Memo

To:	King County Affordable Housing Committee Members
From:	McCaela Daffern, Regional Affordable Housing Implementation Manager
cc:	Housing Interjurisdictional Team
Date:	May 13, 2022
Re:	GMPC Motion 21-1 Jurisdictional Affordable Housing Needs/Targets

Purpose of May AHC Meeting

Growth Management Planning Council (GMPC) Motion 21-1 requires the Affordable Housing Committee (AHC or Committee) establish subregional or jurisdictional affordable housing needs, informed by local data and the data and methodology provided by the Washington State Department of Commerce (Commerce).[1]

At the May 18 AHC meeting, Committee members will:
- learn about Commerce's ongoing and dynamic process to develop countywide need projections and guidance for allocating this need to local jurisdictions;
- learn about countywide need allocation methods that could be developed for Committee consideration based on this guidance; and
- ask clarifying questions and provide feedback about support, concerns, or considerations the HIJT Countywide Planning Policy (CPP) Work Group and King County AHC staff (staff) should account for when developing each method.

Informed by AHC and stakeholder input, staff will develop options for establishing jurisdictional affordable housing needs for Committee consideration and potential approval at the July 27 AHC meeting. The GMPC will also be asked to concur with the AHC's approved allocation method at their July 27 meeting.

Background

Jurisdictional affordable housing needs refers to the share of countywide affordable housing need a jurisdiction is responsible for planning for and accommodating in their comprehensive plan. It is synonymous with jurisdictional affordable housing targets, jurisdictional share of countywide need, allocation of countywide need, and disaggregation of countywide need.

The AHC will establish jurisdictional affordable housing needs for two reasons:
- to respond to GMPC Motion 21-1, and
- to assist King County jurisdictions in complying with recent changes to Growth Management Act (GMA) authorized by House Bill (HB) 1220 as they prepare for their major update their comprehensive plans in 2024.

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[1] GMPC Motion 21-1 is referenced in Section 3 on pages 2-3 of King County Council Ordinance 19384 [link].

In 2021, the Washington State Legislature changed the way communities are required to plan for housing. HB 1220 amended the GMA to instruct local governments to "plan for and accommodate" housing affordable to all income levels. HB 1220 also established new requirements for comprehensive plan housing elements. These requirements include an inventory and analysis of existing and projected housing needs for all economic segments as well as permanent supportive housing, emergency housing, and emergency shelters, to be provided Commerce. The requirements also mandate that jurisdictions link their goals with overall county goals to ensure that the comprehensive plan housing element goals are met.[2]

Preliminary draft guidance from Commerce states that while the GMA requires that Commerce provide housing needs projections, it does not provide direction regarding the geographic scale of those projections. Therefore, Commerce has decided to provide these projections at the countywide level as a range. It will be up to King County, working in collaboration with its cities, to select a projection from the range and determine a method for allocating that projection to jurisdictions.

This year and next, Commerce will provide guidance to communities to meet the new housing goal and updated requirements for housing elements in the GMA. Based on Commerce's preliminary draft guidance, this includes:

- Projected housing needs for all **income segments** of the population (moderate, low, very low and extremely low income) and **special housing** (emergency housing, emergency shelters and permanent supportive housing). Projections will be provided at the county level and must be incorporated into local planning efforts.
- Guidance on how counties, working in collaboration with their cities, can allocate projected countywide housing need to local jurisdictions to ensure that all projected countywide housing need is accounted for in local comprehensive plans.
- Integration of this final allocation guidance and countywide need projections with other guidance[3] on implementing HB 1220 in a new version of Commerce's Housing Element Guidebook as well as updated Washington Administrative Code.

Jurisdictional affordable housing needs recommended by the AHC in November will be based on Commerce's projected housing needs and must align with the minimum standards established in Commerce's allocation guidance. To provide timely information for King County jurisdictions and comply with GMPC's December 31, 2022 deadline, the AHC needs to establish its jurisdictional affordable housing needs concurrent with Commerce's efforts.

Unfortunately, the parallel nature of Commerce's work poses two challenges for the Committee as it considers and selects an allocation method:

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[2] For more detail, reference session law [link] or a summary of HB 1220 in attachment B of the February 4, 2022 AHC staff report on GMPC Motion 21-1 project scope and schedule [link].

[3] As part of their work to support implementation of HB 1220, Commerce is also creating in 2022 and early 2023: 1) guidance on provisions for moderate density housing options within an Urban Growth Area (UGA), including but not limited to duplexes, triplexes and townhomes. 2) guidance on reviewing for adequate housing for existing and projected needs for all economic segments of the community, including sufficient land capacity for all projected housing. This includes guidance on how to assess zoning and regulations to allow, encourage and incentivize housing to meet the projected housing needs in each income band. 3) guidance on examining racially disparate impacts, displacement and exclusion in housing policies and regulations, and recommended policies to address them. See Commerce's project webpage to learn more [link].

1. <u>Challenge 1: Commerce's allocation guidance is still evolving</u>
   First, the allocation guidance is still under development. The information shared in this report is based on preliminary draft guidance Commerce shared with members of the advisory committee the State formed to inform this work. As such, the information shared in this report about Commerce's guidance may change when they release a public review draft of the allocation guidance in early June. Staff will brief the AHC on any major shifts in the guidance at the July 27 AHC meeting.

2. <u>Challenge 2: Commerce's final draft countywide need projections 't be available in time for an interim Committee decision point in July and will continue to change throughout the fall</u>
   Second, Commerce plans a phased approach to developing and finalizing countywide need projections. They will release preliminary draft countywide need projections for advisory committee comment in June, a public review draft in August, and a final draft in October or November, before publishing the final projections in December (dates subject to change). Staff will track the development and keep the Committee apprised of potential impacts to its work to establish jurisdictional affordable housing needs.

Highlights from Commerce's Preliminary Draft Allocation Guidance

Per statute, Commerce will project three types of housing needs:
- **By income segment:** 1) 0-30%, >30-50%, >50-80%, and >80-120% AMI
- **Special housing:** 2) permanent supportive housing (PSH)
  3) emergency housing/shelters

Countywide need will be expressed as the additional units needed by 2050 to meet projected housing needs in the above categories. All counties will be given need projections in the form of low, medium, and high. Counties will then need to select the projection level that matches the population projection they are using for planning under the GMA. The county and cities will collaboratively select a need projection within their published range.

The countywide need projection will attempt to provide an objective prediction of future need without considering the cost of, resources available for, or barriers to building that housing. At this time, Commerce had indicated that their draft countywide need projection methodology will incorporate current unmet demand for affordable housing and future affordable housing demand.

Allocation Methods

Commerce's draft guidance acknowledges that there is no single "correct" method for allocating countywide housing needs to jurisdictions and encourages counties in coordination with local jurisdictions to select an allocation method that can best meet countywide housing needs.

While King County and its cities can choose any method to allocate countywide projected housing need, Commerce will set minimum standards that allocation methods must meet. The preliminary draft allocation guidance articulates the following minimum standards:

1. The county must select a total housing need projection within the range of the low, medium, and high countywide housing needs projections published by Commerce.
2. The selected countywide housing need projection for each income level and special housing needs must be consistently derived from the same Commerce projection series. For example, if the county selects the medium total housing needs projection, then it must select the medium projection for all income levels and special housing needs. It is not appropriate

to select a low projection for housing needs at 0-30% of AMI along with a high projection for housing needs at or above 120% of AMI.

3. The sum of all allocated housing needs to local jurisdictions in a county must equal the total countywide housing need projection. This should be true for each income level, PSH, and emergency shelter/housing.
4. Each jurisdiction's allocation of projected housing needs by income level and for PSH and emergency housing must be documented in their comprehensive plan housing element.

Commerce intends to offer an Excel-based tool for allocating countywide need, the Housing Needs Allocation Tool (HNAT), and document alternative allocation methods that counties, in collaboration with their cities, can consider. Different allocation approaches can be employed for housing needs by income level and special housing.

Staff will explore a range of allocation methods for Committee consideration in July. Based on the preliminary draft allocation guidance from Commerce and input from the Interjurisdictional Team (IJT) and HIJT CPP Work Group, staff identified three possible approaches for allocation of housing needs by income level and special housing. The ultimate number of options brought forward for Committee consideration in July and the methods employed will change if:

1. there are substantive changes to Commerce's allocation guidance when they release a public review draft in June;
2. the data needed to develop one of these methods is unavailable or can't be developed in time for the July AHC meeting; or
3. the concepts and principles that underpin their approach to projecting countywide need renders any of these methods unfeasible.

At the May 18 AHC meeting, Committee members will have an opportunity to ask clarifying questions and confirm direction to guide the development of allocation options for Committee consideration in July.

Potential Methods for Allocation of Countywide Housing Need

Staff have identified three allocation methods for development:

1. Method 1: Housing Needs Allocation Tool (HNAT) Using Housing Growth Targets
2. Method 2: Weighted Allocation
3. Method 3: HNAT without Housing Growth Targets as a Cap on Need Allocations

Table 1 summarizes each method and outlines potential benefits and limitations to each approach. Each of these methods are rooted in the following three assumptions and are aligned with Commerce's draft guidance:

1. Allocate countywide housing need in a way that meets Commerce's minimum standards.
2. All jurisdictions in King County are collectively responsible for addressing countywide housing need. Therefore, all jurisdictions will accommodate a share of the countywide housing need at all income segments. To do otherwise risks perpetuating patterns of exclusion that concentrates low-income households in some jurisdictions and not others and reduces the ability for households to find housing affordable to them in the communities where they want to live.
3. Allocate a greater share of countywide housing need to jurisdictions which are currently providing less housing affordable to lower-income households. This again promotes the concept of increasing housing choice in areas with less affordable options and promotes a more equitable distribution of housing choices across all jurisdictions.

Method 1: Housing Needs Allocation Tool (HNAT) Using Housing Growth Targets

Overview – Allocation of Housing Needs by Income Level

- Staff will develop an allocation option using Commerce's HNAT.

- The base HNAT tool provided by Commerce allocates total projected countywide net new housing need in 2050 proportionally based on each jurisdiction's percentage of total population in 2020, by economic segment. This tool will be modified to allocate need based on adopted housing growth targets rather than population to ensure consistency with regional growth policies.

- If there is no countywide need at a particular income band, there will be no need allocated to any jurisdiction at that income band.

- It caps a jurisdiction's housing need allocation by its housing growth target.

- It allocates need to jurisdictions beginning at the lowest income band (e.g., 0-30% AMI, then 31-50% AMI) so if a jurisdiction reaches its housing growth target "cap," it will primarily have to plan for the lowest income levels.

Overview – Allocation of Special Housing Needs

- The Special Housing Needs HNAT follows the same process as the housing needs by income level.

Benefits

- Jurisdictions with less affordable housing need to contribute more in the future, but only within the bounds of new growth, making the jurisdictional need allocation perceivably more achievable.

- By allocating special housing needs based on population, this method creates access to opportunity areas for people currently or formerly experiencing homelessness and requires all jurisdictions in the county to contribute to ending homelessness.

Limitations

- Jurisdictions will only plan for affordable housing need within the bounds of new growth, so jurisdictions will plan for improved, rather than equal distribution of countywide need.

- For special housing needs, this method does not consider a jurisdiction's capacity or proximity to services such as health providers and social service agencies, which may be important supports for people exiting homelessness. Rather, it encourages jurisdictions with allocated need to plan for the services needed to support their allocation.

- For special housing needs, does not consider transportation access beyond the application of growth targets, which allocate relatively more growth to places near regional growth centers and near high-capacity transit.

Method 2: Weighted Allocation

Overview – Allocation of Housing Needs by Income Level

- In this method, staff will explore adjusting jurisdictional allocations based on certain factors.
- Due to time constraints, staff will likely develop a model with limited adjustment factors.
- Staff may use the HNAT as the base allocation method or develop a different base allocation method. For example, staff could adapt a method used in the Minneapolis-St. Paul region following these steps:
    - Allocate countywide need to jurisdictions in alignment with adopted housing growth targets.
    - Adjust to allocate new affordable housing where it will most help expand housing choices.
    - Adjust to account for each community's share of existing affordable housing by income band.
- Guided by the 2021 CPP Housing Chapter vision to meet the countywide need and eliminate racial and economic disparities in access to housing and neighborhoods of choice, staff are also considering the suitability of these two adjustment factors to increase the range of available and affordable housing options:
    - increasing affordable housing options near where low-wage people work, and
    - increasing the supply of homes in areas with a lesser share of existing affordable housing than the average King County jurisdiction.
      Note: Staff are still examining the racial and social equity impacts of these factors.
- Other adjustment factors considered (e.g., access to opportunity, displacement risk, transit access) are less suitable due to issues related to reinforcing patterns of racial and economic inequities, data availability, geographic scale of the data, and double counting of factors already in the base model.

Overview – Allocation of Special Housing Needs

- Different methods may be used to allocate PSH and emergency housing/shelters.
- When developing the allocation methods in June and July, staff will consult with human service planners to discuss the benefits and limitations of weighting the allocation by factors such as proximity to transit and services.

Benefits

- It provides for more flexibility to address local policy objectives than the HNAT.
- Potentially recognizes affordability supply and jobs/worker imbalances across jurisdictions.

Limitations

- The availability of data limits what adjustment factors can be applied.
- Complex in both process and mathematics. This makes it difficult to describe and increases the risk of unintended consequences. For example, an emphasis on low-wage job proximity could encourage significant housing growth in industrial areas.

Method 3: HNAT without Housing Growth Targets as a Cap on Need Allocations

Allocation of Housing Needs by Income Level

- As a point of comparison, staff will consider a third allocation methodology to determine future need by using the HNAT method, but not using housing growth targets as a "cap."

- With this method, a jurisdiction's share of countywide need may exceed its growth targets.

Allocation of Special Housing Needs

- The same steps will be followed for allocating special housing needs.

Benefits

- This method articulates need as future need less existing units, so jurisdictions with relatively more affordable homes today have fewer net new units to plan for and accommodate than jurisdictions with fewer affordable homes today.

- This method plans for a future where all jurisdictions have equal shares of affordable housing at each income band, based on their future population projection. i.e., every jurisdiction plans for 15% of their housing stock to be affordable to 0-30% AMI in 2050.

Limitations

- The local need allocation may exceed the housing growth target, leading to challenging planning requirements for jurisdictions with high land costs.

Next Steps

To stay on course for establishing jurisdictional affordable housing needs, the AHC needs to meet the following milestones:

Date	AHC Milestone	Considerations
May 18	• Confirm direction and considerations to guide the development of allocation options for Committee consideration.	• The methods presented are informed by preliminary draft allocation guidance from Commerce and initial reflections from IJT and HIJT CPP Work Group members.
July 27	• Consider and approve proposed method for establishing jurisdictional affordable housing need.	• The method presented will reflect any new guidance from Commerce released in their public review draft guidance in early June. • The method presented will reflect input from local community organizations representing households most disproportionately impacted by housing cost burden, housing policy and planning staff, land use planning staff, and human service planners on the allocation methodology, including weighting factors. • Concurrence from the GMPC on the AHC's recommendation will be sought at the GMPC's July 27 meeting.
Sept. 29	• Review and provide direction on any CPP amendments needed to articulate the jurisdiction's share of countywide need, based on the AHC's selected method.	• The method presented will reflect any updated guidance from Commerce and/or new information on Commerce's projected countywide need.
Nov. 16	• Approve final recommended jurisdictional affordable housing need and CPP amendments to the GMPC.	• The method presented will reflect any updated guidance from Commerce and/or new information on Commerce's projected countywide need. • The GMPC will consider and take action on the AHC's recommendation in 2023.