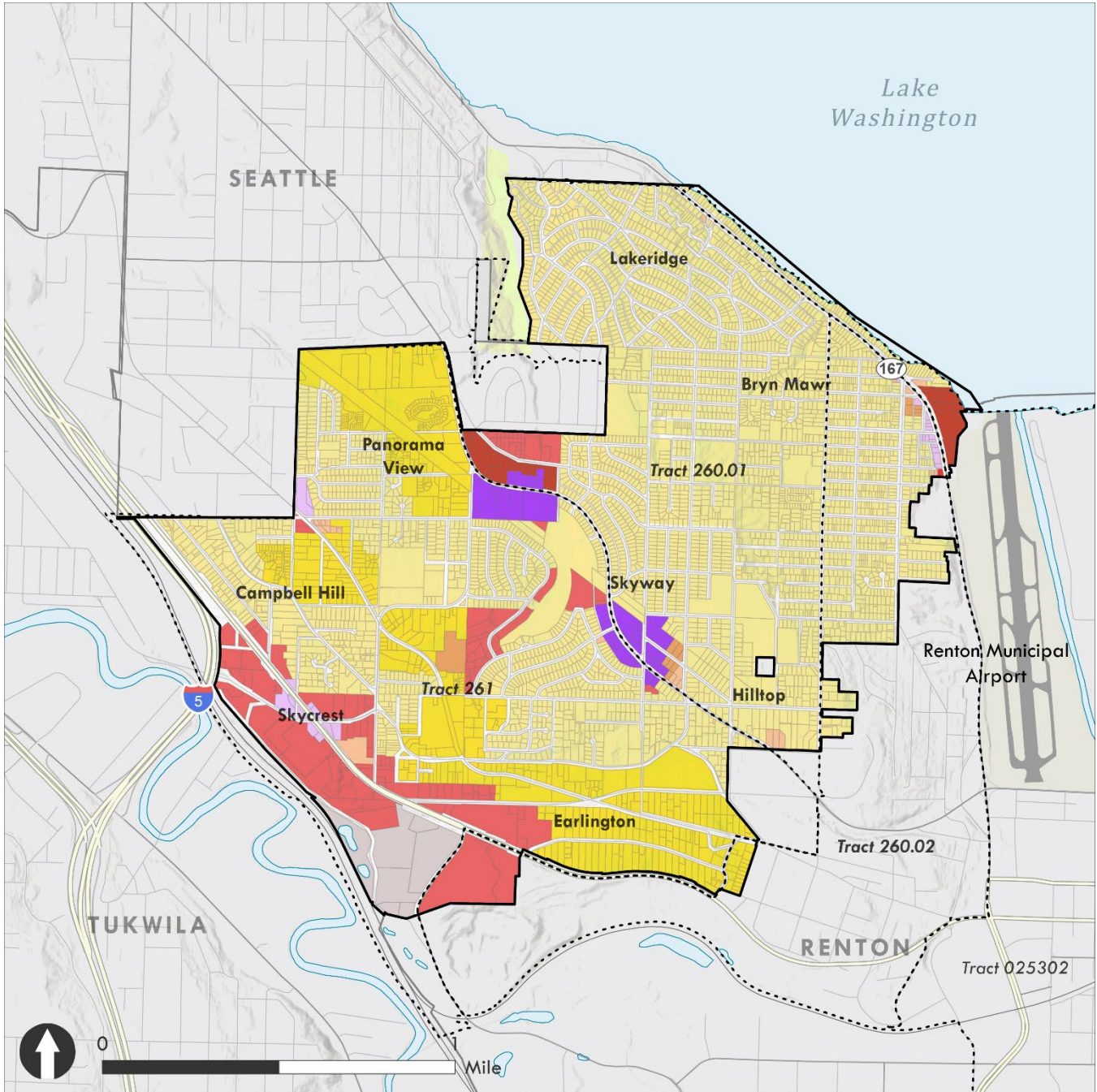
- R-4 (4 DU/acre)
- R-6 (6 DU/acre)
- R-8 (8 DU/acre)
- R-12 (12 DU/acre)
- R-18 (18 DU/acre)
- R-24 (24 DU/acre)
- R-48 (48 DU/acre)



Map Date: November 2020

Source: BERK, 2020; King County GIS, 2020.

Exhibit 2. Current Zoning, Skyway-West Hill.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Zoning

- Commercial**
- CB - Community Business
 - I - Industrial
 - NB - Neighborhood Business
 - O - Office
 - RB - Regional Business

Residential

- R-4 (4 DU/acre)
- R-6 (6 DU/acre)
- R-8 (8 DU/acre)
- R-12 (12 DU/acre)
- R-18 (18 DU/acre)
- R-24 (24 DU/acre)
- R-48 (48 DU/acre)



Source: BERK, 2020; King County GIS, 2020.

2. Pro Forma Modeling and Assumptions

CONCEPT

To assess the expected effects of policies on the yields of affordable housing in prototype construction examples in the two study areas, we employ the use of “pro forma modeling” as a key analytical approach. This provides a simulation of the financial costs and benefits of an example real estate development project to demonstrate how changes in policy can affect final yields of market-rate and affordable housing.

This approach is based on viewing a real estate development as a way of maximizing returns on an investment. Market-rate developers will typically only choose to pursue construction projects that they believe will provide enough of a return on a real estate investment to cover development costs, financing, and a level of profit comparable to other available investments. A pro forma model estimates the revenue and costs that a real estate developer would likely incur with a new building and whether this would represent a reasonable rate of return for an investment of equity.

MODELING CONSIDERATIONS

Although there are a range of different parameters that are included in the model, several categories of variables are important to consider when finding out whether prototype developments may or may not be feasible. This section details four topics for consideration in these models:

- **Zoning districts and development regulations**, identifying what can legally be built in certain locations.
- **Development types and costs**, describing how the costs of construction are calculated and how they impact the final conclusions.
- **Market conditions**, describing how the conditions for real estate rentals and property sales impact the results.
- **Incentives for development**, outlining the ways that King County incentivizes development and affordable housing beyond base regulations.

Zoning Districts and Development Regulations

For the purposes of this analysis, we selected five zoning districts represented in each of the two study areas which would likely be the focus of new development, infill, or redevelopment:

- R-6 residential, with a maximum of 6 dwelling units (du) per acre
- R-12 residential (12 du/acre)
- R-24 residential (24 du/acre)
- R-48 residential (48 du/acre)
- CB - Community Business (mixed-use development with 48 du/acre)

Each of these zoning districts provide regulations that present constraints on the types of development that could be included. In this case, residential density is typically the main limitation on development,

although there are also limits on the amount of the lot that can be covered by impervious surfaces, development setbacks from lot lines, and in the case of the CB zone, a limit on the ratio between the floor area of the building and the size of the lot and the amount of commercial space included.

Note that expected property values for these examples were also developed for each zone. Given that land prices were a required input of the pro forma model, we used assessed values for land and improvements based on 2020 values from the King County Assessor. Although these values are not strictly market values, they do provide a general indication about price levels within a neighborhood, especially with respect to the split between land and building costs.

Development Types and Costs

A key input for a pro forma model is the costs of construction. This considers several different elements, including the cost of property acquisition, financing, site preparation, and construction.

Types of development. One significant difference in costs of development between different sites, however, is with respect to the building formats and the materials used in their development. Concrete and steel high-rises, for example, will cost more than two-story wood-framed residential townhomes per square foot.

Although the full range of possible development types would be very complex to evaluate, we identified three main types of development and their general costs relevant for use in the model:

- **Townhomes and multi-plex (2–4 unit) developments**, which include smaller wood structures typically without elevators that are typically one to three stories in height.
- **Wood-frame multifamily construction**, which typically includes garden and low-rise apartment complexes that are limited to five stories by building codes.
- **Wood-frame construction with a concrete podium**, which is a common format of mid-rise multifamily residential development. Due to building codes, this is typically the format of residential development at six to eight stories.

Note that taller buildings are not allowed under the zoning in these areas, meaning that certain building types such as concrete and steel structures are not likely to be used. These types of buildings are usually far too expensive to build outside of urban cores and areas with significant transit services.

Parking. Another significant element of cost differences between these examples is with respect to on-site parking. Three types of parking are typically found in residential development:

- **Surface parking** with stalls at-grade and limited improvements.
- **Structure parking**, which may involve either incorporating parking within a building or in an attached parking structure.
- **Underground parking**, where a subsurface garage accommodates some or all on-site parking.

As development moves towards more intensive types and more construction costs are required to accommodate parking within a building or underground, development costs per unit will increase.

Market Conditions

In addition to what can be built on a site under current regulations, there are also considerations in pro forma modeling about how much revenue can be received from a real estate development project after construction. For multifamily properties, this can be divided between regular revenue and sales.

Regular Revenue

The revenue received from a building is related to the rents received from different sources, including:

- Residential rents
- Commercial leases
- Parking fees
- Other fees charged to residents

For the purpose of analysis, these are impacted by certain factors:

- Likely **market rents** for each of these types of space in the area, usually estimated by examining comparable rents in similar developments.
- Expected **vacancy rates** over time, which will reduce the amount of revenue from the maximum possible receipts if these spaces were completely occupied.
- **Absorption rates**, which detail how long it would take for a new building to be completely leased out. This is important to consider, as during the first few years while a building is attracting new tenants it may not be receiving as much rent and income.

Considerations for regular operating expenses, financing, and taxes are used to estimate the actual receipts of cash flow from a new development to investors over time.

Sales

Usually investment properties, especially those newly built, are sold on the market to other investors. This is typically coordinated when the regular revenue and income from a site are stabilized and the building is fully leased.

One figure often quoted when reviewing building sales for investment is the “capitalization rate”. This value is an indicator that generally represents the desired risk-adjusted returns from a long-term investment in a real estate product. These values can vary widely based on the type of building, the location, current market conditions, alternative investments, prevailing interest rates, and so on. Generally, lower cap rates represent more stable markets and more desirable investments.

From available summaries in the Seattle metro area, cap rates in the second half of 2019 for multifamily products may range between 4.1 and 5.5%, with the lowest values for property sales found in high-quality urban areas, and cap rates for lower-quality suburban development increasing to up to 5.5%.¹ Given that there are no recent sales of large multifamily developments directly within the study areas, we assume for this analysis that cap rates are 4.5% for new developments. In our pro forma model,

¹ CBRE, 2020. “North American Cap Rate Survey | Second Half 2019. Seattle Snapshot.”

adjustments to this value will change the final sale price of the development after a hold period to attract tenants and lease up the space in the neighborhood.

Owner-occupied housing is less of a focus in this analysis given that most development is likely to be multi-family properties. A small proportion of any housing of this type in the study areas will likely be constructed as affordable housing for homebuyers. However, this type of development may be relevant for evaluating fee-in-lieu structures for density bonuses.

Development Incentives

In addition to regulating regular types of development, the County also provides other incentives to promote desirable development that achieves other policy goals. Under KCC 21A.12.030, incentives can be provided for real estate development projects under specific conditions.

Transfer of Development Rights

King County's Transfer of Development Rights (TDR) program allows for the transfer of development density between different sites. The sending sites that are giving up density in this case are usually rural sites in the county which have distinct value in use for agriculture, forestry, open space, or environmental protection. Restrictions on the use of these lands are traded for additional development density allowed on urban "receiving" sites.²

Residential Density Incentives

The County also manages a Residential Density Incentives (RDI) program to exchange additional development density for other site-related development considerations. These benefits are specified under KCC 21A.34, and include bonus density for providing:

- Low-income units affordable to households with 50% Area Median Income (AMI) or lower
- Low-income units for seniors affordable at 50% AMI or lower
- Senior assisted living units
- Moderate-income housing for homebuyers at 80% AMI or lower
- Displaced mobile homes
- Dedicated parks, trails, or open space
- Preservation of historical landmarks
- Energy-efficient design features
- Public art
- Cottage housing
- Single-family homes of 1,500 sf or smaller
- Walkable design

² See <https://www.kingcounty.gov/services/environment/stewardship/sustainable-building/transfer-development-rights.aspx>.

TDR/RDI Benefits

Developments relying on TDR or RDI can receive the following benefits:

- **Additional density / bonus units.** Development incentives under most benefits under RDI provide up to a 50% bonus for density under KCC 21A.12.030 and 21A.12.040. For TDRs, developments with 100% owner-occupied housing affordable to 80% AMI, and cottage housing, up to a 100% increase in density may be allowed.
- **Reduced parking.** Under KCC 21A.34.080.D2b, Developments using RDIs can reduce the parking required for affordable units by 50%.
- **Reduced recreation space.** Under KCC 21A.34.080.E2b, developments with RDIs are only required to provide 50% of the recreation space required for affordable units.
- **Increased building envelope.** Under KCC 21A.12.030, residential developments with affordable units are also allowed to have greater heights.

Fees In Lieu

In addition to providing options for developing on-site affordable units, an alternative can be to provide a payment option that would allow market-rate developments to take advantage of existing density bonuses for affordable housing in exchange for payments that would allow housing to be developed elsewhere. This can be applied for both owner-occupied and rental housing. Under the current zoning code in King County these fees have not been implemented, but under state law they can be instituted to allow an alternative way of achieving density bonuses.³

The major advantage to this approach is that it does provide a level of flexibility for developers in contributing to affordable housing in an area. It can also provide funding for non-profits and public agencies to implement affordable housing projects with dedicated services, and can reduce the administrative oversight necessary for affordable units distributed among private developments. However, if not calibrated well, these fees may be set too high to be a clear option, or set too low to recapture enough of the benefit granted to developers.

Other Programs

King County also has other existing and potential programs that include considerations for affordable housing, including:

- **The TDR for affordable housing pilot program** (KCC 21A.37.130), which allows for the acquisition of TDRs at 15% of fair market value for households with incomes at 40% of AMI or lower to achieve density bonuses of 150 to 200% above base densities.
- **Urban planned developments** (KCC 21A.39.060), which require 10% of units to be affordable to households with 50% AMI (for rental units) or 80% AMI (for homebuyers), and an additional 20% of units allocated to other specific low-income levels.

³ RCW 36.70A.540(2)(h)

- **Demonstration/pilot projects**, including the “Low-impact development and Built Green demonstration project overlay” (KCC 21A.55.060), provisions for sustainable communities and housing development (KCC 21A.55.101), and alternative housing demonstration projects (KCC 21A.55.125), which account for waivers to regulations for development projects that work to achieve certain goals, including housing affordability.
- **Linkage fees** on commercial space to be used to pay for the development of affordable housing, which would be implemented on a price per square footage basis. Seattle currently has a linkage fee structure which charges up to \$17.50 per square foot on leasable commercial square footage to pay for affordable housing projects.⁴

⁴ Seattle City Code, Chapter 23.58B.

https://library.municode.com/wa/seattle/codes/municipal_code/281112?nodeId=TIT23LAUSCO_SUBTITLE_III_LAUSRE_CH23_58BAFH_OIMMIPR_CODE

3. Scenarios and Inputs

Given the process and assumptions outlined above, nine prototype scenarios were developed for each of the study areas, based on example data collected for sites in each location. For simplicity, these prototypes are all scaled to one acre.

Given the study area and the goals of this review, the primary focus of the analysis is on rental housing targeted to 50% AMI and below. Additionally, while the general impacts of both TDR and RDI are examined here, we examine up to a 50% density benefit through these programs to identify the likely benefits that can be derived from affordable housing bonuses under the RDI program..

Scenario parameters were based on three major characteristics:

- **Market conditions** in each study area, including both residential and commercial rents as well as the prices of available land.
- **Zoning and development regulations** for each zone, including maximum height and lot coverage requirements, as well as additional height and density allowed by providing affordable units or purchasing development rights through the King County TDR program.
- **Full build-out versus cost efficiency**, specifically what building type is used and whether full building capacity is used for development. In some cases, development which does not use the entire capacity of the site may be less expensive and more feasible.

Zoning and development characteristics are provided in Exhibit 3, which include:

- The **number of floors** in the development based on building height. This includes the base allowed without any additional incentives (denoted as “base”), as well as the maximum allowed with TDRs or RDIs (listed as “max”).
- The **lot coverage** for all impervious surfaces, including buildings and surface parking.
- The **density of development** allowed, including the base allowed as-of-right and the maximum allowed through RDIs alone.

Market conditions are included in Exhibit 4, which provides:

- The **net area** of all rental units by bedrooms.
- The **market rent** for these units by unit or square foot per month, including commercial space.

Affordable rents by Area Median Income in King and Snohomish Counties are given in Exhibits 5 and 6. These values are calculated by the US Department of Housing and Urban Development, and are used as thresholds for affordable housing programs. Exhibit 5 provides information about yearly household incomes by household size that provide the breakpoints for the different affordability categories used in this analysis. These values are used to calculate the affordable rents for each of these categories, assuming 30% of income spent on rent, and an average occupancy of 1.5 persons per bedroom for a housing unit.

Exhibit 7 includes land and improvement costs for representative properties in North Highline and Skyway-West Hill, based on current assessed value. Exhibit 8 provides the distribution of units between different unit sizes by bedroom (e.g., studio, 1-bedroom) by zone.

Exhibit 3. Scenario site regulations, North Highline and Skyway-West Hill.

Scenario	Floors		Lot Coverage	Density (units/acre)	
	Base	Max		Base	Max
Maximization of site envelope					
R-6 (wood frame)	3	4	70%	6	9
R-12 (wood frame)	5	5	85%	12	18
R-24 (podium)	5	7	85%	24	36
R-48 (podium)	5	7	90%	48	72
CB (internal parking only)	5	6	85%	48	72
Minimization of costs					
R-6 (townhomes)	2	2	70%	6	9
R-24 (wood frame)	5	5	85%	24	36
R-48 (wood frame)	5	5	90%	48	72
CB (external parking allowed)	5	6	85%	48	72

Exhibit 4. Scenario market rents and net housing unit area, North Highline and Skyway-West Hill.

Unit type	Net Area	Market Rent	
		North Highline	Skyway-West Hill
Studio	550	\$1,540	\$1,430
1 bedroom	750	\$1,950	\$1,800
2 bedrooms	1,000	\$2,400	\$2,200
3 bedrooms	1,250	\$2,500	\$2,375
Office/Commercial	-	\$2.20/SF	\$2.30/SF
Retail/Commercial	-	\$2.20/SF	\$2.30/SF
Restaurant/Commercial	-	\$2.20/SF	\$2.30/SF

Exhibit 5. 2019 HUD low income housing thresholds by household size, King and Snohomish Counties, WA.

Household Size	Household Income Thresholds			
	Extremely Low Income (30% AMI)	Very Low Income (50% AMI)	Low Income (80% AMI)	Moderate Income (100% AMI)
1 person	\$23,250	\$38,750	\$61,800	\$77,500
2 people	\$26,600	\$44,300	\$70,600	\$88,550
3 people	\$29,900	\$49,850	\$79,450	\$99,650
4 people	\$33,200	\$55,350	\$88,250	\$110,700
5 people	\$35,900	\$59,800	\$95,350	\$119,550
6 people	\$38,550	\$64,250	\$102,400	\$128,400
7 people	\$41,200	\$68,650	\$109,450	\$137,250
8 people	\$43,850	\$73,100	\$116,500	\$146,100

Source: US Department of Housing and Urban Development, 2019.

Exhibit 6. 2019 HUD affordable rents by unit size, King and Snohomish Counties, WA.

Household Size	Household Income Thresholds			
	Extremely Low Income (30% AMI)	Very Low Income (50% AMI)	Low Income (80% AMI)	Moderate Income (100% AMI)
Studio	\$581	\$968	\$1,545	\$1,938
1 bedroom	\$706	\$1,176	\$1,876	\$2,353
2 bedrooms	\$748	\$1,246	\$1,986	\$2,491
3 bedrooms	\$864	\$1,439	\$2,295	\$2,878
4 bedrooms	\$964	\$1,606	\$2,560	\$3,210
5 bedrooms	\$1,063	\$1,772	\$2,824	\$3,542

Source: US Department of Housing and Urban Development, 2019.

Exhibit 7. Average land and improvement costs for land purchases per acre, study areas.

Scenario	North Highline		Skyway-West Hill	
	Land	Improvements	Land	Improvements
R-6	\$750,000	\$1,400,000	\$1,100,000	\$1,400,000
R-12	\$750,000	\$1,400,000	\$1,100,000	\$1,400,000
R-24	\$900,000	\$1,500,000	\$600,000	\$700,000
R-48	\$1,100,000	\$1,600,000	\$600,000	\$700,000
CB	\$1,200,000	\$600,000	\$800,000	\$500,000

Source: King County Assessor, 2019.

Exhibit 8. Residential unit mix by scenario.

Unit type	Unit mix	
	R-6 (townhomes)	All others
Studio	0	40%
1 bedroom	0	40%
2 bedrooms	50%	15%
3 bedrooms	50%	5%

4. Findings

Our primary findings from the analysis for Skyway-West Hill and North Highline are as follows:

- **Current market conditions suggest most development types are not feasible for new market-rate development.** Under the assumptions of market conditions used for this analysis, market-rate units were largely not feasible for new development. This is due to a range of factors, primarily with existing land prices and available rent levels. High-density residential development in R-48 zones in both communities are the closest to feasibility, approaching about a 7–8% rate of return in our model.
- **Existing incentives do not provide enough benefits to create affordable units in market-rate development on properties with existing development.** From the analysis conducted, the incentives that currently exist for creating affordable housing in new market-rate buildings are not high enough to incentivize the inclusion of these affordable units on most of the properties in these areas. There are cases where these projects can become more feasible when net densities are lower, such as with R-6 and R-12 districts, but the market-rate developments that are more likely to be feasible under market-rate conditions will not likely have significant returns through these incentives under current conditions.
- **Increases in rent for new developments would increase the likelihood of redevelopment but risk losing naturally occurring affordable housing.** From the model results, increases in local rents of around 10% will be enough to spur certain types of market-rate development in R-48 districts, with development in R-24 and CB districts requiring another 10–25% increase to become feasible. However, in addition to the concerns noted above that affordable units are not incentivized enough for their inclusion, this upward pressure on rents would provide additional burdens on local households, reducing affordability.
- **Additional subsidies and incentives will be required to achieve housing affordability goals.** Given these findings, significant subsidies or additional incentives would be required to address the gap in feasibility to get affordable units constructed. Without addressing these deficiencies, there is a significant risk that affordability for low-income households will decline, and new development will not address the needs of these households.

BASE CONDITIONS

The results from pro forma analyses for base as-of-right development and development under TDRs and RDIs are provided in the following graphs:

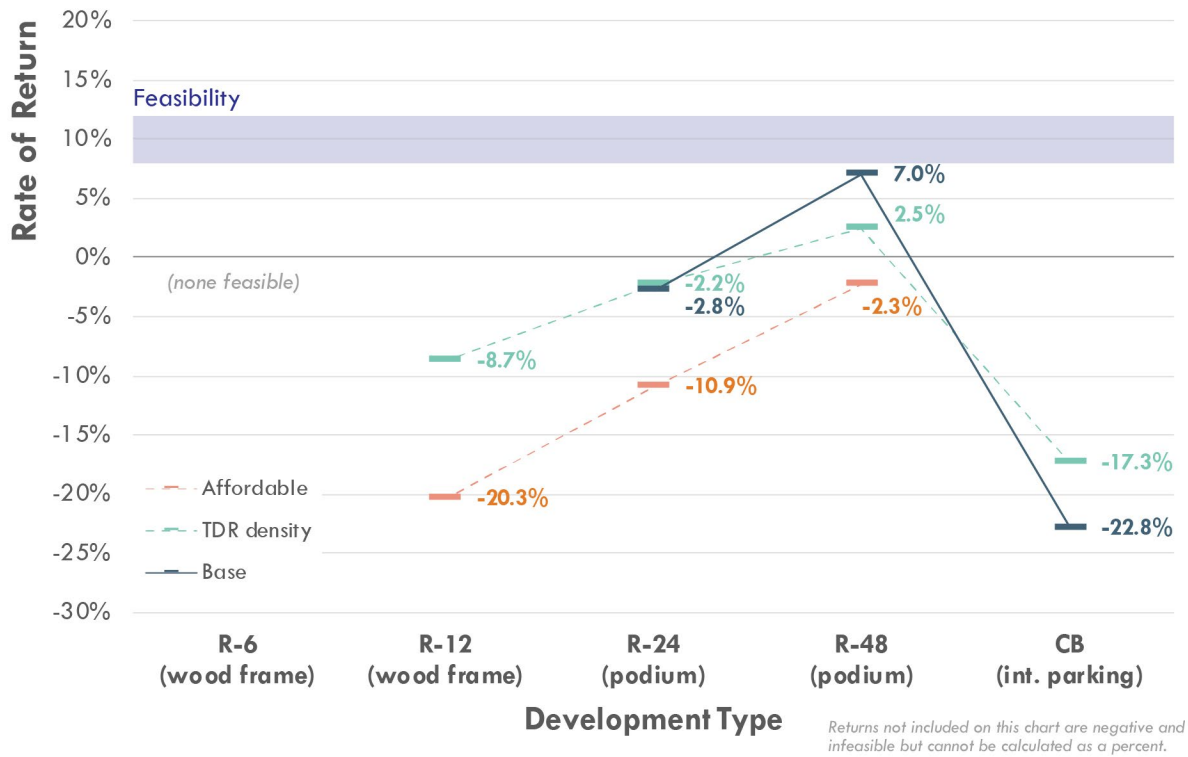
- **North Highline.** Exhibit 9 provides results from development in North Highline maximizing height and building envelopes while using maximum available RDI bonuses or comparable TDR credits, while Exhibit 10 presents alternate building envelopes in this area that maximize likely returns under the bonusing that can be received from TDRs or RDIs.
- **Skyway-West Hill.** For Skyway-West Hill, Exhibit 11 shows development maximizing height and building envelopes under base conditions and bonusing, while Exhibit 12 provides for lower building heights and less expensive building formats as with North Highline above.

In these charts, feasibility is shown as a band representing between an 8 and 12% rate of return for a real estate development project. This indicates the general threshold where these investments are assumed feasible; although there is no specific measure for feasibility, this frames the general risk-adjusted return usually seen in the market for these investments.

Under current zoning and assumptions about development costs, these results show the following:

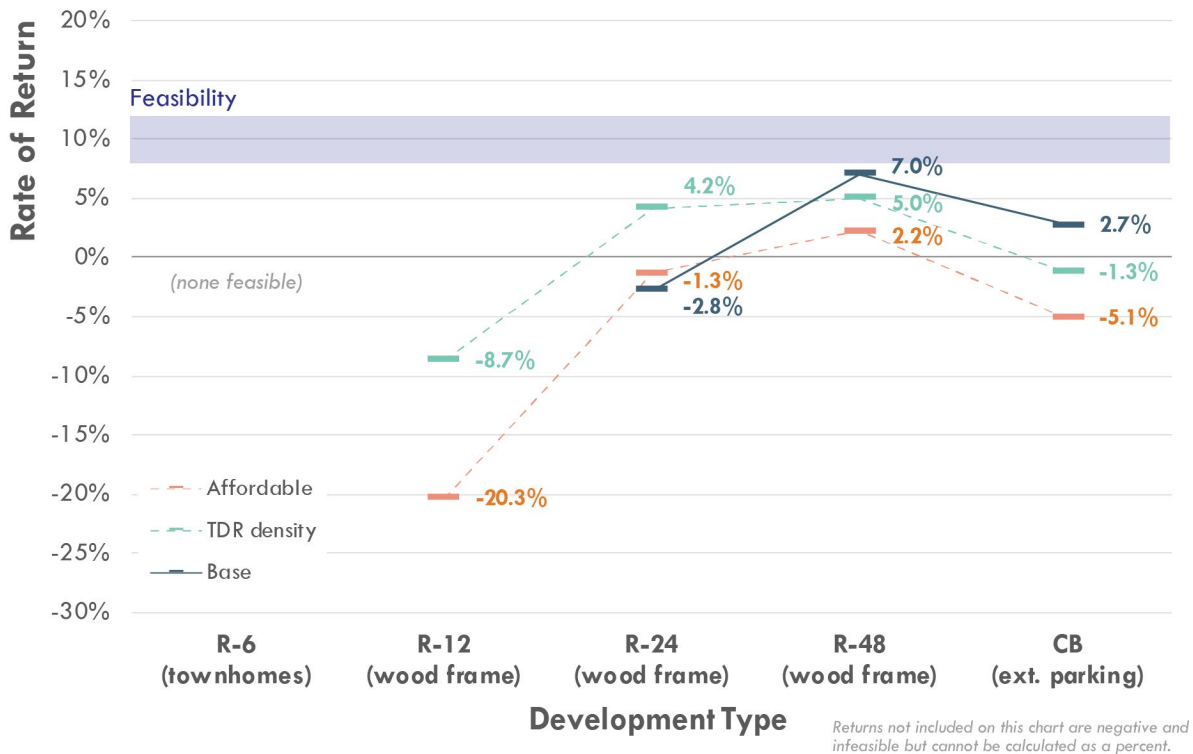
- **As-of-right development in lower-density areas are not feasible on developed property.** Under the base scenarios, development in R-6 and R-12 zones are completely infeasible under these scenarios, and positive returns are only found with more dense development types (R-24, R-48, and CB zones). Generally, this is consistent with evidence on the ground, with limited recent development in both neighborhoods aside from market-rate infill development (mostly single-family residential homes) and non-profit/not-for-profit single-family and multifamily development, all on vacant parcels with lower property values (see Exhibits 13 and 14).
- **Under current conditions, ideal densities appear to be around 60 units per acre given thresholds where underground parking would be required.** Given our assumptions, base development maximized for R-48 zones has a 7% rate of return in North Highline, and an 8% return in Skyway-West Hill. Although this is a positive return, developments of around 60 units per acre in these areas could approach feasibility for wood frame construction. In this scenario, wood frame construction at 60 units per acre with no other requirements provides returns of around 9% for both areas.
- **Use of a transfer of development rights under current assumptions can maximize returns in certain situations.** The figures below highlight that a transfer of development rights can be effective in certain situations. For these scenarios, the maximum use of TDRs appears to have the greatest effect in R-24 zones for wood frame construction, and in both North Highline and Skyway-West Hill, this can add a substantive amount to returns (assuming availability and a price of \$10,000 per additional unit). In the case of R-48 zoning, the use of credits to boost development returns by 10–12 units per acre can increase returns by about 1 percentage point in each scenario.
- **Density bonuses from affordable housing do not provide for greater feasibility.** In all the scenarios examined, the additional density provided from the inclusion of affordable housing decreases the feasibility of development. This suggests that at the current market rents assumed in these scenarios, bonus units do not provide enough incentive to incorporate affordable units into a new development project.

Exhibit 9. North Highline pro forma results, base and affordable scenarios, maximization of envelope.



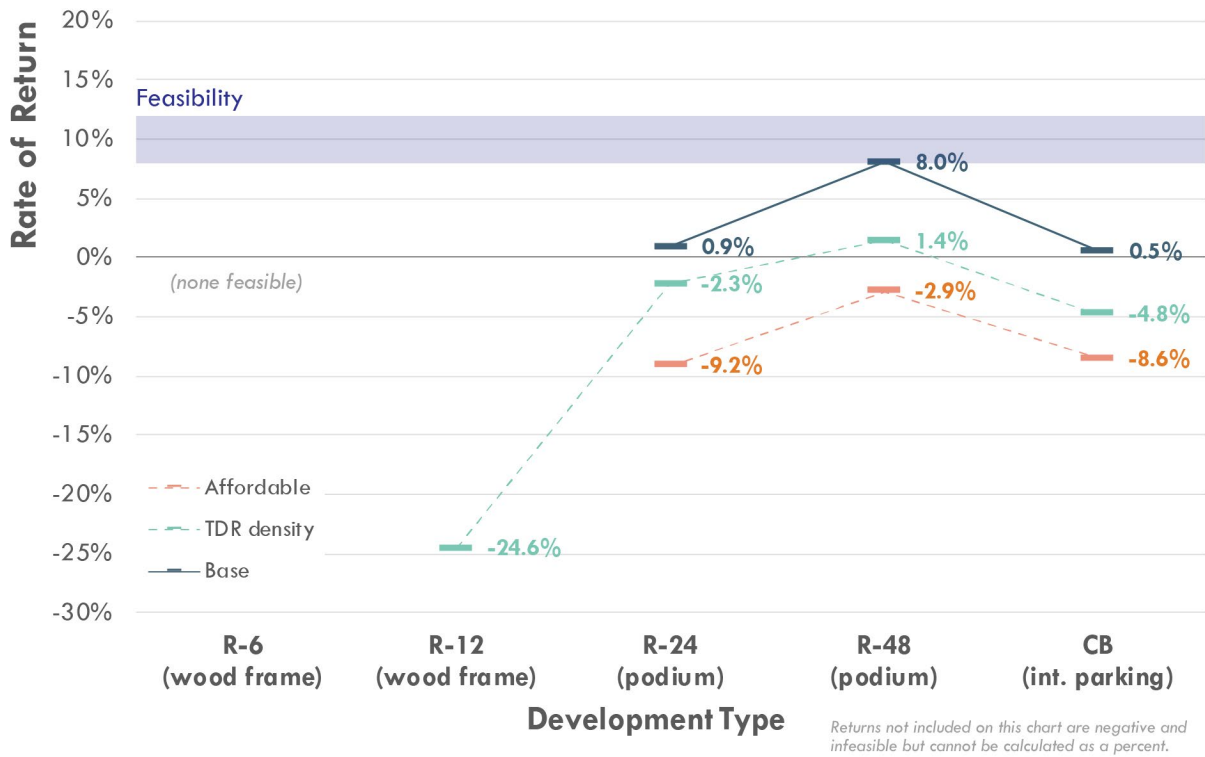
Source: BERK, 2020.

Exhibit 10. North Highline pro forma results, base and affordable scenarios, minimization of costs.



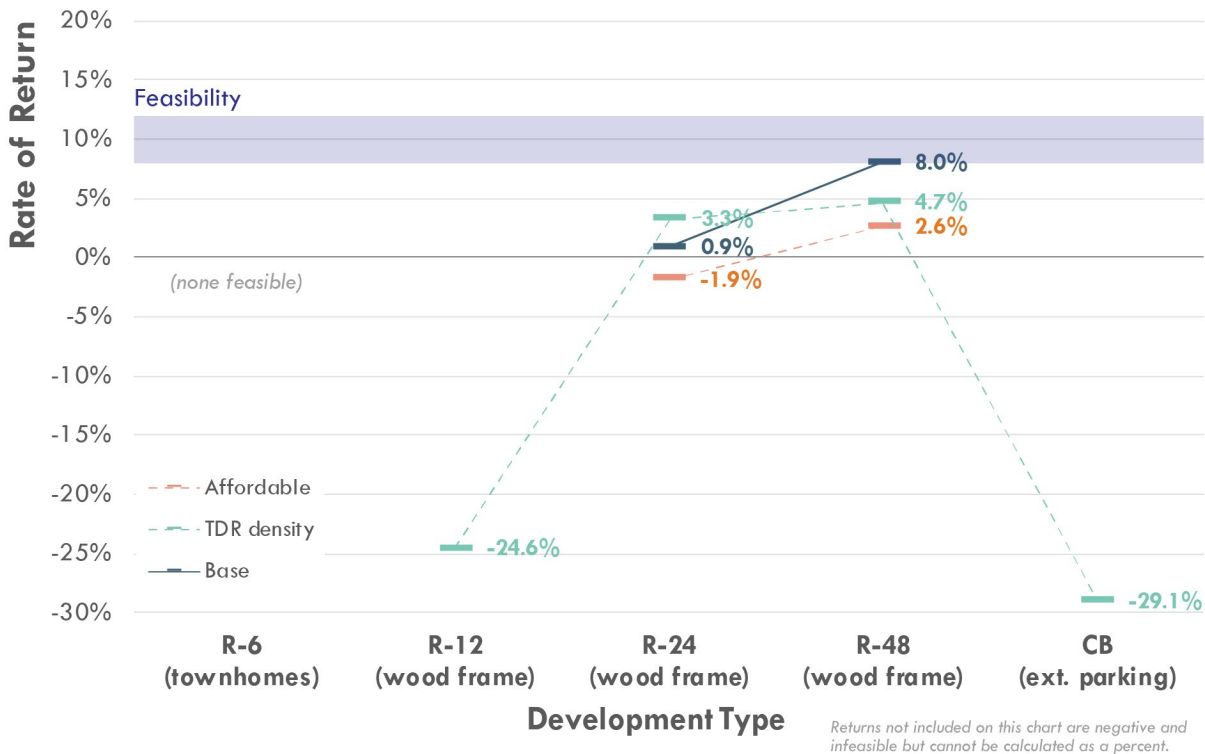
Source: BERK, 2020.

Exhibit 11. Skyway-West Hill pro forma results, base and affordable scenarios, maximization of envelope.



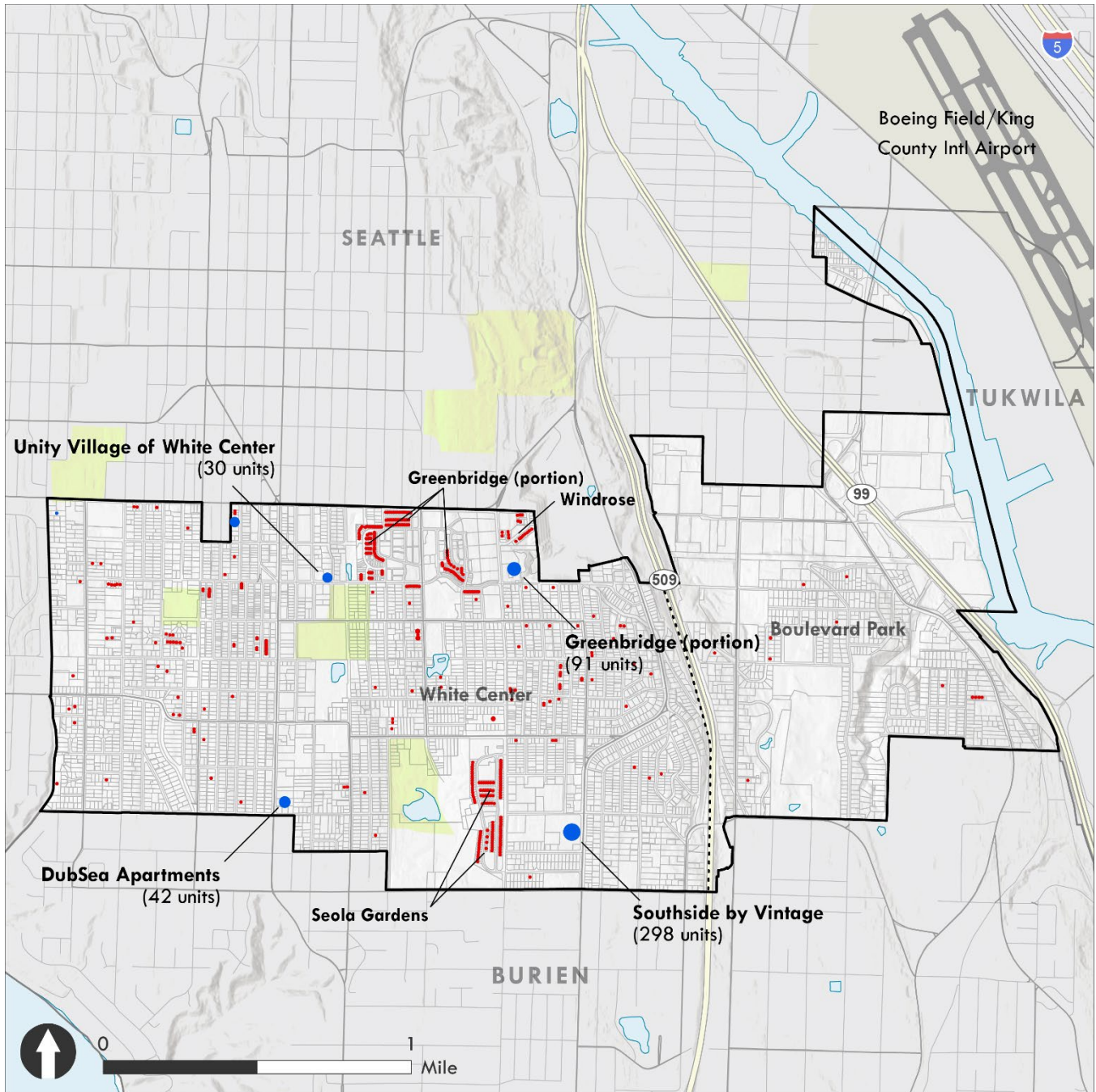
Source: BERK, 2020.

Exhibit 12. Skyway-West Hill pro forma results, base and affordable scenarios, minimization of costs.



Source: BERK, 2020.

Exhibit 13. Residential construction since 2010, North Highline.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 2010–present

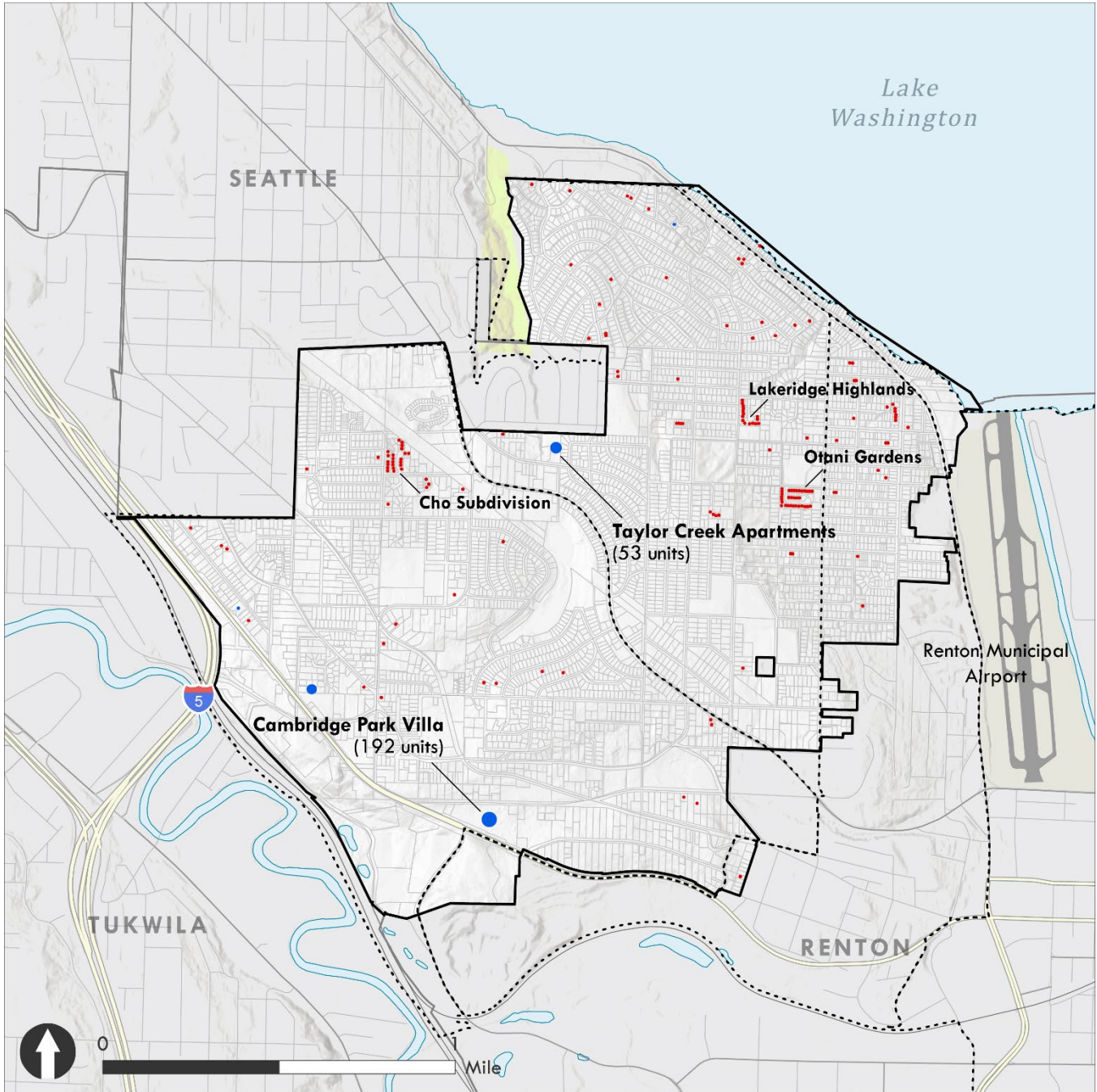
- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

- Unit Types**
- Single-unit (Single-family residential)
 - Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 14. Residential construction since 2010, Skyway-West Hill.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 2010–present

- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

Unit Types

- Single-unit (Single-family residential)
- Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

IMPACTS OF RENT CHANGES

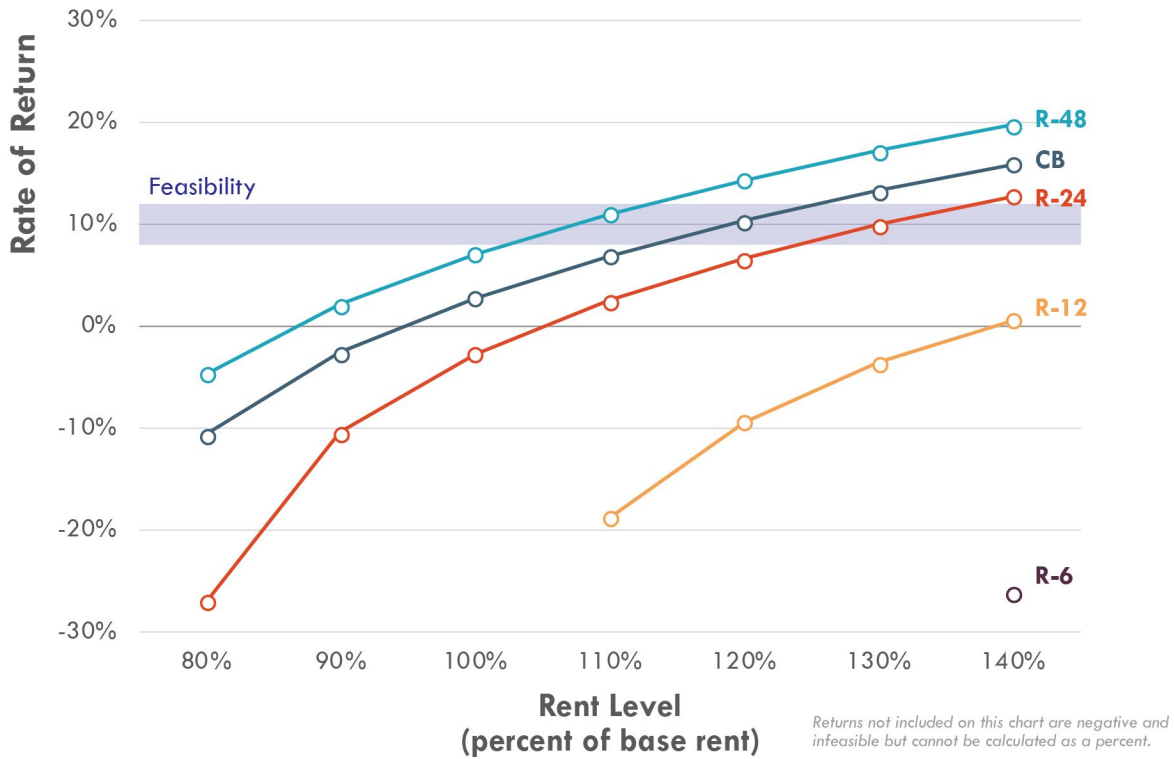
Exhibits 15–18 provide information on how changes in local market rents from the assumptions provided would impact the feasibility of new development on the site. For both North Highline and Skyway-West Hill, we provide a range of scales for market rents to evaluate their effects on development feasibility. This is varied in two different ways:

- Each chart provides feasibility for the different King County **zoning districts**, assuming the lowest-cost types of development. Additionally, the affordable charts also include development of the R-48 zones to around 60 units per acre, generally the maximum amount allowed without underground parking.
- There are also charts provided for **all market-rate units versus affordable units** aligned with the RDIs provided by zoning district.

These graphs highlight the following:

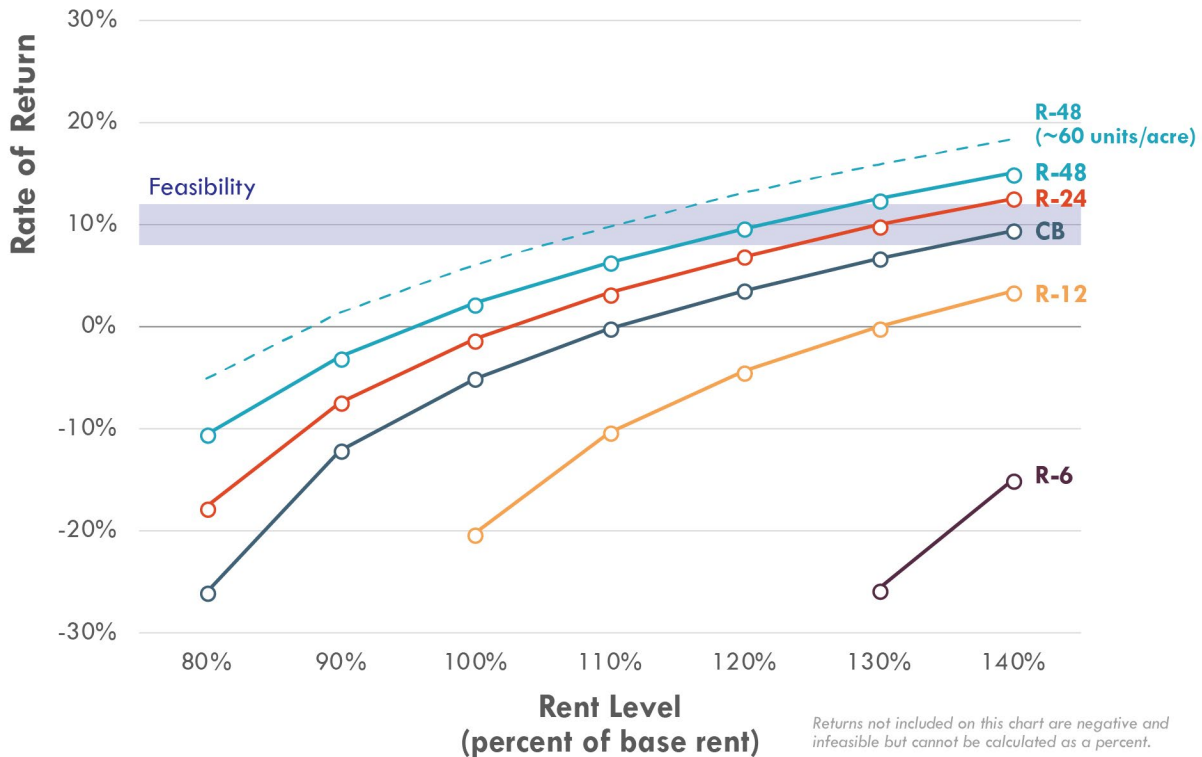
- **Even at higher rents, R-6 and R-12 zones are not feasible for new multifamily rental development.** The price of land in the area means that areas zoned for lower-density, such as R-6 and R-12 areas, will not be feasible under the parameters of the model under any circumstances. Redevelopment of these lots for new housing could be possible for significantly larger owner-occupied homes, but this would require significant markups on price beyond what is discussed here.
- **Zones allowing higher-density multifamily may be feasible with possible future increases in rents.** Exhibits 15 and 17 show the feasibility of market-rate housing for North Highline and Skyway-West Hill respectively. From these charts, as-of-right market-rate development would appear to be feasible for the R-48 district with only a nominal increase in rents in both neighborhoods. For the CB and R-24 districts, this would require about another 15–25% increase in rents to achieve feasibility.
- **The benefits from incentives are not high enough to include affordable units in market-rate developments.** For the three higher-density zoning districts (CB, R-48, and R-24), market-rate developments generally provide the same if not better returns than units under Residential Density Incentives. While the CB zone has a distinct fall in feasibility when affordable units are included, Exhibits 19 and 20 provide comparisons between development in the R-24 and R-48 zones for North Highline and Skyway-West Hill respectively. These show that under these assumptions and without other sources of support, feasible real estate development projects under higher rents with affordable units will be less feasible than others with market-rate units alone.

Exhibit 15. Sensitivity of development feasibility to rents, North Highline, market-rate units only.



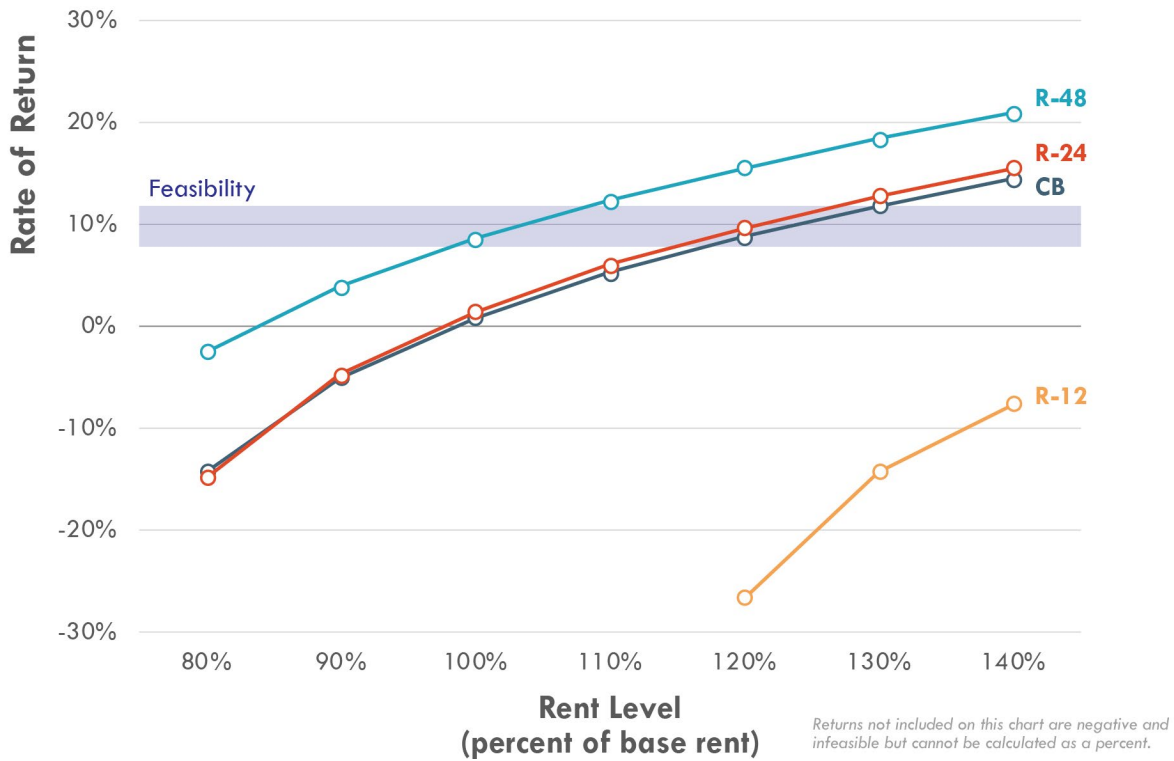
Source: BERK, 2020.

Exhibit 16. Sensitivity of development feasibility to rents, North Highline, market-rate + affordable units.



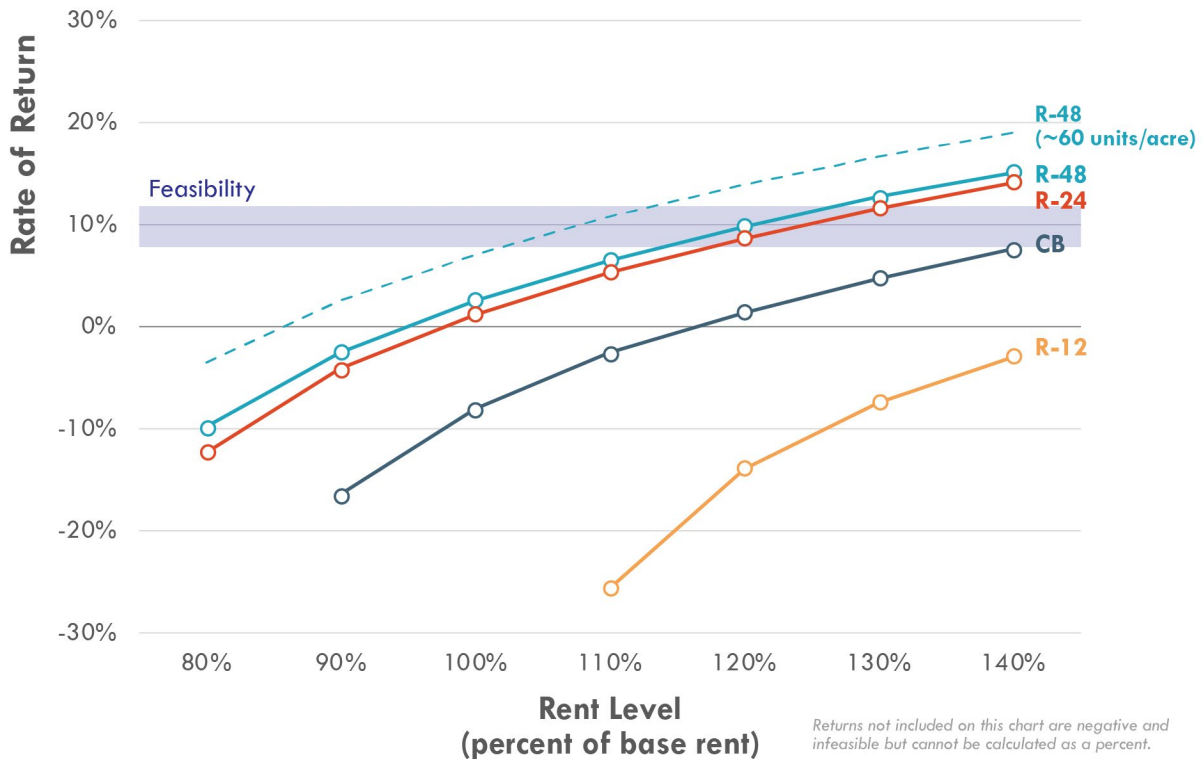
Source: BERK, 2020.

Exhibit 17. Sensitivity of development feasibility to rents, Skyway-West Hill, market-rate units only.



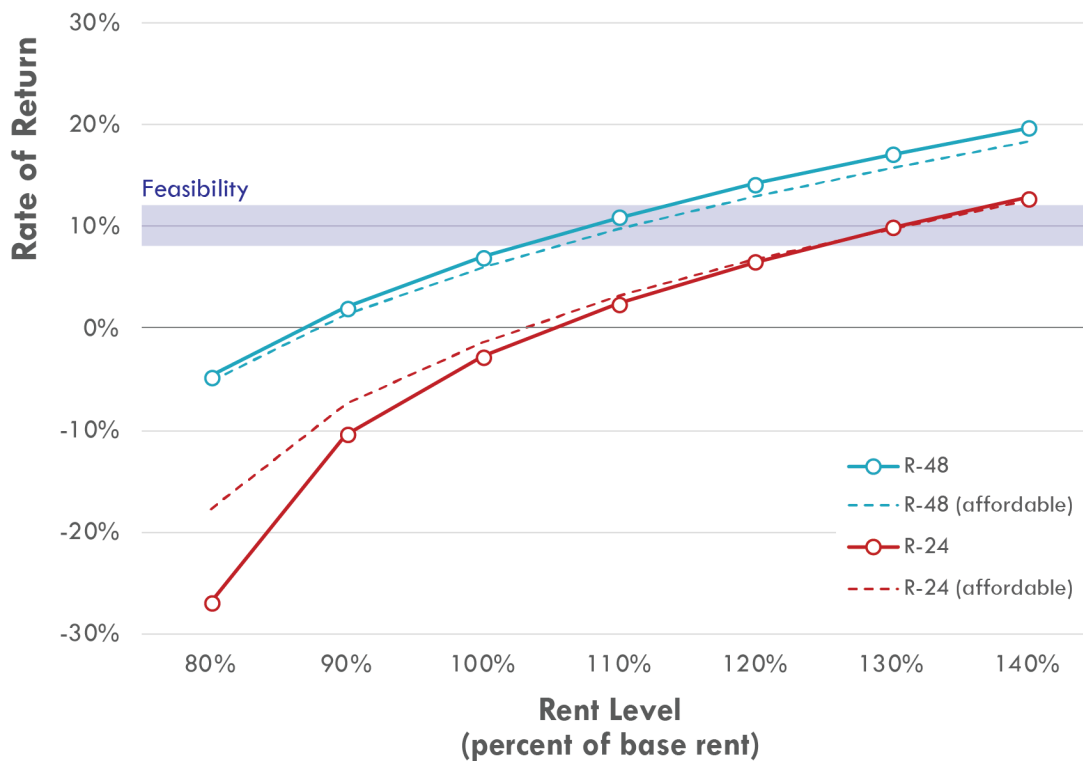
Source: BERK, 2020.

Exhibit 18. Sensitivity of development feasibility to rents, Skyway-West Hill, market-rate + affordable units.



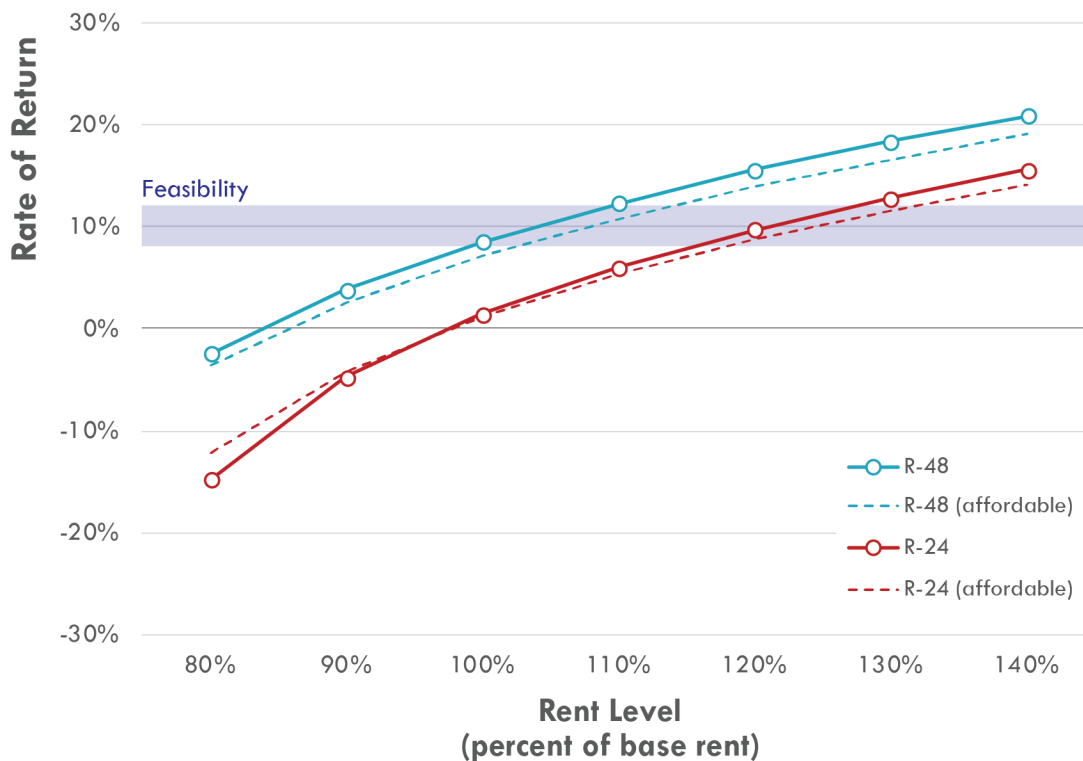
Source: BERK, 2020.

Exhibit 19. Comparison of market-rate and market + affordable development feasibility, North Highline.



Source: BERK, 2020.

Exhibit 20. Comparison of market-rate and market + affordable development feasibility, Skyway-West Hill.



Source: BERK, 2020.

ALTERNATE UNIT MIXES

Exhibits 21–24 provide details about how feasibility changes with the mix of units in prototype examples with increased densities from RDIs. This analysis includes three scenarios for each study area:

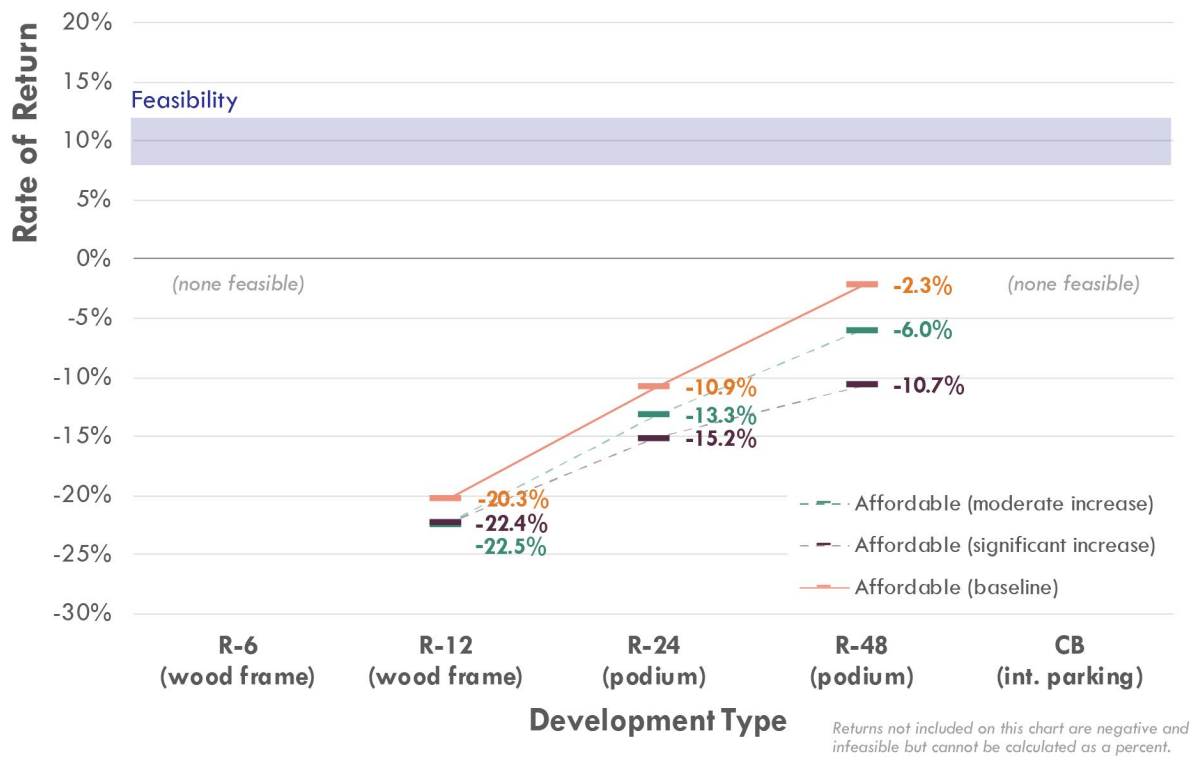
- The **baseline** unit mix, with 40% studio, 40% 1-bedroom, 15% 2-bedroom, and 5% 3-bedroom units.
- A **moderate increase** to family units, with 30% studio, 30% 1-bedroom, 25% 2-bedroom, and 15% 3-bedroom units.
- A **significant increase** to family units, with 20% studio, 20% 1-bedroom, 35% 2-bedroom, and 25% 3-bedroom units.

The graphs include the following:

- **North Highline.** Exhibit 21 provides results for North Highline that maximizes height and building envelopes for the baseline and moderate and significant increases to family units. As above, Exhibit 22 presents alternate building envelopes with the same analysis to minimize construction costs.
- **Skyway-West Hill.** For Skyway-West Hill, Exhibit 23 provides this assessment when maximizing height and building envelopes, while Exhibit 24 lowers heights to reduce the costs of building formats.

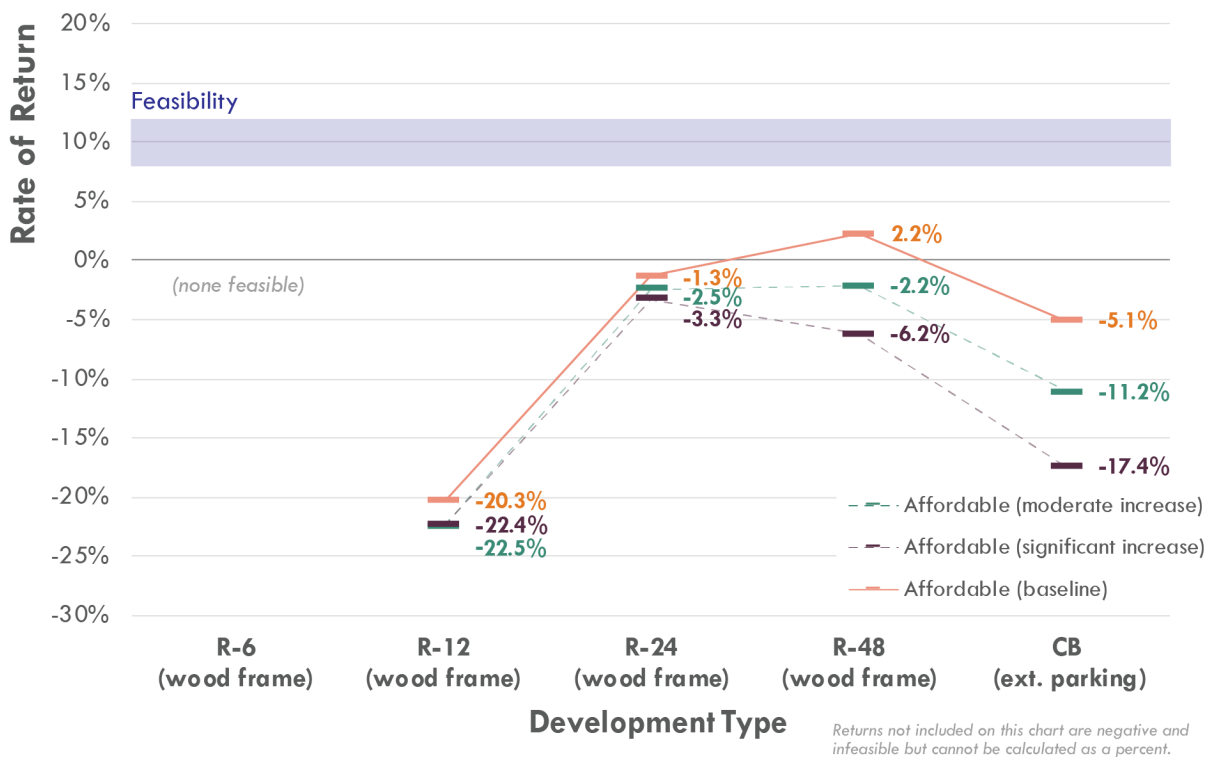
These results highlight that building formats with a greater proportion of smaller units with higher rents per square foot will increase the feasibility of the development. This presents a distinct challenge with respect to providing family-oriented rental housing, as these types of units will reduce the income received from buildings with the same envelope.

Exhibit 21. North Highline pro forma results, affordable unit mix scenarios, maximization of envelope.



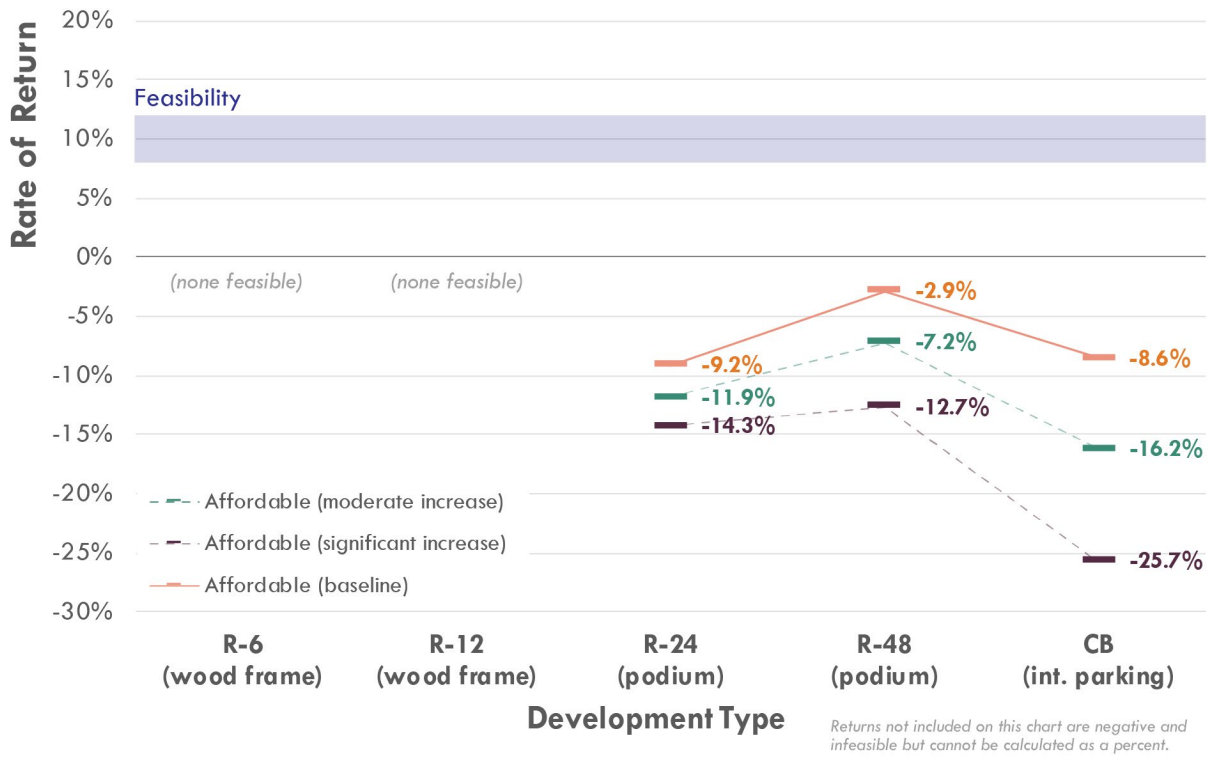
Source: BERK, 2020.

Exhibit 22. North Highline pro forma results, affordable unit mix scenarios, minimization of costs.



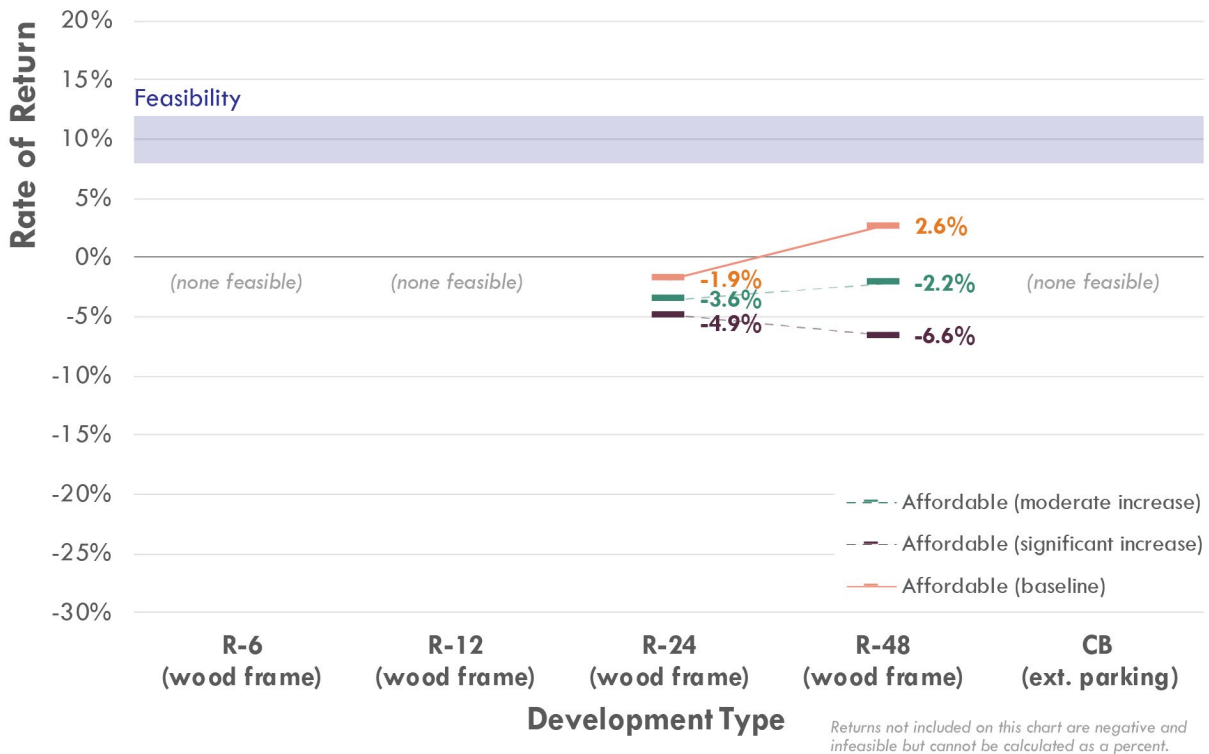
Source: BERK, 2020.

Exhibit 23. Skyway-West Hill pro forma results, affordable unit mix scenarios, maximization of envelope.



Source: BERK, 2020.

Exhibit 24. Skyway-West Hill pro forma results, affordable unit mix scenarios, minimization of costs.



Source: BERK, 2020.

IMPACTS OF INCENTIVES

Exhibits 25–28 provide graphics about how feasibility would change with additional development incentives under hypothetical developments with existing RDIs. This includes the following:

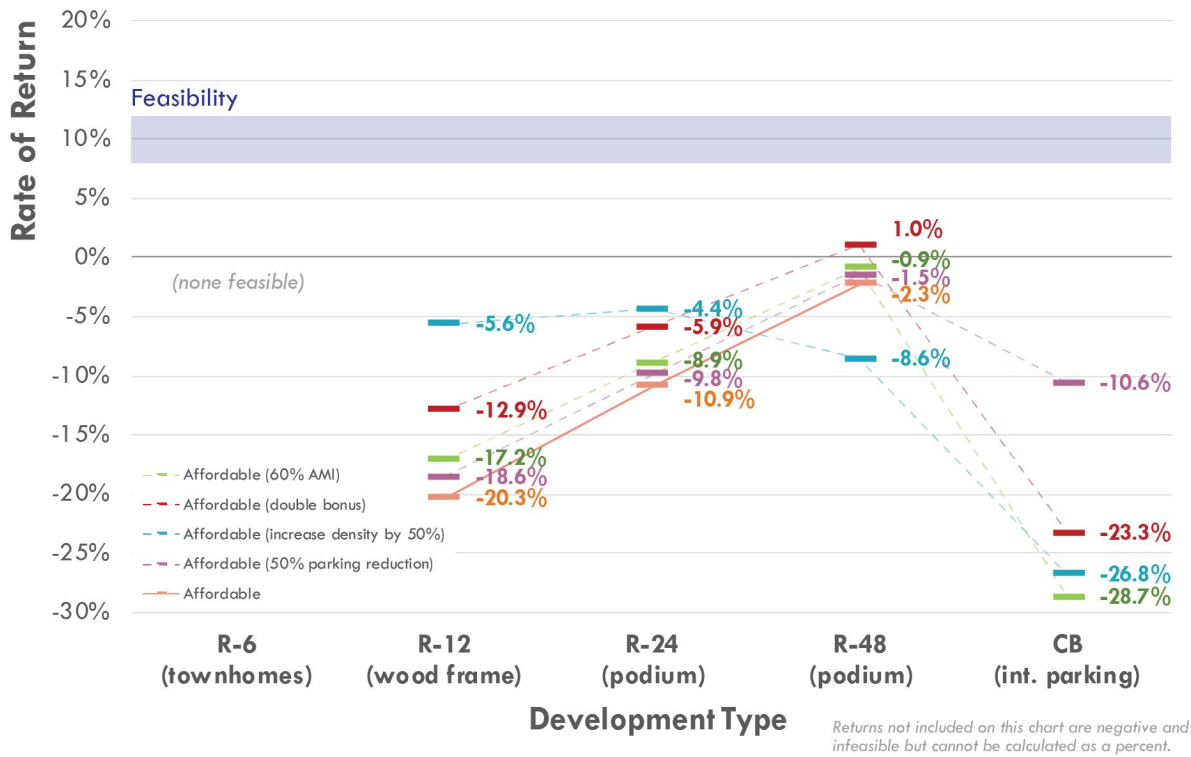
- Changing the income threshold for affordable units from 50% to 60% AMI.
- Providing double the bonus for affordable units (e.g., 3 bonus units versus 1.5 per affordable unit).
- Increasing base densities and allowable maximum densities from affordable units by 50%.
- Expanding the 50% parking reduction in an affordable building to also include market-rate units.

For North Highline, Exhibit 25 includes development under each zone that maximizes the building envelope, while Exhibit 26 examines reduced heights and construction costs. With Skyway-West Hill, Exhibit 27 provides results from maximized building envelopes, with Exhibit 28 providing information on development under lower construction costs.

These results highlight the following:

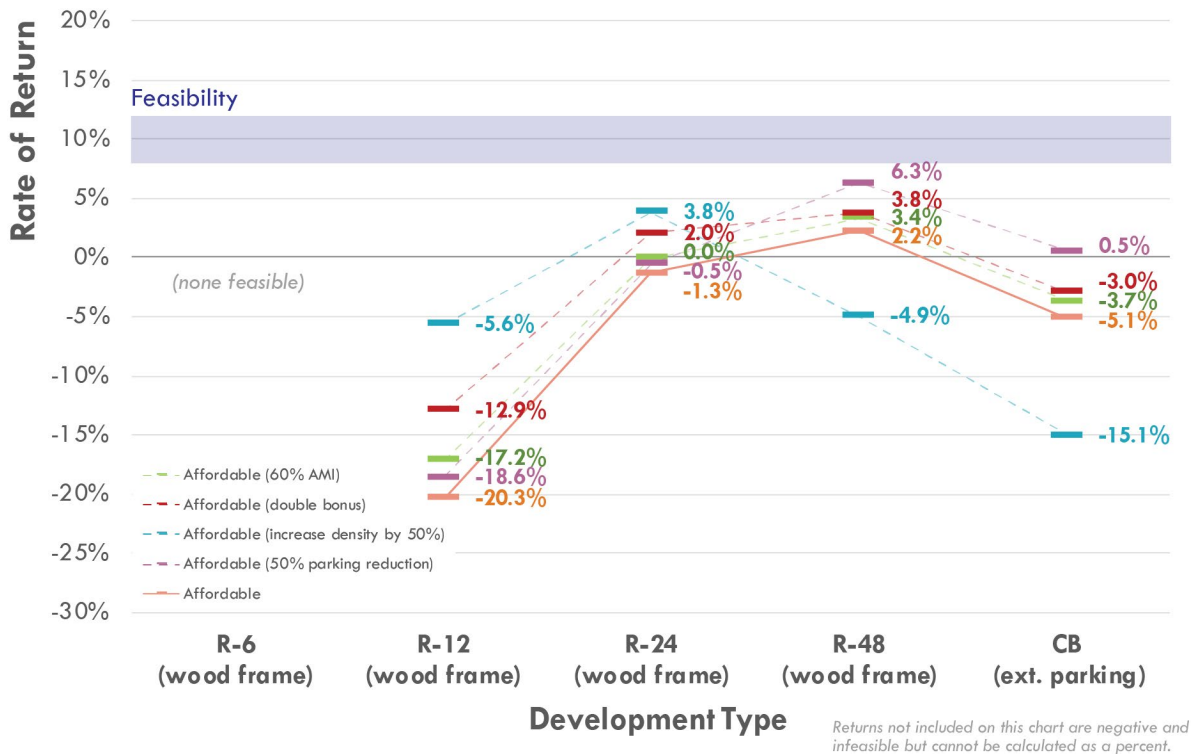
- **Density incentives are only useful until underground parking is required.** As noted above, the marginal increase in unit construction costs will increase dramatically beyond about 60 units per acre under this model due to the need for underground parking. Therefore, additional density incentives under this model will only have a positive effect up to this level. Further density to high-density sites will therefore have little effect.
- **Further parking reductions may have a substantive impact with higher allowable densities.** From the results of these scenarios, reducing parking requirements beyond just the affordable units in a building to include all units would appear to have nominal benefits at low intensities, but would have distinctly higher effects in zones allowing for greater density (and requiring underground parking). Lower parking requirements combined with higher densities could potentially provide a more significant impact to feasibility than each on their own.
- **Changing affordability requirements for bonus units will have some impact on feasibility.** As expected, reducing affordability requirements will have notable effects on feasibility, as net revenue would increase from higher rents collected. Although these changes would improve feasibility, policy goals related to providing more affordable housing as part of these developments would not be achieved. This may be a solution to explore in situations if these shifts could build units that would otherwise not be realized, but this tradeoff is beyond the capability of this model to evaluate.

Exhibit 25. North Highline pro forma results, affordable incentive scenarios, maximization of envelope.



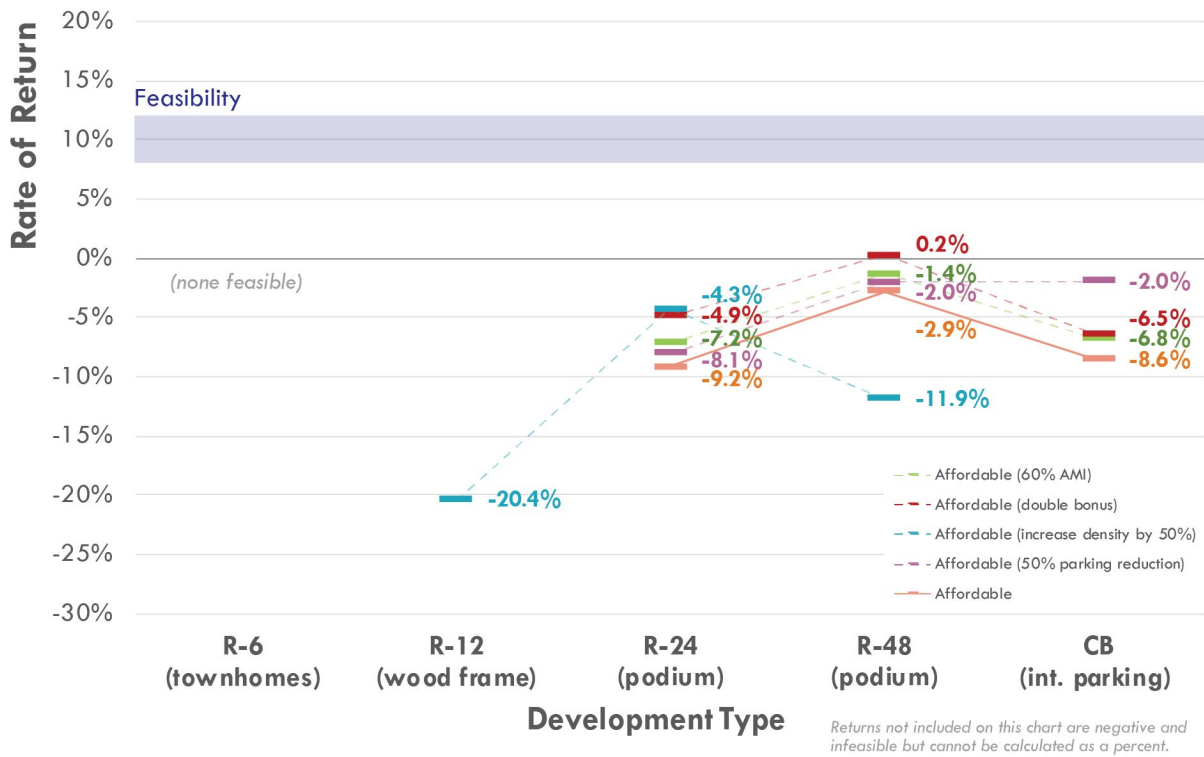
Source: BERK, 2020.

Exhibit 26. North Highline pro forma results, affordable incentive scenarios, minimization of costs.



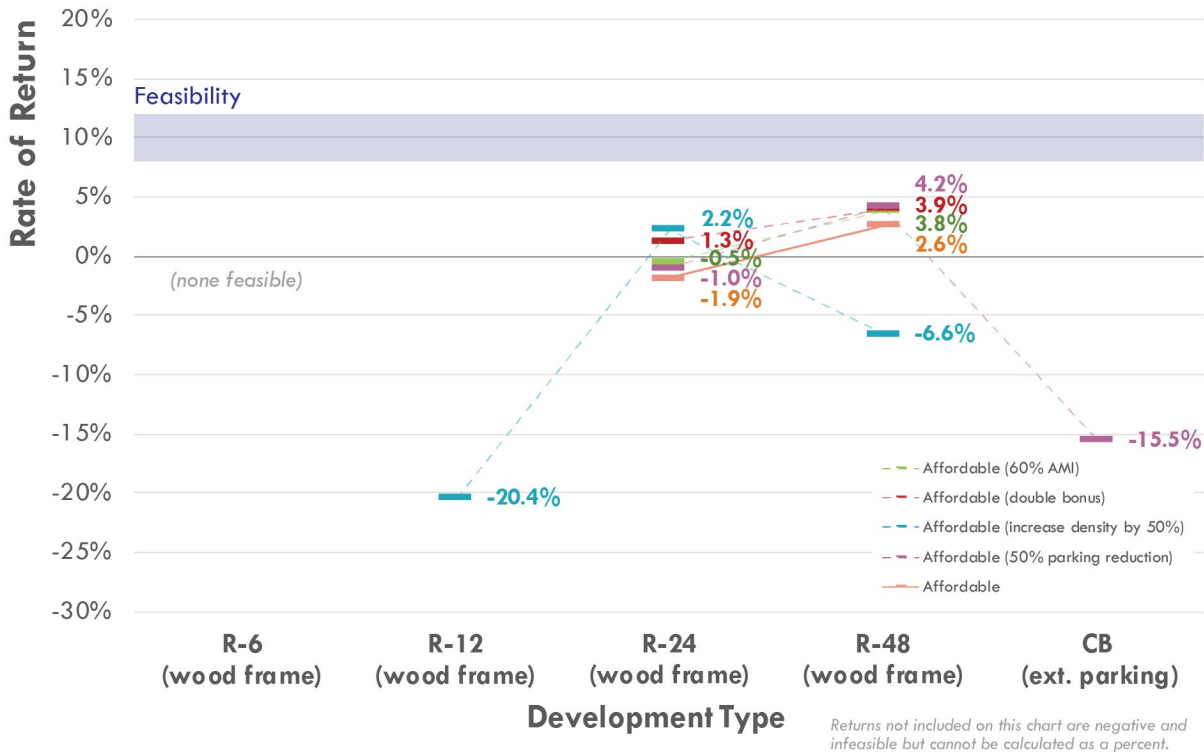
Source: BERK, 2020.

Exhibit 27. Skyway-West Hill pro forma results, affordable incentive scenarios, maximization of envelope.



Source: BERK, 2020.

Exhibit 28. Skyway-West Hill pro forma results, affordable incentive scenarios, minimization of costs.



Source: BERK, 2020.

FEES IN-LIEU

An alternative approach to achieving affordable housing goals would be to provide a charge for receiving density bonuses instead of providing the units on-site. From a policy perspective, there are different factors that may be of concern: the availability of possible development sites, the importance of including affordable units in mixed-income developments, the capacity to develop the units themselves, and so forth.

While some of these questions are outside of the scope of this report, understanding the potential value of density increases can be an important guide in setting in-lieu payments. A threshold for the use of these fees is generally the amount of private benefit received from the density bonus.

Multifamily Development

For multifamily rental housing development, we evaluate this by comparing three different types of real estate development projects for each zone:

- Current as-of-right development without any bonusing.
- As-of-right development plus bonusing, with all units at market rate.
- As-of-right development with the current Residential Density Incentives for affordable units, including density bonuses.

For each of these developments, their net present value is evaluated, assuming a 12% rate of return for feasibility. Note that because projects that receive bonusing in the same zone may be bigger and more expensive, some comparisons may indicate that net present value declines while the rate of return increases.

The summary tables in Exhibits 29–32 provide the following details:

- The net present value and rate of return of the prototype development in the zone with no bonusing
- The total value change for the development with bonusing and with RDIs and affordable units
- The value change per affordable unit with bonusing and with RDIs and affordable units

Results are shown for North Highline (Exhibits 29 and 30) and Skyway-West Hill (Exhibits 31 and Exhibit 32), and show two scenarios:

- The change in value with density bonuses and RDIs under current rents assumed in this analysis.
- The change in value in a case where rents increase by 20%.

Exhibit 29. Effects of density bonuses and existing RDIs at current rents, North Highline.

Zone	Base Conditions		Value Change		Value Change per Affordable Unit	
	Net Present Value	Return	Density Bonus	Bonus with Affordable Units	Density Bonus	Bonus with Affordable Units
R-6	(\$1,985,350)	*	\$46,490	(\$72,966)	\$23,245	(\$36,483)
R-12	(\$1,791,174)	*	\$77,352	(\$161,073)	\$19,338	(\$40,268)
R-24	(\$1,646,740)	-2.8%	\$145,587	(\$346,366)	\$18,198	(\$43,296)
R-48	(\$1,164,078)	7.0%	\$104,172	(\$416,022)	\$13,021	(\$52,003)
CB	(\$1,932,339)	4.2%	(\$88,399)	(\$326,863)	(\$22,100)	(\$81,716)

* Not able to be calculated (infeasible)

Source: BERK, 2020.

Exhibit 30. Effects of density bonuses and existing RDIs with 20% rent increase, North Highline.

Zone	Base Conditions		Value Change		Value Change per Affordable Unit	
	Net Present Value	Return	Density Bonus	Bonus with Affordable Units	Density Bonus	Bonus with Affordable Units
R-6	(\$1,767,018)	*	\$145,694	(\$35,096)	\$72,847	(\$17,548)
R-12	(\$1,349,329)	-9.4%	\$279,555	(\$74,690)	\$69,889	(\$18,672)
R-24	(\$761,065)	6.5%	\$549,319	(\$181,742)	\$68,665	(\$22,718)
R-48	\$624,350	14.3%	\$467,842	(\$298,263)	\$58,480	(\$37,283)
CB	(\$143,911)	11.5%	\$66,939	(\$287,345)	\$16,735	(\$71,836)

* Not able to be calculated (infeasible)

Source: BERK, 2020.

Exhibit 31. Effects of density bonuses and existing RDIs at current rents, Skyway-West Hill.

Zone	Base Conditions		Value Change		Value Change per Affordable Unit	
	Net Present Value	Return	Density Bonus	Bonus with Affordable Units	Density Bonus	Bonus with Affordable Units
R-6	(\$2,304,781)	*	\$4,542	(\$93,290)	\$2,271	(\$46,645)
R-12	(\$2,209,282)	*	(\$14,970)	(\$210,253)	(\$3,743)	(\$52,563)
R-24	(\$1,172,289)	0.9%	(\$39,234)	(\$440,754)	(\$4,904)	(\$55,094)
R-48	(\$860,205)	8.0%	(\$62,697)	(\$489,140)	(\$7,837)	(\$61,143)
CB	(\$2,265,677)	2.0%	(\$157,047)	(\$352,369)	(\$39,262)	(\$88,092)

* Not able to be calculated (infeasible)

Source: BERK, 2020.

Exhibit 32. Effects of density bonuses and existing RDIs with 20% rent increase, Skyway-West Hill.

Zone	Base Conditions		Value Change		Value Change per Affordable Unit	
	Net Present Value	Return	Density Bonus	Bonus with Affordable Units	Density Bonus	Bonus with Affordable Units
R-6	(\$2,101,147)	*	\$91,327	(\$60,230)	\$45,664	(\$30,115)
R-12	(\$1,801,196)	-28.4%	\$171,654	(\$130,820)	\$42,914	(\$32,705)
R-24	(\$352,643)	9.3%	\$333,305	(\$289,236)	\$41,663	(\$36,155)
R-48	\$794,378	15.1%	\$272,889	(\$380,715)	\$34,111	(\$47,589)
CB	(\$611,093)	9.8%	(\$13,514)	(\$316,029)	(\$3,379)	(\$79,007)

* Not able to be calculated (infeasible)

Source: BERK, 2020.

Owner-Occupied Housing

The focus of this analysis is specifically on rental housing, in part because much of the intensification of development and net increase in housing units over the coming years will likely be in higher-density housing construction. Additionally, undeveloped and infill sites available for new lower-density housing development are limited in both study areas.

However, some lower-density projects may be located within these neighborhoods, and in exchange for increased development densities there may be the potential for drawing additional revenue through in-lieu fees. Understanding the likely value of additional density may help to guide the creation of fees at a level that does not impede new growth.

For the purposes of this analysis, we examine development that can be accommodated in R-6 zoning districts in both neighborhoods. Under this district, townhomes are allowed in these districts, with as-of-right density allowed to 6 housing units per acre.⁵ Additional density is allowed as follows:

- A density of 9 dwelling units per acre is allowed through most RDIs available.
- A density of up to 12 dwelling units per acre is allowed in the case of real estate developments that receive additional density from TDRs, developments where all units are allocated to homebuyers at 80% AMI, or cottage housing.

For this assessment, we examine two subareas in each study area:

- For North Highline, we examine development for the White Center CDP and Boulevard Park CDP.
- With Skyway-West Hill, we examine development for the Skyway and the Bryn Mawr portions of the study area.

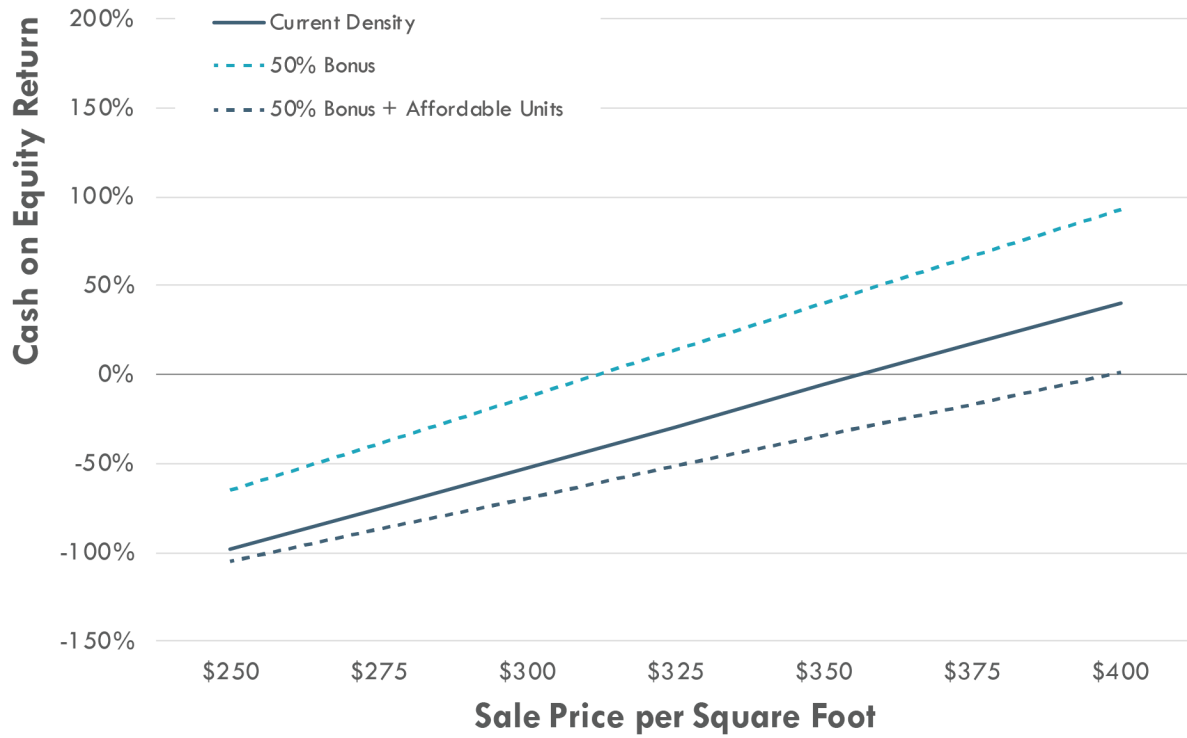
With these scenarios, we focus on the construction of 1,800 SF townhomes on a one-acre lot to the maximum density allowed. This would be 6 townhomes as-of-right, with 9 allowed with regular RDIs and 12 in cases where TDRs or specific RDIs for owner-occupied housing are used. The lack of development in some areas means that prices for new units would be a general estimate, but prices in both areas for new units such as these would generally be around \$275–325 per square foot, or around \$500,000–600,000 per unit.

For each area examined, we assess two elements:

- In Exhibits 33–36, we provide a review of cash-on-equity return by sale price per square foot for development in each of the four areas, based on average assessed land prices in the area. This includes development at different This provides a general evaluation of development feasibility versus sale prices for each location.
- For Exhibit 37, we determine the value of the additional density under current construction assumptions per affordable unit. As we assume for simplicity in this analysis that construction costs per unit stay largely the same for these developments and the price of land will be the same, the value of additional density will be the same for the same price levels in each scenario. This suggests that the proper value for in-lieu payments should be set in relation to the rents that would be feasible for development in this area.

⁵ KCC 21A.12.030.

Exhibit 33. Cash-on-equity return, R-6 townhome development under density bonuses, White Center CDP.



Source: BERK, 2020.

Exhibit 34. Cash-on-equity return, R-6 townhome development under density bonuses, Boulevard Park CDP.



Source: BERK, 2020.

Exhibit 35. Cash-on-equity return, R-6 townhome development under density bonuses, Skyway area.



Source: BERK, 2020.

Exhibit 36. Cash-on-equity return, R-6 townhome development under density bonuses, Bryn Mawr area.



Source: BERK, 2020.

Exhibit 37. Value of density bonuses by property sale price.



Source: BERK, 2020.

Discussion

These findings demonstrate the following:

- **The value of bonuses is tied to market-rate rent levels, sale prices, and construction costs.** As noted before, Exhibits 29 and 31 show that under current conditions and the assumptions in this report, market-rate development is not feasible. However, as expected, the value of density bonuses increases as the rent charged increases. For North Highline, the density bonus is worth around \$13,000 to \$23,000 for residential projects today, increasing to around \$58,000 to \$73,000 when rents increase by 20%. For Skyway-West Hill, this increases from around zero to about \$34,000 to \$46,000 with a 20% increase in rent. The final feasible value will depend strongly on current rent levels, as well as the cost of construction. A similar pattern is present with properties for sale as owner-occupied housing in these neighborhoods.
- **Higher subsidies will be necessary if on-site affordable rental housing should compete with potential in-lieu fees.** Reinforcing the findings in previous sections, even with 20% higher rents there were no cases where the changes in value under RDIs for affordable units were positive. If in-lieu fees were set at levels that would be taken up in higher-density zones, these results suggest that developers may opt to select the fee but would not likely choose to include affordable units for the density bonus. Additional incentives would be necessary to make the existing RDIs feasible and competitive in this case.
- **Possible strategies with setting in-lieu fees will depend on policy objectives.** Under the identified scenarios, some projects will likely become feasible as rents and prices increase. If mixed-income housing through on-site affordable housing would be best, in-lieu fees should be kept higher and additional incentives granted to developers to encourage the use of RDIs instead. Alternately, if the off-site provision of affordable housing would be easier, the fees could be kept slightly below the value of the density bonus as noted above, and adjusted regularly to maximize the value capture from new development. Lower in-lieu fees with existing density bonuses could be used if the overall objective would be to stimulate new development in these areas with new density.
- **Overlap with the County TDR program is essential to consider in setting in-lieu fees.** At present, the King County TDR program allows the purchase of additional density, with credits available for about \$8,000–\$14,000 per additional unit. This would mean that under the RDI program, comparable bonuses to density could be achieved for the equivalent of about \$20,000–35,000 per affordable unit with TDIs. Additionally, higher bonuses of up to 100% over the base density are possible under current development regulations.⁶ This may be limited by availability and demand, but if these prices in the exchange are maintained and enough credits exist for new development, they may be able to compete as an option for developers to gain more density and avoid contributions to affordable housing. Note that Otani Gardens in the Skyway-West Hill area is one example of an infill development project with houses for sale in the area that has already drawn additional density from the TDR program instead of RDIs.

⁶ KCC 21A.37.130.A.2.

LINKAGE FEES

Exhibits 38 and 39 highlight the effects of linkage fees on the feasibility of market-rate mixed-use development in CB zones for North Highline and Skyway-West Hill, respectively. These commercial linkage fees, charged on a per square foot of leaseable commercial area, would be devoted to supporting affordable housing projects.

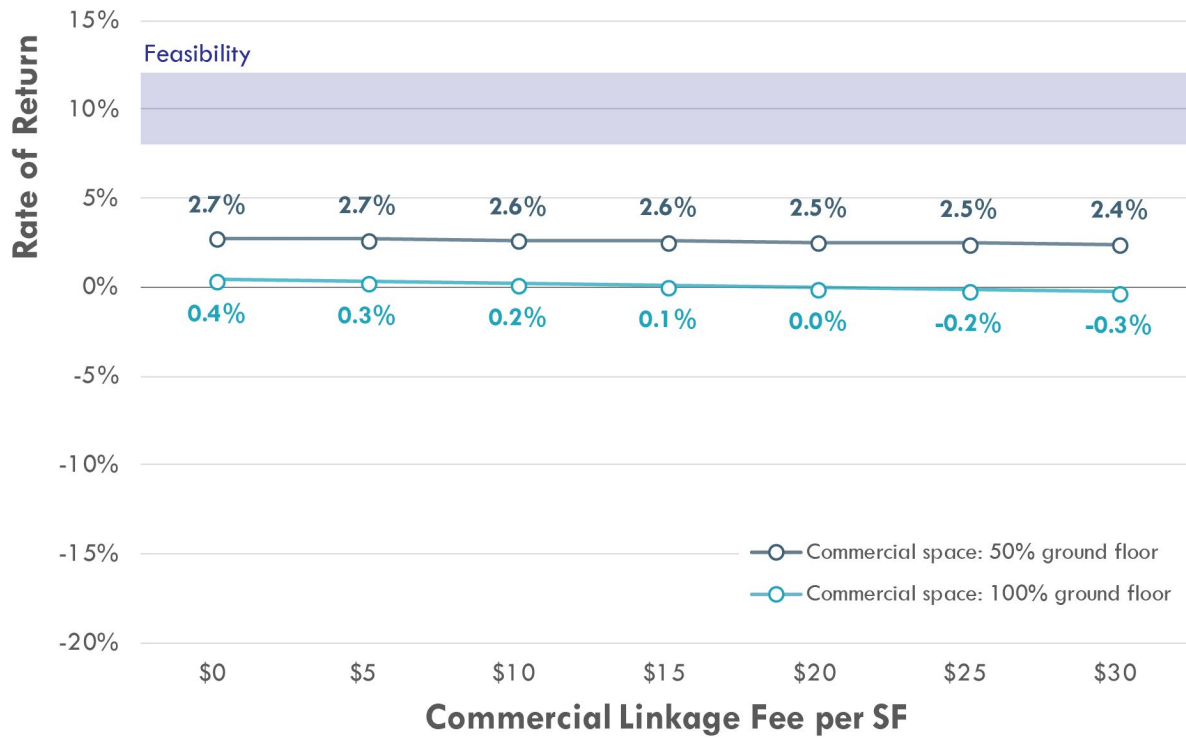
For the purpose of this analysis, we evaluate:

- The **amount of commercial space** in the development, with 50% and 100% of the ground floor devoted to commercial uses.
- The **linkage fee rate**, ranging from zero to \$30 per leaseable commercial square foot. As the highest rates currently charged in Seattle are \$17.50 per square foot, the high end of this range exceeds what would likely be feasible for new commercial space in the market area.

These results highlight the following:

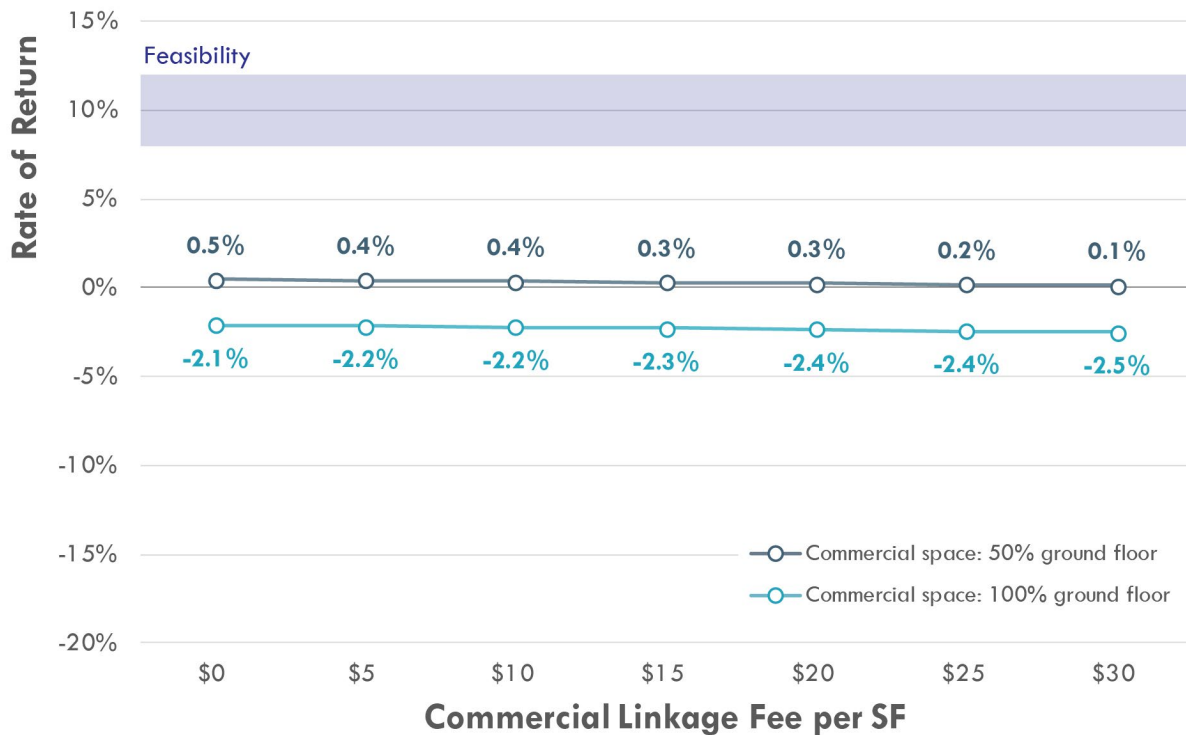
- **For mixed-use projects, linkage fees themselves have a minimal impact on feasibility.** Across the possible ranges of linkage fees that would likely be charged on commercial space, the impacts on the feasibility of mixed-use development is quite low. This largely due to the magnitude of the payment for mixed-use projects that are largely residential. For the CB prototype in North Highline, a market-rate project with an entire floor devoted to commercial would only have their project cost increase by around 1% with a \$30 linkage fee, and provide about \$200,000 in fees.
- **There is a larger impact from the amount of commercial space included in a project.** Because commercial space draws lower rents according to general estimates of the market, more commercial space located within a development will lead to lower net income for the development for similar construction costs. This can be seen in both Exhibits 38 and 39, where including more commercial space as part of a building results in a notable reduction in returns from the development.
- **The feasibility of linkage fees will depend more on impacts to the feasibility of commercial projects in the area.** These results would suggest that linkage fees could slightly increase available revenue for the County that could be devoted to affordable housing. However, including these charges for mixed-use projects essentially allows the total cost to be spread over the entire building.

Exhibit 38. Linkage fees, North Highline CB zone, market-rate scenario.



Source: BERK, 2020.

Exhibit 39. Linkage fees, Skyway-West Hill CB zone, market-rate scenario.



Source: BERK, 2020.

SENSITIVITY ANALYSIS

The results provided in this analysis are strongly dependent on the assumptions used for this model. In particular, the financial and cost assumptions used, if changed, could have a significant effect on the results.

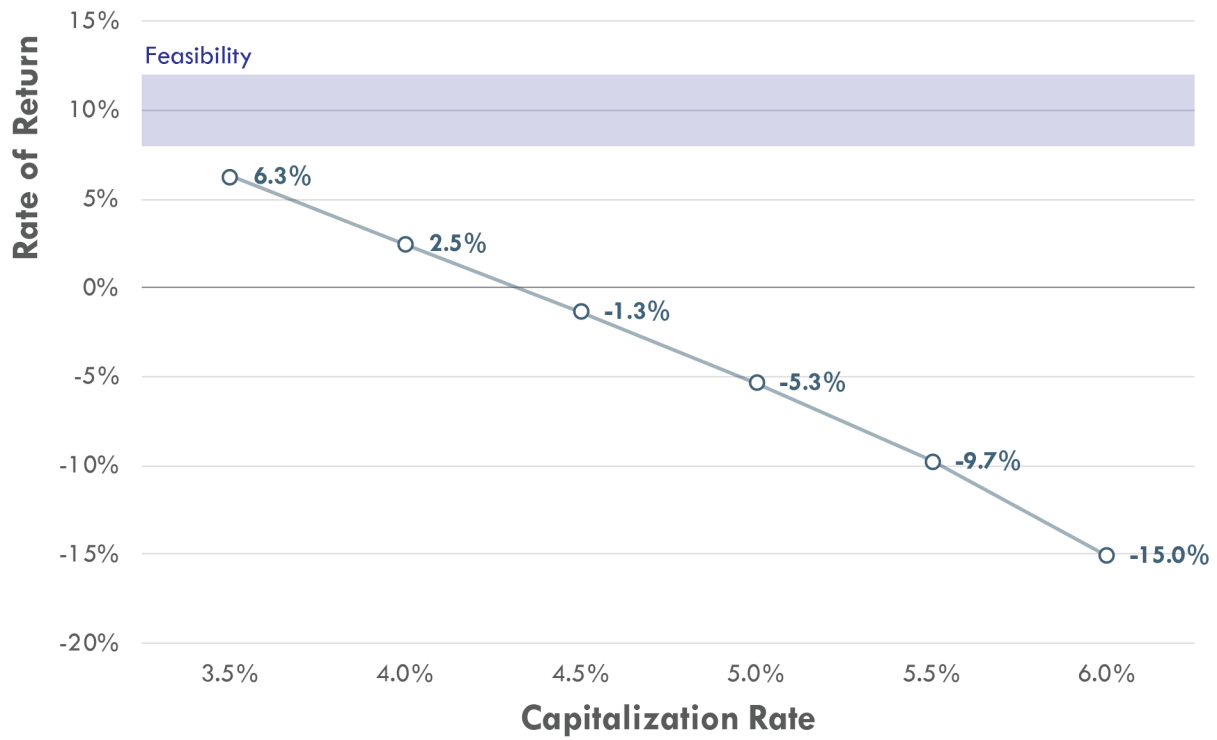
Given this concern, Exhibits 40–43 provide an evaluation of the sensitivity of outcomes for the evaluation of affordable wood-frame housing construction in R-24 zones in North Highline and Skyway. This examines the following major parameters:

- Exhibits 40 and 41 examine the capitalization rate for North Highline and Skyway, respectively, which is used in determining the final sale price of a developed property at the end of a hold period. Under the base scenario, this value is 4.5%, and this is varied here between 3.5% (a very reliable long-term investment in the most stable metro areas worldwide) and 6.0% (markets with more risk with respect to long-term property income).
- Exhibits 42 and 43 highlight the effects of the purchase price of existing property on feasibility, ranging from prices from \$500,000 to \$3 million per acre.

Overall, these indicate the following:

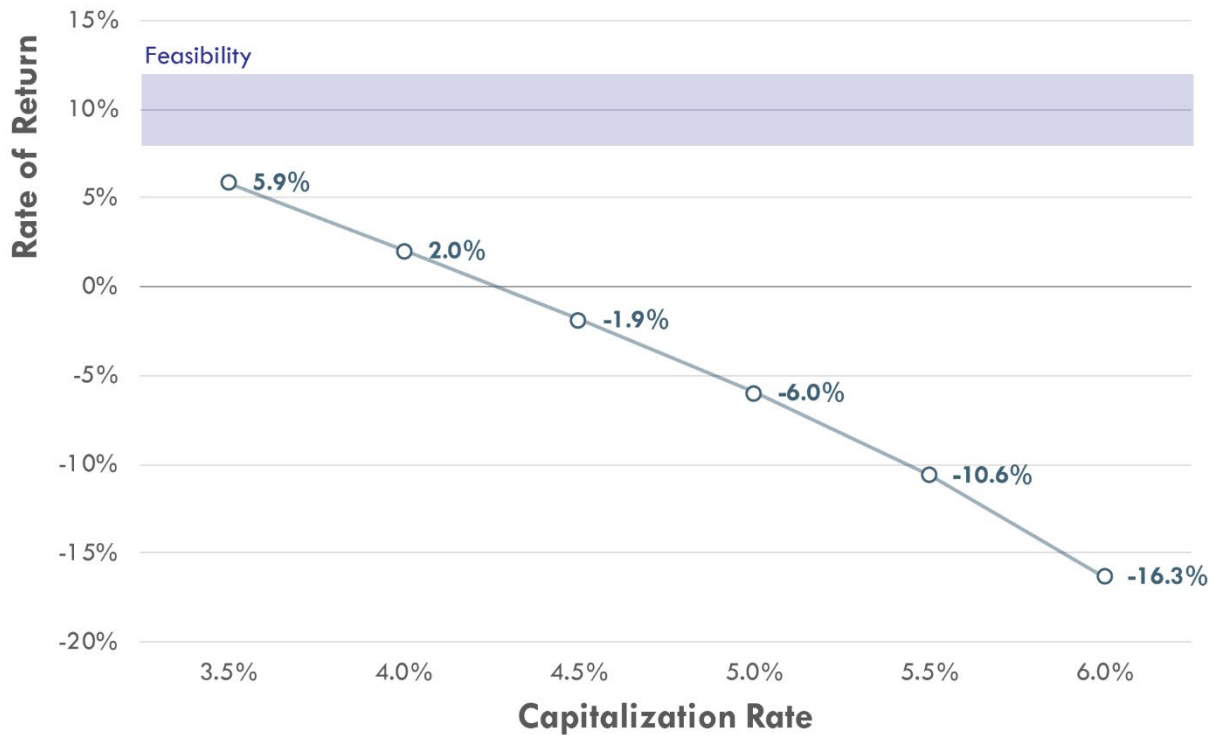
- **Feasibility is strongly dependent on sale prices at the end of a hold period.** This can be seen in Exhibits 40 and 41 with the effect of changes in capitalization rates on returns. Cap rates typically represent the income received from a property as a percent of the property's value and is often used to calculate the effective value of a property based on expected returns. The default value used in the analysis is 4.5%, with results provided for the prototype with cap rates ranging from 3.5 to 6.0%. As noted previously, lower cap rates mean that properties are worth more for the same net income received, and cap rates at 4% or below would be representative of the lowest-risk real estate products in major cities with high demand and significant appreciation. Changes in investment risks or worsening of economic conditions could increase these rates in the future, thus reducing the expected returns from properties in these neighborhoods.
- **Existing property values can have a significant impact depending on development density.** The results shown in Exhibits 42 and 43 highlight that property prices are important, and increasing property purchase prices will impact feasibility. Note that in these cases, increases in property prices will have an effect that differs depending on the density of development, as higher densities will allow this price to be distributed over more housing units. This also suggests that cases where land could be used as a donation could be an effective means to make certain projects more feasible.

Exhibit 40. Sensitivity analysis, North Highline R-24 affordable scenario, capitalization rate.



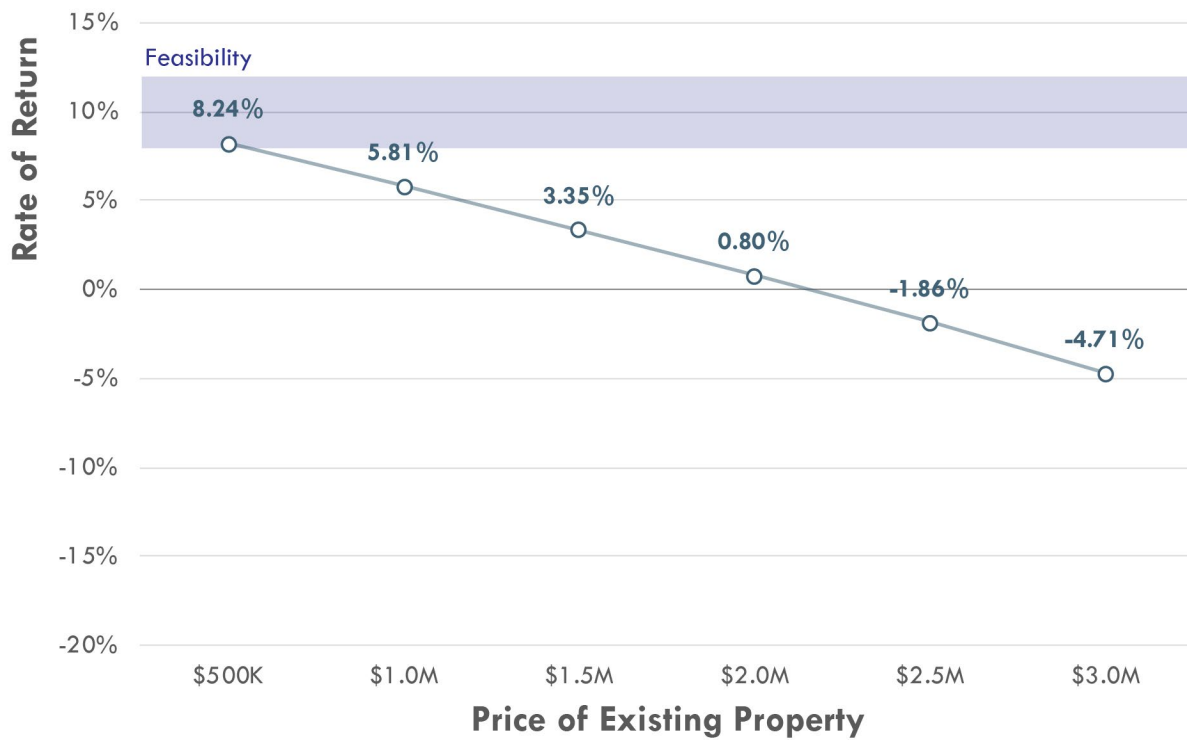
Source: BERK, 2020.

Exhibit 41. Sensitivity analysis, Skyway-West Hill R-24 affordable scenario, capitalization rate.



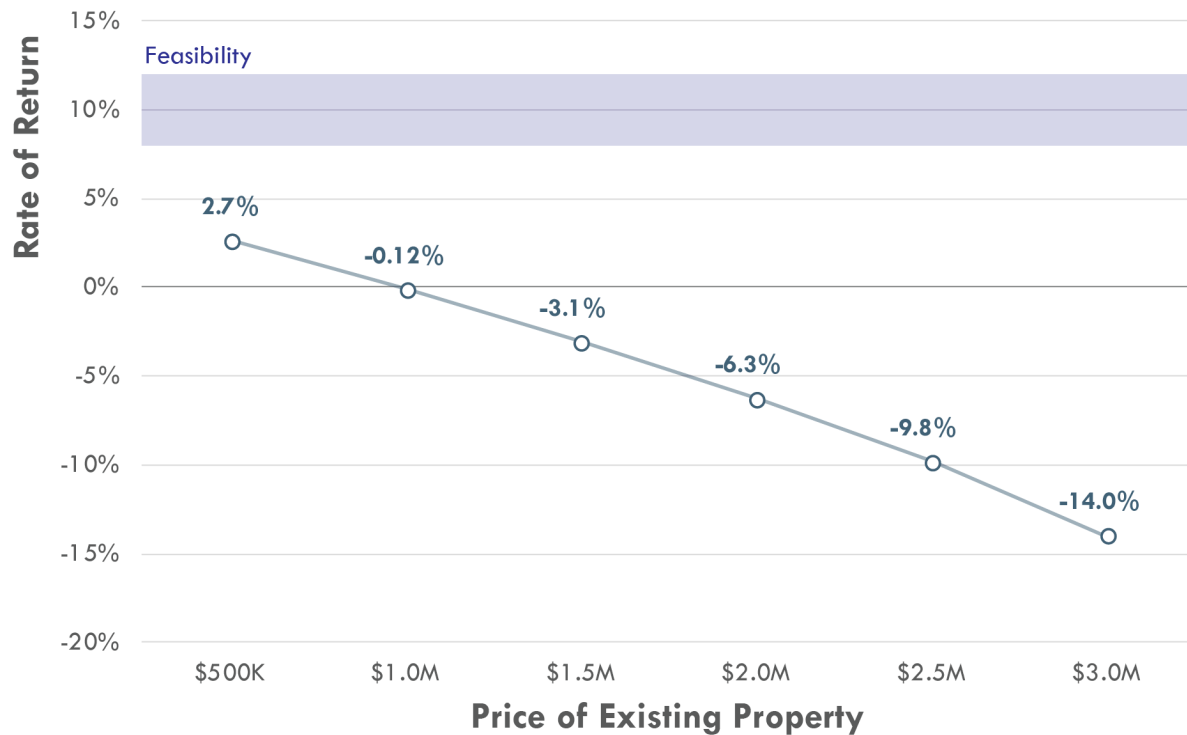
Source: BERK, 2020.

Exhibit 42. Sensitivity analysis, North Highline R-24 affordable scenario, price of existing property.



Source: BERK, 2020.

Exhibit 43. Sensitivity analysis, Skyway-West Hill R-24 affordable scenario, price of existing property.



Source: BERK, 2020.

5. Understanding the Scale of Potential Displacement

INTRODUCTION

An open question with respect to housing policy is how the composition of an area may change over time as housing prices increase. For a neighborhood, this change can be the result of different dynamics:

- Current residents within a neighborhood with increasing rents may no longer be able to support the costs required to keep their current housing and will be displaced from a neighborhood.
- Current residents may also be displaced if their housing is redeveloped and there are no other options for housing nearby.
- Potential residents that would otherwise have been able to move into the neighborhood are now unable to do so because of higher rents and a lack of affordable supply.

Although these trends can manifest in different ways, households are typically displaced from a community if there are significant challenges finding other housing that is accessible, affordable, and appropriate for their needs. Note that this can also include social and cultural displacement, when households are also motivated to move because the social and cultural connections within a neighborhood decline because others are forced to move out, and these connections are an important reason for the household to remain in the community.

A lack of suitable alternative housing options can have significant effects to households. These impacts may include such things as increased transportation costs to access affordable housing; relocation to areas with fewer services and community connections; inhabiting new housing that is in poor condition or too small; displacement of children to new school districts; and potentially even homelessness.

Understanding how many households could be potentially impacted by economic displacement can be essential in determining the scale of the interventions needed to address these issues.

RISK FACTORS

There are a range of possible risk factors that can signal potential displacement in a neighborhood. In 2015, the City of Seattle published a report related its efforts to update their Comprehensive Plan entitled *Growth and Equity: Analyzing Impacts on Displacement and Opportunity Related to Seattle's Growth Strategy*.⁷ This report proposed two sets of measures, including *displacement risk index* indicators and *access to opportunity index* indicators.

Of particular interest here are the displacement risk index indicators, which highlight those areas where displacement of marginalized populations is most likely to occur. This includes measures of:

- **Vulnerability**, including statistics on communities of color, English-speaking ability, educational attainment, number of renters, cost-burdened and severely cost-burdened households, and households below 200% of the poverty level.

⁷ City of Seattle Department of Planning & Development, 2015. *Growth and Equity: Analyzing Impacts on Displacement and Opportunity Related to Seattle's Growth Strategy*.

- **Amenities**, including proximity to bus and rail service, core businesses, civic infrastructure, previously gentrified neighborhoods, and job centers.
- **Development capacity and rent**, including the number of parcels identified as potentially redevelopable, and the ratio between the local rent per square foot versus the average Seattle rent.

The Puget Sound Regional Council also developed a Regional Displacement Risk index as part of a 2019 report.⁸ This included comparable measures, with some additional considerations for access to jobs via auto and transit, and civic engagement measured with the proxy of voter turnout in presidential elections.

Overall, these measures are based on existing research, and highlight that the risk of displacement can be related to the presence of lower-income and historically marginalized populations, the availability of local amenities that would be valued by new higher-income households, and the capacity for the housing stock to change to meet the demands of higher-income households.

Related to this study, the PSRC Regional Displacement Risk index designates portions of White Center as being at “higher” risk of displacement, with Boulevard Park and Skyway-West Hill largely considered to be at “moderate” risk. However, note that these aggregated statistics may not consider how individual households may be at risk.

APPROACH AND ASSUMPTIONS

A detailed understanding about how changes in rents could increase displacement for every household would be extremely challenging. Even aside from the amount of detailed data required, the decisions to move out of a neighborhood can be complex and incorporate both economic and non-economic rationales that would be difficult to project over time.

Therefore, our approach in this analysis is to understand how a shift in local rents could impact households renting in both neighborhoods and at risk for housing insecurity. The US Census Bureau American Community Survey (ACS) program provides Public Use Microdata Sample (PUMS) data that includes a sample of household-level data from survey respondents. This sample is provided for aggregated areas, and for this analysis we use data in the following areas:

- **North Highline:** King County (West Central)--Burien, SeaTac, Tukwila Cities & White Center PUMA (11611)
- **Skyway-West Hill:** King County (Central)--Renton City, Fairwood, Bryn Mawr & Skyway PUMA (11610)

For the purposes of this analysis, the PUMS data from the 2019 1-year ACS dataset is used, which is the most up-to-date data available.

Each area includes information about households surveyed, focusing on demographic, economic, and housing characteristics. This includes the following fields:

- Unique identifiers by person and household

⁸ Puget Sound Regional Council, 2019. *Displacement Risk Mapping: Technical Documentation*. Available at: <https://www.psrc.org/sites/default/files/displacementrisk.pdf>

- Household income for the previous 12 months (HINCP), including an adjustment factor for the current year for comparison (ADJINC)
- Gross monthly household rent (GRNTP)
- Number of persons (NP)
- Number of own/related children (NOC/NRC)
- A weighting factor for households to allow individual data records to represent the broader area (WGTP)

This dataset is filtered as follows:

- Only households renting housing are included; households in group quarters and owner-occupied housing are excluded. Although homeowners may face some level of housing insecurity, there are likely more options available for these households than for renters facing increased costs.
- Households are only considered in the displacement analysis if they are below the median household income for the area by household size. Although households higher than the median could also be examined, households lower than the AMI will likely have greater risks of housing insecurity and displacement as housing costs increase.

This is used to develop a more precise distribution of individual housing costs as a percent of household income devoted to housing. Given that the study areas are smaller than the PUMAs, we scale the totals by the number of households in the study areas in 2018 by the percent of these households that are renters at or below median income as identified in the needs assessment in the Appendix.

Typically, housing costs over 30% are considered a cost burden to a household, with costs over 50% assumed to be a “severe” cost burden. In this case, we assume that the 50% limit indicates a situation where a household is severely cost burdened and is at risk for housing displacement.

To examine what the potential effects of displacement might be in these areas, we adjust the available income and housing costs to represent different scenarios. For the purposes of discussion, we assume that household rents increase at an average rate of 2.5% per year; while this is lower than the median household growth in these communities of 4–6% per year, some local growth in income is likely due to an influx of new residents as opposed to income growth with lower-income households.

We test three different scenarios with respect to rent growth:

- 3% average yearly rent growth, which is generally consistent with growth rates in the neighborhood over the long term.
- 5% yearly growth, which is indicative of more recent growth rates in rents since 2014 in both neighborhoods.
- 7% yearly growth, which would represent a very rapid rate of rent growth for existing housing compounded with higher rents from new development. This magnitude of rent increases has been experienced in other locations around south King County in 2014–2017, including within the Renton and Burien markets, and would represent a very high overall rate of aggregate growth.

Assuming these growth rates, we determine the proportion of current households in each study area that would exceed a 50% cost burden after a six-year period from 2019. Given recent disruptions to both the housing markets and household incomes during the recent pandemic, this period should not be assumed to be a projection, but instead an estimate of what the general magnitude of the effects might be in these scenarios. The number of actual households with increased housing burdens will also depend on whether these households currently have subsidized housing that would minimize the effects of market rent increases.

DISCUSSION

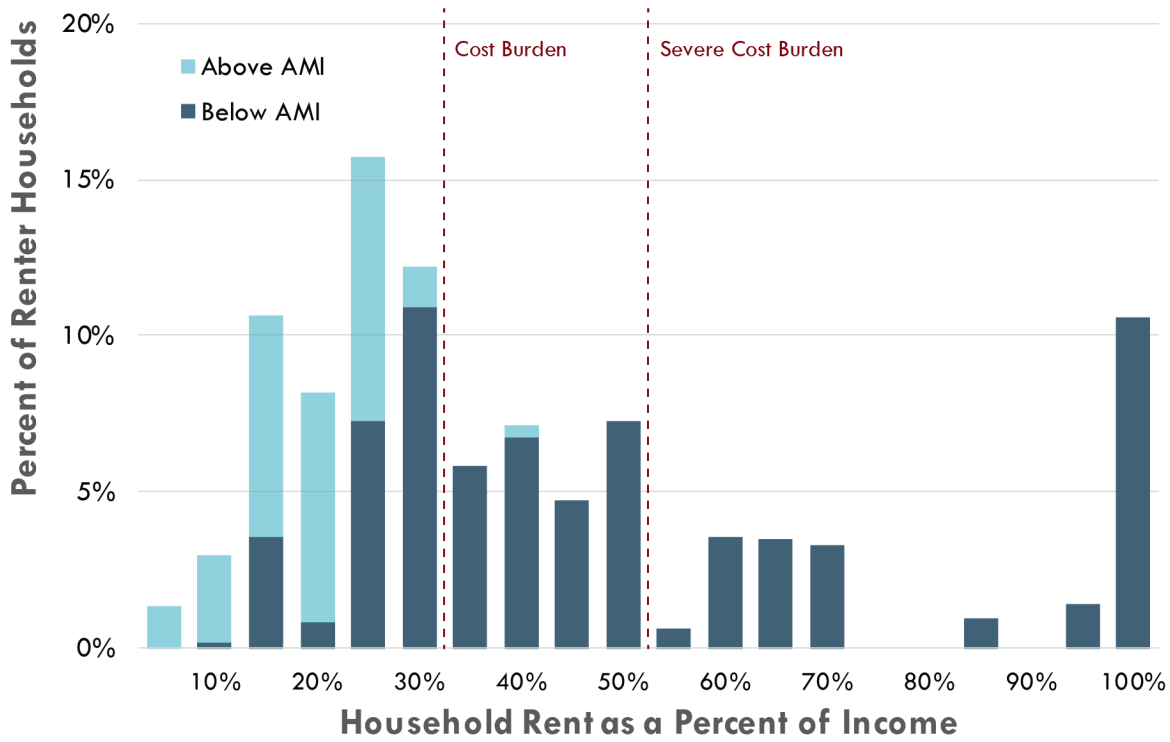
The findings of this analysis are presented in two figures:

- Exhibits 44 and 45 provide data on the proportion of income paid by individual households in the two PUMAs of interest, including both households over and under median income.
- Exhibit 46 provides an evaluation of the total number of households that would become severely cost-burdened under different rent growth scenarios.

These exhibits highlight the following:

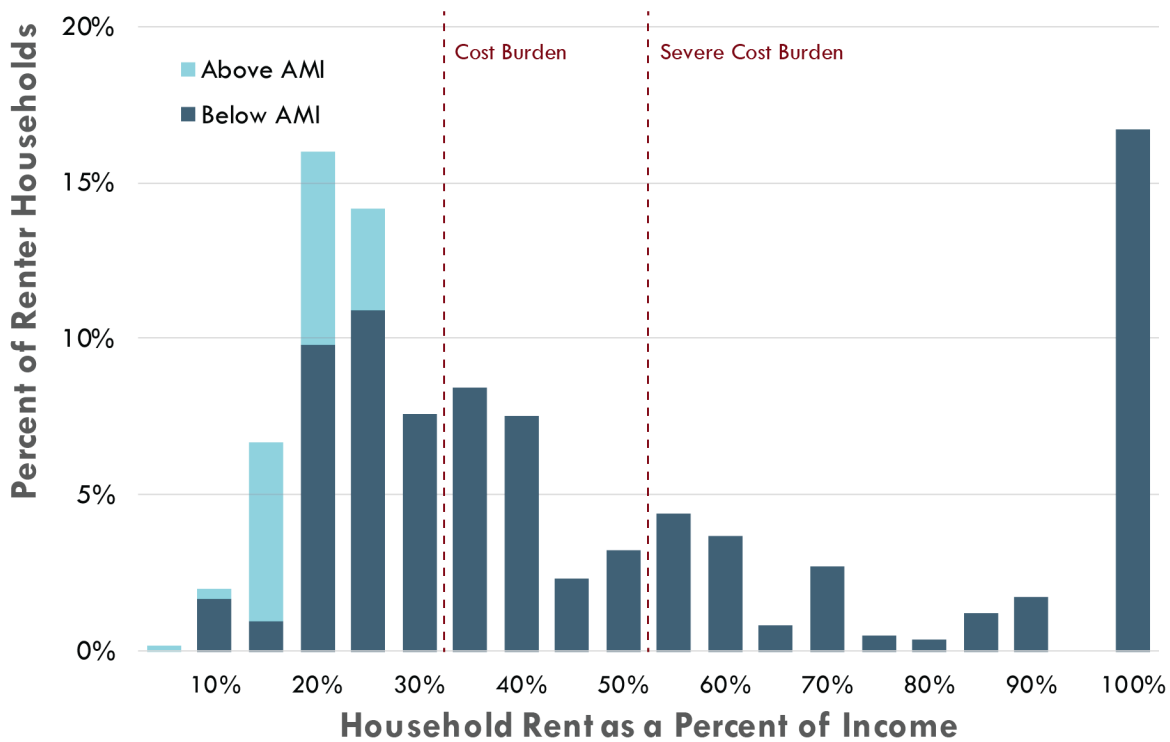
- **Significant increases in rents that outpace household income growth will increase the number of severely cost-burdened households.** As expected, an increase in local rents without corresponding increases in household incomes will result in more severe cost burdens with existing residents. Based on these assumptions for a high growth scenario, nearly 490 households (about 11% of renters) in the North Highline area and about 230 households (about 8% of renters) in the Skyway-West Hill study area will become severely cost-burdened due to rent increases.
- **Although these increases may be addressed in part with planned affordable housing, rent increases will increase the number of households needing support.** There are subsidized and affordable housing units located in the study area, with additional plans for further affordable units in White Center, primarily with the expansion of the Greenbridge development. However, these increases would still likely represent additional burden on available subsidized housing.
- **Final displacement from these neighborhoods would be dependent on a range of factors in addition to cost.** Although displacement in the study areas would be strongly dependent on increases in costs, other factors may also be important. Some households may remain in the neighborhood even with severe housing burdens if there are no suitable alternatives, which would result in less displacement (despite economic hardships). Conversely, there are some factors that may force more displacement of households, even without significant increases in rents. If redevelopment replaces family-sized units with smaller apartments, for example, that may reduce availability of housing to certain households. Therefore, these figures should be considered a general guide to possible increases in displacement, not specific predictions.

Exhibit 44. North Highline distribution of household rent burden, 2019.



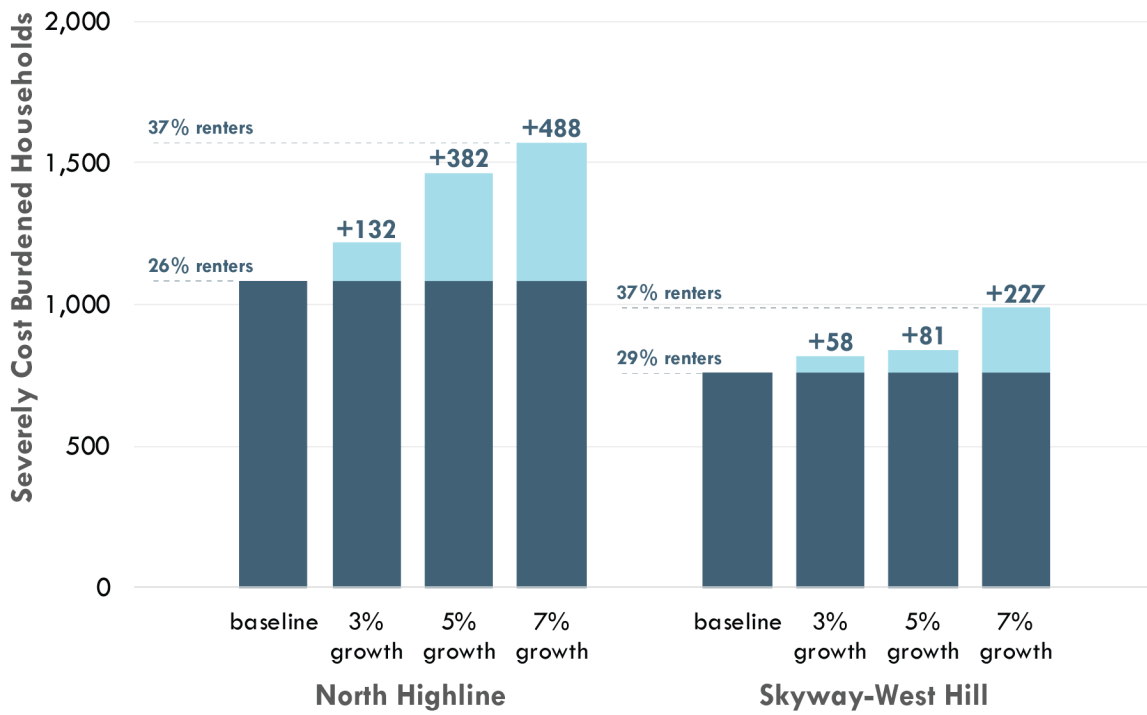
Source: US Census 2019 PUMS 1-year data; OFM, 2020; BERK, 2020.

Exhibit 45. Skyway West-Hill distribution of household rent burden, 2019.



Source: US Census 2019 PUMS 1-year data; OFM, 2020; BERK, 2020.

Exhibit 46. Estimates of increases in severely cost-burdened households in study areas.



Source: US Census 2019 PUMS 1-year data; OFM, 2020; BERK, 2020.

6. Conclusions

DEVELOPMENT FEASIBILITY

Based on the findings discussed in this report, there are several factors which could support the development of subsidized affordable housing in both neighborhoods:

Strategic increases in density

Significant increases in density in both neighborhoods would allow new development on existing lands in both study areas to become more feasible. Current parcels, especially in the R-6 zones, have largely been developed with few examples of infill sites available. If these sites are to be used for new development, the additional costs necessary to purchase and demolish existing buildings is best spread over as many new units as possible.

However, there is an upper limit reached when buildings can no longer provide required parking through on-site surface lots. The higher costs of underground parking mean that above around 50–60 units per acre, more intensive development becomes less profitable.

Therefore, allowing for more intensive development will give more opportunities for redevelopment in current market conditions. Targeting areas with existing development currently zoned at between R-6 and R-24 would likely be the most effective in promoting new development more quickly as rents increase.

Parking management

In addition to managing marginal costs through density, adjusting other real estate project characteristics can also provide some additional benefits to financial feasibility. One approach would be to reduce current parking requirements even further below current levels. As noted in the results, this could have the greatest benefit with respect to more dense development types that may require underground parking. In practice this policy may be challenged by the availability of transit connections for residents and the increased demands for off-site street parking that would result.

Higher rents and sale prices

As discussed in the report, the analysis is based on assumptions about current rents in the market, which are generally consistent with what rents would likely be for new development in these neighborhoods under current market conditions. However, the feasibility of new development would increase substantially if it were able to attract new residents that could pay significantly higher rents and boost the revenue from the final development.

Additionally, lower capitalization rates and higher property sale prices would present additional opportunities for improving feasibility. In addition to boosting rents, attracting higher sale prices for real estate would also be dependent on the perceived risk of investment.

There are limited ways through policies that the County would be able to boost apartment rents or address perceived investor risk, however. Additionally, increasing rents within a neighborhood would also result in the likely loss of naturally occurring affordable housing and potential displacement effects through the actual physical loss of units as well as upward pressure on rents with remaining housing.

AFFORDABLE UNIT YIELDS

Aside from generally improving the feasibility of development overall, ensuring that market-based approaches can provide for affordable units also requires that incentives are balanced with costs. The following approaches can help to address these concerns in the current market.

Allow for greater density bonuses

From the charts in Exhibits 9–12, affordable housing incentives only provide a net benefit over market-rate housing development in the case of wood frame housing in R-24 zoning. This suggests that these incentives are best used for larger developments that have a lower per unit cost of construction and do not require parking in the structure.

Improving this incentive could involve allowing affordable units to be used to achieve greater densities, comparable to what is current allowed for TDRs. However, care should be taken here. The current structure of 1.5 bonus units per affordable unit means that the rent reductions for two affordable units need to be subsidized by the additional profits from one market unit. In cases where construction costs may increase, such as with higher development or underground parking, that increased profit may not be enough to subsidize affordable units.

Reduce requirements for affordable units

Another approach with increasing the likelihood that development would occur would be to loosen requirements for affordable housing. As addressed through Exhibits 25–28, changing requirements for affordability from the current 50% AMI income limits to 60% AMI, increasing the number of bonus units provided, and providing more parking reductions can all increase the feasibility of development. While this would improve the likelihood that properties would be developed, understanding whether the reduced yield and affordability of units in such a development would meet housing goals is an open policy question to be addressed.

Note that this should also consider that at present, the lower rents in the area mean that studio and 1-bedroom unit rents in this model are equivalent to about the 80% AMI level. This means that in this model, increasing the affordable rent threshold will reduce the actual benefits received until market rents for new projects increase further.

Minimize costs of land

With respect to minimizing costs, the effect of land prices can have a considerable impact on development feasibility, as shown in Exhibit 41. Strategies that can provide for low- or no-cost land for development can help to dramatically improve feasibility, especially in cases where that land can be used as equity to secure development project financing.

A comprehensive breakdown of such arrangements would be difficult to completely define through a model. One approach of interest may be to provide for non-profit or not-for-profit affordable housing on surplus properties owned by religious organizations in these communities. Development of surplus public properties is another possible strategy, but the lack of such properties in the study areas would limit this as a potential option.

Provide other increases in subsidies

If rent levels are maintained in this area, there may be some development of properties zoned R-48 given current rent levels under these assumptions. However, there are no clear benefits for private developers to rely on the current incentives for developing affordable units. Aside from changes in these incentives, the County may also look to provide additional subsidies through other programs, including for non-profit/not-for-profit housing development, to achieve local goals for affordable housing.

Coordinate in-lieu fees

From the analysis conducted, setting proper in-lieu fees can be difficult under conditions where development is still likely infeasible. However, as rents may potentially increase, these fees may provide an alternative to developing on-site affordable housing. In fact, if additional incentives are not available to support on-site affordable housing, this may be the best approach to acquire revenue that could be devoted to new affordable developments.

If off-site housing is an option, two major considerations will need to be included in setting these fees. First, the fees should be adjusted as rents increase to ensure that the maximum revenue can be received from the bonus density provided. Maintaining a set value without regular market adjustments may grant more value to developers while restricting the funding that could be devoted to off-site options for affordable homes.

The second factor will be the County's Transfer of Development Rights program. Under this program, additional density can be received from sending sites for \$8,000–\$14,000 per unit. If there are enough TDRs available to a developer at this rate, this would be an upper limit to the effective in-lieu fee that could be charged for affordable housing RDIs. If a higher fee would be necessary to achieve policy goals, this would require changes to the TDR program in these areas.

OTHER CONSIDERATIONS

Unit mixes

One important question involved with the development of affordable housing is whether these units can be effective at addressing the need for affordable family units in the market. Exhibits 21–24 highlight that providing specific requirements for unit mixes in affordable development will have a notable negative impact on feasibility. This is primarily due to the lower rents provided per square foot for larger units, which can reduce revenue from a similarly sized building with more and smaller units.

Although this should not suggest that family units should not be a priority for policy, it does indicate that providing alternate mixes of units may require additional incentive structures. Providing for different numbers of bonus market-rate units based on the size of affordable units, for example, may be one effective means of offsetting these impacts which can be explored.

Commercial space in mixed-use projects

Another consideration with the development in Community Business (CB) zones, especially in North Highline, is with mixed-use development. As noted in Exhibits 38 and 39, expanding the amount of commercial space within a largely residential building will reduce the feasibility of development, either for affordable or market-rate projects. This is due largely to the lower lease rates per square foot for commercial space when compared to residential space in a development.

Requirements in KCC 21A.14.110 ensure that at minimum at least 15% of floor space within the building is dedicated to commercial uses. For most developments, this will include part or all of the ground floor of a new building. Allowing additional flexibility with the amount of commercial space required, either by requiring less commercial space or allowing these requirements to be fulfilled with live-work units or comparable spaces, could help to improve the feasibility of projects constructed in this area. More review of the intent of commercial space requirements in this area would be necessary to understand whether this flexibility would impact other policy goals in these neighborhoods.

Timing of Policy

One certainty in these study areas is that both the market rents and the prices of land will change over time. The results presented in this analysis are based on current values, but as the region continues to grow in population and employment, the real estate market will change as a result. Rents will likely increase both locally and regionally, and the depreciation of existing housing may make redevelopment into higher and better uses more feasible.

An open question remains, however: when is the best time to enact new policies to encourage development? Policies implemented today could provide opportunities to capture benefits from new projects as they become feasible, but may be a drag on projects until they become feasible. However, these policies could limit development in the short-term if waiting would present the greatest opportunities to maximize returns.

Much of this is a policy question, related to the willingness to change policy targets for affordability levels and amounts of affordable housing provided in the private market. However, a critical consideration is that once a site is redeveloped, especially as multifamily housing, the value of the site will increase dramatically. Unless there are radical shifts with regulation, market prices, and rents, redeveloped sites will not be available for new development for decades. Providing regulatory and incentive structures that will allow the most desirable housing types and amounts to be developed, even if this would cause developers to delay in the short-term, will provide better long-term outcomes in the resulting housing.

Impacts of COVID-19

At present, real estate markets are subject to considerable uncertainty. The lack of a clear understanding of the long-term economic impacts of the current pandemic, as well as the uncertain effects of rent and mortgage moratoriums and future evictions on the real estate market make development of pro forma models to represent current conditions challenging at best.

Because of this uncertainty, the model used in this analysis was calibrated using market data just before the pandemic. This assumes that normal market conditions would likely be restored within the short-term, and that similar market dynamics will be found in this market in 2-3 years. However, long periods of high vacancies and lower rents will mean that market-rate development, especially smaller-scale real estate projects, will likely be held until market conditions improve.

7. Glossary

Affordable Housing

The United States Department of Housing and Urban Development (HUD) considers housing to be affordable if the household is spending no more than 30 percent of its income on housing costs, which is also the definition provided in state law. Under the Washington State Growth Management Act, this is defined as not exceeding 30 percent of monthly income for households at 60 percent of median household income for rental housing, 80 percent median household income for owned-occupied housing.

The term “affordable housing” is often used to describe income-restricted housing available only to qualifying low-income households. It can also include “naturally occurring” market-rate housing that is affordable at this income level.

American Community Survey (ACS)

This is an ongoing nationwide survey conducted by the U.S. Census Bureau that is designed to provide communities with current data about how they are changing. The ACS collects information such as age, race, income, commute time to work, home value, veteran status, and other important data from U.S. households. ACS data is commonly used for the Community Profile section of a housing needs assessment.

Note that the availability of data depends on the size of the jurisdiction. Currently, the most precise and detailed data is only available for smaller jurisdictions through 5-year estimates, based on data collected and averaged over a five-year period.

Area Median Income (AMI)

This is a term that commonly refers to the area-wide median family income (MFI) calculation provided by the US Department of Housing and Urban Development (HUD) for a county or metropolitan region. Income limits to qualify for affordable housing are often set relative to AMI or MFI. In this report, unless otherwise indicated, both AMI and MFI refer to the HUD Area Median Family Income (HAMFI).

Note that for federal, state, and local policies, the study areas in this report rely on the AMI calculated for King and Snohomish Counties.

Building Envelope

A building envelope is the volume within a parcel of land where a building is placed. The building envelope can be regulated to ensure setbacks between the building and the front, sides, and back of the lot, control the maximum height of the building, and manage the total area covered with buildings and other improvements.

Capitalization Rate

The capitalization rate is a measure of the expected long-term return for an investment. This is evaluated as the ratio of the expected yearly income of the property to the sale price or assessed value of the property, typically expressed as a percentage. Lower capitalization rates reflect more stable and reliable investments with lower risks, as investors are willing to pay more for the same returns from a property.

Cost Burdened

When a household pays more than 30 percent of their gross income on housing, including utilities, they are “cost-burdened.” When a household pays more than 50 percent of their gross income on housing, including utilities, they are “severely cost-burdened.” Cost-burdened households have less money available for other essentials, like food, clothing, transportation, and medical care.

Displacement

Housing displacement is a phenomenon where the existing residents of a neighborhood are involuntarily forced to relocate. This can take a number of forms. Direct economic displacement occurs when residents can no longer afford to live in an area due to rent increases, while indirect economic displacement results from existing residents moving out but comparable households not being able to move back in. Cultural displacement occurs when the social and cultural connections within an area have declined due to people leaving a neighborhood, and others seek to move elsewhere as a result. Physical displacement can occur through the loss of the actual housing units people are living in from the rehabilitation, redevelopment, or demolition of these properties.

Down-renting

Down-renting is a trend in housing markets where lower-income households compete with higher-income households for housing units at lower rents that would otherwise be accessible to them. This increased competition means that low-income households may not be able to occupy housing that is affordable to them even if “naturally occurring” in the market, unless these units are specifically income-restricted.

Gentrification

Gentrification is a socio-demographic trend where higher-income residents move into an existing neighborhood, usually a neighborhood with lower-income and historically marginalized residents. Because of changes in demand from higher-income residents, housing prices and rents will increase, and new development and rehabilitation of existing buildings will physically remove housing that is affordable to households currently living in the neighborhood. As a result, available stocks of housing affordable to lower-income households will go down, and existing residents and communities will be displaced.

Household

A household is a group of people living within the same housing unit. The people can be related, such as family. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit, is also counted as a household. Group quarters population, such as those living in a college dormitory, military barrack, or nursing home, are not considered to be living in households.

Household, Family

According to the US Census Bureau, a family is a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people are considered as members of one family.

Household, Nonfamily

According to the US Census Bureau, a nonfamily household consists of a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom they are not related.

Household Income

The census defines household income as the sum of the income of all people 15 years and older living together in a household.

Income-Restricted Housing

This term refers to housing units that are only available to households with incomes at or below a set income limit and are offered for rent or sale at a below-market rates. Income-restricted housing can be in public, nonprofit, or for-profit housing developments. It can also include households using vouchers to help pay for market-rate housing.

Note that for privately-owned properties, the owners typically receive a subsidy in the form of a tax credit or property tax exemption. As a condition of this subsidy, these owners must offer a set percentage of all units as income-restricted and affordable to household at a designated income level.

Low-Income

Families that are designated as low-income may qualify for income-subsidized housing units. HUD categorizes families as low-income, very low-income, or extremely low-income relative to area median family incomes (MFI), with consideration for family size. These levels are set in the state Growth Management Act as follows⁹:

- Moderate income: 80–100% AMI
- Low-income: 50–80% AMI
- Very low-income: 30–50% AMI
- Extremely low-income: 0–30% AMI

Median Family Income (MFI)

The median income (the amount which divides the income distribution into two equal groups, half having incomes above the median, half having incomes below the median) of all family households in the metropolitan region or county. Analyses of housing affordability typically group all households by income level relative to area median family income. Median income of non-family households is typically lower than for family households. In this report, both MFI and AMI refer to the U.S. Department of Housing and Urban Development Area Median Family Income (HAMFI).

Note that for federal, state, and local policies, Renton relies on the MFI calculated for King and Snohomish Counties.

⁹ RCW 36.70A.030.

Rate of Return

The rate of return of an investment, also called “internal rate of return” or IRR, is the net gain or loss received from an investment calculated over the lifetime of that investment, typically expressed as a percentage of investment over time. In this case, revenue and expenditures are calculated in terms of their net present value

Residual Land Value

In real estate economics, residual land value is one approach to estimate the value of raw land with development potential. This assumes that the value of land is the total value of land once developed into its highest and best use, less the costs of construction necessary to build out the property (including demolition of existing buildings).

Tenure

Tenure references the ownership of a housing unit in relation to the household occupying the unit. According to the US Census Bureau, a housing unit is "owned" if the owner or co-owner lives in the unit, even if it is mortgaged or not fully paid for. A cooperative or condominium unit is "owned" only if the owner or co-owner lives in it. All other occupied units are classified as "rented," including units rented for cash rent and those occupied without payment of cash rent.

Appendix: Market Study

This appendix provides a survey of the residential real estate market for the study areas assessed as part of this report:

- **Skyway-West Hill**, which consists of the Bryn Mawr-Skyway Census Designated Place (CDP)
- **North Highline**, which consists of the White Center CDP and Boulevard Park CDP

This high-level assessment is intended as a review of major elements of the market linked to housing affordability. It includes measures of the supply of housing in the current market, demographic characteristics related to housing demand, and evaluations of major gaps in available housing.

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STUDY AREA: SKYWAY-WEST HILL

Summary

The Skyway-West Hill neighborhood (also defined as the Bryn-Mawr West Hill CDP) is an unincorporated community in King County. The neighborhood is located within the Renton Potential Annexation Area and is bordered by the cities of Seattle, Tukwila, and Renton. Located close to I-5 and I-405, this community has developed as a residential area for commuters to Seattle, Bellevue, and Renton. The neighborhood has an older original subdivision with multifamily residential development at its core. It also includes more expensive single-family residential development closer to Lake Washington and lower-income residents further to the south and west.

Population

According to the Washington State Office of Financial Management, the community's population in 2019 was approximately 17,316 residents. Exhibits 47 through 55 highlight major characteristics about this population, and key points from these graphs include the following:

- **Statistics suggest that this area may have a greater proportion of empty-nesters and older families.** There are a greater number of residents in the 15–19 year and 50–54 year range in Exhibit 49, as well as high proportion of 2-person households as shown in Exhibit 51. This suggests that the demographic profile in this area may experience changes in the immediate future as school-aged children move away and households with “empty nest” parents remain in this area.
- **A majority of households are of color.** Exhibit 50 indicates that a majority of the households in Skyway-West Hill are people of color, with significant numbers of Asian and Black households in the community.
- **There is a higher proportion of renters among communities of color.** About 63% of all households in Skyway-West Hill own their homes. However, although Asian and White households tend to have higher proportions of homeownership, about 29% of Black households own their own homes. This highlights the distinct disparities in homeownership in the community for Black residents.
- **Skyway-West Hill's median household income is lower than that of the greater region.** In 2018, the median income in the community was \$68,782, significantly lower than the King County average of \$89,418, as shown in Exhibit 53.
- **Areas within Skyway-West Hill have notably different demographic characteristics, with areas close to Bryn Mawr having greater household incomes.** Unlike the North Highline study area, some data is not available for individual locations within the Skyway-West Hill area. However, American Community Survey data is available at the tract level, and three tracts are in this area: 260.01 (Bryn Mawr and Lakeridge), 260.02 (west Renton with portions of Bryn Mawr), and 261 (Skycrest, Earlington, Campbell Hill, and Panorama View).¹⁰ Exhibit 54 shows the breakdown of the population by race and ethnicity, with Exhibit 55 providing median incomes by household type. While all of

¹⁰ See Exhibit 60 for the boundaries of these census tracts.

these tracts have a majority of people of color, Bryn Mawr and Lakeridge have a greater proportion of white residents and household incomes higher than the County median.

Employment

As shown in Exhibit 56, 2017 estimates of employment in the study area indicate that there were approximately 1,166 total jobs located in the community. Exhibits 56 through 59 highlight major employment characteristics and key points from this assessment include the following:

- **Recent employment growth has been notable although total employment is nominal.** Exhibit 56 highlights overall employment in the Skyway-West Hill area. Since 2010, employment has grown in Skyway-West Hill by about 430 jobs or an average of 7.3% per year, outpacing the average growth rate in King County of 2.7% over that same period.
- **Employment in Skyway-West Hill has a strong local focus.** The distribution in Exhibit 57 highlights that the greatest proportions of employment are in Arts, Entertainment, and Recreation (19%); Administration & Support, Waste Management and Remediation (17%); and Health Care and Social Assistance (13%). As seen in Exhibit 59, these jobs also tend to have a more local draw for workers, with workers in Skyway-West Hill living primarily in South Seattle, Renton, Kent, and the neighborhood. Notably, the community's proportion of retail and food service employment is lower than average for the county. Overall, this suggests that the area is not a strong regional employment or service center, but instead is more oriented to supporting local needs.
- **Skyway-West Hill residents are largely employed in Seattle and Renton.** The distribution of work locations for Skyway-West Hill residents highlights that many of the Skyway-West Hill residents commute to major job centers elsewhere in the region. As shown in Exhibit 58, about 40% of employed residents work in Seattle, with Renton (9%), Bellevue (8%), and Tukwila (6%) as other notable commuting destinations.

Housing Stock and Development

According to Exhibit 48, Skyway-West Hill had approximately 6,516 housing units in 2019. Exhibits 60 through 67 provide key details about the local housing stock. Major characteristics include the following:

- **Notable wartime and post-war development have shaped the local single-family housing market.** As shown in Exhibits 61–62 and 64–66, a substantial amount of the existing single-family residential stock was developed out from the 1940s through the 1960s, and this development type still makes up the largest proportion of housing today.
- **Multifamily residential development has been dominant since the 1980s.** As seen in Exhibits 61 and 62, multifamily development has provided more residential units in the community since the 1980s, especially as the number of available sites for new and infill single-family development has declined. Multifamily residential development has largely been clustered close to the Renton Municipal Airport and to the core and southwest half of the community.
- **Remaining areas for development include isolated properties and larger parcels to the southwest.** Exhibit 67 shows results from the 2014 King County Buildable Lands Report and highlights both available vacant and underutilized sites for residential development. Current sites available for development include smaller infill sites across the community, as well as larger tracts

for projects primarily found in the southwest half of the study area. Policies to expand available development capacity may highlight these larger tracts for additional development opportunities.

Housing Markets

Exhibits 68 through 76 illustrate key market indicators from the Skyway-West Hill community, including the following:

- **There have been significant increases in housing prices since 2012.** The cost per square foot of housing sales in Skyway-West Hill has dramatically increased since the last recession, as shown in Exhibit 69. Due to market increases and some new construction, prices have increased from a low of about \$130/sf in 2012 to a high or over \$300/sf today. While this increase may provide some increased wealth for homeowners in the area, this also reduces access to homeownership opportunities.
- **Although rents are lower than regional rents, they have been increasing at a comparable rate.** From graphs of local and regional rents included in Exhibits 72 through 75, rents in Skyway-West Hill are relatively affordable, as the average in the study area is 88% of the average for the CoStar South Seattle submarket cluster, and 71% of the average for rents in King County. However, rents in Skyway-West Hill have on average increased by about 4% per year since 2012, which is slightly higher than in the submarket cluster and county overall. These statistics highlight that rents are more affordable in this area, but there are increases in rents consistent with and even slightly higher than overall increases in the region. These rent increases may impact households over time.
- **Recent vacancy rates have been slightly smaller than regional rates.** Stabilized vacancy rates for Skyway-West Hill are shown in Exhibit 76. In 2020, vacancies were at approximately 2.3%, lower than the South Seattle submarket cluster's rate of 3.1% and the County's overall rate of 5.4%. Generally, vacancy rates have been lower than regional levels since 2012 and 2013.

Housing Needs and Burden

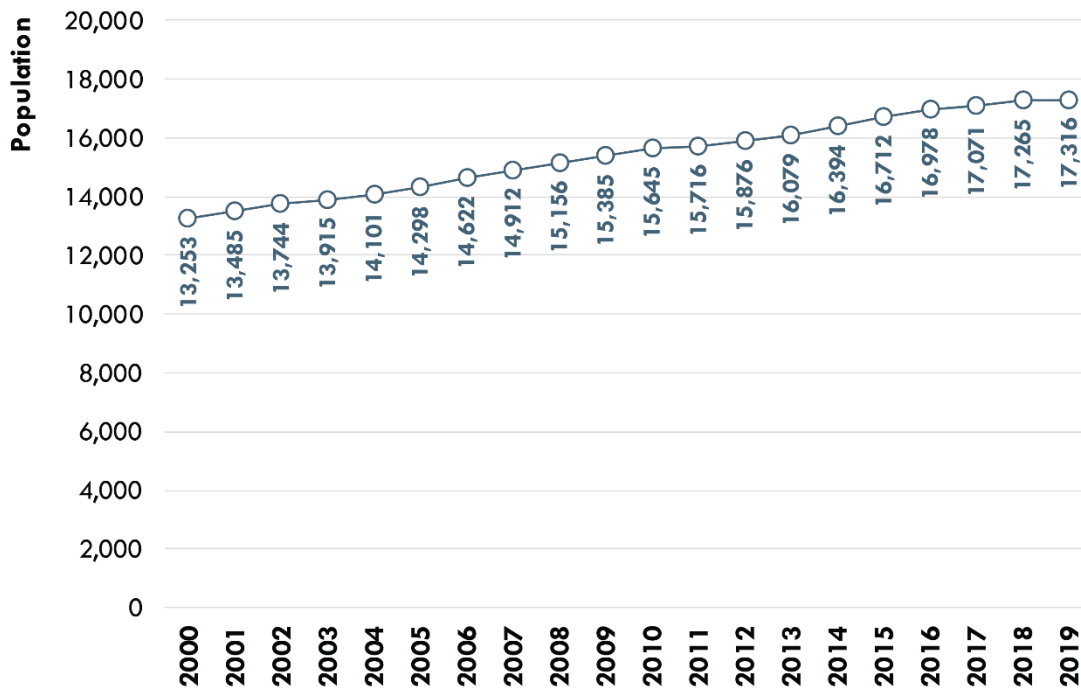
Exhibits 77 through 86 illustrate details about the intersection between housing supply and demand. Major points include the following:

- **A majority of renters in Skyway-West Hill are cost-burdened, with severe cost-burden to the lowest income households in the community.** Exhibits 79 and 80 indicate cost burden for renters by income group based on Area Median Income (AMI). This indicates that across all renter households, about 56% are spending over 30% of their income on housing, with about 32% spending over half of their income. This cost burden is most significant for extremely low-income households, where about 66% pay more than 50% of their income on rent.
- **Housing shortages are most acute at the lowest end of the market, although down-renting may also be a factor in gaps.** Exhibits 81 and 82 highlight the difference between the supply of available, affordable housing in the community and the households that are able to afford these units. For higher-income households, there appears to be sufficient affordable units across most income groups. However, households with incomes below 30% AMI only have enough housing to serve about 37% of total needs. When examining the distribution of household incomes by housing

unit affordability in Exhibits 83 and 84, it appears that a substantial number of low-income households have very high housing costs, which is necessary to access housing in the neighborhood.

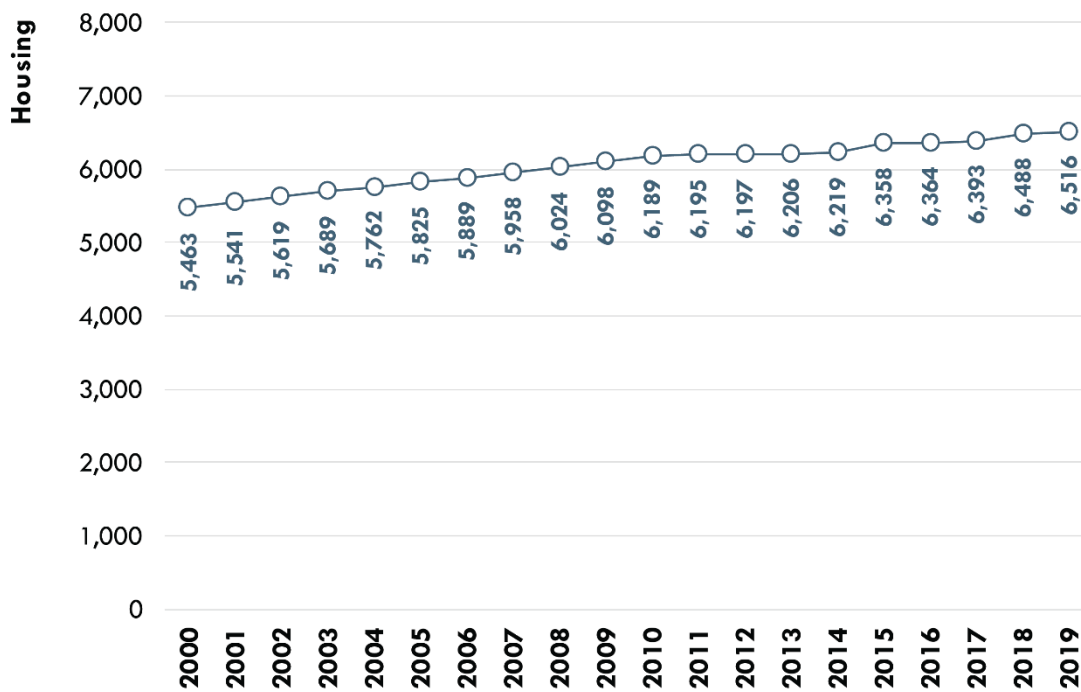
- **There are significant housing burdens associated with Black and Latino households renting in the community.** Exhibits 85 and 86 highlight differences in housing burdens by race. For all households in the community, only about a quarter of white households are cost burdened, compared to about half of the households of color which pay over 30% of their income for housing. Exhibit 86 shows more detailed breakdowns of renter cost burden by race, and reveals that Black and Latino households are most impacted. For Black households that rent, 66% are cost-burdened and 43% are severely cost-burdened. About 56% of Latino households are cost-burdened, and about 23% are severely cost-burdened. Note that “other” households in this category have minor representation in the community, and these results are likely due to high variance in the local sample.

Exhibit 47. Population, Skyway-West Hill Study Area, 2000–2019.



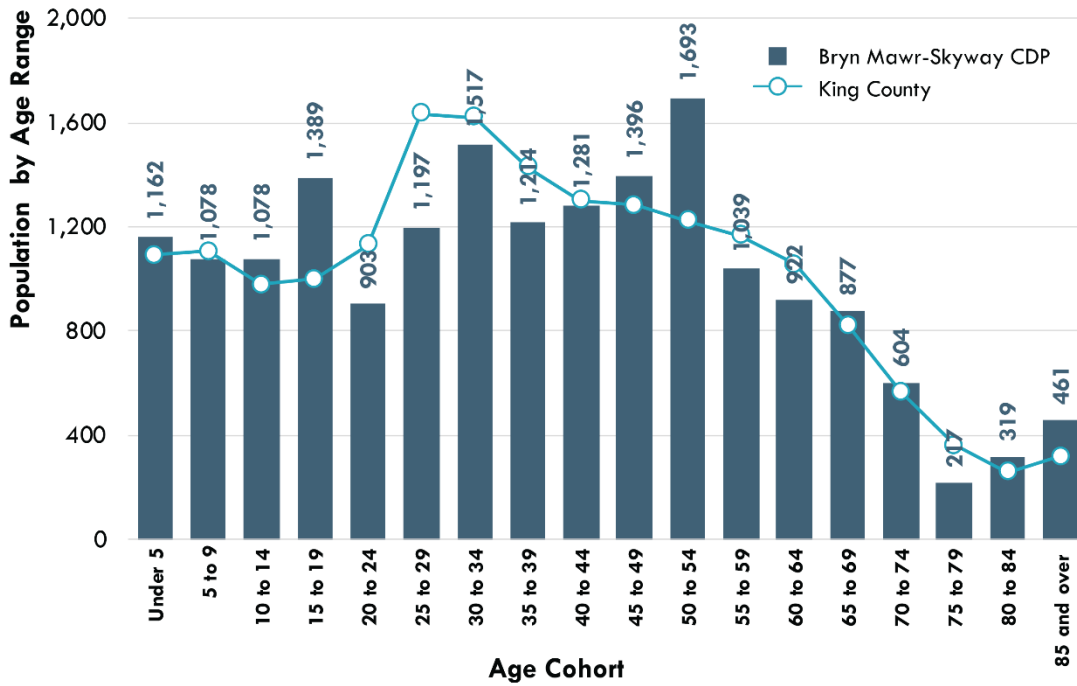
Source: BERK, 2020; Washington State Office of Financial Management, 2019

Exhibit 48. Housing, Skyway-West Hill Study Area, 2000–2019.



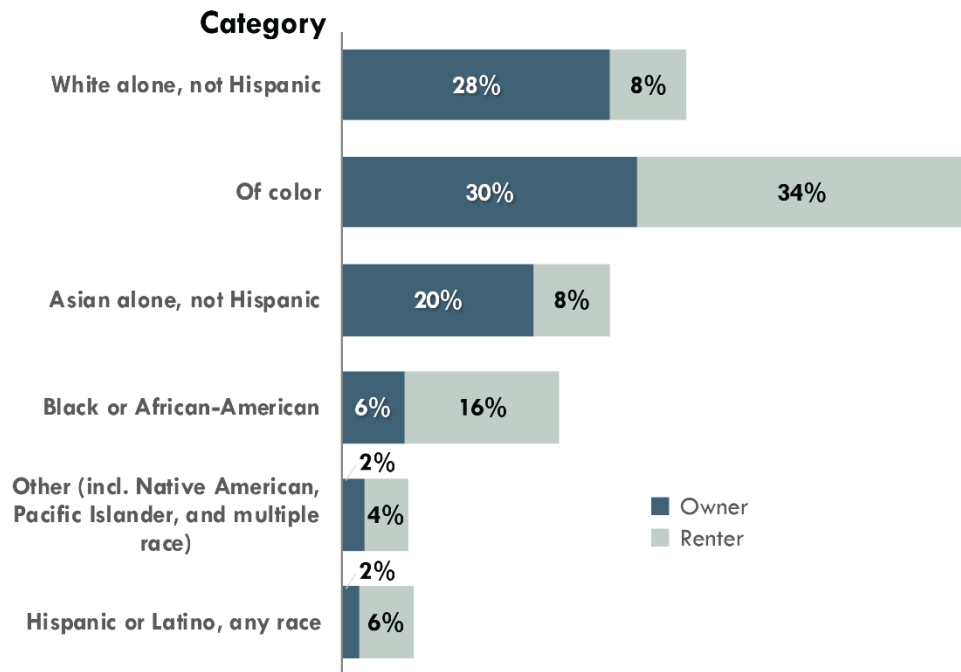
Source: BERK, 2020; Washington State Office of Financial Management, 2019

Exhibit 49. Population Age, Skyway-West Hill Study Area, 2018.



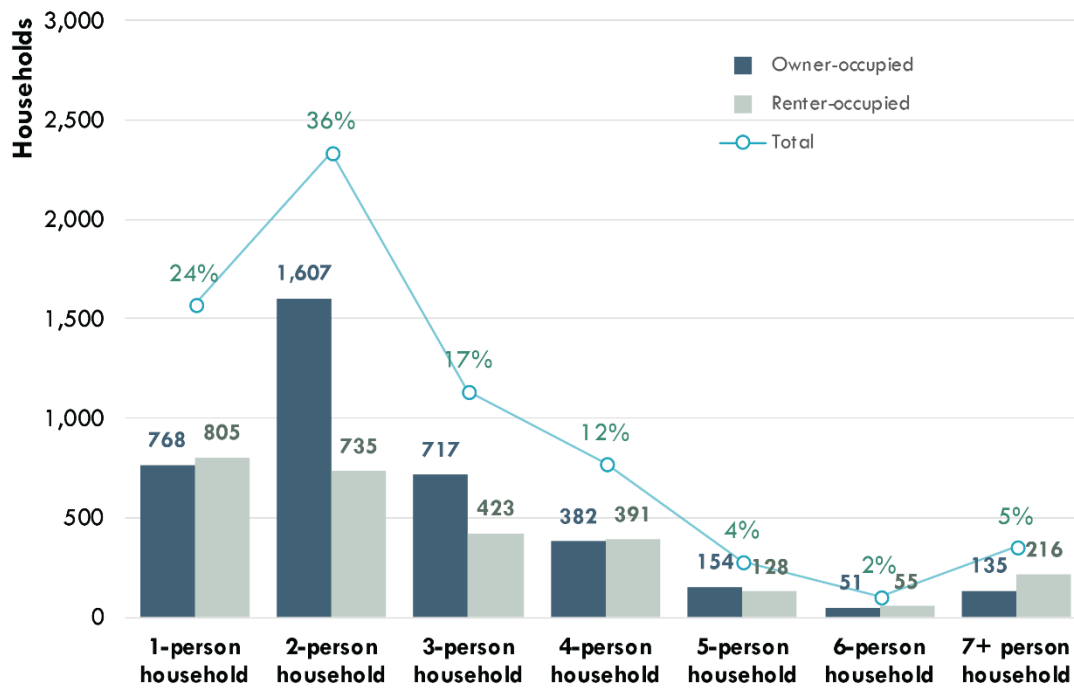
Source: BERK, 2020; US Census Bureau American Community Survey 5-year estimates, 2018.

Exhibit 50. Distribution of Households by Race and Tenure, Skyway-West Hill Study Area.



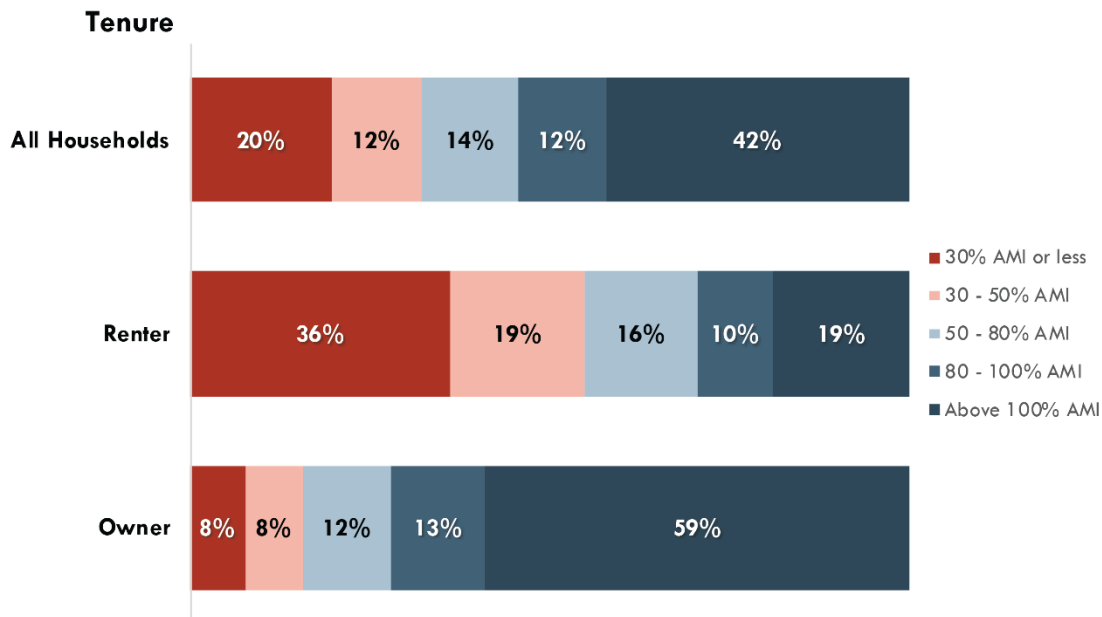
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 51. Distribution of Households by Size and Tenure, Skyway-West Hill Study Area.



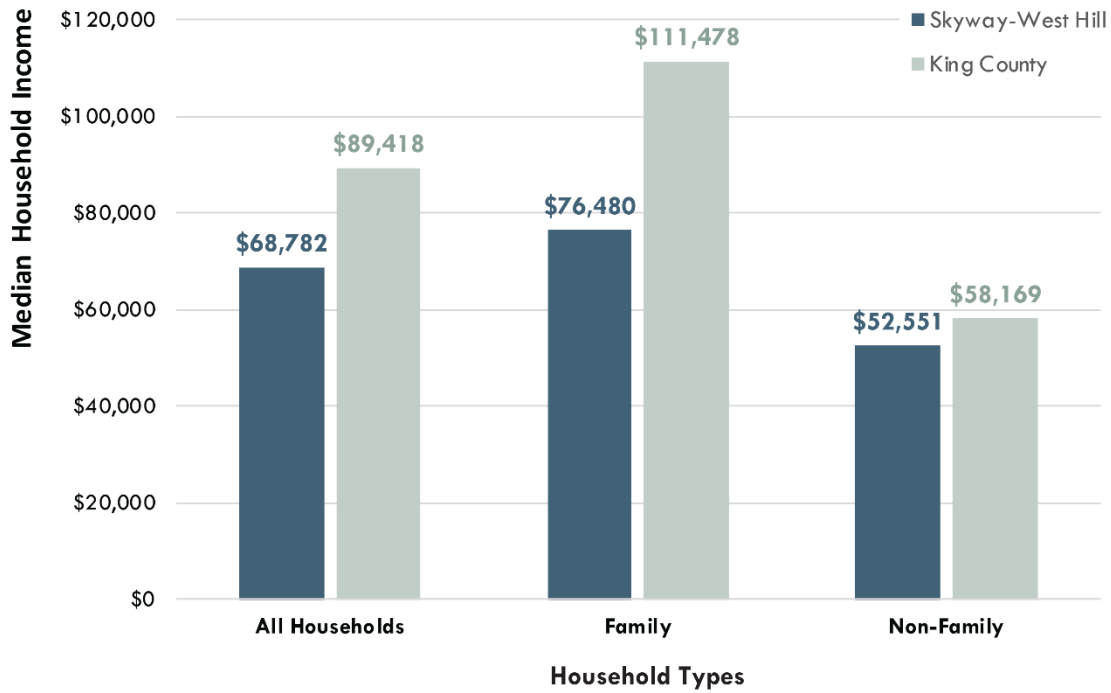
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 52. Distribution of Households by Income and Tenure, Skyway-West Hill Study Area.



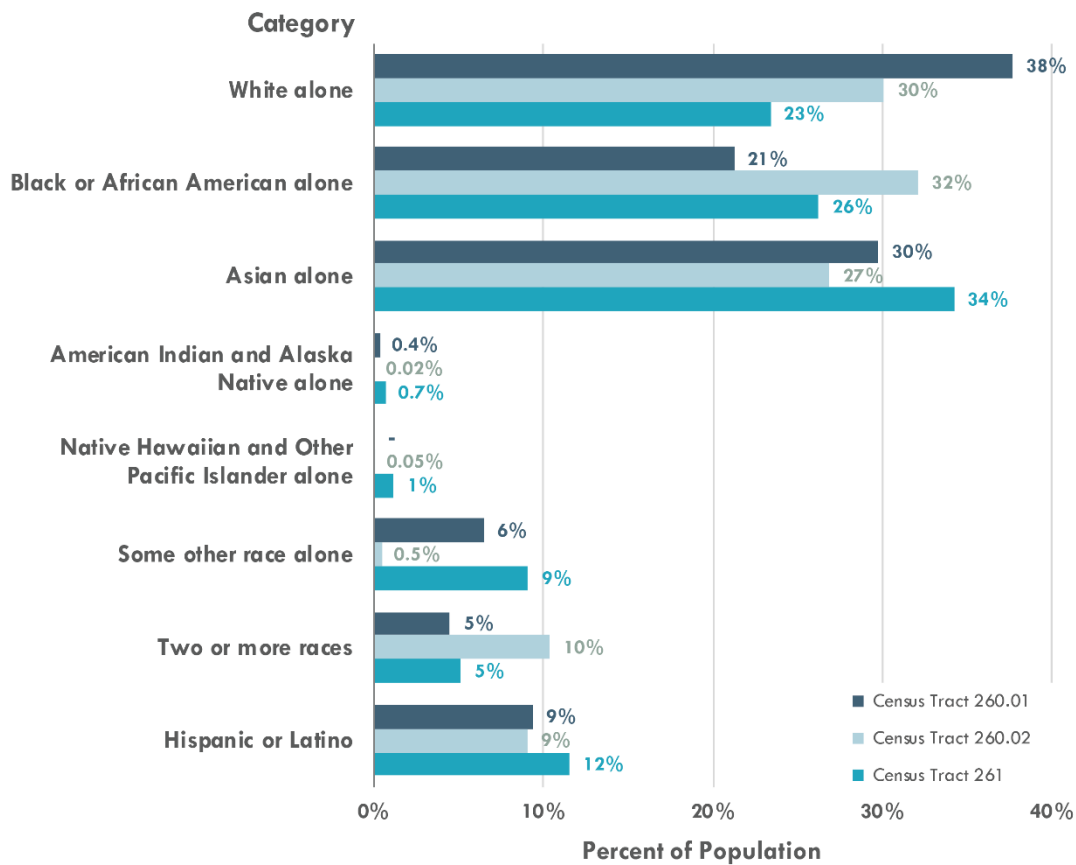
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 53. Median Household Income, Skyway-West Hill Study Area, 2018.



Source: BERK, 2020; US Census Bureau American Community Survey 5-year estimates, 2018.

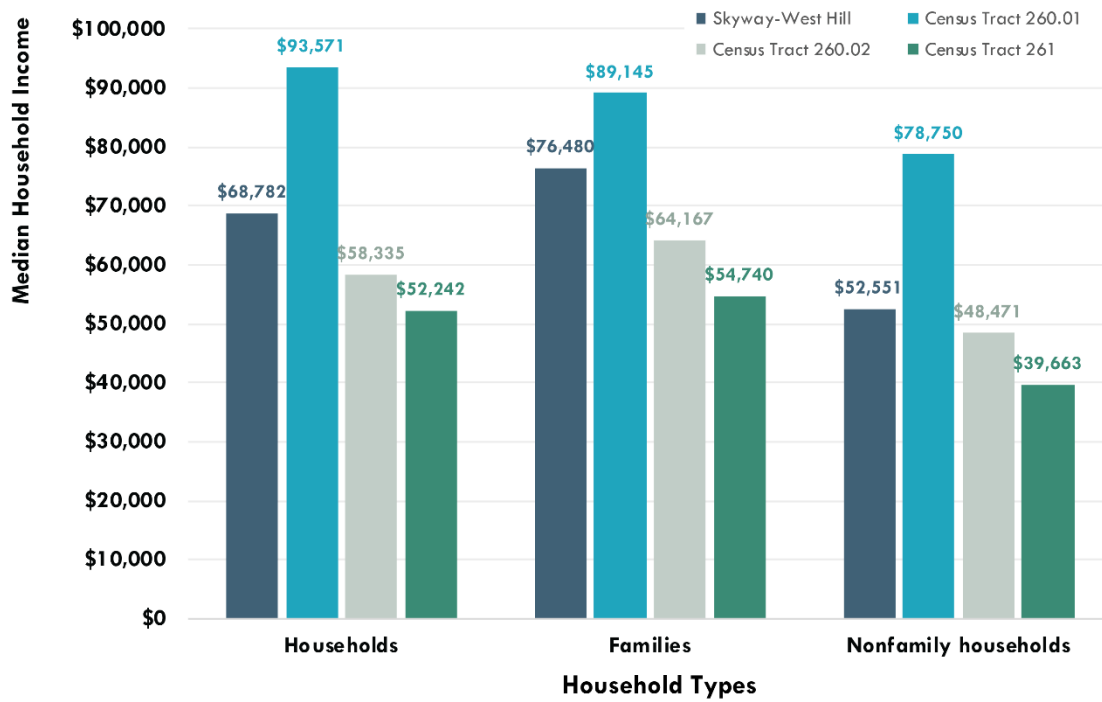
Exhibit 54. Population Race and Ethnicity, Skyway-West Hill Study Area Census Tracts, 2018.



Source: BERK, 2020; US American Community Survey 5-Year Estimates, 2018.

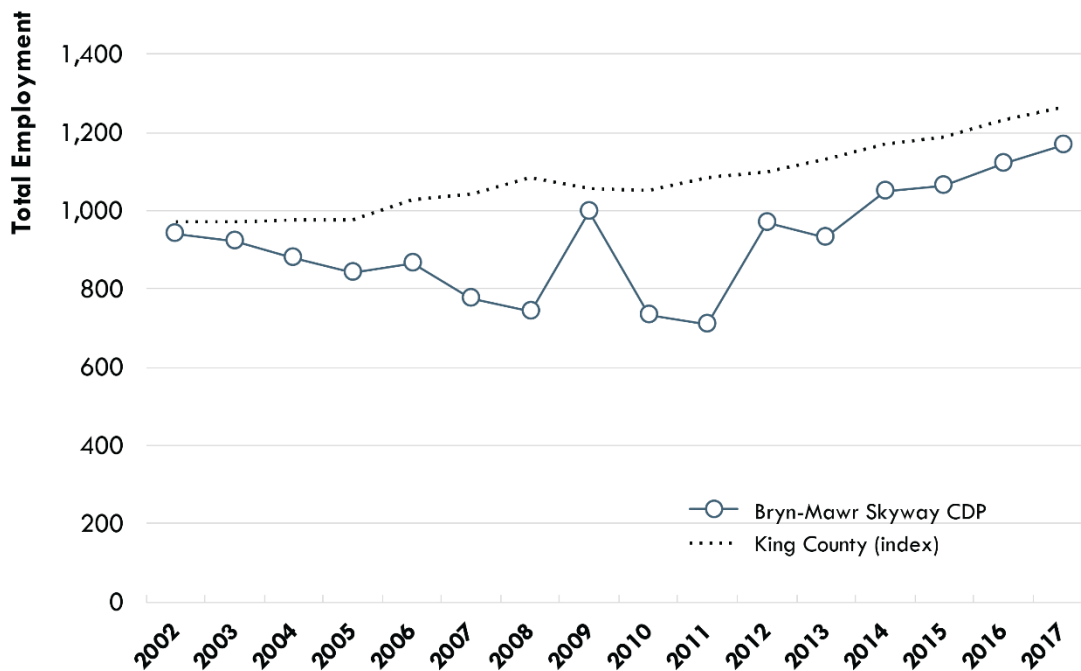
Note: See Exhibit 60 for boundaries of the census tracts in the Skyway-West Hill study area.

Exhibit 55. Household Median Income, Skyway-West Hill Study Area Census Tracts, 2018.



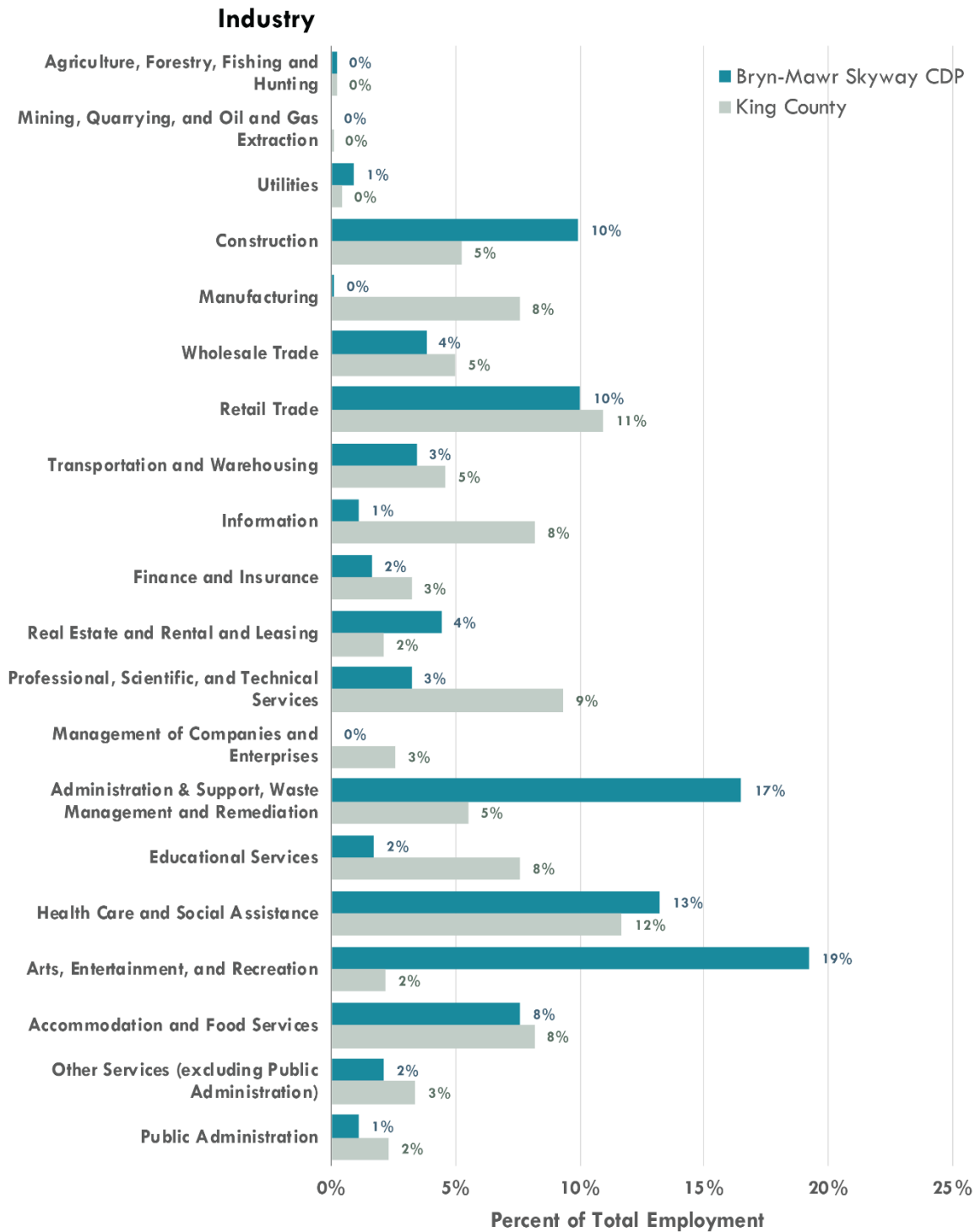
Source: BERK, 2020; US American Community Survey 5-Year Estimates, 2018.

Exhibit 56. Total Employment, Skyway-West Hill Study Area, 2002–2017.



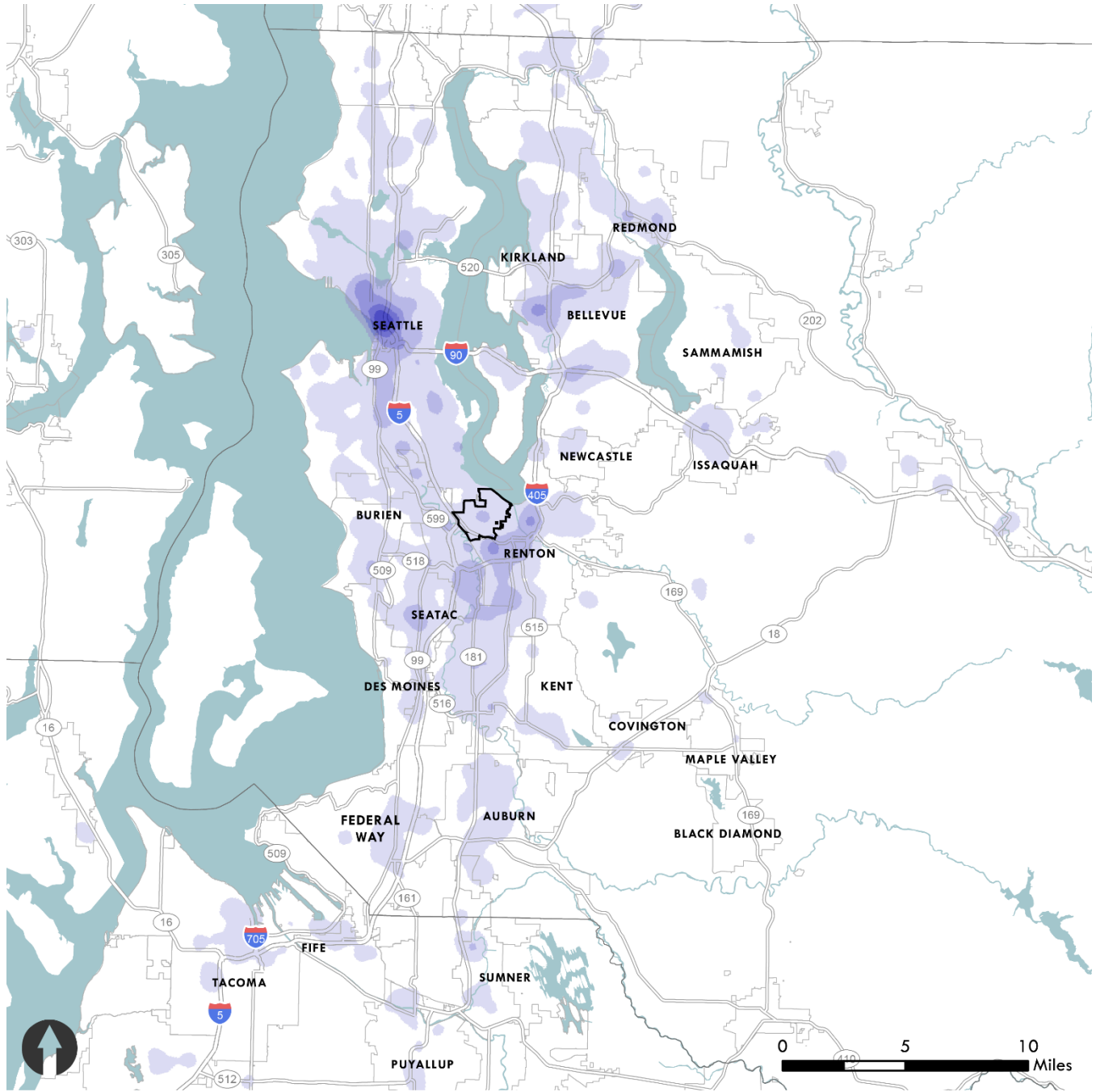
Source: BERK, 2020; US Census Longitudinal Employer-Household Dynamics (LEHD), 2017.

Exhibit 57. Total Employment by NAICS Sector, Skyway-West Hill Study Area, 2017.



Source: BERK, 2020; US Census Longitudinal Employer-Household Dynamics (LEHD), 2017.

Exhibit 58. Work Locations of Skyway-West Hill Study Area Residents, 2017.



LEGEND

-  Skyway-West Hill
-  Cities
-  Highways/State Routes
-  Water

Job Locations, Skyway-West Hill Residents

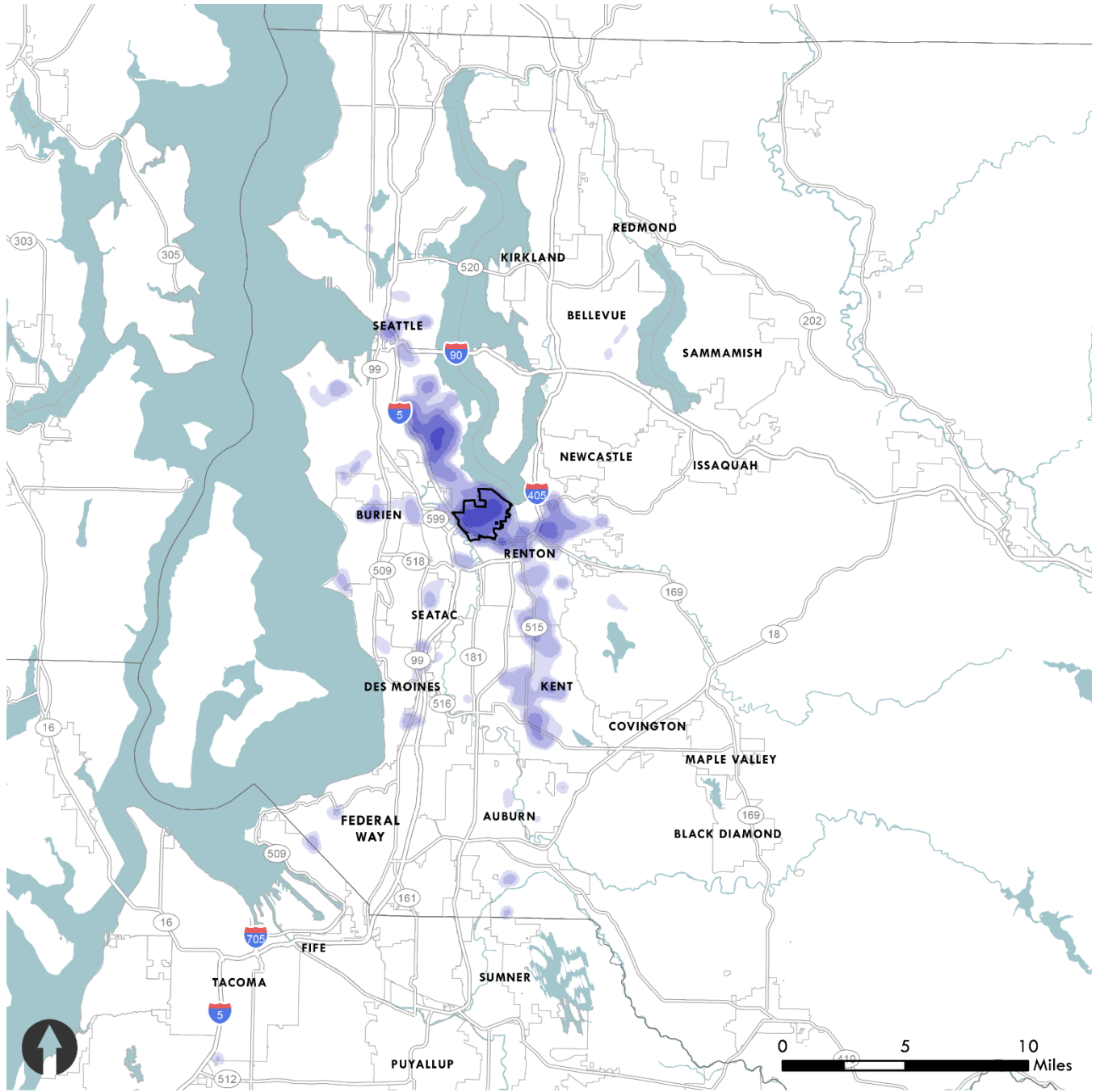


Top Work Locations for Residents

City	% of Residents
Seattle	40.0%
Renton	9.2%
Bellevue	7.6%
Tukwila	5.7%
Kent	5.1%
Redmond	3.0%

Source: BERK, 2020; King County GIS, 2020; US Census On The Map, 2020.

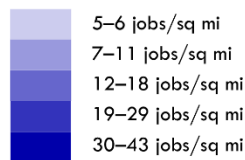
Exhibit 59. Home Locations of Skyway-West Hill Study Area Workers, 2017.



LEGEND

-  Skyway-West Hill
-  Cities
-  Highways/State Routes
-  Water

Home Locations, Skyway-West Hill Workers

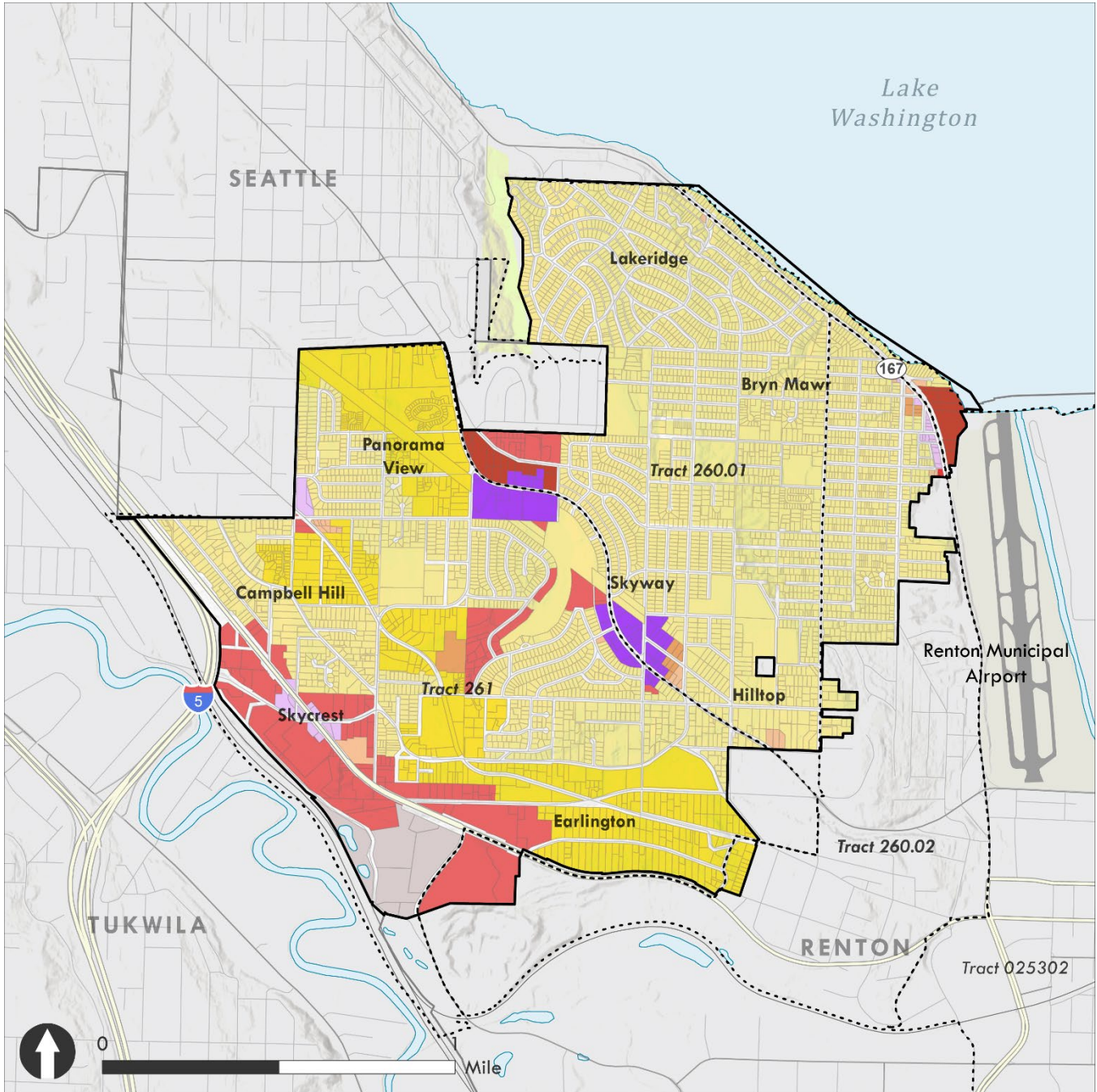


Top Home Locations for Workers

City	% of Residents
Seattle	20.7%
Renton	11.3%
Kent	9.1%
Bryn Mawr-Skyway	8.3%
Auburn	3.3%
Burien	3.2%

Source: BERK, 2020; King County GIS, 2020; US Census On The Map, 2020.

Exhibit 60. Current Zoning, Skyway-West Hill.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Zoning

- Commercial**
- CB - Community Business
 - I - Industrial
 - NB - Neighborhood Business
 - O - Office
 - RB - Regional Business

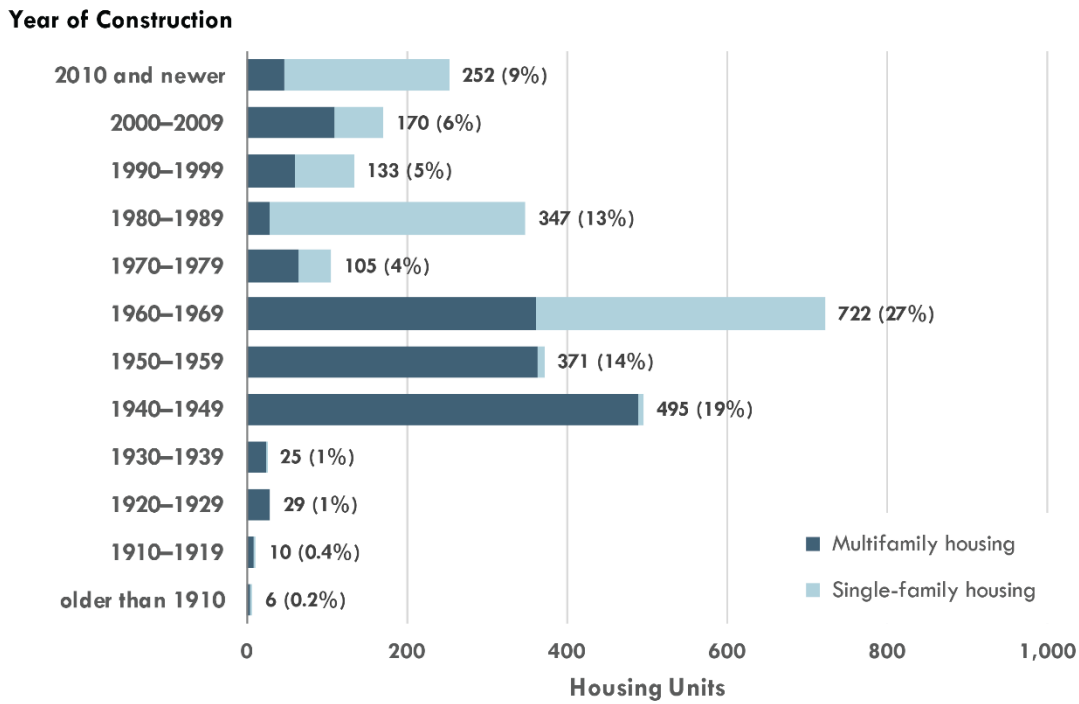
Residential

- R-4 (4 DU/acre)
- R-6 (6 DU/acre)
- R-8 (8 DU/acre)
- R-12 (12 DU/acre)
- R-18 (18 DU/acre)
- R-24 (24 DU/acre)
- R-48 (48 DU/acre)



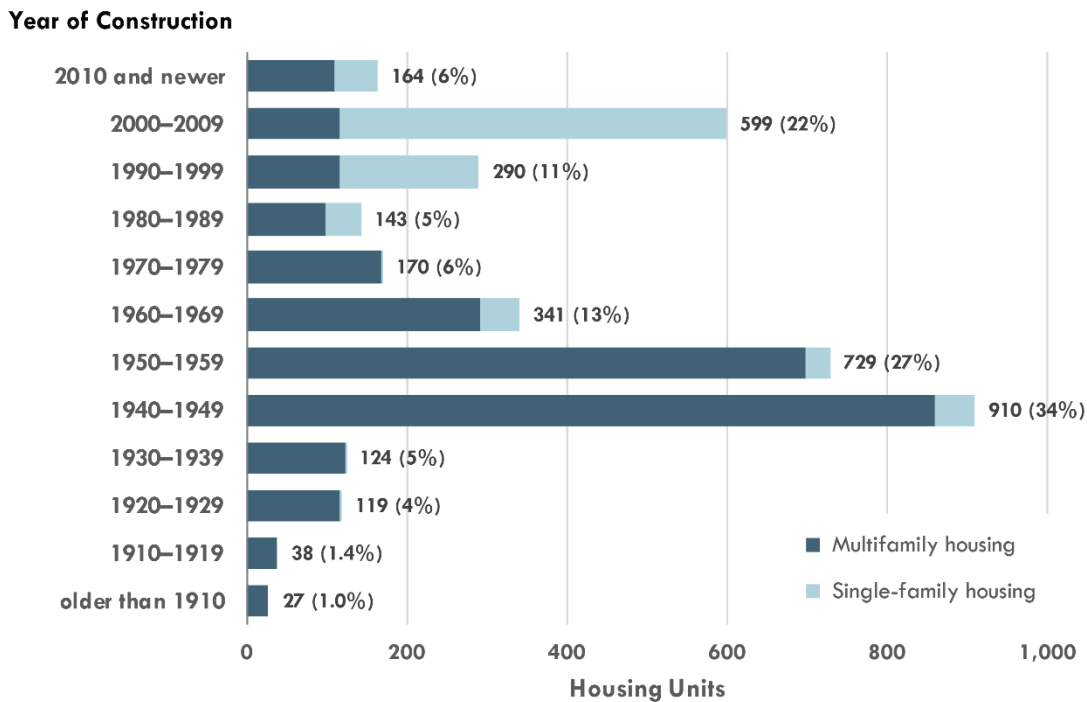
Source: BERK, 2020; King County GIS, 2020.

Exhibit 61. Housing Units by Year Built, Skyway-West Hill Study Area, Census Tract 261.



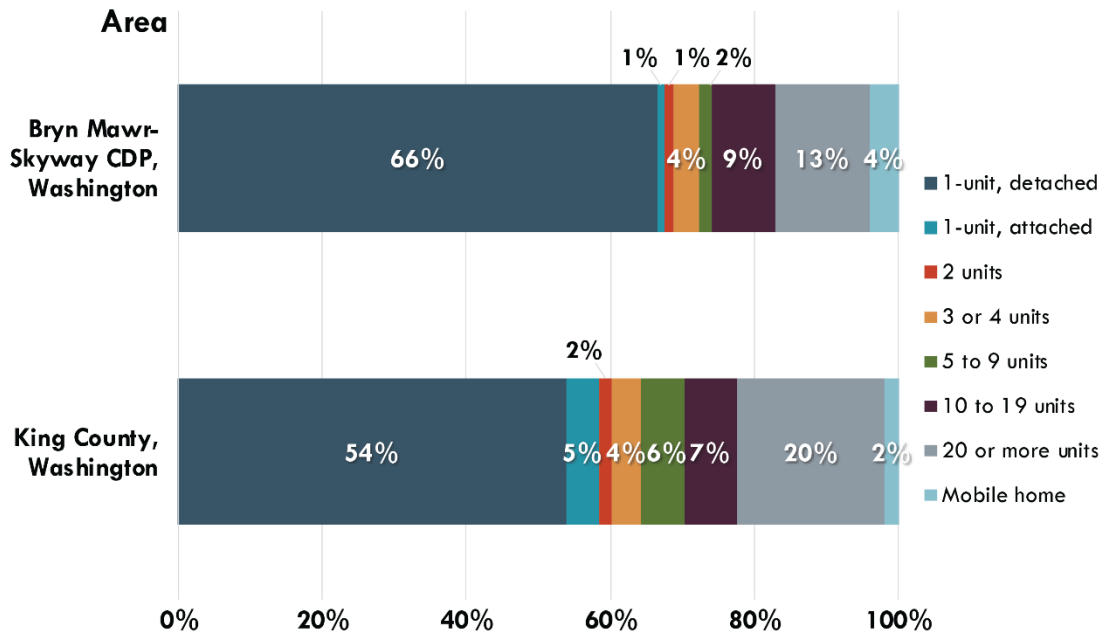
Source: BERK, 2020; King County Assessor, 2020.

Exhibit 62. Housing Units by Year Built, Skyway-West Hill Study Area, Other Census Tracts.



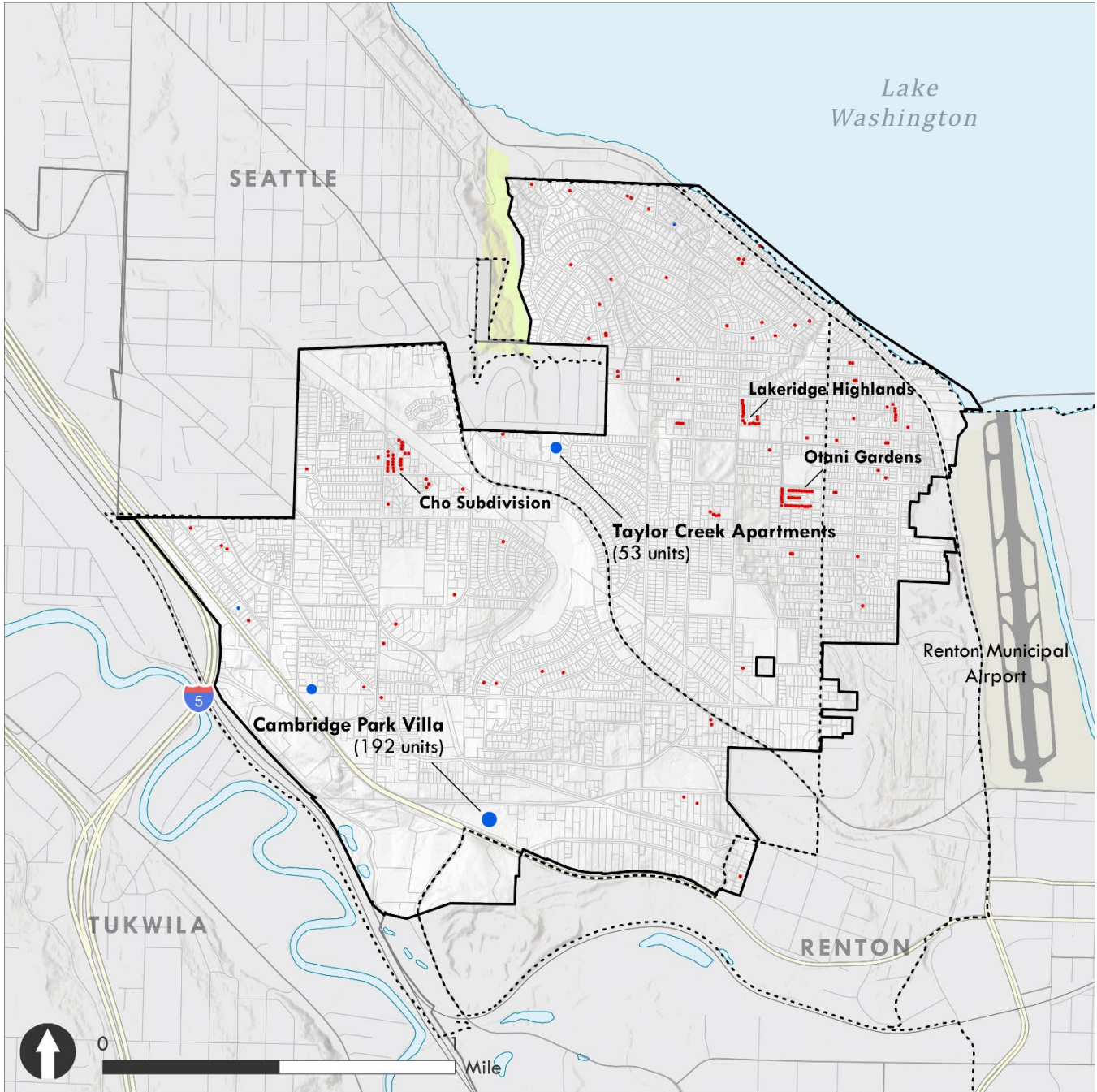
Source: BERK, 2020; King County Assessor, 2020.

Exhibit 63. Housing Unit Types, Skyway-West Hill Study Area.



Source: BERK, 2020; King County Assessor, 2020.

Exhibit 64. Residential Units, Year of Construction 2010 or later, Skyway-West Hill Study Area.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 2010–present

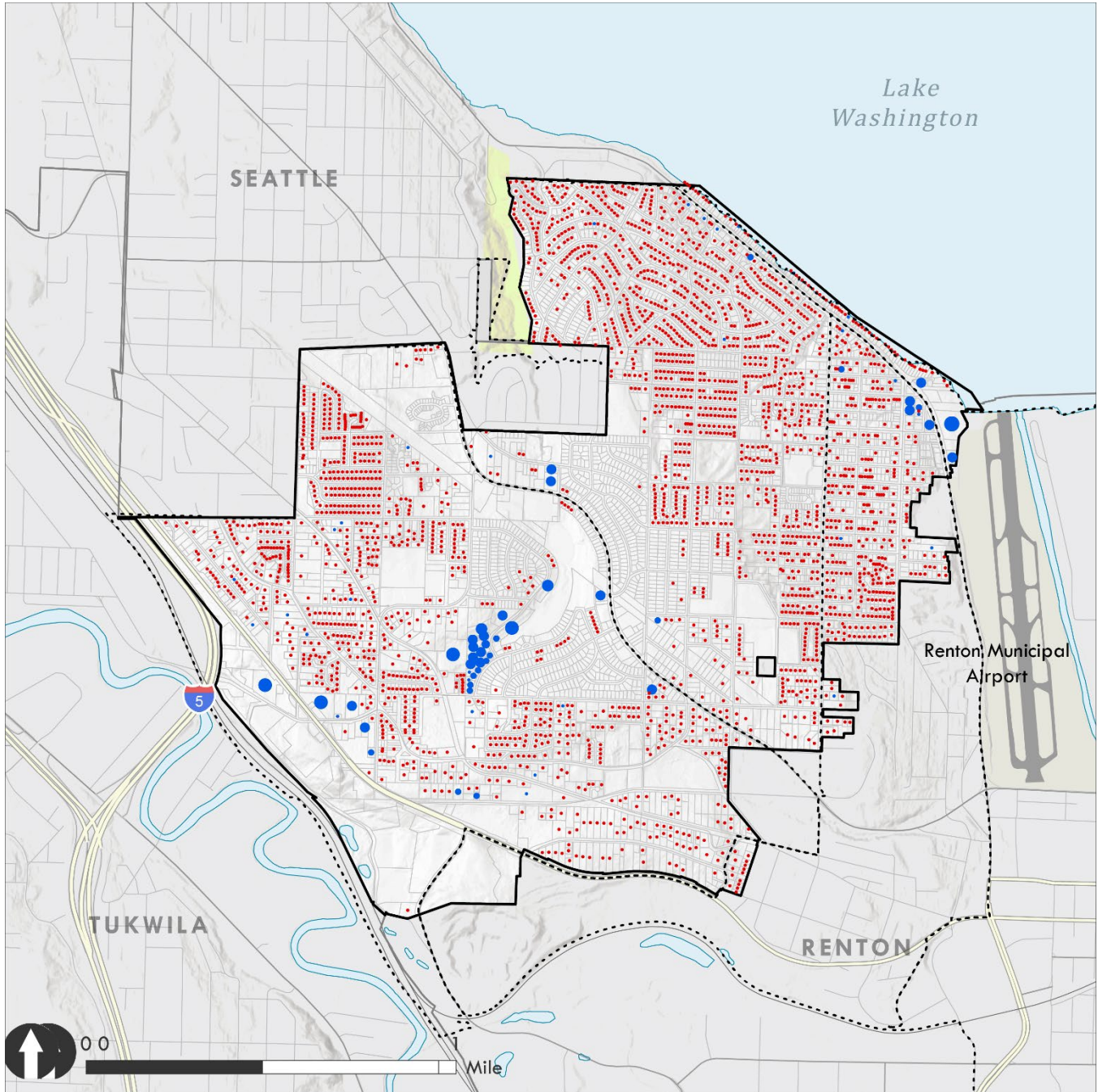
- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

- Unit Types**
- Single-unit (Single-family residential)
 - Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 65. Residential Units, Year of Construction 1946 to 2009, Skyway-West Hill Study Area.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 1946–2009

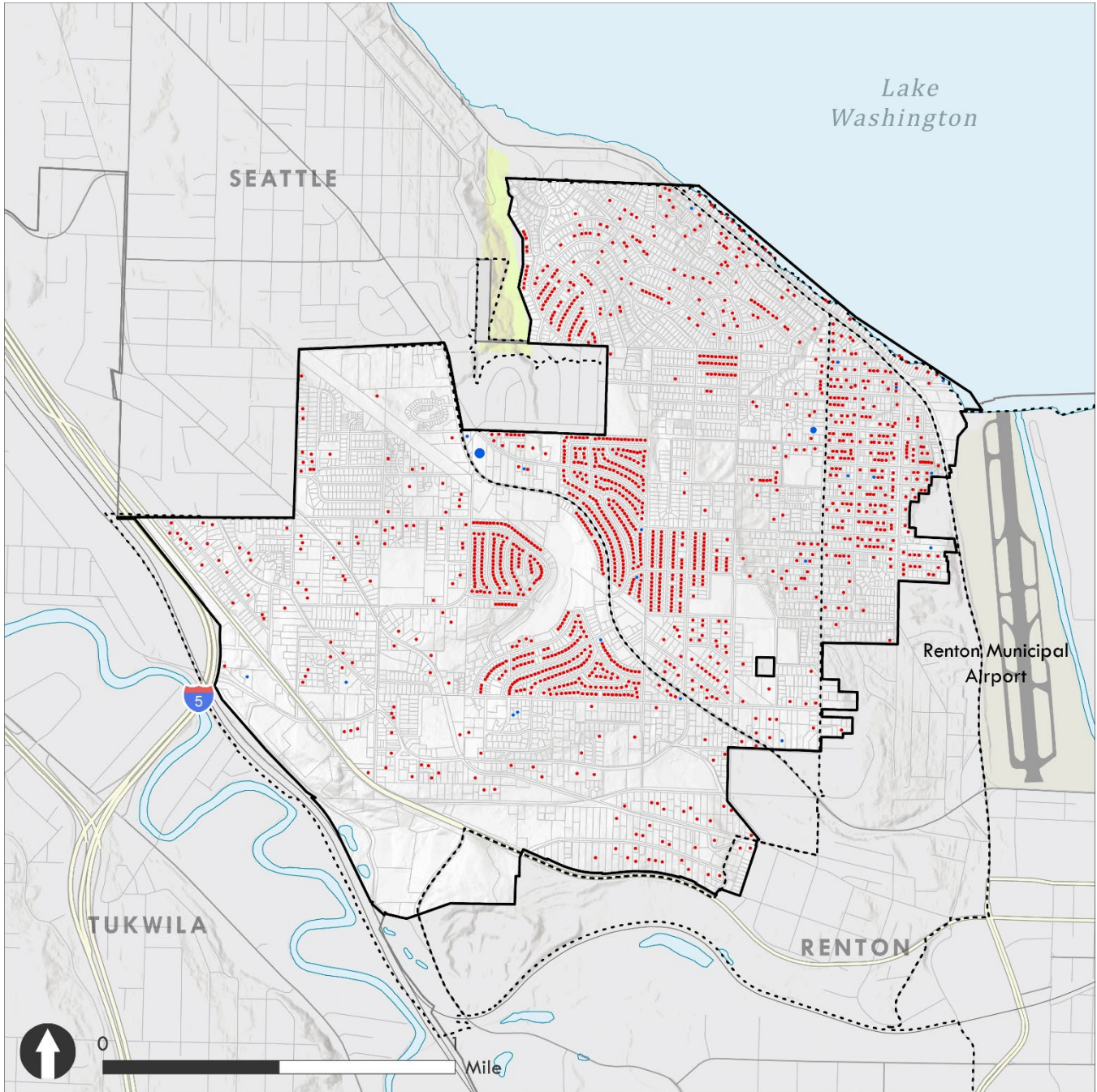
- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

- Unit Types**
- Single-unit (Single-family residential)
 - Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 66. Residential Units, Year of Construction 1945 or earlier, Skyway-West Hill Study Area.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, Pre-1946

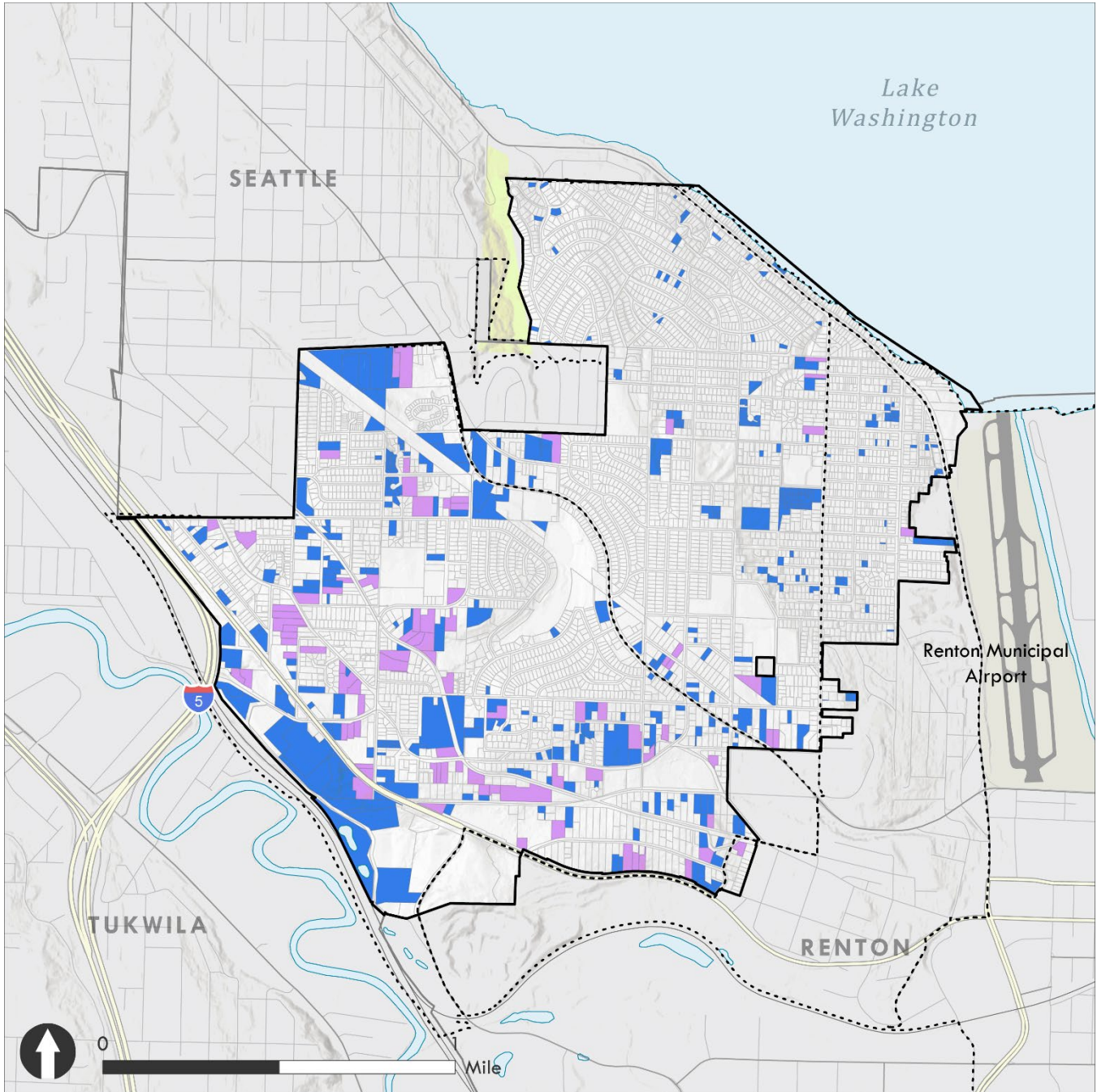
- Units per Parcel**
- 1
 - 2
 - 3-5
 - 6-10
 - 11-20
 - 21-50
 - 51-100
 - 101-200
 - 201-400

- Unit Types**
- Single-unit
(Single-family residential)
 - Multi-unit
(Plex, apartment, condo)

BERK
Map Date: November 2020

Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 67. Buildable Lands by Parcel, 2014, Skyway-West Hill Study Area.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

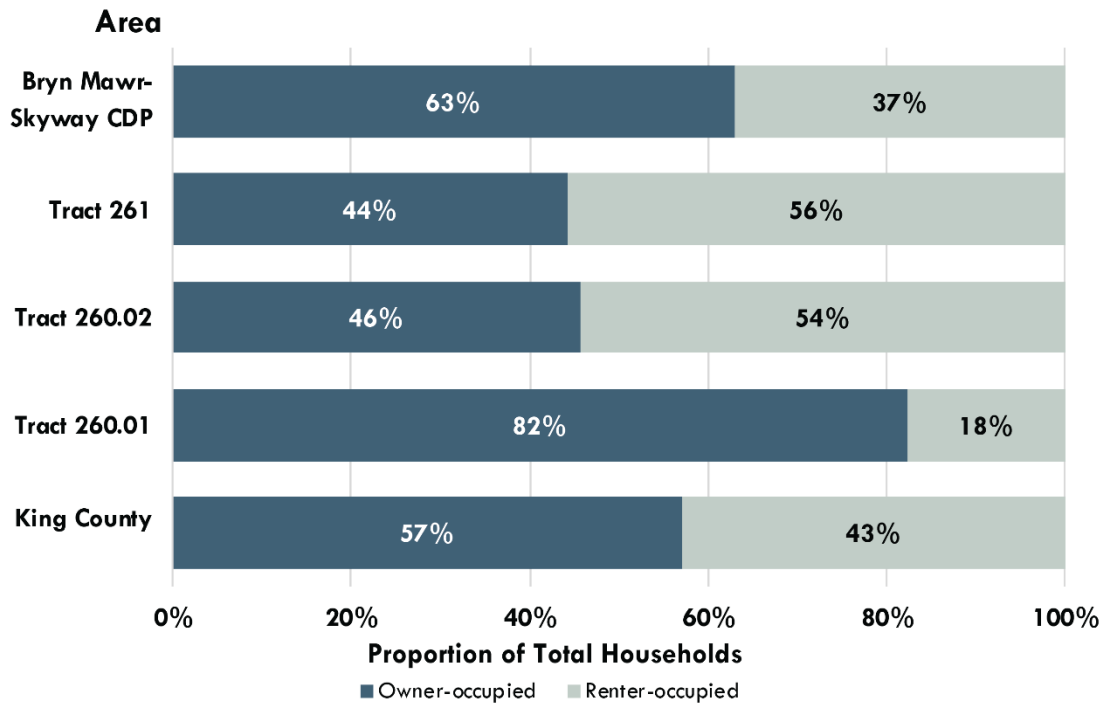
Buildable Lands

- Vacant
- Redevelopable

BERK
Map Date: November 2020

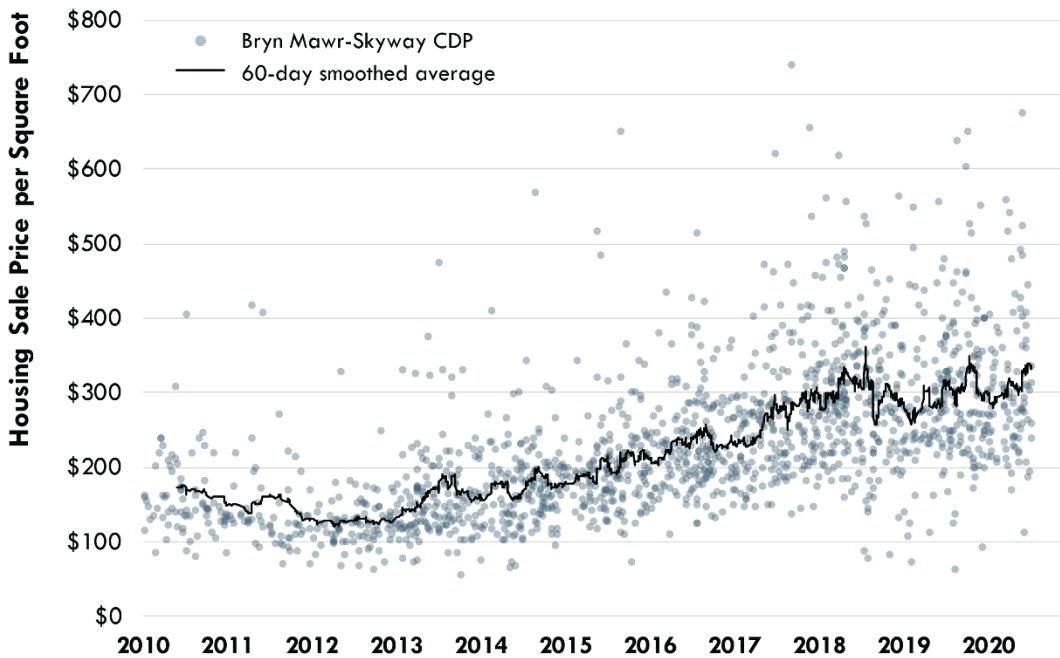
Source: BERK, 2020; King County GIS, 2020.

Exhibit 68. Tenure, Skyway-West Hill Study Area.



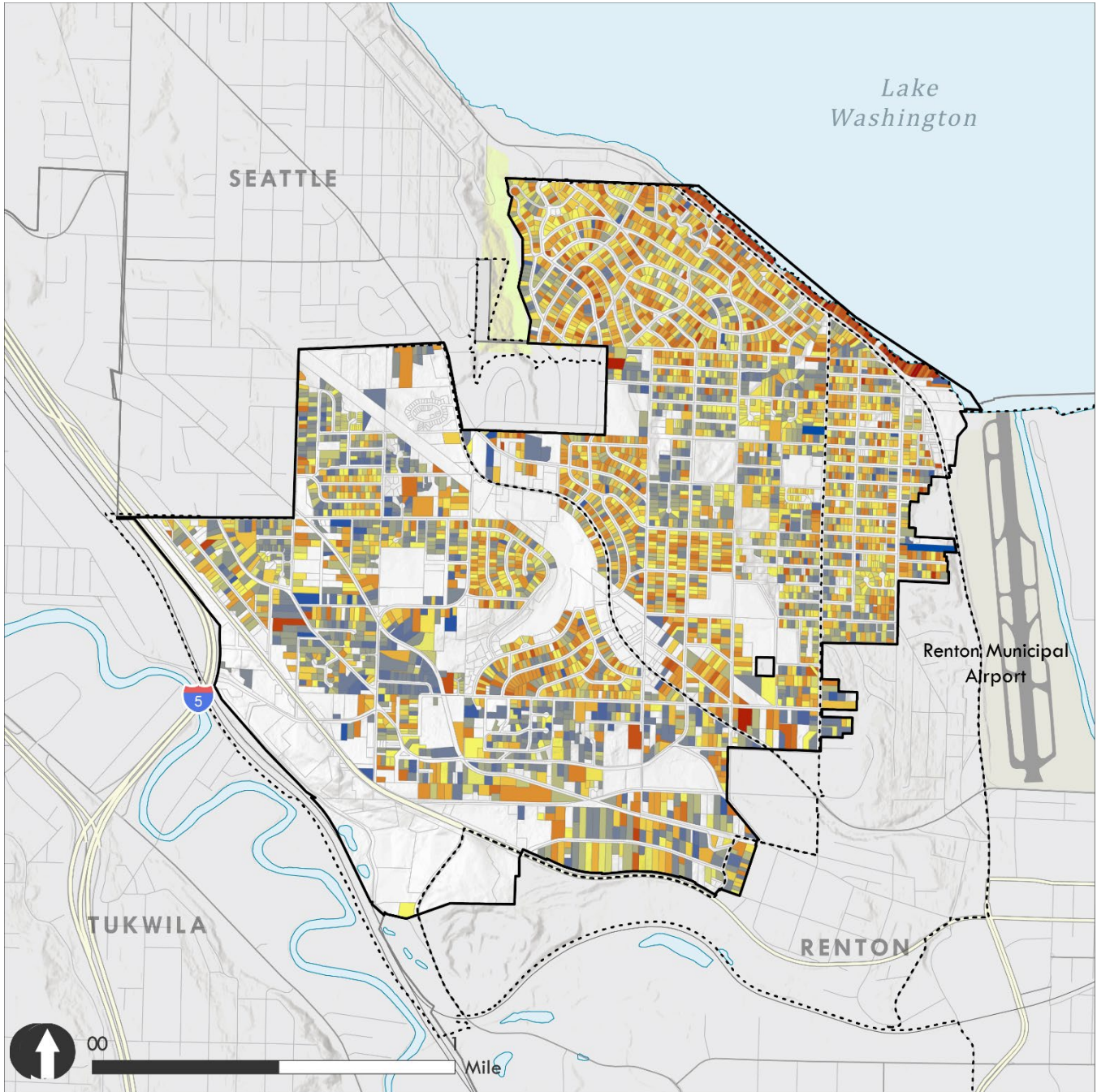
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 69. Single-Family Housing Sale Price Per Square Foot, Skyway-West Hill Study Area.



Source: BERK, 2020; King County Assessor, 2020.

Exhibit 70. Single-Family Residential Parcels, Assessed Value per SF, Skyway-West Hill Study Area.



LEGEND

- Skyway-West Hill Study Area
- Cities
- Census Tract Boundaries
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

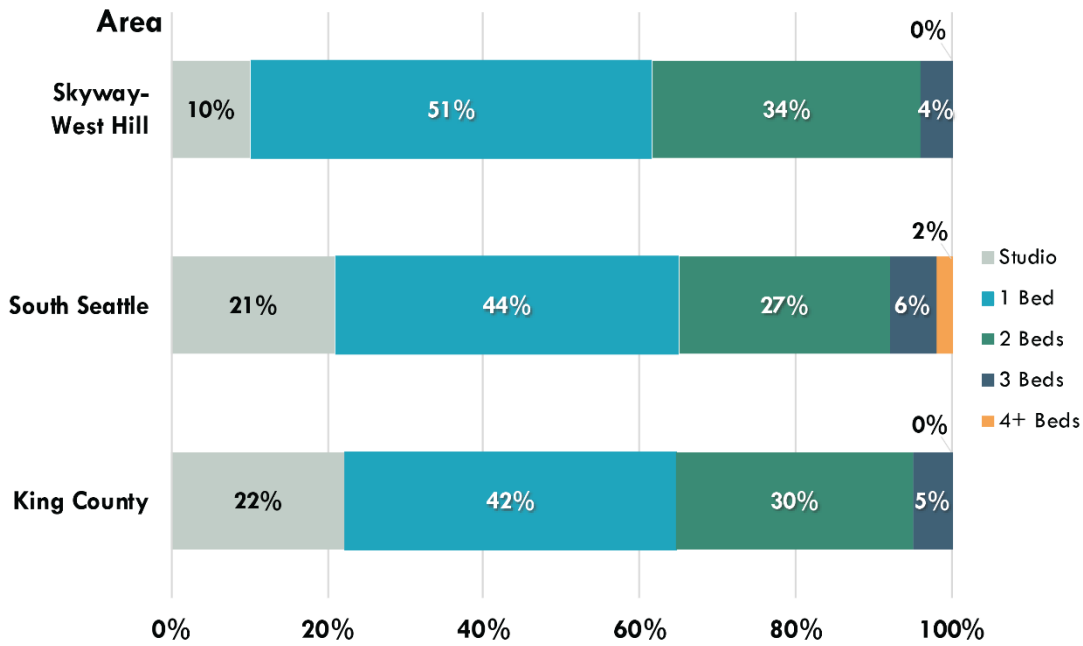
Assessed Value per SF Total Living Area

- Low (\$20-60 per sf)
-
-
- High (\$750-850 per sf)

BERK
Map Date: November 2020

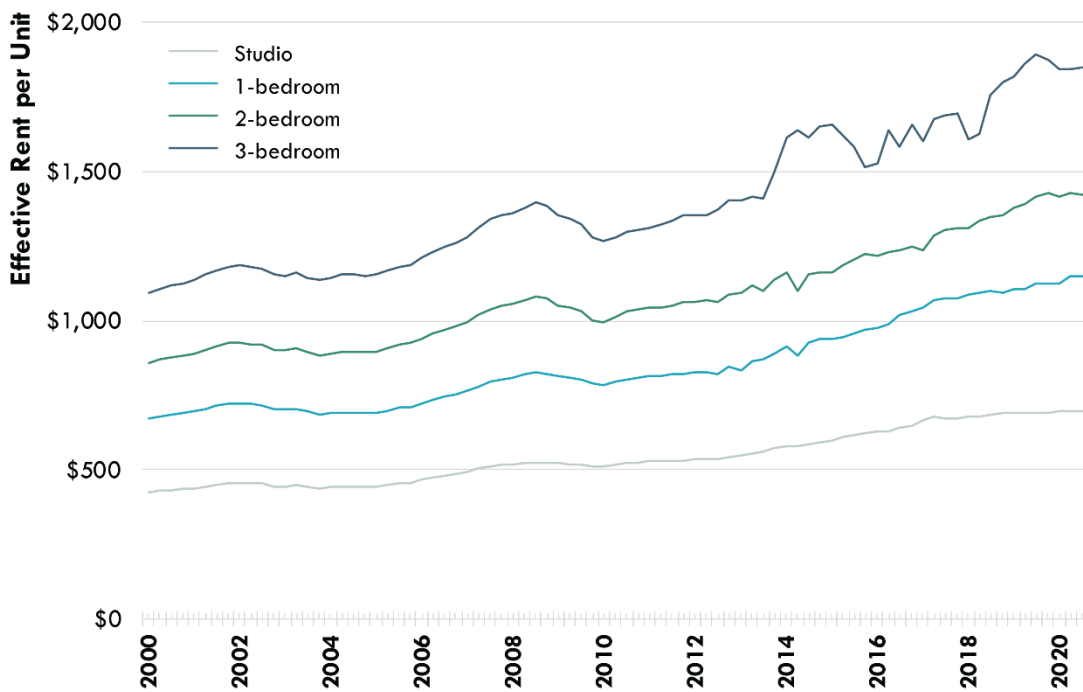
Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 71. Distribution of Apartments by Number of Bedrooms, Skyway-West Hill Study Area.



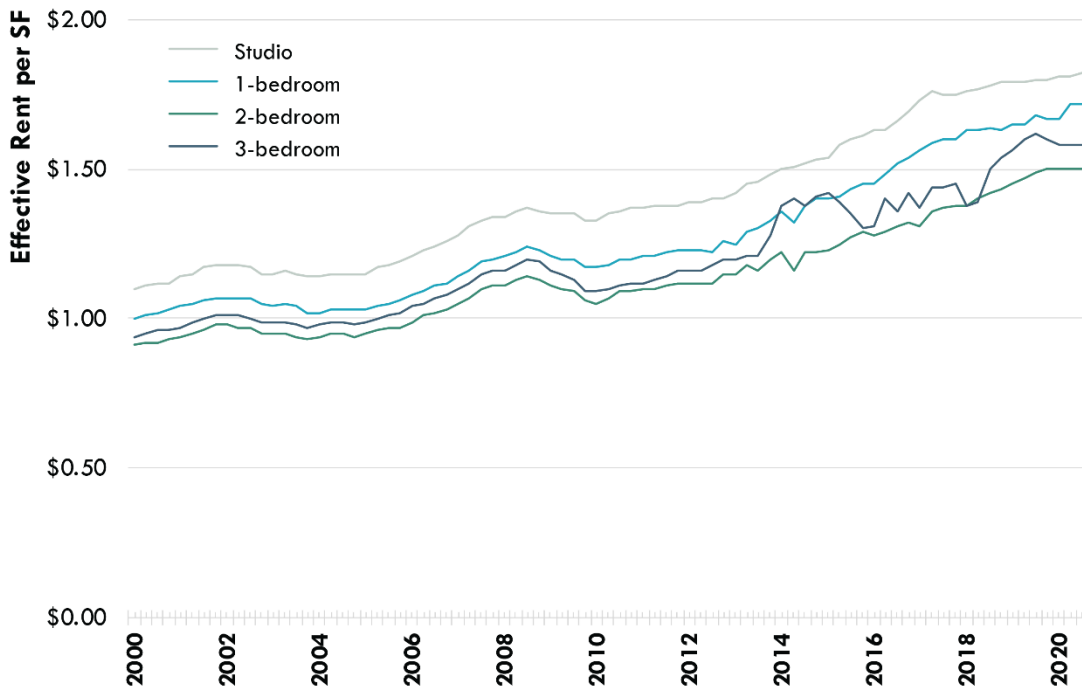
Source: BERK, 2020; CoStar, 2020.

Exhibit 72. Average Rental Rates by Number of Bedrooms, Skyway-West Hill Study Area.



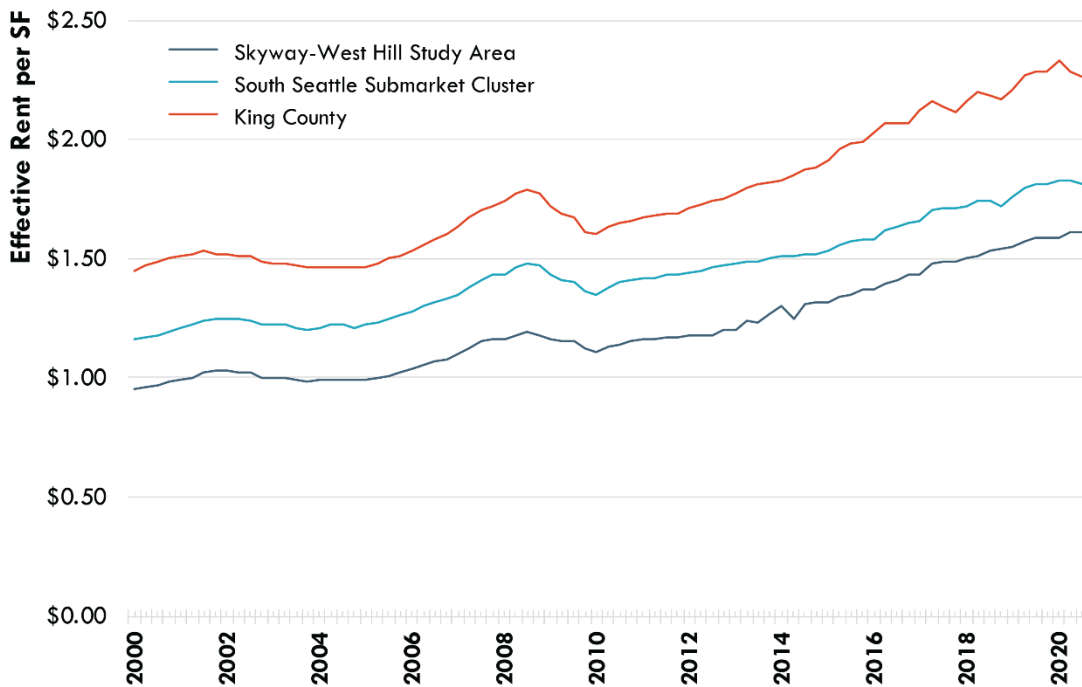
Source: BERK, 2020; CoStar, 2020.

Exhibit 73. Average Rental Rates per SF by Number of Bedrooms, Skyway-West Hill Study Area.



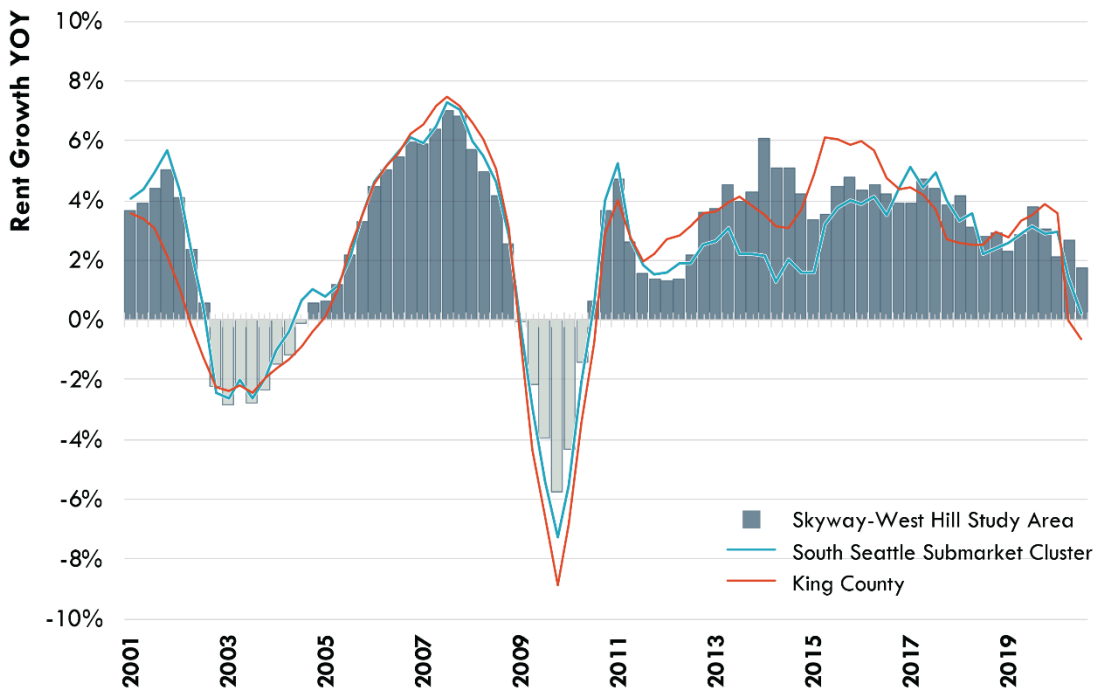
Source: BERK, 2020; CoStar, 2020.

Exhibit 74. Average Rental Rates per SF, Skyway-West Hill Study Area and Region.



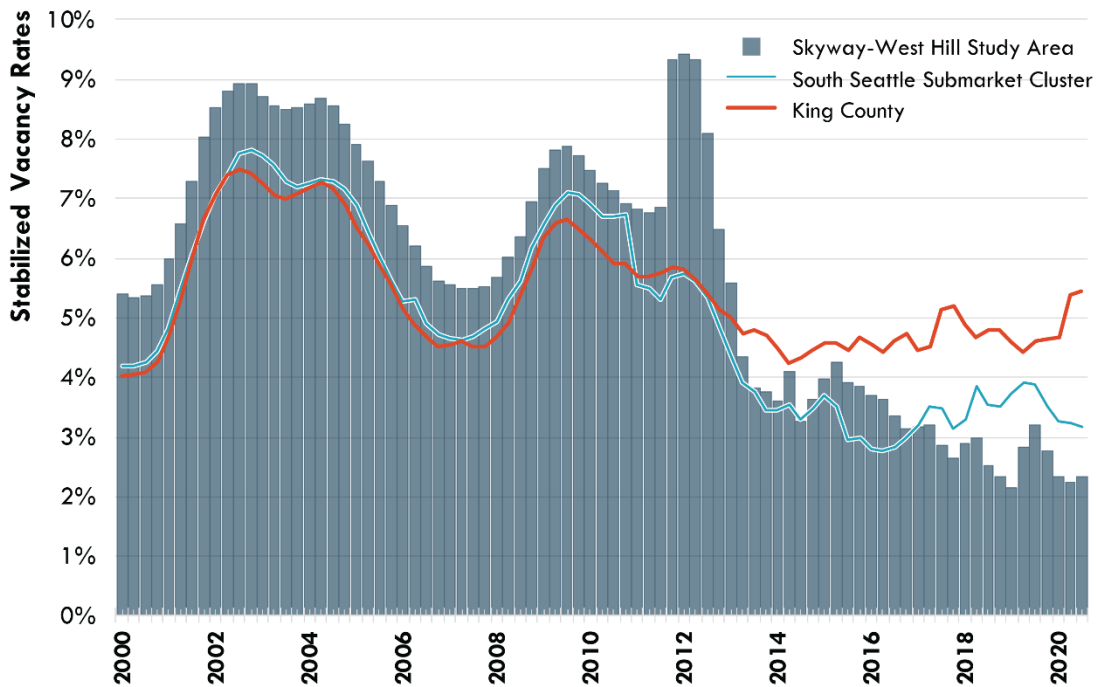
Source: BERK, 2020; CoStar, 2020.

Exhibit 75. Rent Increases YOY, Skyway-West Hill Study Area and Region.



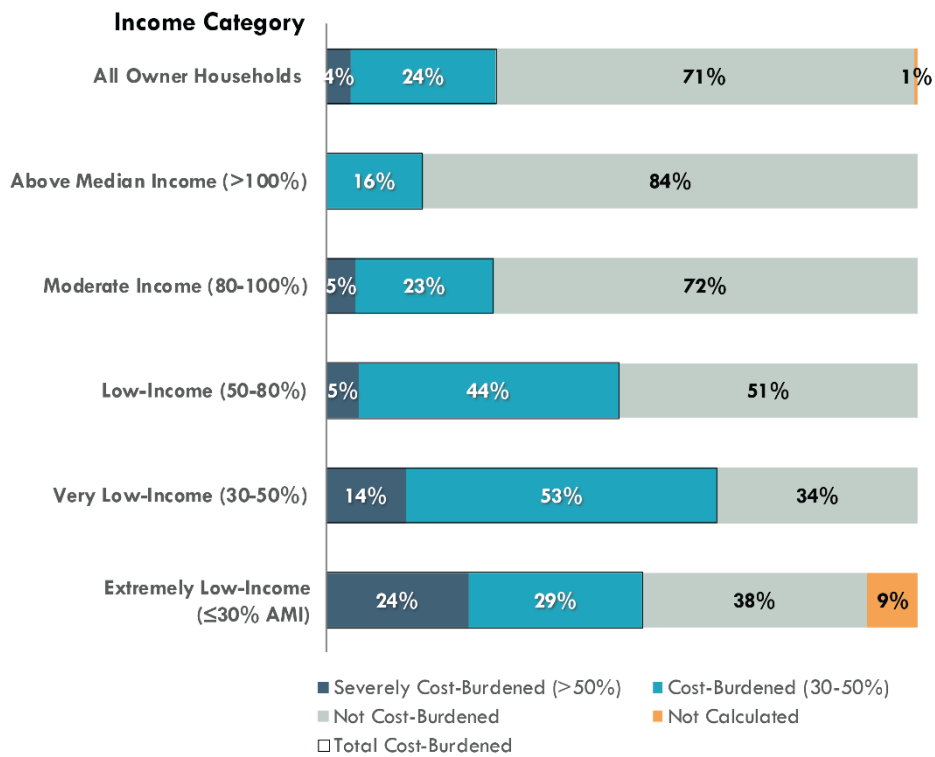
Source: BERK, 2020; CoStar, 2020.

Exhibit 76. Rental Vacancy Rates, Skyway-West Hill Study Area and Region.



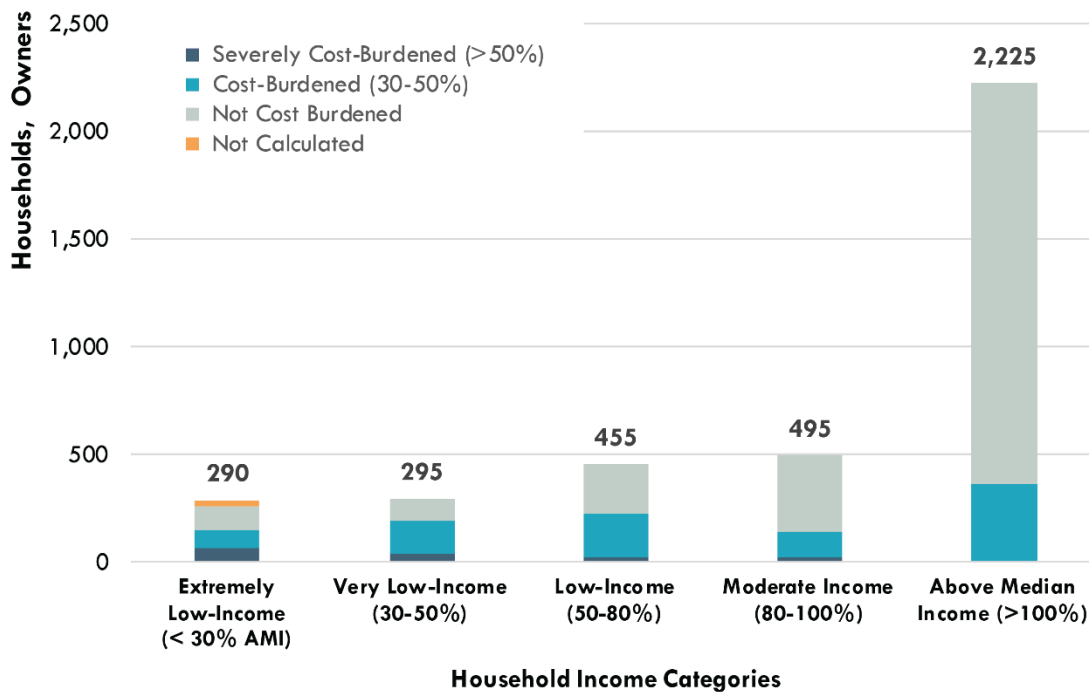
Source: BERK, 2020; CoStar, 2020.

Exhibit 77. Share of Owners by Income and Cost Burden, Skyway-West Hill Study Area.



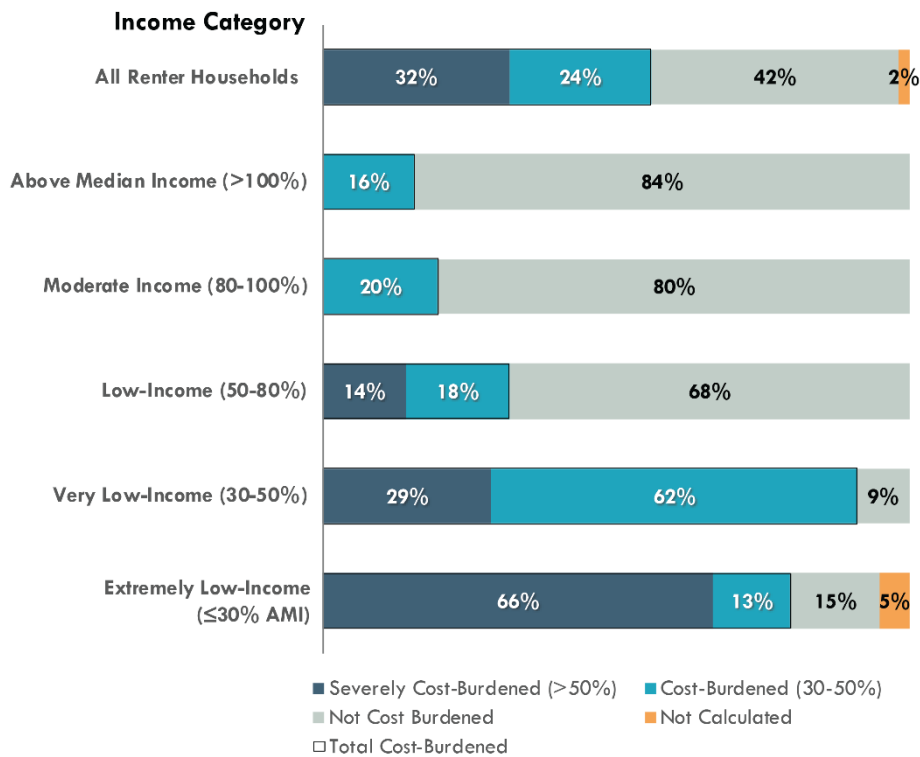
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 78. Count of Owners by Income and Cost Burden, Skyway-West Hill Study Area.



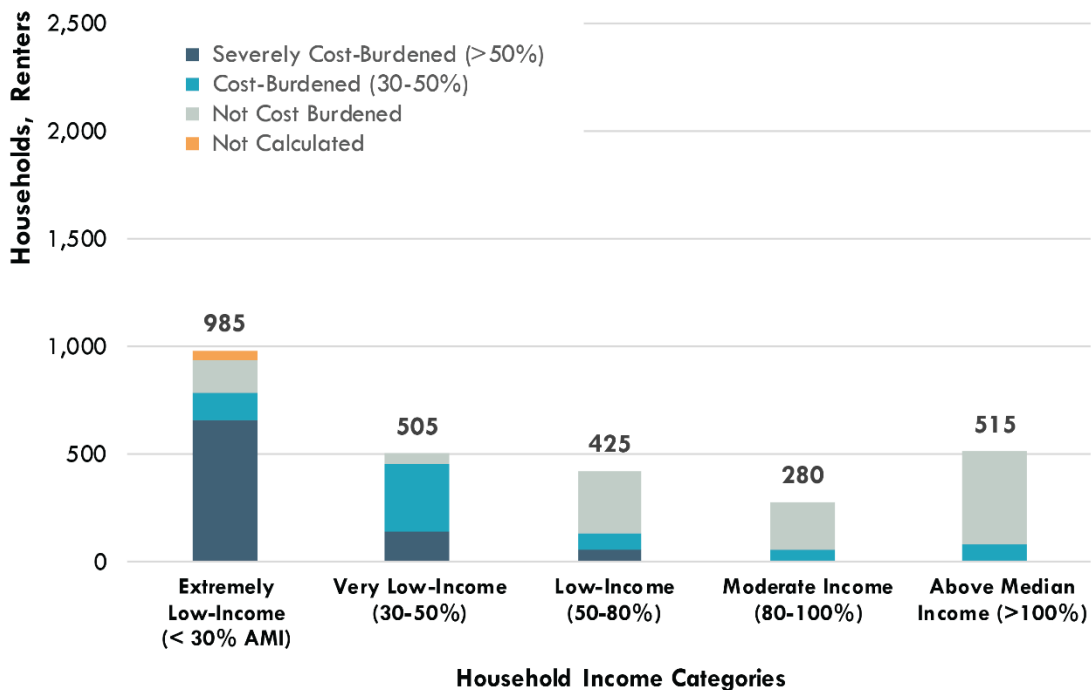
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 79. Share of Renters by Income and Cost Burden, Skyway-West Hill Study Area.



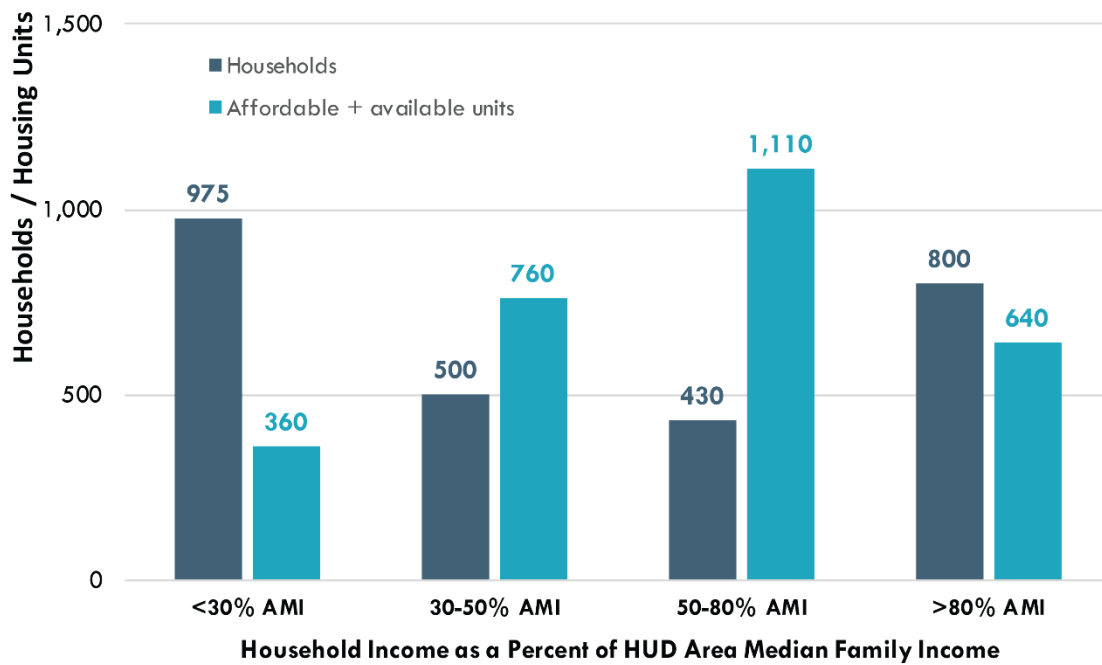
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 80. Count of Renters by Income and Cost Burden, Skyway-West Hill Study Area.



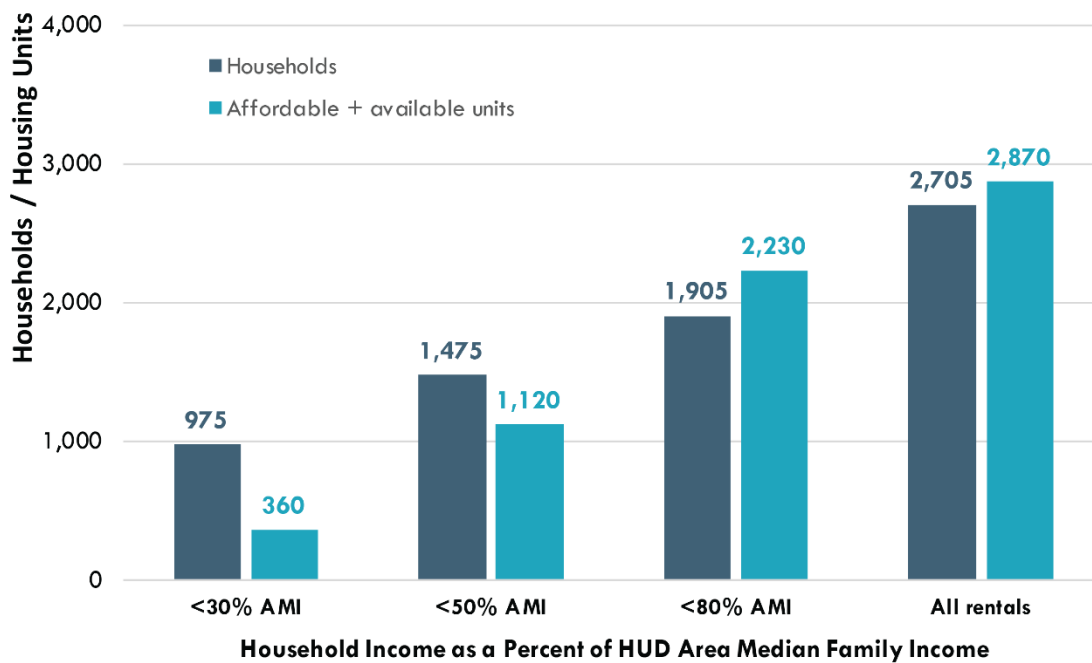
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 81. Rental Housing Availability, Skyway-West Hill Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

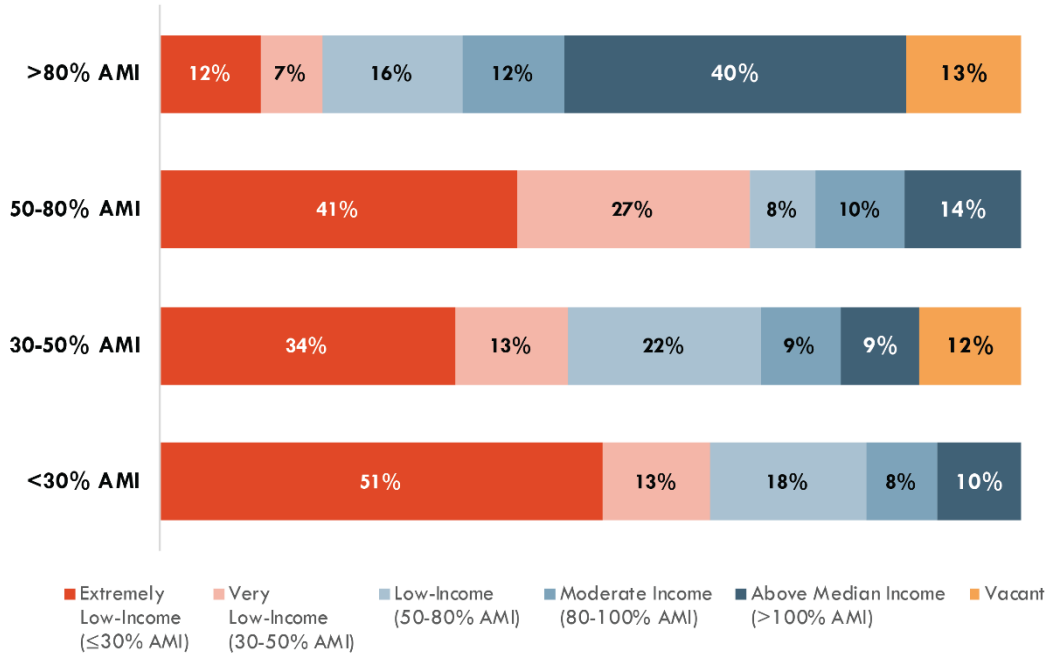
Exhibit 82. Cumulative Rental Housing Availability, Skyway-West Hill Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

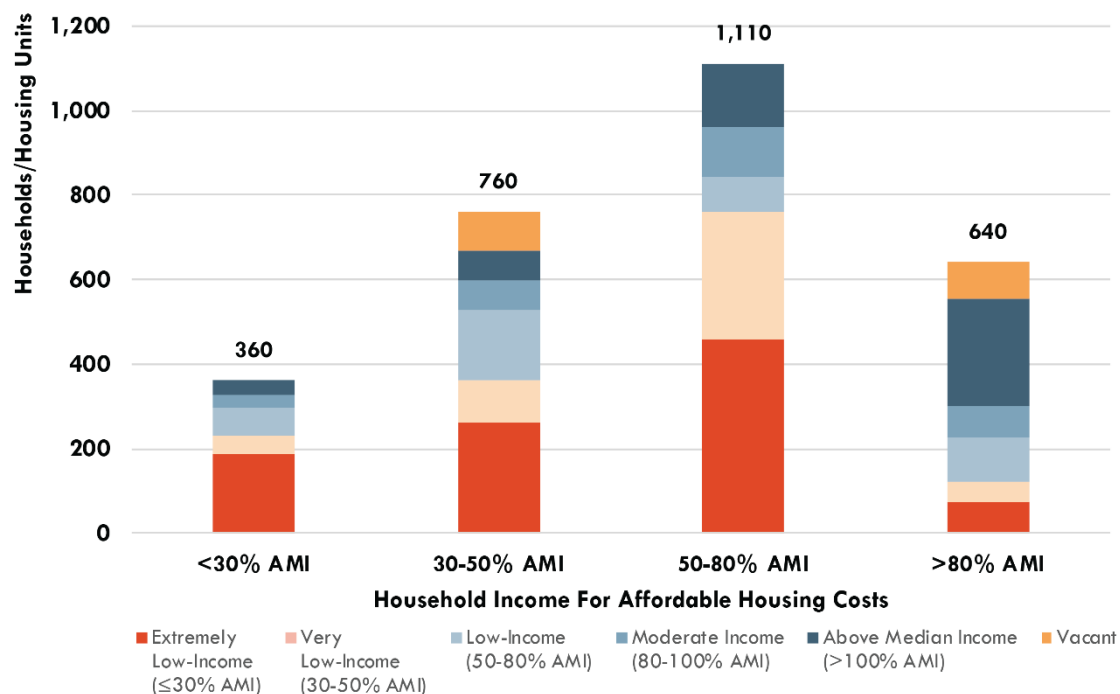
Exhibit 83. Rental Housing Affordability, Percent, Skyway-West Hill Study Area.

Rental Unit Affordability



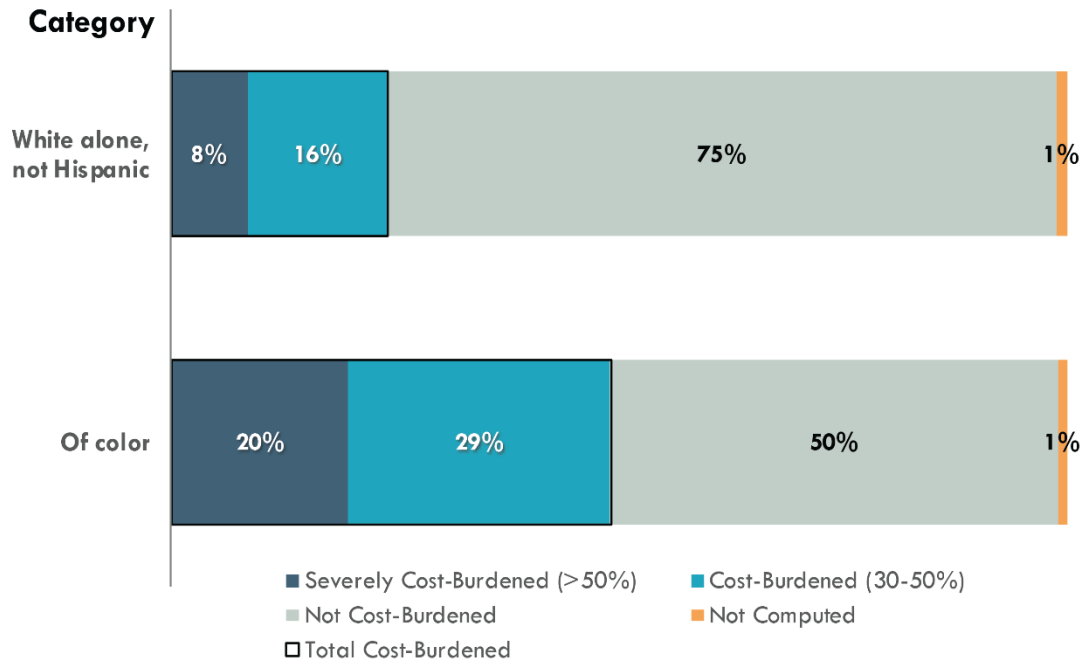
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 84. Rental Housing Affordability, Households, Skyway-West Hill Study Area.



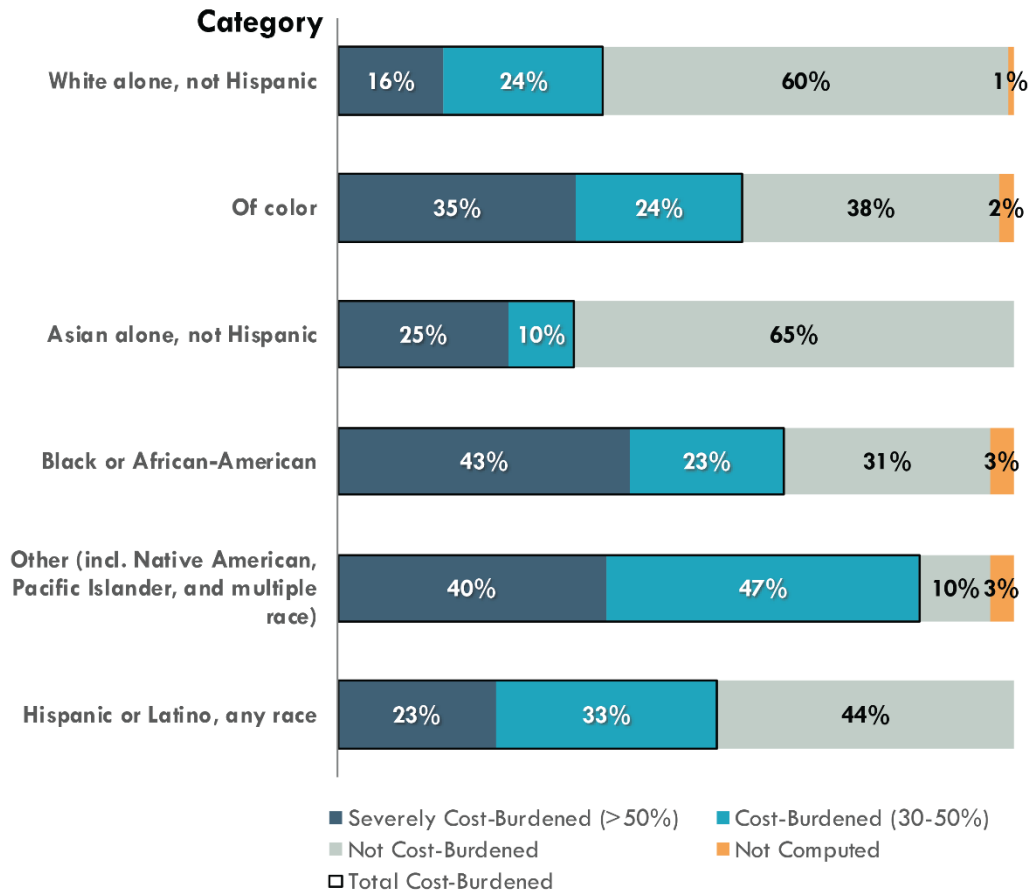
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 85. Cost Burden by Race, All Households, Skyway-West Hill Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 86. Cost Burden by Race, Renters, Skyway-West Hill Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

STUDY AREA: NORTH HIGHLINE

Summary

The North Highline study area is an unincorporated community in King County located between the cities of Seattle, Tukwila, and Burien. Consisting of the White Center and Boulevard Park CDPs, this area has evolved over time into a distinct and affordable community for regional workers. Given its proximity to Seattle and current levels of affordability, however, this community will likely experience increasing rent pressures and resident displacement over time. Recent nonprofit and not-for-profit multifamily affordable housing projects, including some by capital investment companies, suggest that vacant parcels may be opportunities for expanding the available housing supply, especially when combined with available incentives, but these sites are becoming scarce in this area.

Population

According to the Washington State Office of Financial Management, the community's 2019 population was approximately 21,668 residents, with about 74% of the population residing in White Center. Exhibits 87 through 93 show major characteristics of the population, and key points from these exhibits include the following:

- **There is a greater proportion of younger adults and families.** As shown in Exhibit 89, there is a greater proportion of people in North Highline aged 0–9 and 25–34 versus the county overall. This suggests that the North Highline area may have a greater than average proportion of single-person households and young families. The peak in four-person households renting as noted in Exhibit 90 may also indicate that North Highline is seen as a destination for more affordable rental housing for younger families.
- **A slight majority of residents of North Highline are renters, but there is a higher proportion of renters among residents of color.** While about 45% of households in North Highline own their homes, there are significant disparities by race. Exhibit 91 highlights that about two-thirds of white households in Highline are homeowners, while only 49% of Asian households and 13% of Black households own their homes.
- **North Highline has lower median household incomes than the region.** Median incomes are shown in Exhibit 93. In 2018, the median income in the study area was substantively lower than regional medians. For Boulevard Park, median household income was \$56,325, significantly lower than the County average of \$89,418, while the median income for White Center was \$51,898.

Employment

As shown in Exhibit 94, 2017 estimates of employment in the study area indicate that there were approximately 5,688 total jobs located in the community. Exhibits 94 through 97 highlight major employment characteristics. Key points from this assessment include the following:

- **Employment is focused on industrial activities in Boulevard Park and retail related activities in White Center.** The distributions of employment in North Highline are highly differentiated based on location. As shown in Exhibit 95, Boulevard Park has employment that is focused on industrial uses, such as Manufacturing (24%), Construction (23%), and Transportation and Warehousing (12%), which is expected given its industrial zoning, proximity to the Duwamish Manufacturing and Industrial

Center, and access to Highway 99. Employment in White Center is more associated with the function of the area as a retail center, with high employment in Retail Trade (18%), Accommodation and Food Services (13%), and Health Care and Social Assistance (12%).

- **North Highline residents are largely commuters to major regional job centers.** The distribution of work locations for residents highlights that many of the people in North Highline commute to major job centers in the region. As shown in Exhibit 96, about 46% of employed residents work in Seattle, with Bellevue (6%), Tukwila (5%), and Burien (5%) as other notable commuting destinations.
- **White Center and Boulevard Park provide local and regional employment.** Since 2010, employment has grown in North Highline by about 1,230 jobs or an average of 3.6% per year, outpacing King County's average growth rate of 2.7% over the same period. Although the community's employment is smaller than other job centers, the draw of workers appears to be more regional, with employees commuting from Seattle (16%), Burien (6%), Kent (5%), and the rest of the region, as shown in Exhibit 97.

Housing Stock and Development

According to Exhibit 88, North Highline had approximately 7,576 housing units in 2019, 70% of which were located in White Center. Exhibits 98 through 105 provide key details about this stock of housing, including the following key points:

- **Post-war single-family development has primarily included infill of pre-war single-family residential neighborhoods.** As shown in Exhibits 99 through 104, ongoing development of single-family housing in North Highline has been characterized by redevelopment and infill development of wartime and pre-war construction. The distribution of housing age shown in Exhibits 99 and 100 shows that the greatest number of homes were built in the 1940s, with a decline in single-family residential development after the 1960s. However, infill development and redevelopment of single-family homes has picked up over the past few decades in White Center.
- **Multifamily residential development has been dominant since the 1960s.** Exhibits 99 and 100 show that a significant amount of multifamily housing stock in North Highline was developed starting in the 1960s, and a majority of housing units built the 1960s and after are found in multifamily projects.
- **Development in Boulevard Park has been negligible for the past three decades.** In examining the age of housing stock in Boulevard Park in Exhibit 99, it appears that only approximately 30 units have been built in this neighborhood after 1990. This development likely reflects replacement of existing units and minor infill, and suggests that there is little feasible capacity available for new growth under historical market conditions.
- **Recent multifamily and subdivision developments have focused on income-restricted and mixed-income projects.** There have been some new development projects in Highline that have focused on addressing needs for low-income households, and have been sponsored by local housing authorities, community organizations, and not-for-profit developers. As shown in Exhibit 102, four recent projects form a significant amount of the new multifamily housing units developed in North Highline:

- The King County Housing Authority currently manages the Greenbridge and Seola Gardens mixed-use developments, which include different options for low-income households.
- Unity Village of White Center is a 30-unit project developed under a partnership between Capitol Hill Housing, the White Center Community Development Association, and the Delridge Neighborhood Development Association, with the assistance of Low-Income Housing Tax Credits (LIHTCs).
- Southside by Vintage is a not-for-profit multifamily project with 298 units developed by Vintage Housing and supported by LIHTCs.
- **Available lands for new development consist largely of infill opportunities.** Exhibit 105 includes a display of the results of the 2014 Buildable Lands Report from King County. Although some land was available at the time of this report, these sites have been taken by new projects such as the Greenbridge and Seola Gardens mixed-use developments. Remaining opportunities for development consist largely of redevelopment and infill sites distributed throughout the area.

Housing Markets

Exhibits 106 through 114 show key market indicators from the North Highline area. Some findings from these exhibits include the following:

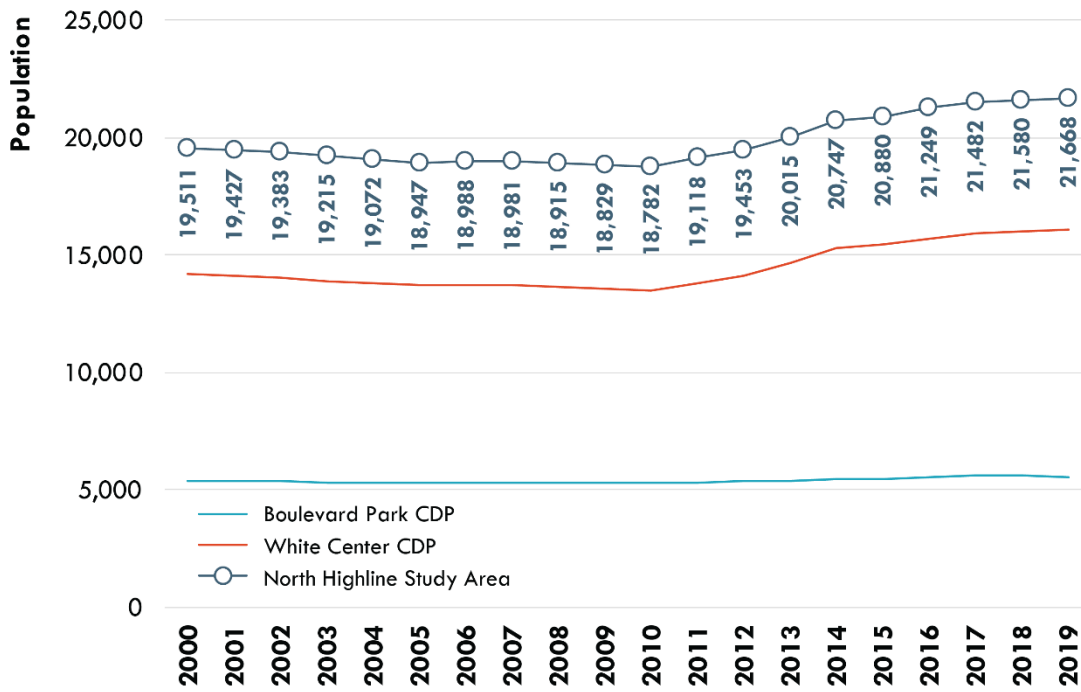
- **There have been significant increases in housing prices since 2012.** The cost per square foot of housing sales in North Highline shown in Exhibit 107 reveals that there has been a dramatic increase in housing prices since the last recession, from an average of about \$150/sf in 2011 and 2012 to a high of over \$350/sf today. Note that the variance of these values is also increasing, which indicates that some of these sales may represent homes that cost even more per square foot, either as new construction or as opportunities for redevelopment.
- **Although rents are lower than regional rents, they have been increasing at a comparable rate.** Graphs of local and regional rents and rent growth in Exhibits 110 through 113 show that North Highline rents are lower than rents in the county as a whole (69% of county average) and in the Costar West Seattle submarket cluster (79% of West Seattle average). However, growth in rents since 2012 has been slightly higher than regional or County growth, with North Highline rents increasing at a rate of about 4.9% on average as compared to 3.7% for the submarket cluster or 3.8% for the County.
- **Recent vacancy rates have been lower than regional or county averages for the past 15 years.** As shown in Exhibit 114, stabilized vacancy rates for North Highline in Q2 2020 have been at approximately 3.9%, lower than the broader area (4.9%) or the county (5.4%). Historically, vacancy rates in North Highline have been lower than county averages since 2004 (excluding one quarter in 2019).

Housing Needs and Burden

Exhibits 115 through 124 show details about the intersection between housing supply and demand. Major points include the following:

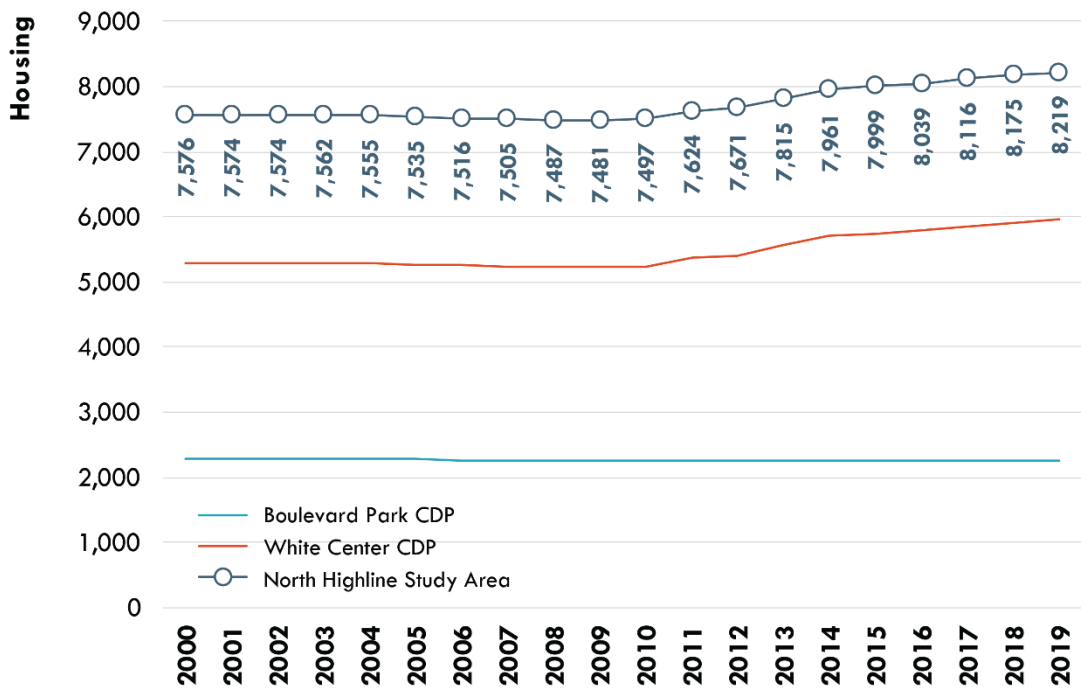
- **A majority of renters in North Highline are cost-burdened, with severe cost burdens to the lowest income households in the community.** Exhibits 117 and 118 indicate cost burden for renters by income group based on AMI for the county. Across all renter households, about 53% have some type of cost burden, and 26% are severely cost-burdened. These cost-burdened households are largely very low-income and extremely low-income households.
- **Housing shortages are most acute at the lowest end of the market, although down-renting may also be some factor in gaps.** Exhibits 119 and 120 compare the availability of housing at different affordability levels with counts of households within income categories. The largest gaps present are with households with more than 80% AMI and households with less than 30% AMI. This suggests that there may be both down-renting and a gap with housing for extremely low-income households in the area. Exhibits 121 and 122 show the household income groups of households categorized by the affordability of housing units by percent and number, respectively. This highlights that there is some down-renting in the market (e.g., about 40% of renters in housing affordable to 30-50% AMI would be able to afford more expensive housing), as well significant cost burdens faced by lower income households in more expensive housing.
- **Black and Latino households renting in the community experience significant housing burdens.** Exhibits 123 and 124 highlight how housing burdens differ in the area by race. In Exhibit 123, the data shows that only about 27% of white households (owners and renters) are considered cost-burdened with respect to housing, whereas over half of households of color are cost-burdened including 28% that are severely cost-burdened. The more detailed breakdown for renters in Exhibit 124 highlights that this cost burden is greatest with Black households that are renting, as 72% are cost-burdened and 34% are severely cost-burdened. Latino households also face significant cost burdens as well, with about 64% of Latino households facing cost burdens.

Exhibit 87. Population, North Highline Study Area, 2000–2019.



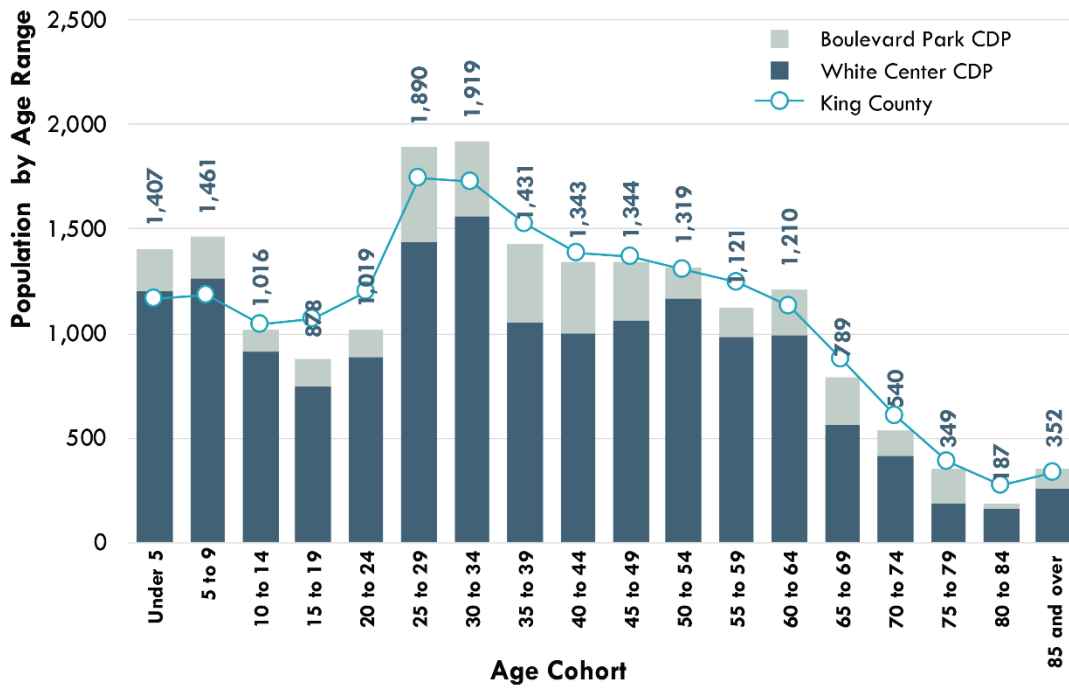
Source: BERK, 2020; Washington State Office of Financial Management, 2019

Exhibit 88. Housing, North Highline Study Area, 2000–2019.



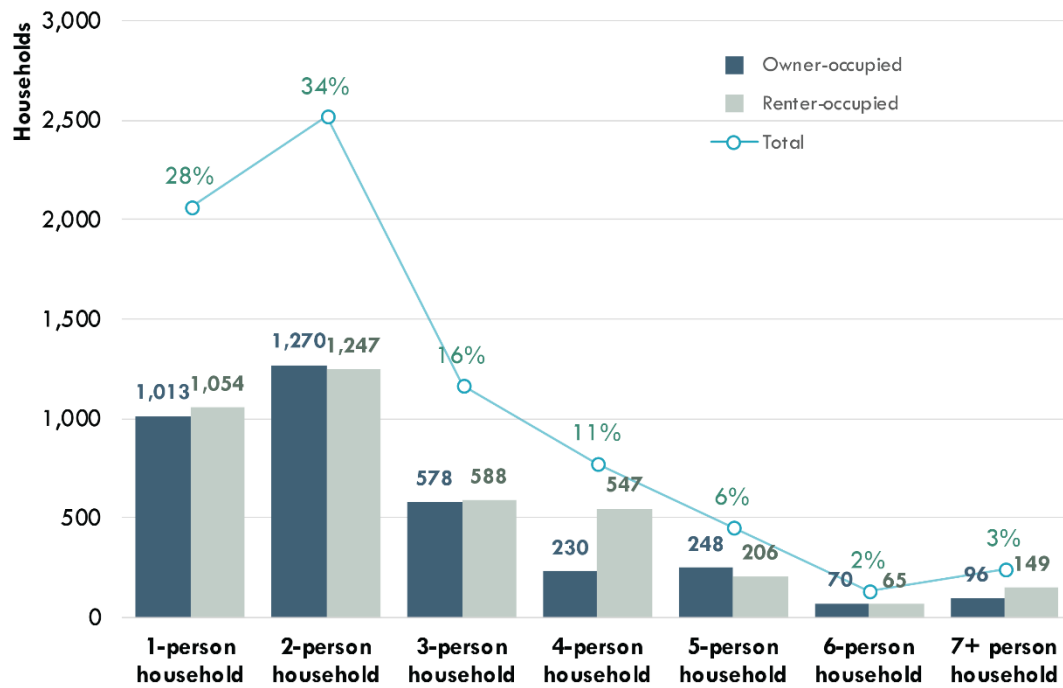
Source: BERK, 2020; Washington State Office of Financial Management, 2019.

Exhibit 89. Population Age, North Highline Study Area, 2018.



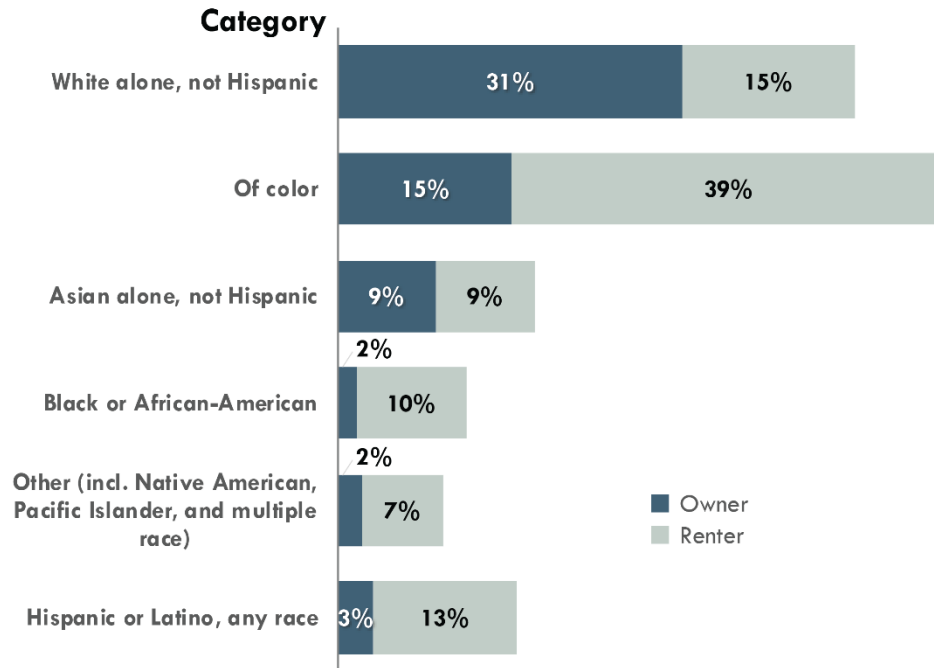
Source: BERK, 2020; US Census Bureau American Community Survey 5-year estimates, 2018.

Exhibit 90. Distribution of Households by Size and Tenure, North Highline Study Area.



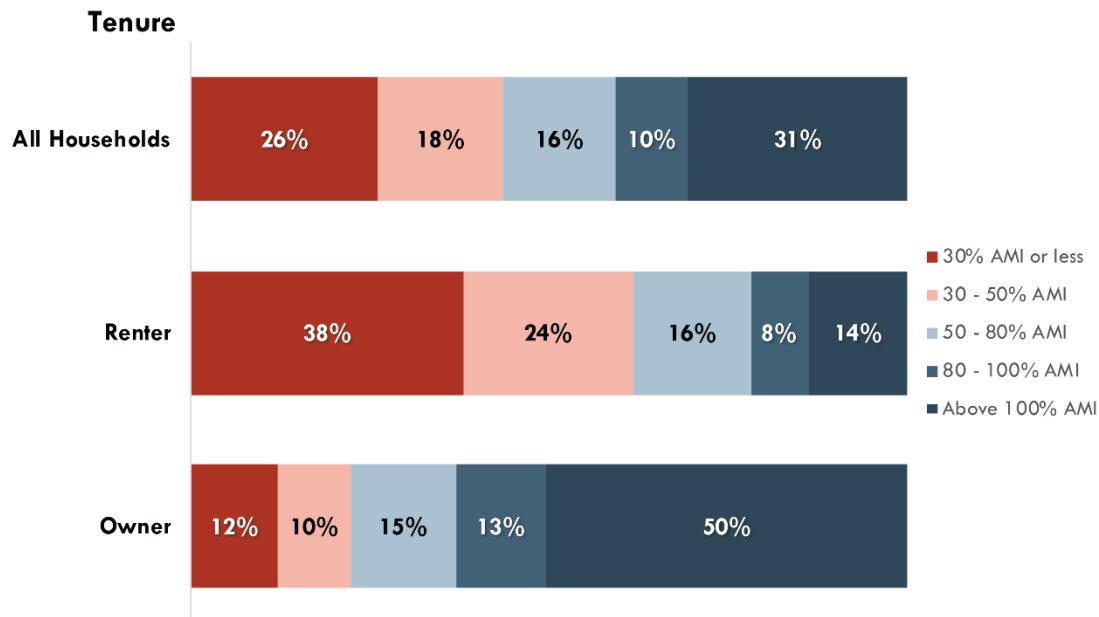
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 91. Distribution of Households by Race and Tenure, North Highline Study Area.



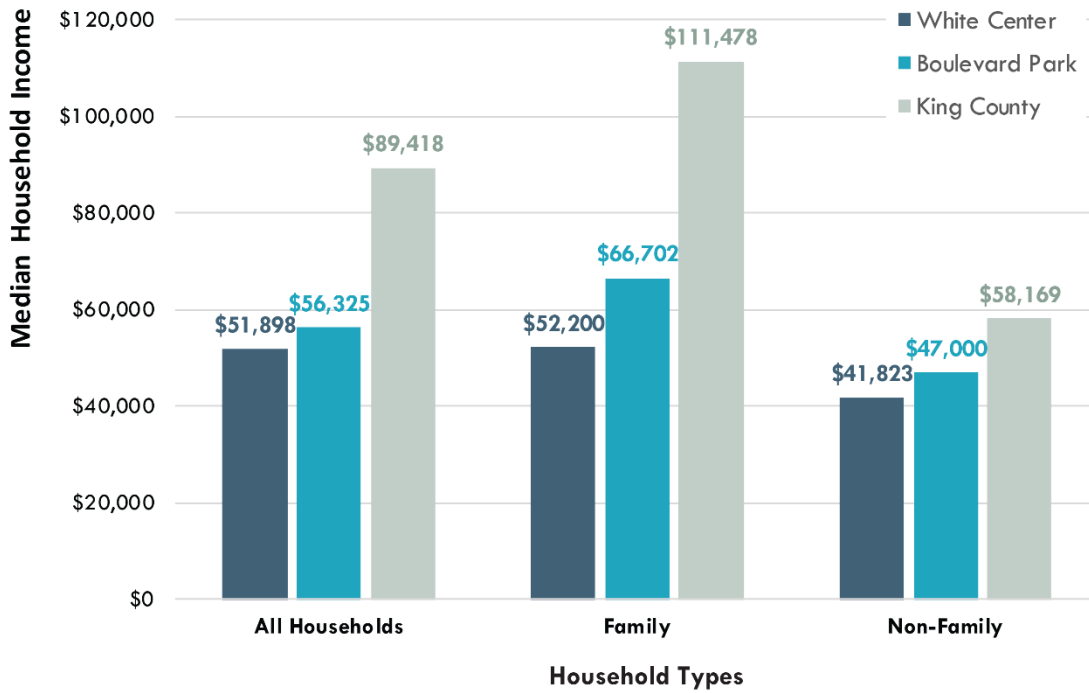
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 92. Distribution of Households by Income and Tenure, North Highline Study Area.



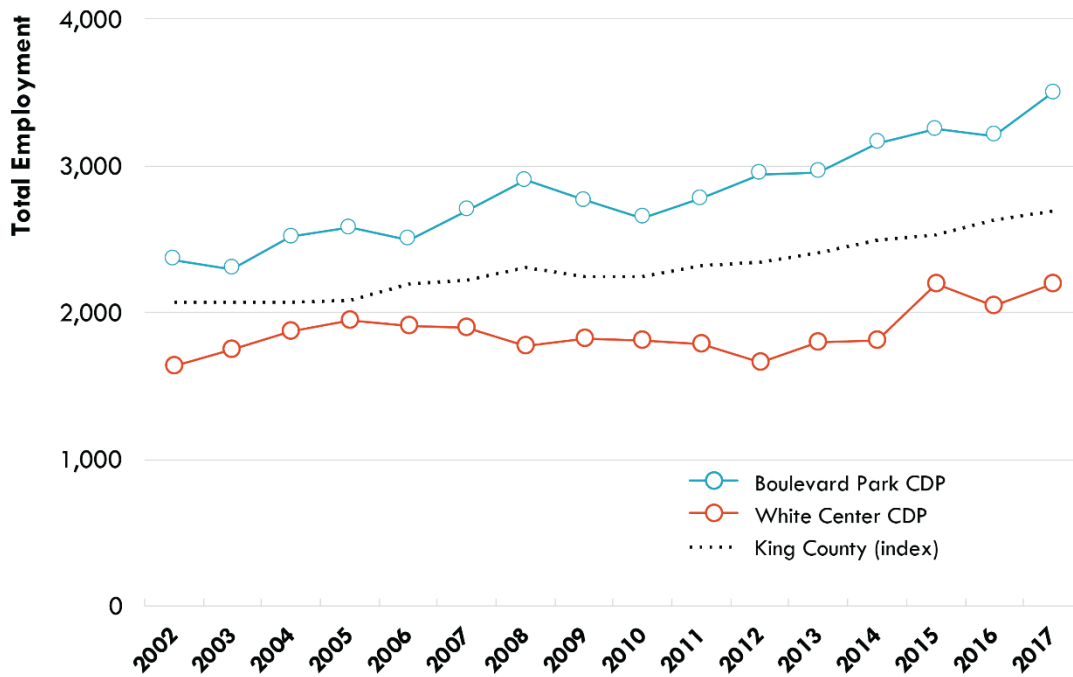
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 93. Median Household Income, North Highline Study Area, 2018.



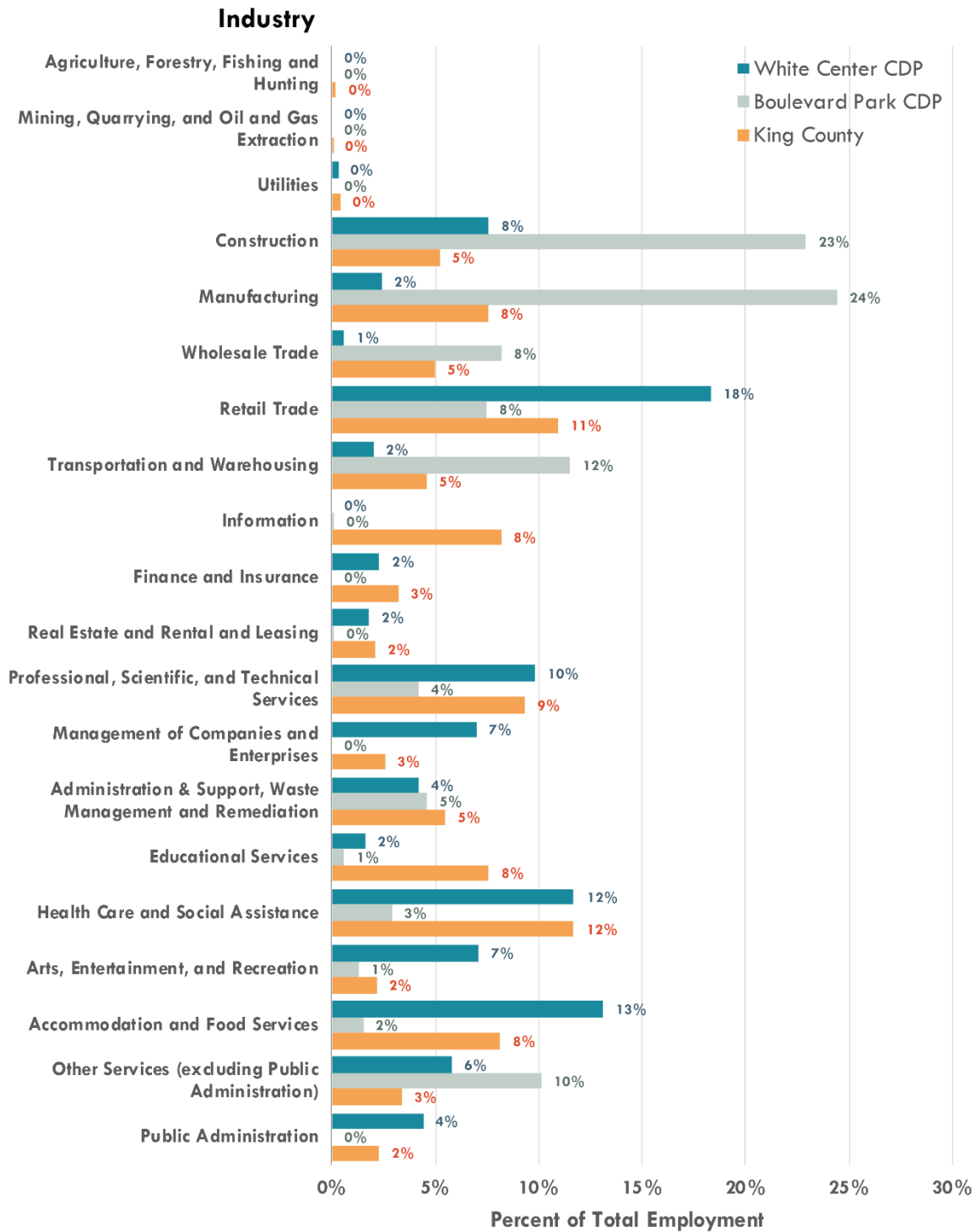
Source: BERK, 2020; US Census Bureau American Community Survey 5-year estimates, 2018.

Exhibit 94. Total Employment, North Highline Study Area, 2002–2017.



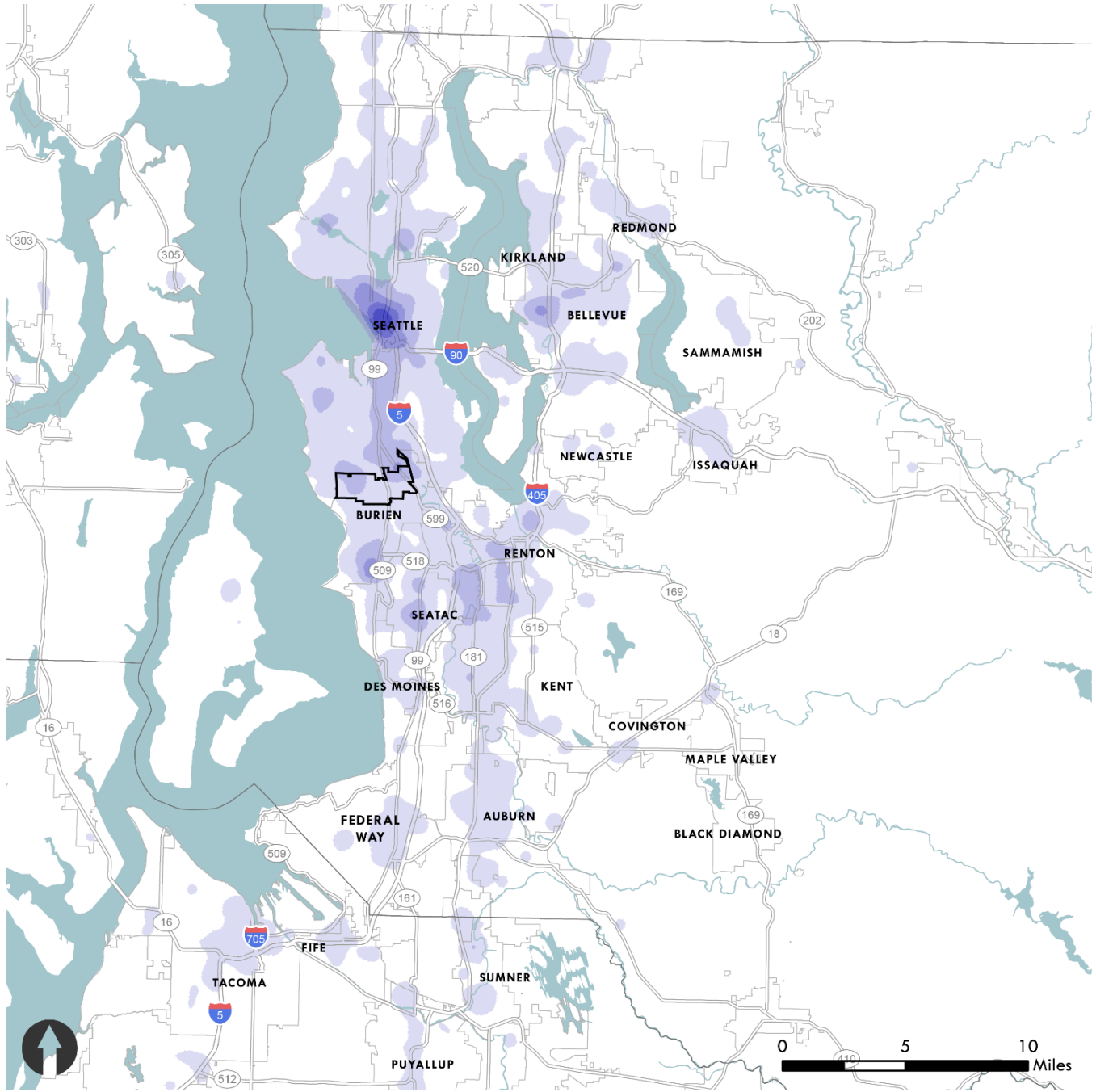
Source: BERK, 2020; US Census OTM, 2020.

Exhibit 95. Total Employment by NAICS Sector, North Highline Study Area, 2017.



Source: BERK, 2020; US Census Longitudinal Employer-Household Dynamics (LEHD), 2017.

Exhibit 96. Work Locations of North Highline Residents, 2017.



LEGEND

- North Highline
- Cities
- Highways/State Routes
- Water

Job Locations, North Highline Residents

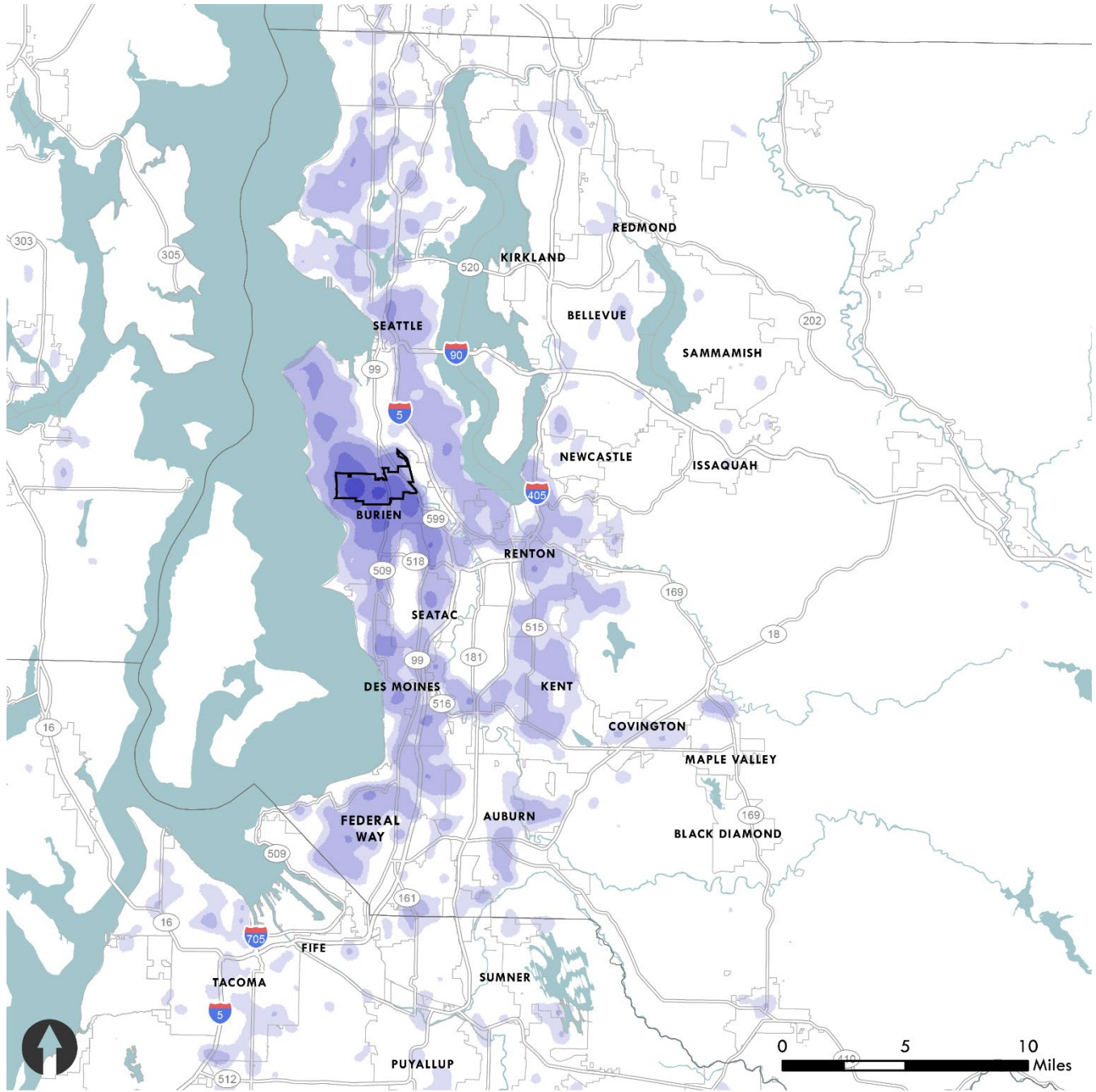
- 5–56 jobs/sq mi
- 57–210 jobs/sq mi
- 211–467 jobs/sq mi
- 468–826 jobs/sq mi
- 827–1,289 jobs/sq mi

Top Work Locations for Residents

City	% of Residents
Seattle	46.1%
Bellevue	5.7%
Tukwila	5.0%
Burien	4.7%
Renton	4.4%
Kent	4.3%

Source: BERK, 2020; King County GIS, 2020; US Census On The Map, 2020.

Exhibit 97. Home Locations of North Highline Workers, 2017.



LEGEND

- North Highline
- Cities
- Highways/State Routes
- Water

Home Locations, North Highline Workers

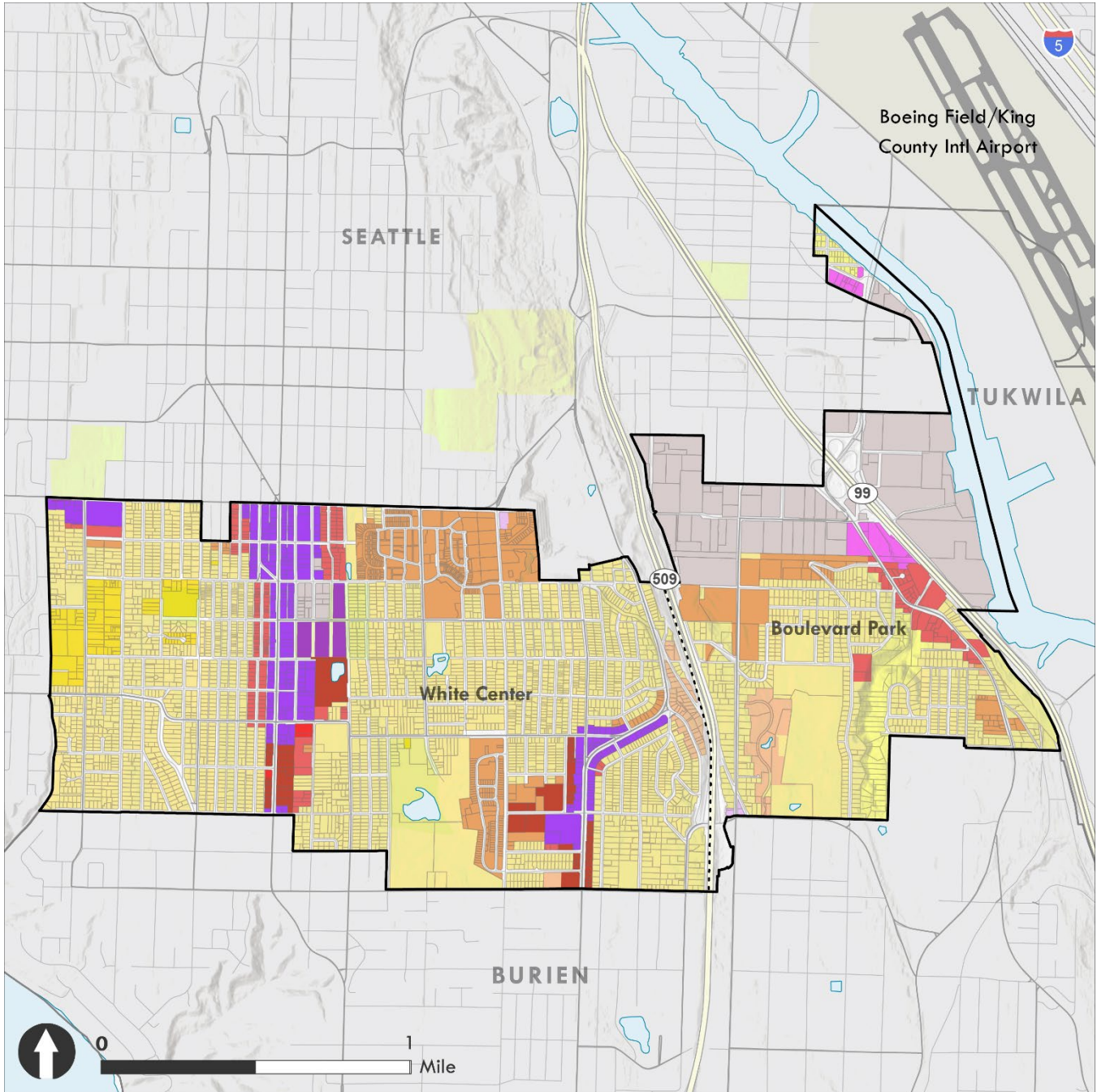


Top Home Locations for Workers

City	% of Residents
Seattle	15.7%
Burien	5.7%
Kent	4.7%
White Center	3.5%
Federal Way	3.5%
Renton	3.5%

Source: BERK, 2020; King County GIS, 2020; US Census On The Map, 2020.

Exhibit 98. Current Zoning, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Zoning

- Commercial**
- CB - Community Business
 - I - Industrial
 - NB - Neighborhood Business
 - O - Office
 - RB - Regional Business

Residential

- R-4 (4 DU/acre)
- R-6 (6 DU/acre)
- R-8 (8 DU/acre)
- R-12 (12 DU/acre)
- R-18 (18 DU/acre)
- R-24 (24 DU/acre)
- R-48 (48 DU/acre)

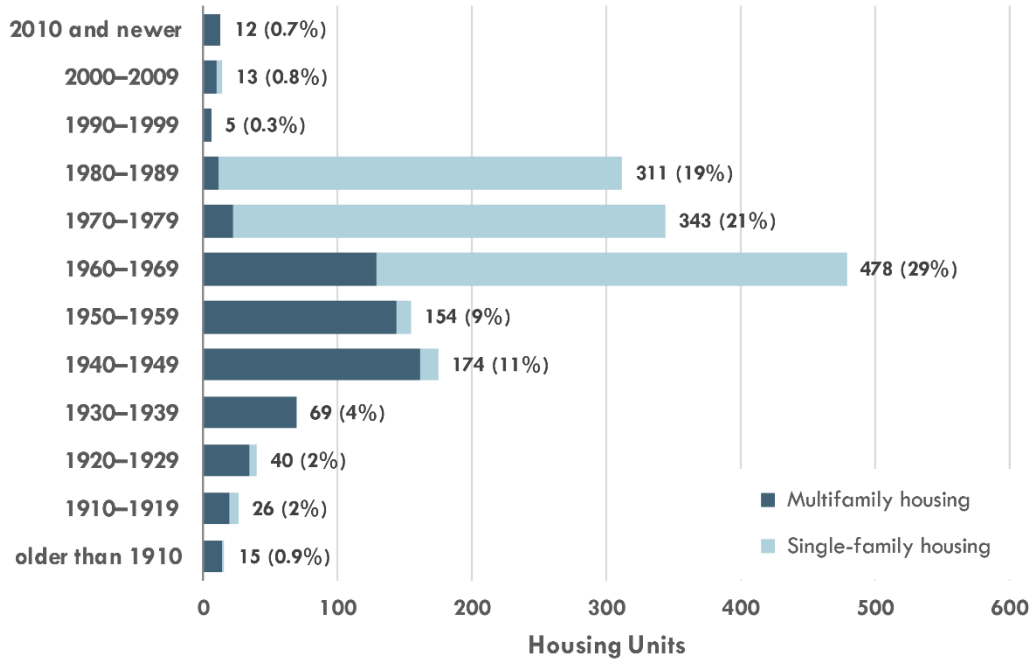


Map Date: November 2020

Source: BERK, 2020; King County GIS, 2020.

Exhibit 99. Housing Units by Year Built, Boulevard Park CDP.

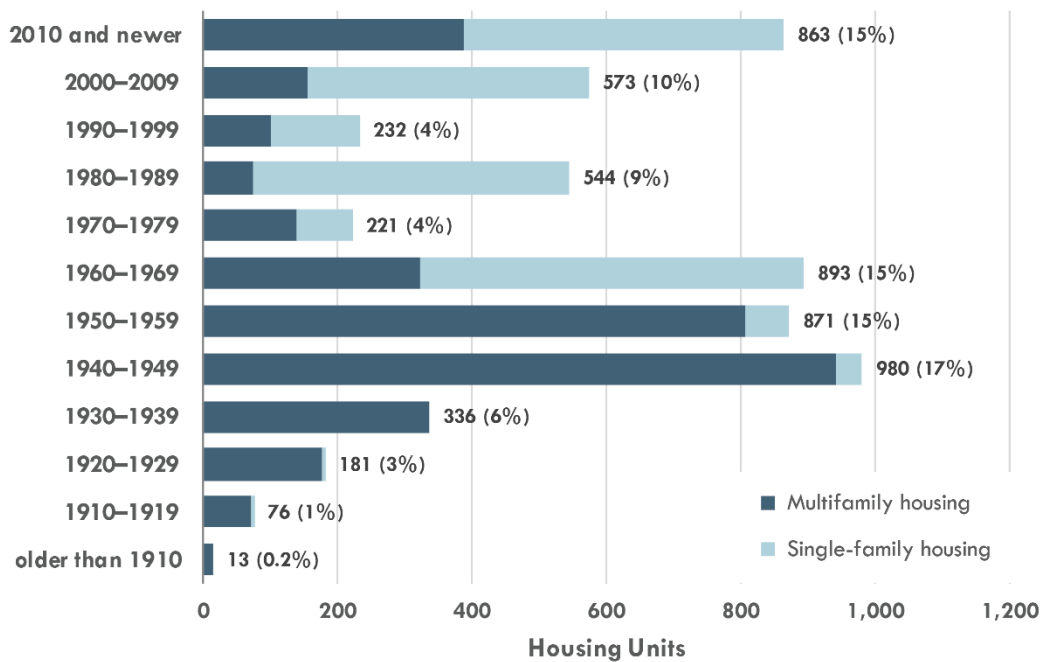
Year of Construction



Source: BERK, 2020; King County Assessor, 2020.

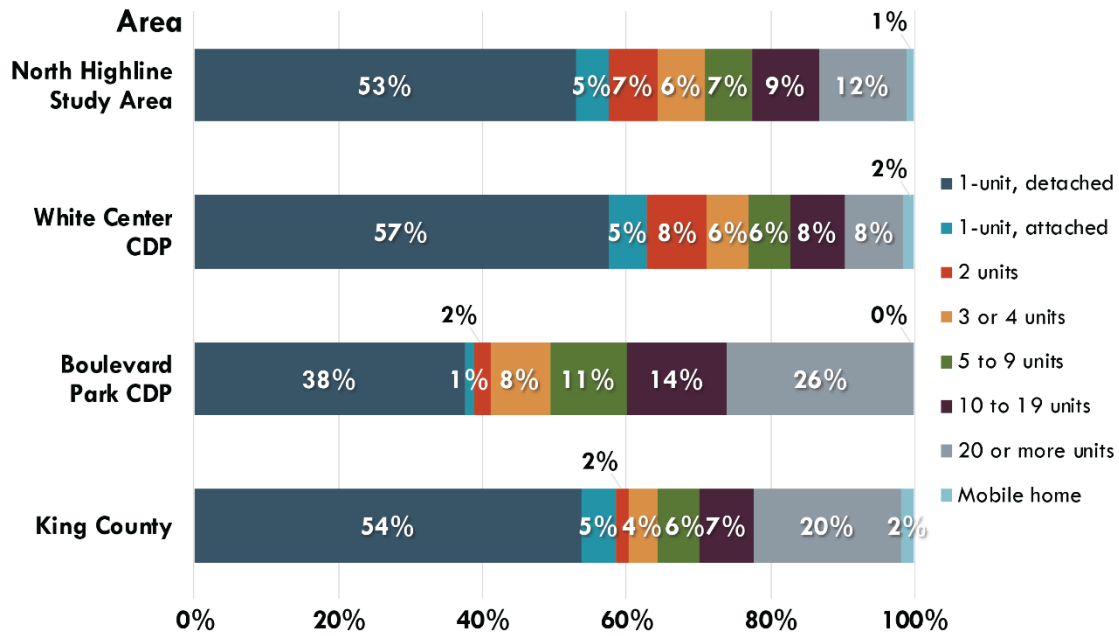
Exhibit 100. Housing Units by Year Built, White Center CDP.

Year of Construction



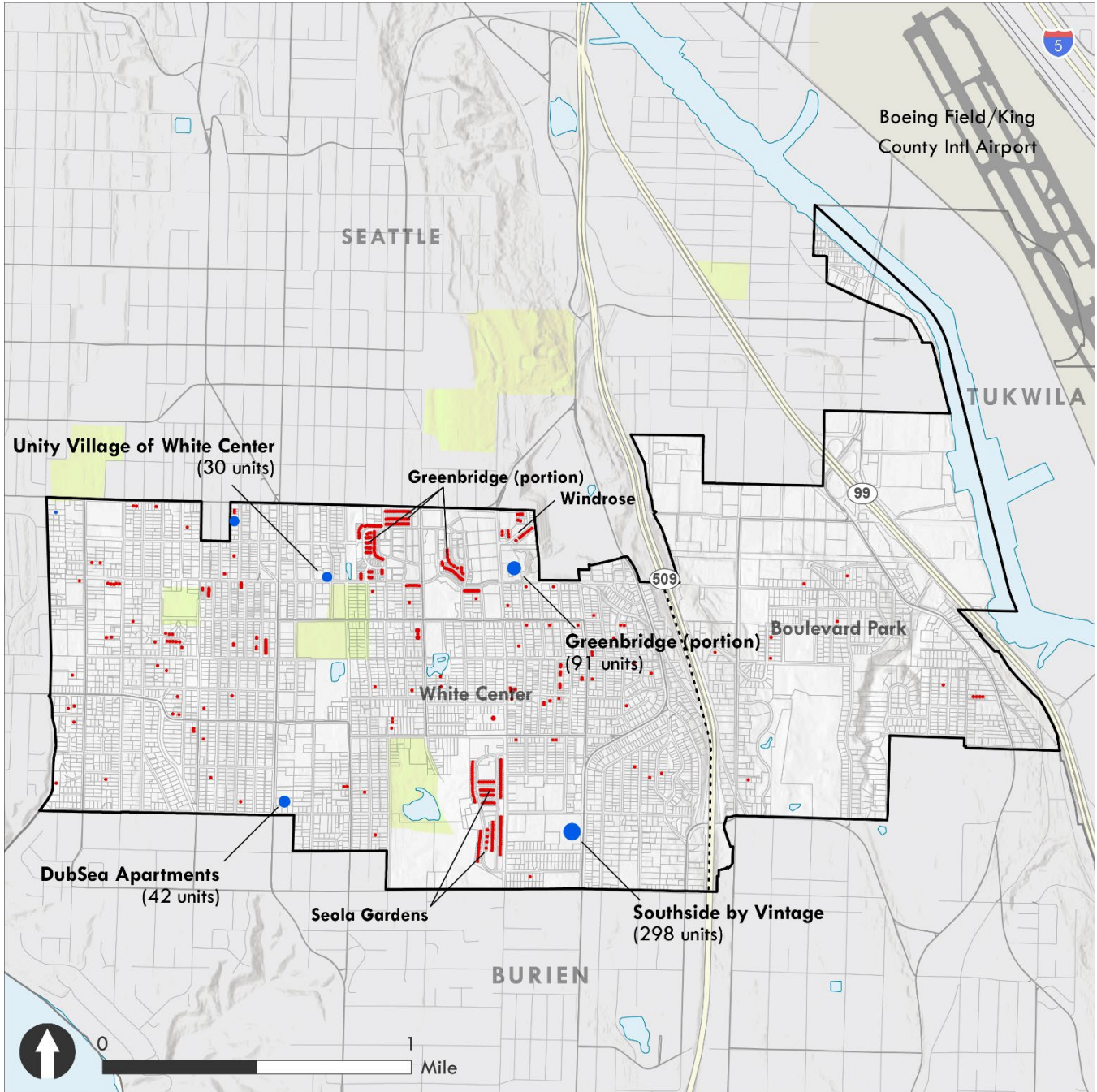
Source: BERK, 2020; King County Assessor, 2020.

Exhibit 101. Housing Unit Types, North Highline Study Area.



Source: BERK, 2020; King County Assessor, 2020.

Exhibit 102. Residential Units, Year of Construction 2010 or later, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 2010–present

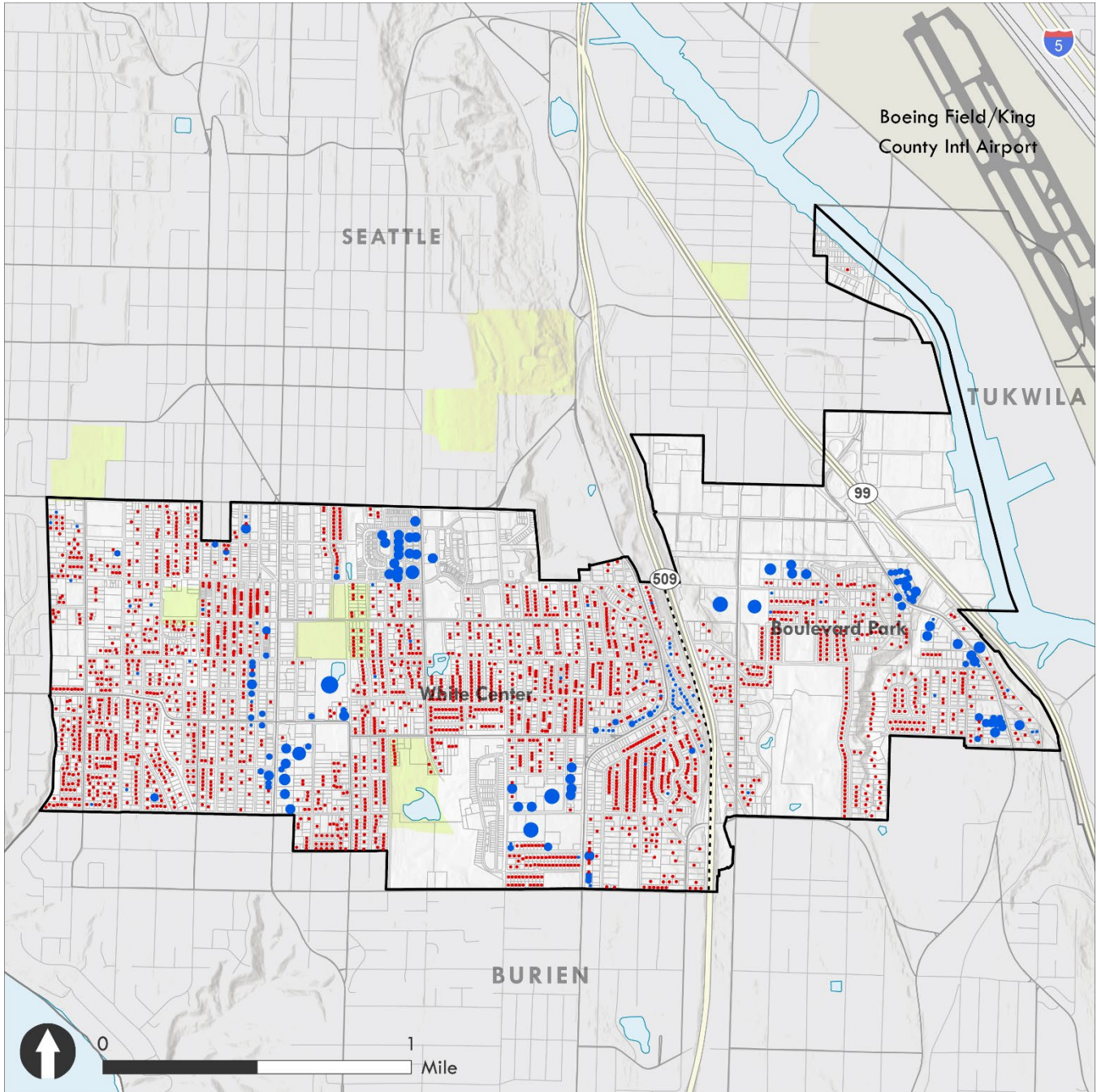
- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

- Unit Types**
- Single-unit (Single-family residential)
 - Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 103. Residential Units, Year of Construction 1946 to 2009, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, 1946–2009

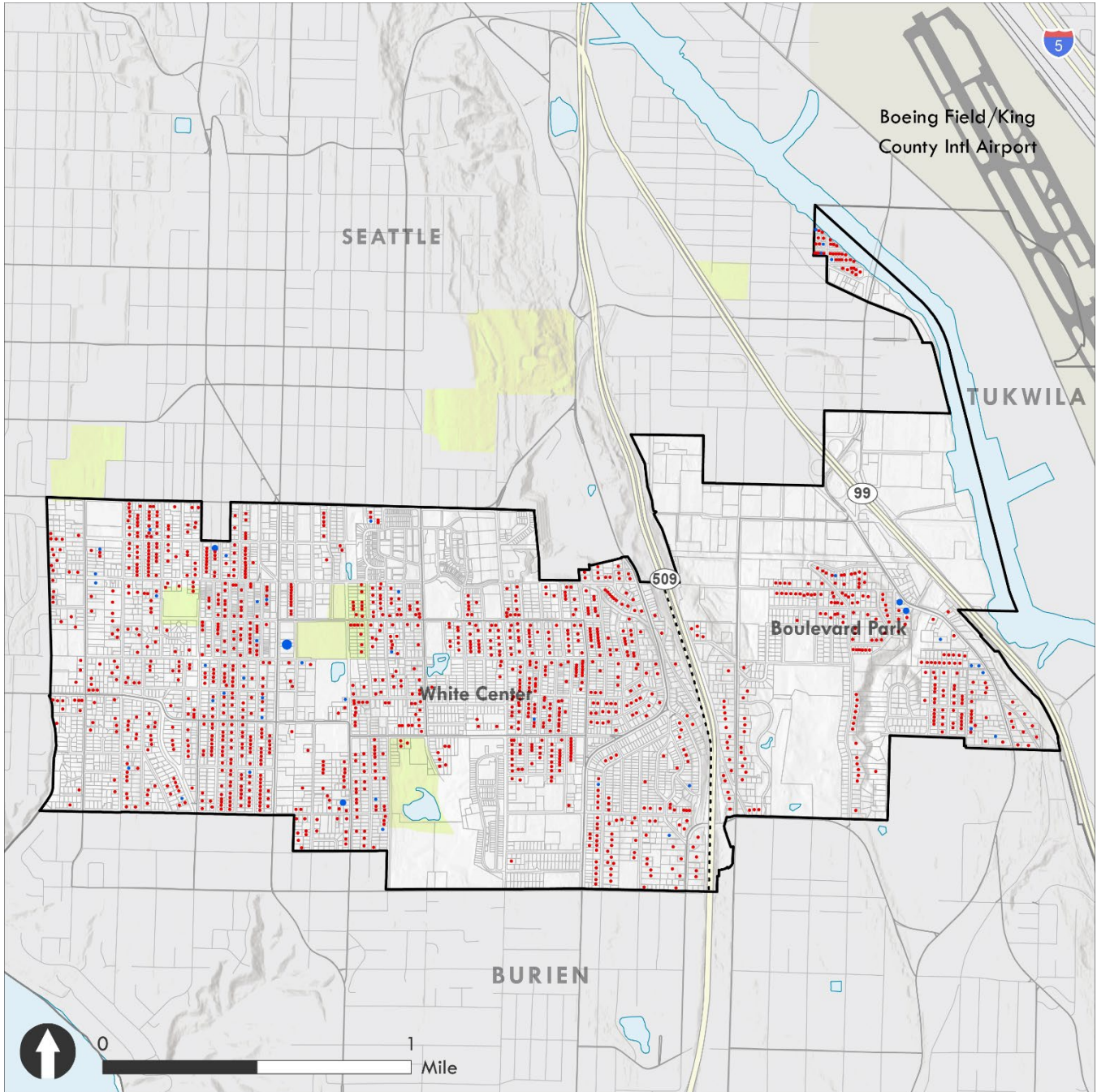
- Units per Parcel**
- 1
 - 2
 - 3–5
 - 6–10
 - 11–20
 - 21–50
 - 51–100
 - 101–200
 - 201–400

- Unit Types**
- Single-unit (Single-family residential)
 - Multi-unit (Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 104. Residential Units, Year of Construction 1945 or earlier, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

Year of Construction, Pre-1946

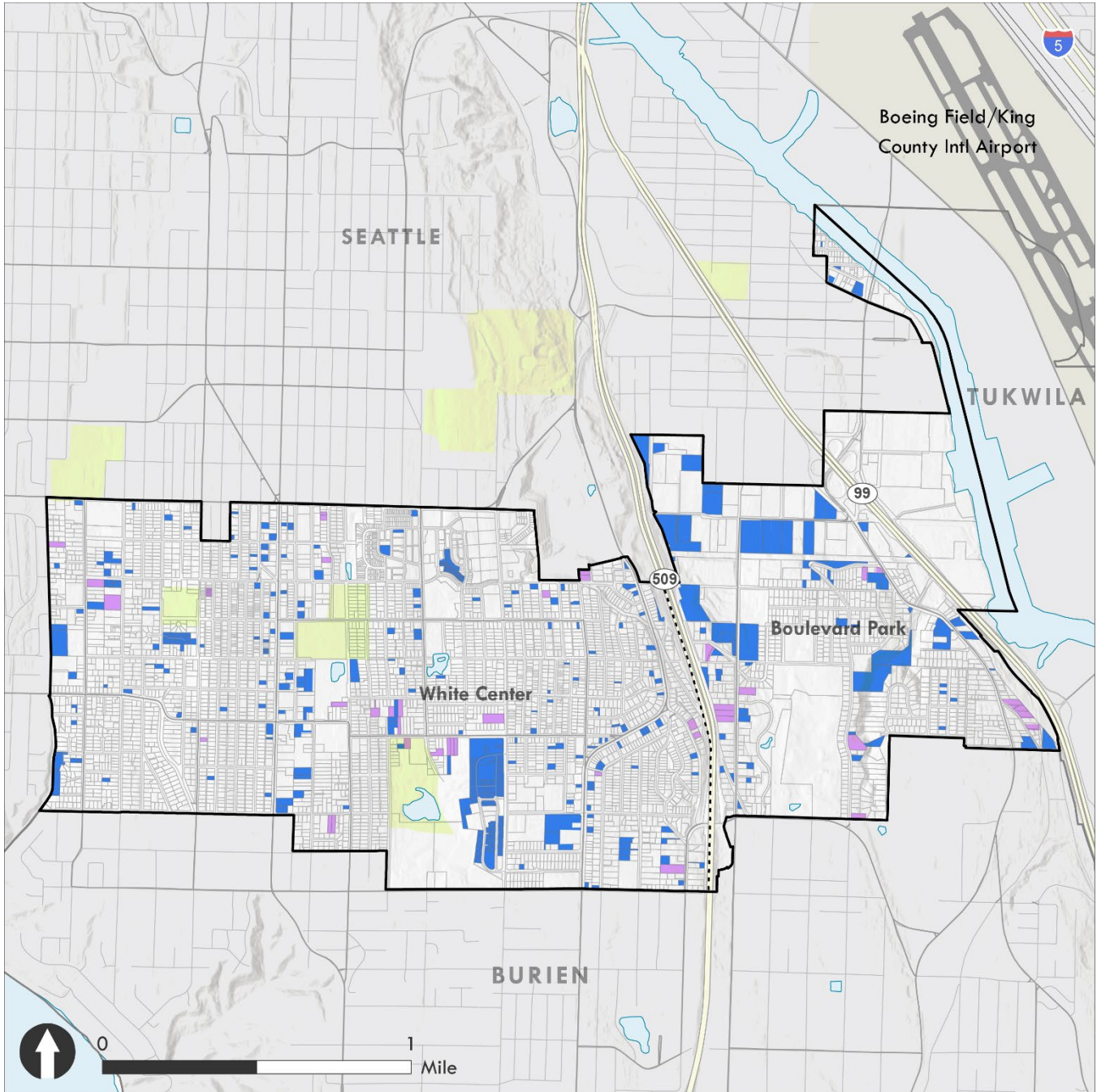
- Units per Parcel**
- 1
 - 2
 - 3-5
 - 6-10
 - 11-20
 - 21-50
 - 51-100
 - 101-200
 - 201-400

- Unit Types**
- Single-unit
(Single-family residential)
 - Multi-unit
(Plex, apartment, condo)



Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 105. Buildable Lands by Parcel, 2014, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

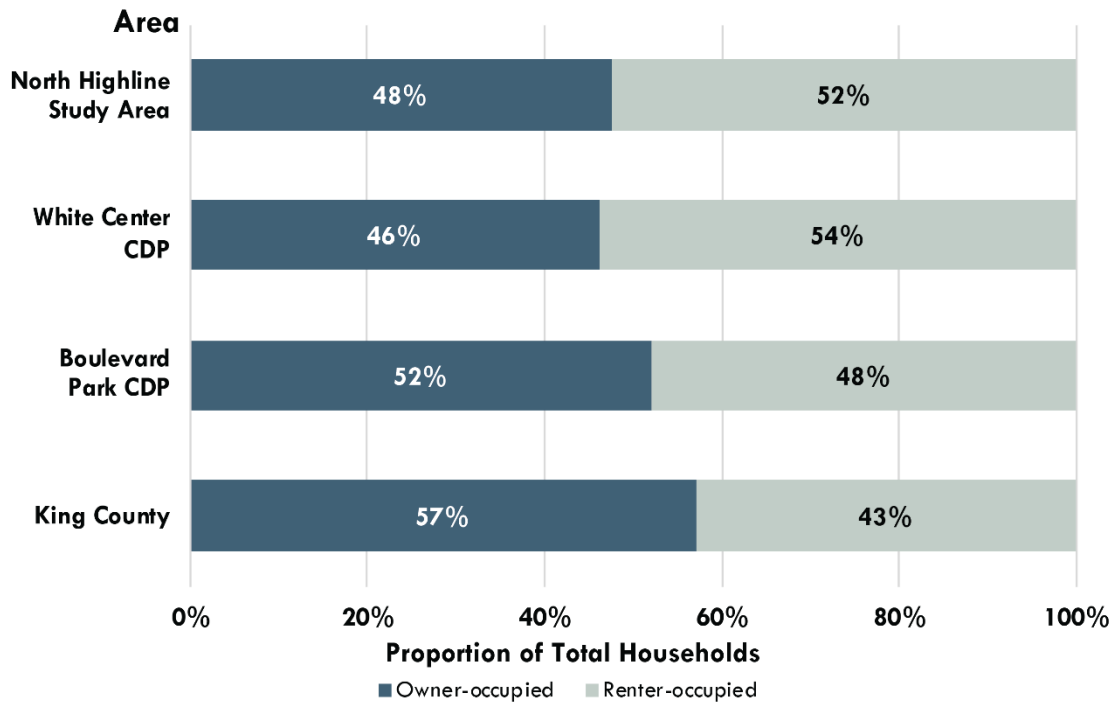
Buildable Lands

- Vacant
- Redevelopable



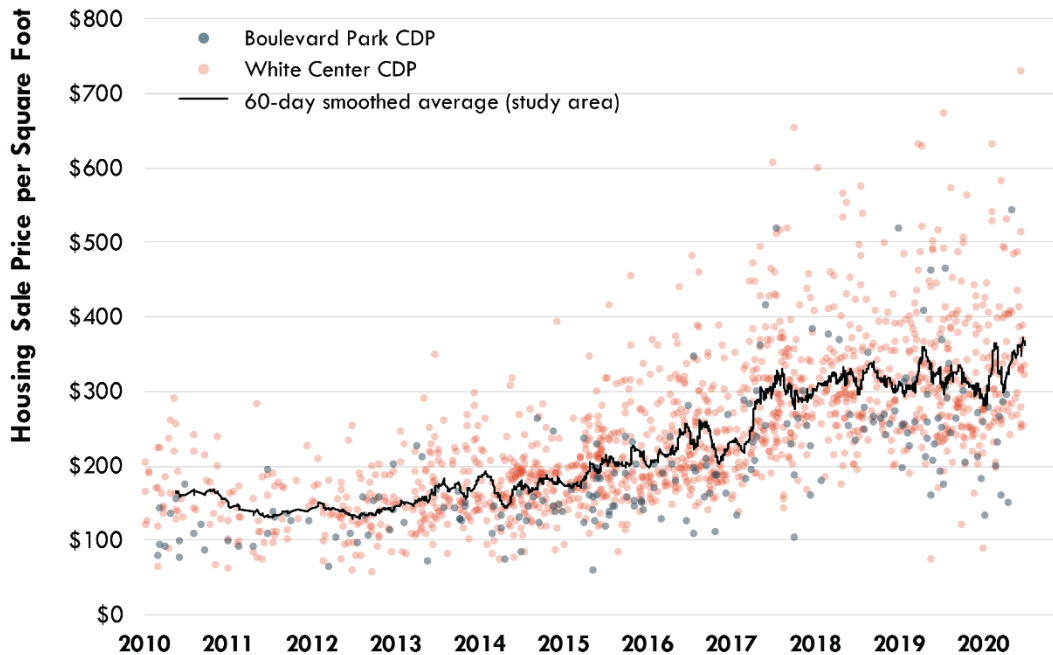
Source: BERK, 2020; King County GIS, 2020.

Exhibit 106. Tenure, North Highline Study Area.



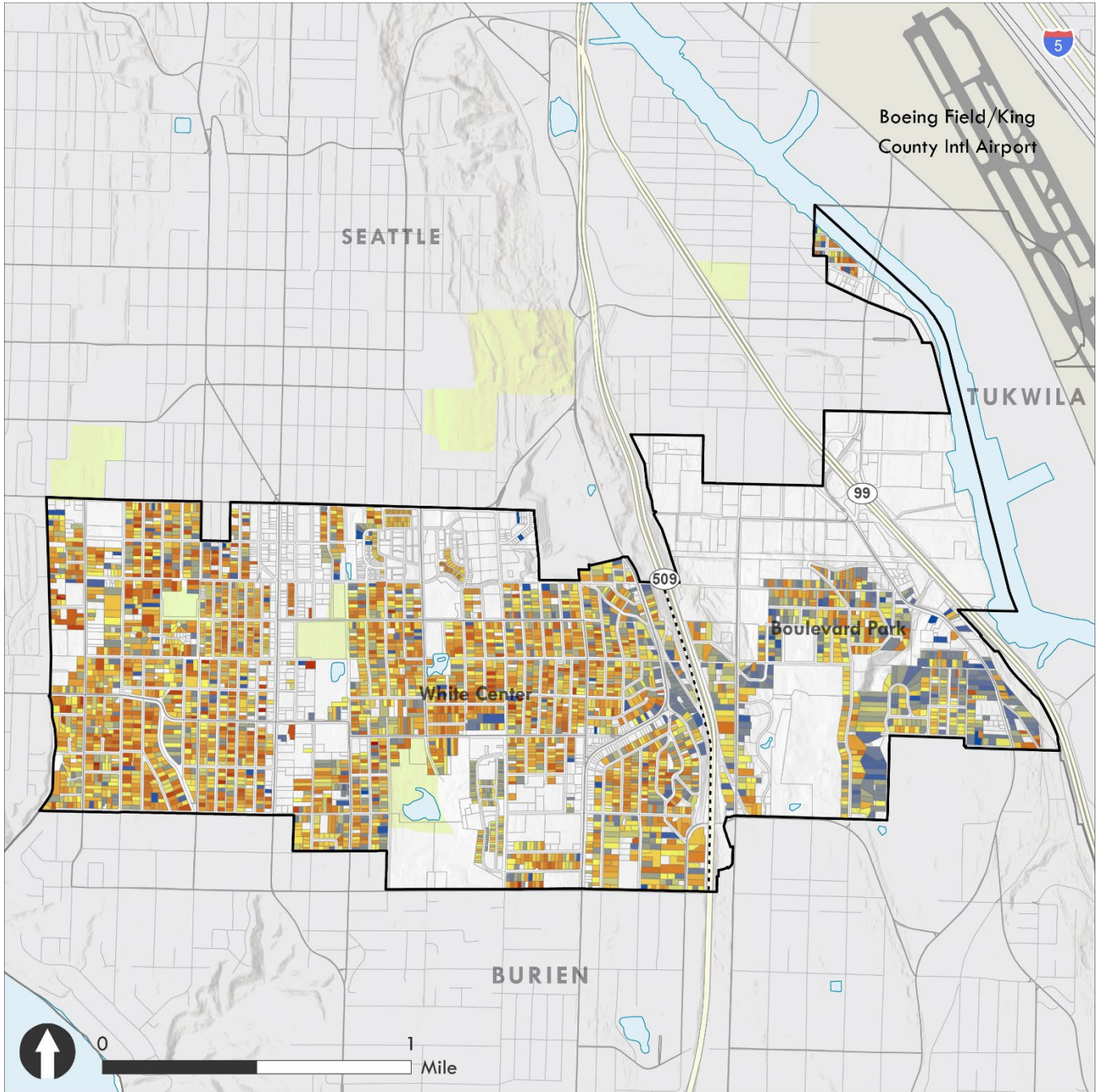
Source: BERK, 2020; King County Assessor, 2020.

Exhibit 107. Single-Family Housing Sale Price Per Square Foot, North Highline Study Area.



Source: BERK, 2020; King County Assessor, 2020.

Exhibit 108. Single-Family Residential Parcels, Assessed Value per SF, North Highline Study Area.



LEGEND

- North Highline Study Area
- Cities
- Census-Designated Places
- Highways/State Routes
- Arterials
- Other streets
- Public lands
- Water

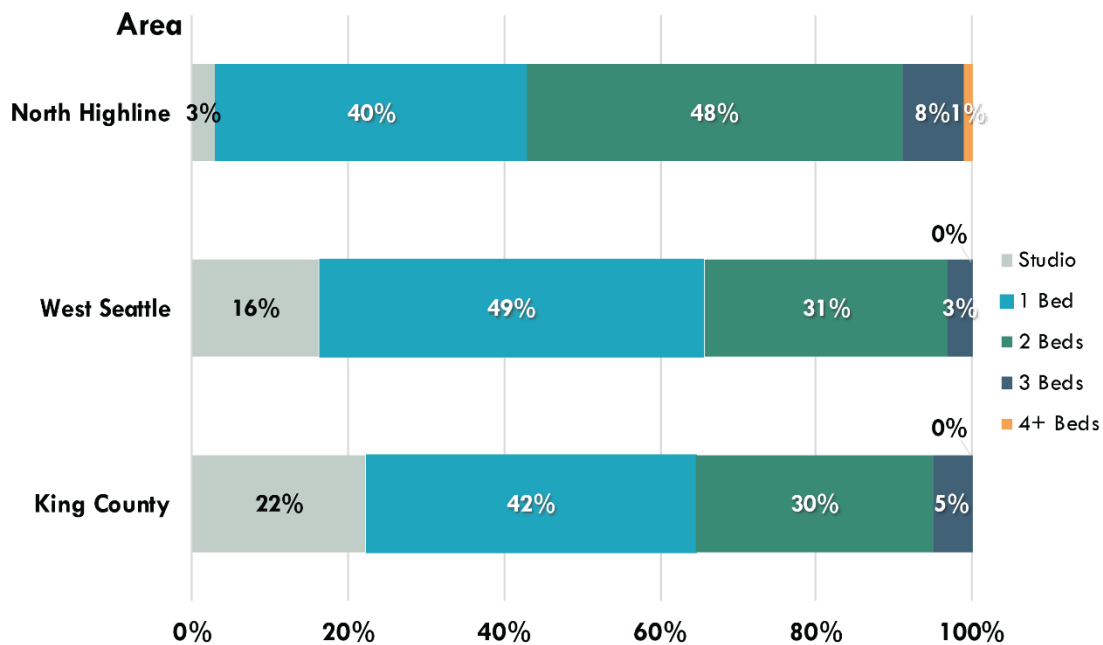
Assessed Value per SF Total Living Area

- Low (\$20-60 per sf)
-
-
- High (\$750-850 per sf)



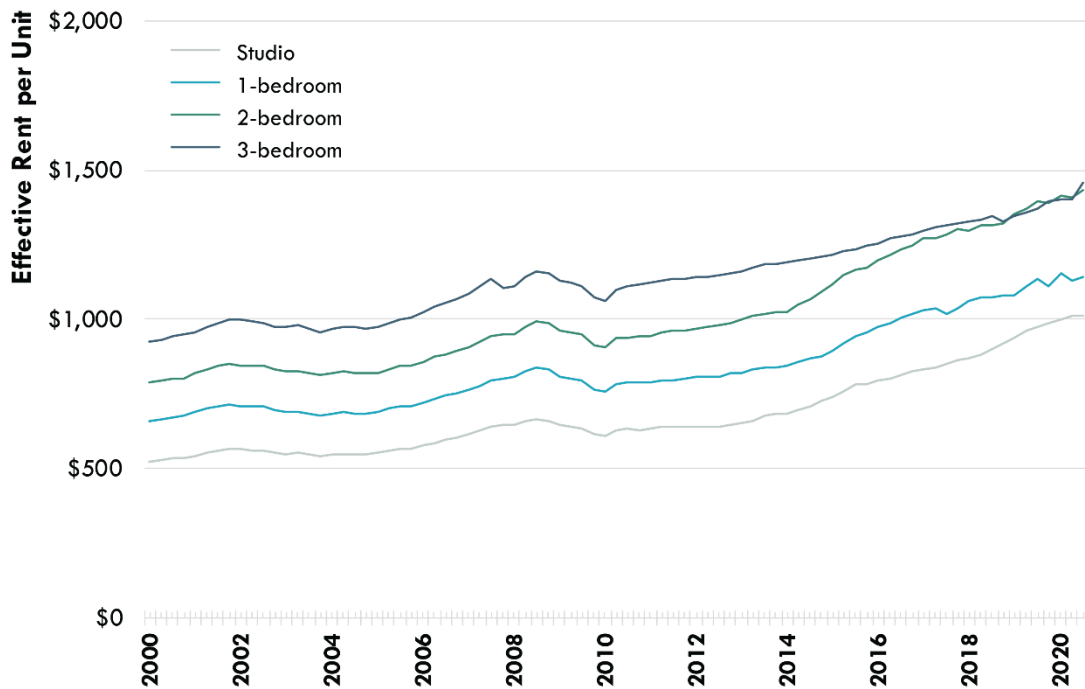
Source: BERK, 2020; King County GIS, 2020; King County Assessor, 2020.

Exhibit 109. Distribution of Apartments by Number of Bedrooms, North Highline Study Area.



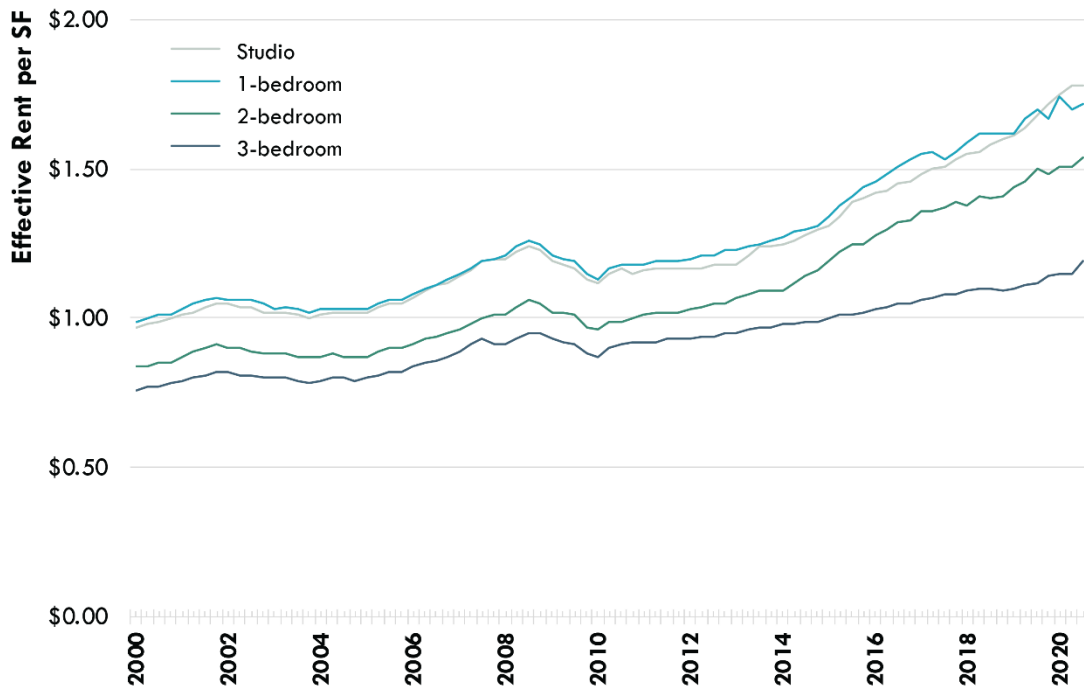
Source: BERK, 2020; CoStar, 2020.

Exhibit 110. Average Rental Rates by Number of Bedrooms, North Highline Study Area.



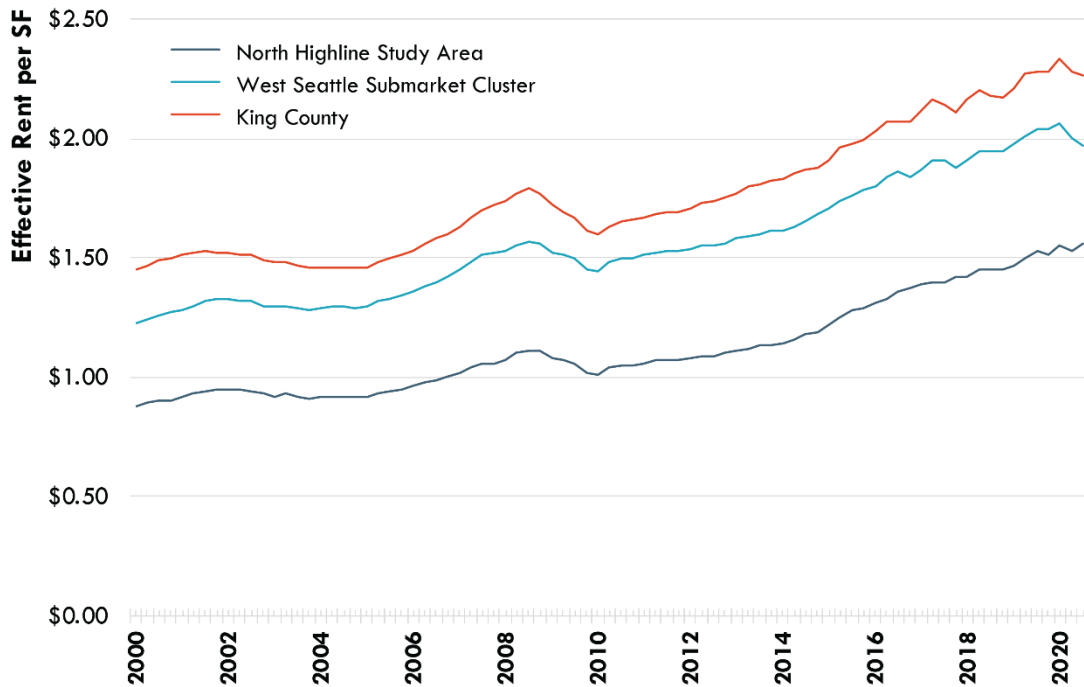
Source: BERK, 2020; CoStar, 2020.

Exhibit 111. Average Rental Rates per SF by Number of Bedrooms, North Highline Study Area.



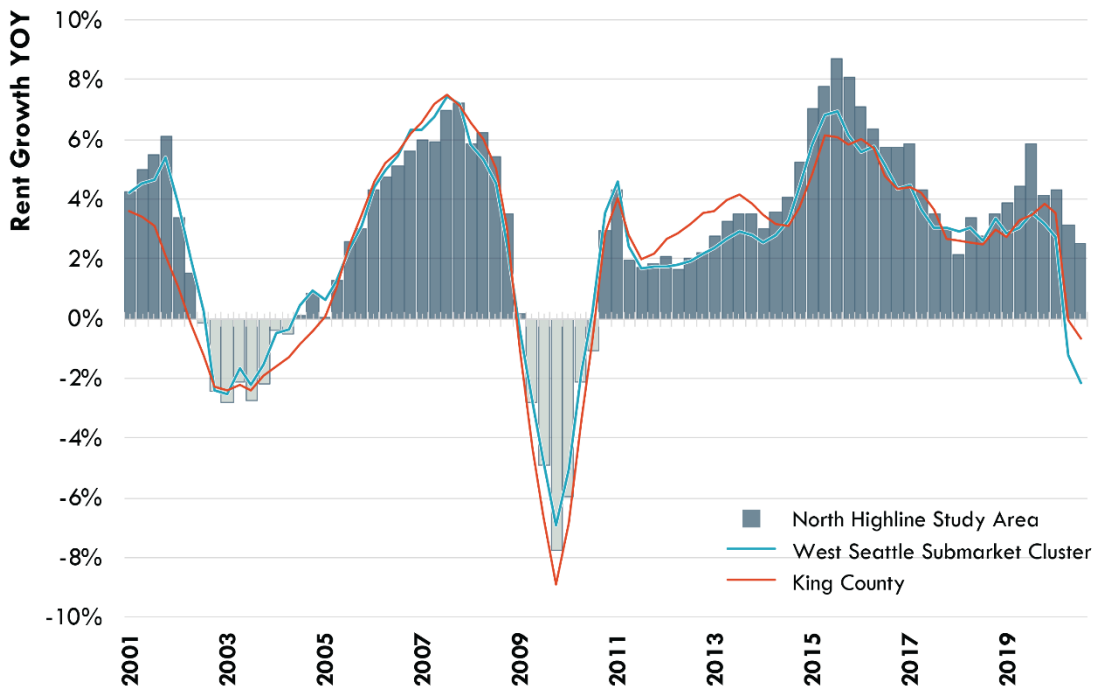
Source: BERK, 2020; CoStar, 2020.

Exhibit 112. Average Rental Rates per SF, North Highline Study Area and Region.



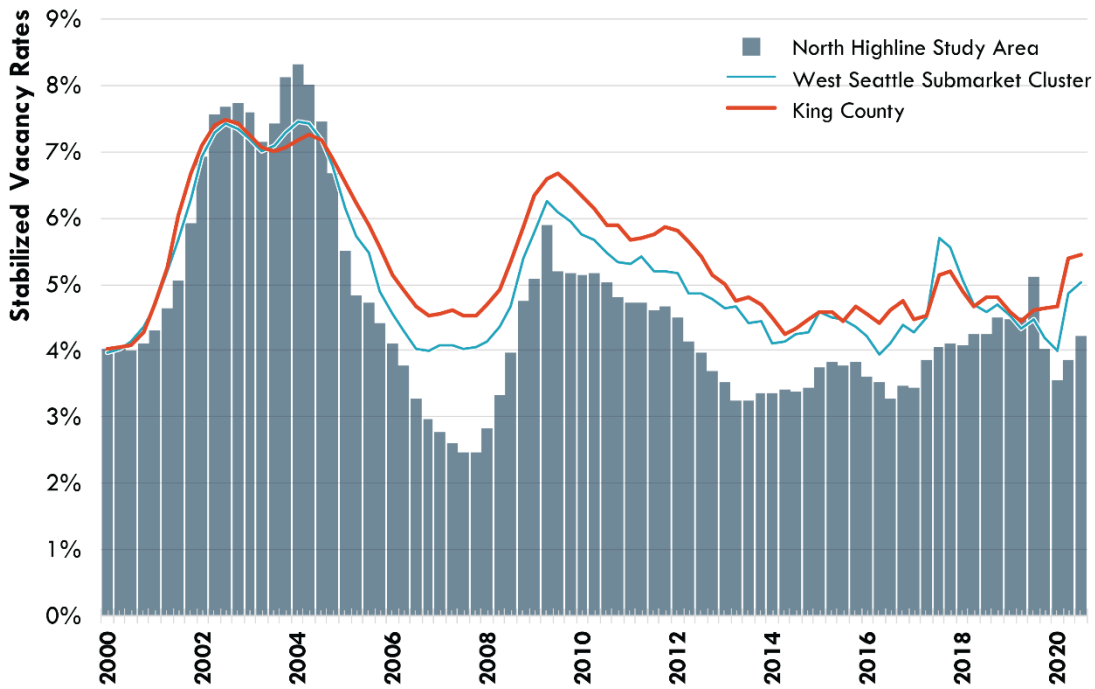
Source: BERK, 2020; CoStar, 2020.

Exhibit 113. Rent Increases YOY, North Highline Study Area and Region.



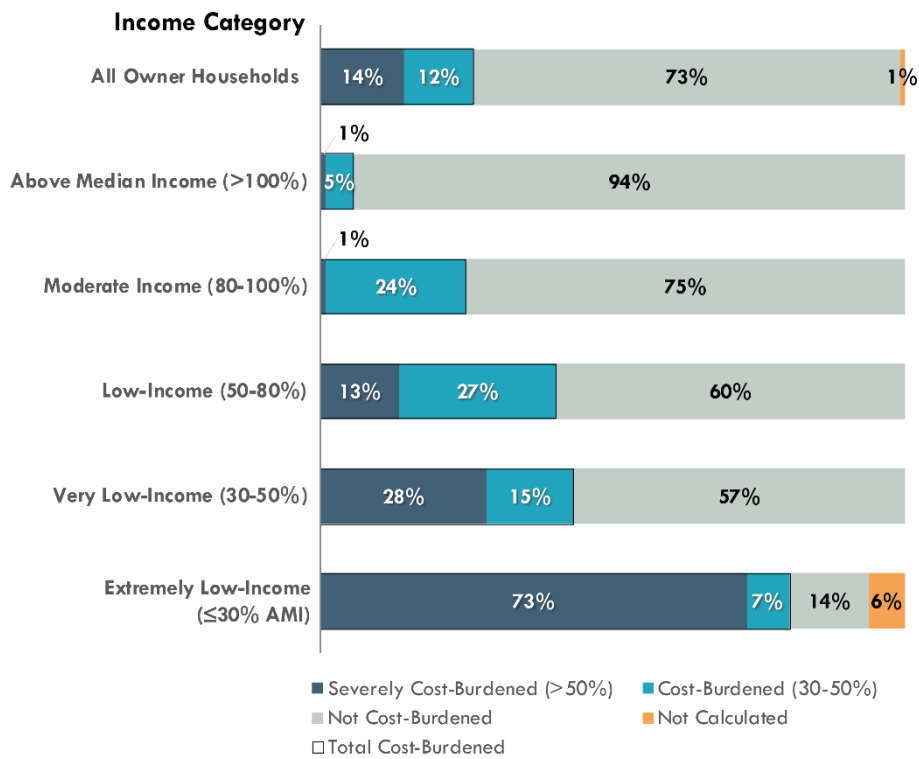
Source: BERK, 2020; CoStar, 2020.

Exhibit 114. Rental Vacancy Rates, North Highline Study Area and Region.



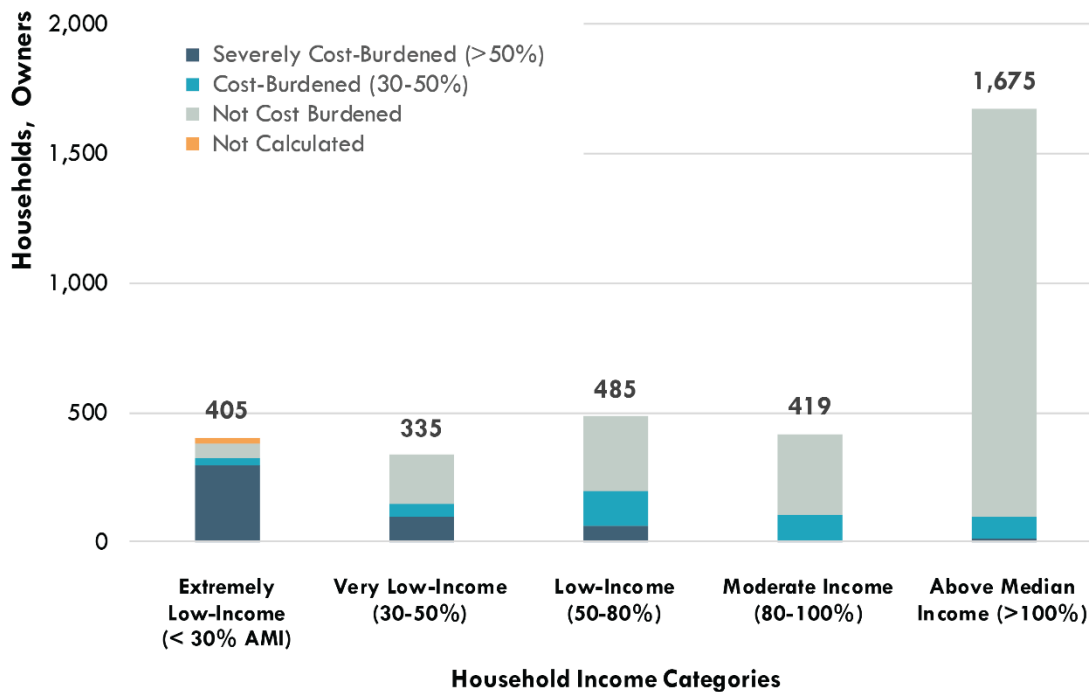
Source: BERK, 2020; CoStar, 2020.

Exhibit 115. Share of Owners by Income and Cost Burden, North Highline Study Area.



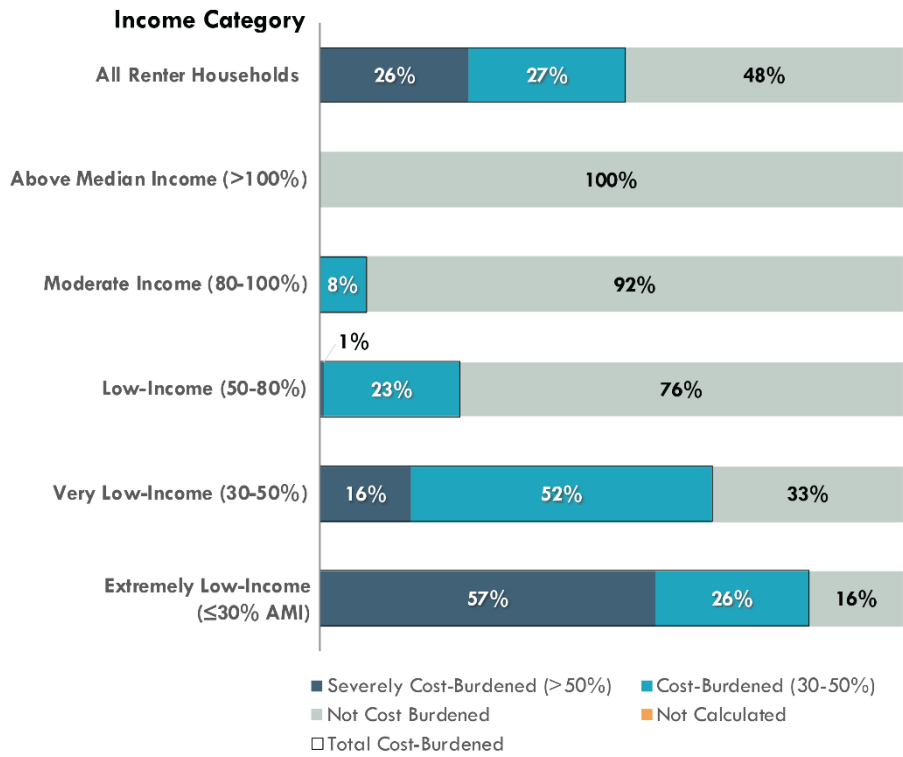
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 116. Count of Owners by Income and Cost Burden, North Highline Study Area.



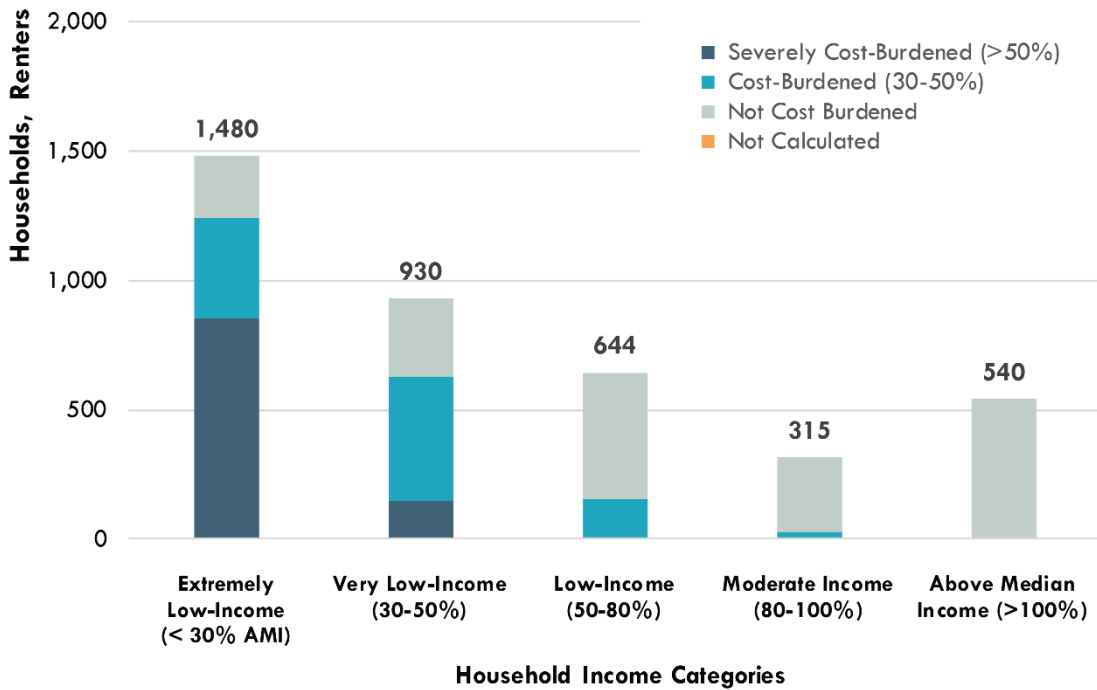
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 117. Share of Renters by Income and Cost Burden, North Highline Study Area.



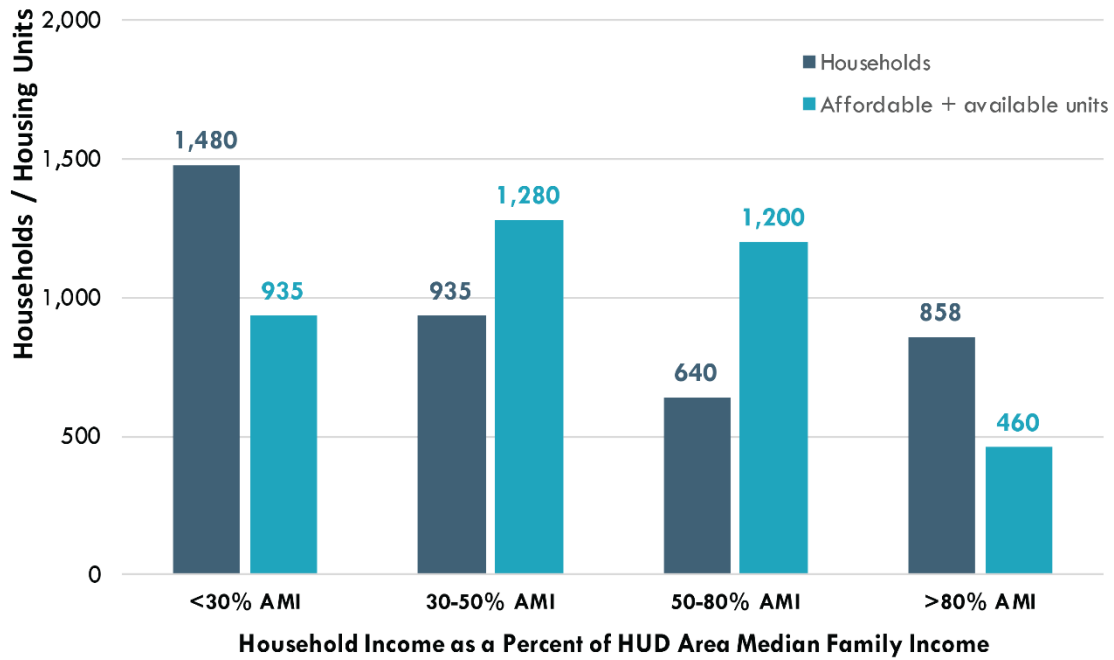
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 118. Count of Renters by Income and Cost Burden, North Highline Study Area.



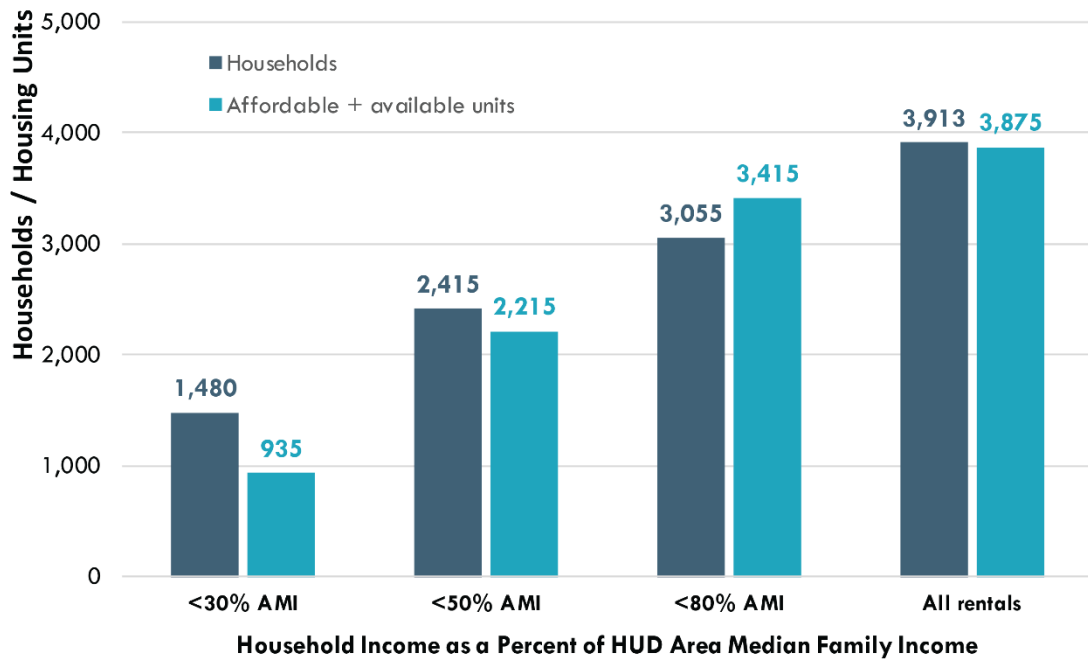
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 119. Rental Housing Availability, North Highline Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

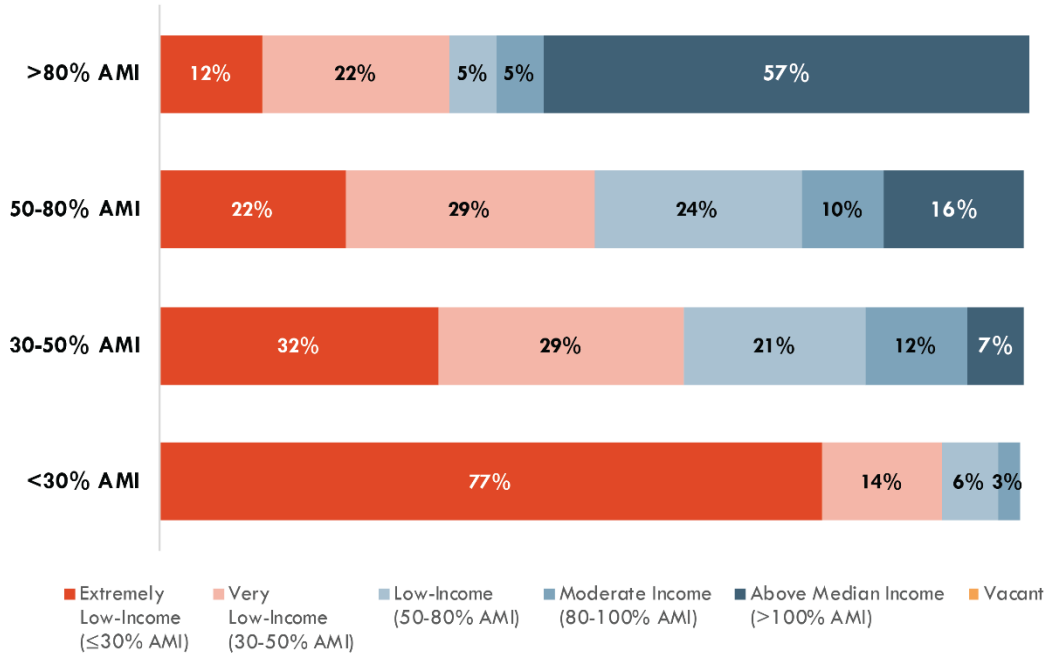
Exhibit 120. Cumulative Rental Housing Availability, North Highline Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

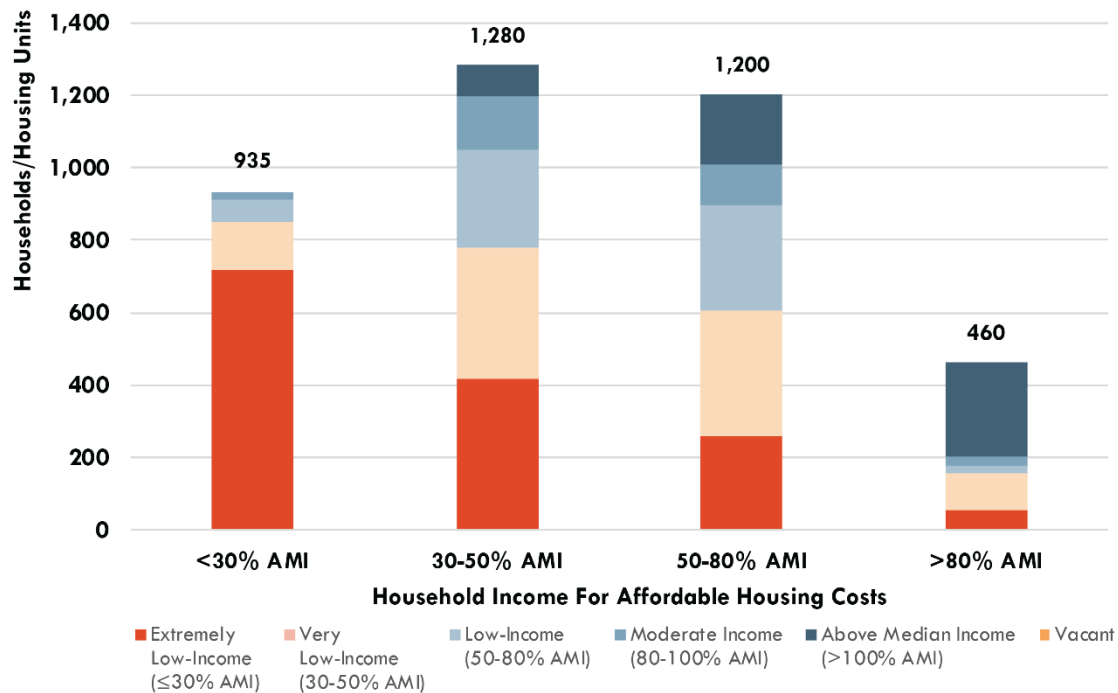
Exhibit 121. Rental Housing Affordability, Percent, North Highline Study Area.

Rental Unit Affordability



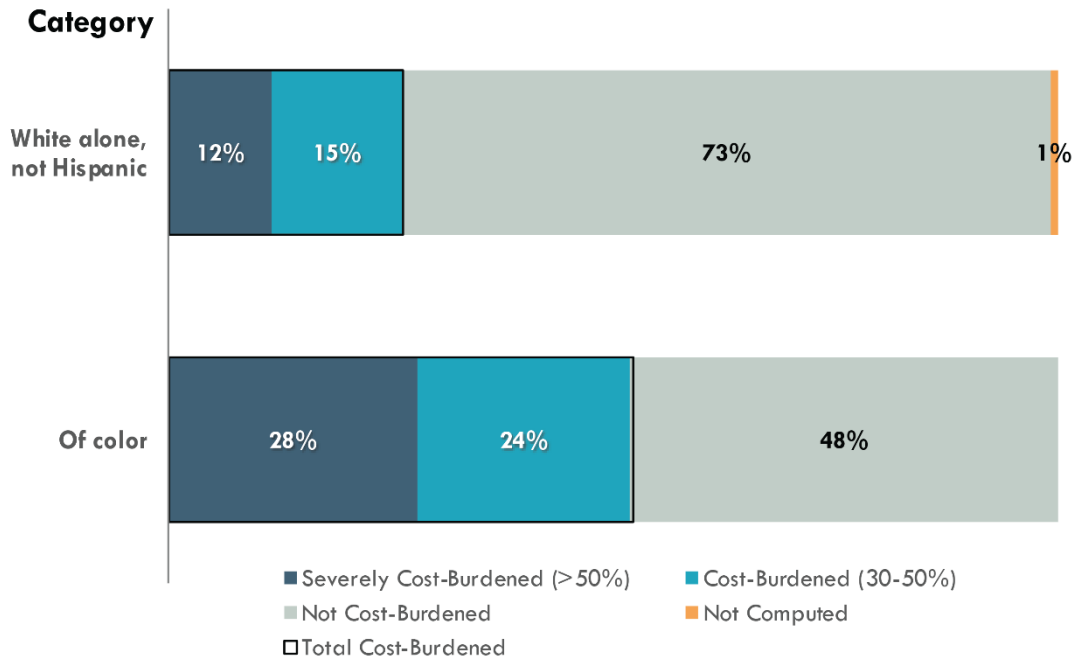
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 122. Rental Housing Affordability, Households, North Highline Study Area.



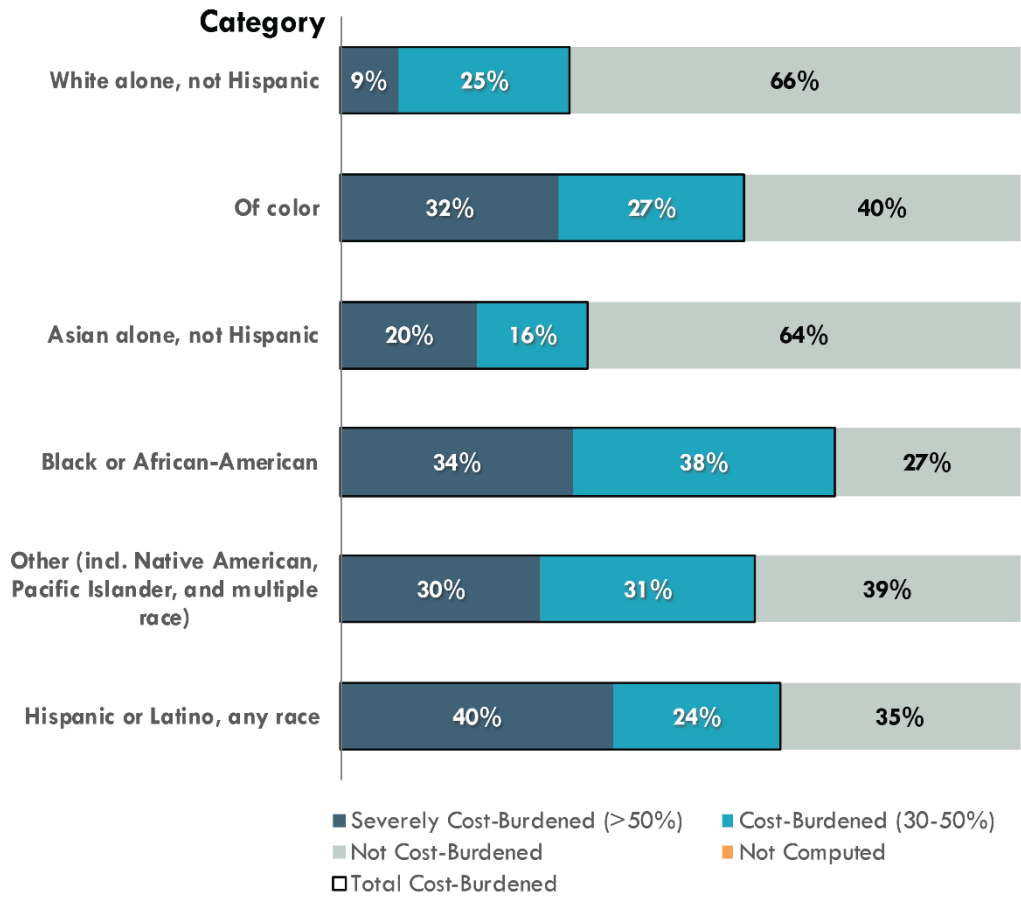
Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 123. Cost Burden by Race, All Households, North Highline Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 5-year estimates, 2017).

Exhibit 124. Cost Burden by Race, Renters, North Highline Study Area.



Source: BERK, 2020; US HUD Comprehensive Housing Affordability Strategy Data (based on American Community Survey 2013-2017 5-year estimates).