



Housing Affordability

Desk Reference for Local Governments

October 2019

1. Why is Housing So Unaffordable?

Washington State is a great place to live with a robust and growing economy. As a major technology center, it attracts desirable, well-paying jobs and successful, well-educated employees. Growth has concentrated primarily in the Puget Sound region, and housing market has followed demand. Thus, the Puget Sound area has received most of the new construction, and the units tend to accommodate the higher end of the market.¹ These factors have driven housing prices dramatically upward in fast-growing areas.

WASHINGTON STATE'S HOUSING POLICY ACT

It is the goal of the state of Washington to coordinate, encourage, and direct, when necessary, the efforts of the public and private sectors of the state and to cooperate and participate, when necessary, in the attainment of a decent home in a healthy, safe environment for every resident of the state.

RCW 43.185B.007

Washington communities with “cooler” housing markets also feel the impact of growth in the Puget Sound. There are simply not enough housing contractors to meet the demand for new and rehabilitated units state-wide. A lack of housing developers and builders in these areas and the resulting deficit in units hampers economic development and growth. Rural areas struggle to attract teachers, nurses and other essential personnel communities need to thrive. Economic developers struggle to recruit businesses with little workforce housing available. At the same time, decreasing federal subsidies for rural housing compound the problem.

Though the nuances of supply and demand differ between markets, there are also notable state-wide trends that affect housing affordability. Median household incomes in Washington State tend to grow faster than the national average, but they do not keep pace with growing rents in most areas. Fixed incomes such as retirement or disability income have not kept up with rising rents. Throughout the state, very little new housing is developed that is affordable for middle and lower-income households, unless it is subsidized² through government funding.

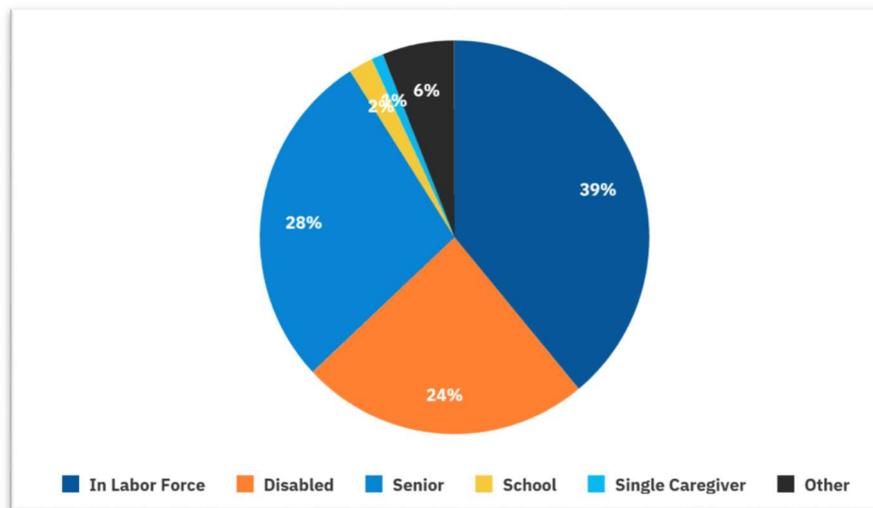
¹ <https://media.beam.usnews.com/69/4f/9ec3a3e94c4080b146d64d27288a/190508-best-states-overall-rankings-2019.pdf>

² There are two general types of housing subsidies: 1) development subsidies (supply side) to help construct or acquire housing, and 2) operating subsidies (demand side) that supplement the amount that residents can pay.

Meeting Community Needs across the Income Spectrum

Increasing housing supply and variety is good policy, but it will not make housing affordable for everyone. Housing markets are influenced greatly by supply and demand, but these are not the only factors affecting affordability. Increasing supply *should* reduce housing costs, but because most communities are already challenged by a housing deficit, and migration continues to increase demand, new housing is quickly absorbed by the market. However, this market-based approach is not sufficient to meet the affordable housing needs of everyone. An adequate supply of subsidized housing must also be available for those who simply cannot afford market rate housing.

WHO ARE THEY? EXTREMELY-LOW INCOME RENTERS IN WASHINGTON³



Housing subsidies are government financial assistance to renters and homeowners whose income is verified annually to be below certain income limits (income qualified).

Operating subsidies supplement the amount that residents pay for private market housing, such as **Rental Subsidies**, paid to private landlords who accept income-qualified tenants.

Development subsidies pay for the construction or acquisition of housing that is provided to income-qualified households at below market rates.

- **Non-Profit housing** is owned and operated by private, not for profit organizations. They use private and/or or government funding to provide below market housing for income-qualified tenants.
- **Public Housing** is owned and operated by the Department of Housing and Urban Development (HUD) for income-qualified tenants.

³ <https://nlhc.org/housing-needs-by-state/washington>, accessed 9/27/2019

TERMINOLOGY

Affordable Housing: Housing that costs no more than 30% of a household's income is considered to be "affordable" for that household. More specifically, "affordable housing" meets this 30% standard for low-income households (i.e., households earning below 80% of the area median income). For owners, housing costs include principal, interest, property taxes, and hazard insurance. For renters, costs include rent and tenant-paid utilities (except telephone and cable).

Extremely Low Income - Adjusted income that is below 30% of the area median income (AMI) adjusted for household size and for the county or Metropolitan Statistical Area.

Market Rate - Area rent levels for units without any subsidy or assistance from a public program.

Cost-Burden: paying more than 30% of household income for housing (rent or mortgage, plus utilities). **Severe cost-burden** is defined as paying more than 50% of household income for housing.

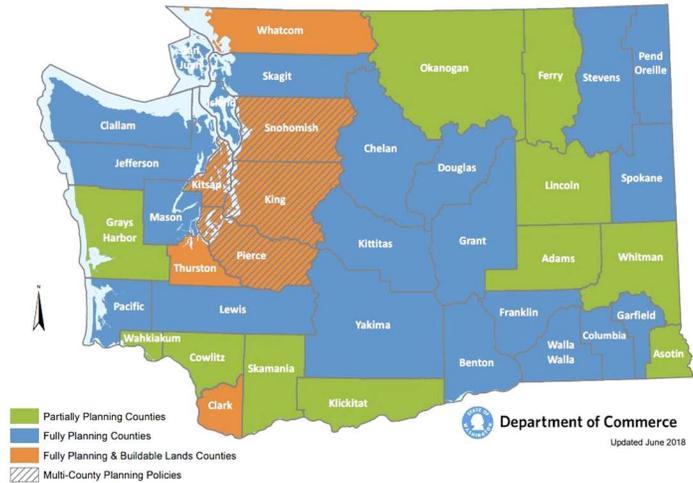
2. Washington’s Housing Policy Framework

State Requirements for Housing Planning

The Growth Management Act (GMA) includes specific requirements for how cities and counties should plan for housing, including housing affordable to lower-income households. The requirements apply in the 29 “fully planning” counties that are required to plan under the GMA. Implementation of the GMA is guided by 14 overlapping goals. The GMA housing goal is *Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.*⁴

Countywide Planning Policies

All 29 fully planning counties and the cities within them must agree on how they will address issues of a countywide nature, such as transportation, siting of public facilities, growth, and affordable housing, including *policies that consider the need for affordable housing, such as housing for all economic segments of the population and parameters for its distribution.*⁵ These countywide planning policies may include targets for affordable housing.



City and County Comprehensive Plans

GMA cities and counties must include five mandatory elements in their comprehensive plans: land use, transportation, housing, utilities and capital facilities.⁶ Counties must also include a rural element. Each county receives 20-year population projection from the state Office of Financial Management (OFM).⁷ The county, cities, and towns work together to allocate the countywide population to individual jurisdictions based on local land capacity, availability of capital facilities, and local vision. The land use element is where population densities, building intensities, and estimates of future population growth are located. The majority of new growth should be planned inside designated urban growth areas, but the intensity and distribution of uses is left to local decision makers, consistent with countywide planning policies and GMA goals.

The Housing Element

The housing element of the comprehensive plan should *ensure the vitality and character of established residential neighborhoods.*⁸ It should:

- *Include an inventory and analysis of existing and projected housing needs that identify the number of housing units necessary to manage projected growth.* Cities should consider both the new households inside the city

⁴ RCW 36.70A.030 includes other goals that relate to affordable housing: (1) Encourage development in urban areas where adequate public facilities and services exist, or can be provided in an efficient manner. (2) Reduce the inappropriate conversion of undeveloped land into sprawling, low-density development. (12) Ensure that those public facilities and services necessary to support development shall be adequate to serve the development at the time the development is available for occupancy and use without decreasing current service levels below locally established minimum standards.

⁵ RCW 36.70A.210 (3)(e).

⁶ Required by RCW 36.70A.070.

⁷ Washington State Office of Financial Management, *Population and Demographics*, www.ofm.wa.gov/pop/default.asp

⁸ RCW 36.70A.070(2) This does not mean that neighborhoods should remain unchanged over time. They will change as homes are remodeled or replaced, and the expectation is that development will become more dense over time.

limits and those in any unincorporated areas intended to annex to that jurisdiction within the 20-year planning period.

- *Include a statement of the goals, policies, and objectives for the preservation, improvement, and development of housing, including single-family residences.*
- *Identify sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, group homes, and foster care facilities.*
- *Make adequate provisions for existing and projected housing needs of all economic segments of the community.*⁹

3. Steps to Address Housing Needs

I. Assess Community Housing Needs

A housing inventory should review the condition and affordability of existing housing. A housing needs assessment creates a profile of the community, and identifies recent and projected trends in household size, composition, income, and demographics. This information is used to project the number and types of housing that will be needed to serve the projected growth and the income ranges within it. This information is important to review that land is appropriately zoned to allow for affordable housing types over the planning period.¹⁰



Affordable Types of Housing to Consider

- **Accessory dwelling units:** The GMA requires any city with a population of over 20,000, to allow accessory dwelling units (ADUs) in single-family residential areas.¹¹ Commerce recommends that all local codes allow and encourage the development of ADUs in urban areas, especially in areas close to transit, shopping, and institutions of higher education. ADUs can provide an affordable place to live for tenants, and can provide income to property owners. Relaxing local codes for size, parking, and owner occupation can help encourage ADUs. Pre-approved plans and considerations for manufactured units can also help reduce costs.
- **Manufactured housing:** All jurisdictions must ensure that manufactured housing is not treated differently than site-built housing. Municipalities can impose requirements for a permanent foundation, skirting, or compliance with design codes, but they must allow a manufactured home to be sited on a single family lot¹². Manufactured units can also be a cost-effective way to add detached ADUs in existing neighborhoods. Manufactured home parks are often one of the few ways non-subsidized affordable housing exists in communities. Preservation of such parks and consideration of new parks can provide affordable housing.
- **Single Room Occupancy (SRO):** Small private rooms that contain either food preparation or sanitary facilities, or both, and are designed to be inhabited by a single individual. The Department of Housing and Urban Development's Section 221(d) program provides mortgage insurance for such properties.

⁹ WAC 365-196-410 provides advisory guidance on how to develop the housing element.

¹⁰ See county profiles in the Affordable Housing Needs Study: www.commerce.wa.gov/housing-needs-assessment/

¹¹ RCW 36.70A.400, RCW 43.63A.215(3)).

* Number of units needed to maintain 2005 ratio of people to housing units.

¹² RCW 35.21.684, 35.63.160, 35A.21.312, and 36.01.225, Amended in 2004.)

II. Evaluate Policy Options

Housing goals and policies within the housing element should be consistent with countywide planning policies (and multicounty policies where applicable), should address a variety of residential densities and housing types, promote affordable housing for all economic segments, and support preservation of existing housing stock. A plan that includes a broad variety of housing types, compact development and protections for the existing affordable housing stock will yield the best variety of options for middle- and low-income community members. Smaller lots for single family units and small scale multifamily units are generally most affordable because this is the most efficient way to use land, build units, and provide public facilities and services to serve them.

III. Implement Strategies

Comprehensive plan policies may need to be updated along with new housing goals. Updated data may be included in the housing element, or an appendix to the comprehensive plan. Higher density zoning may be considered, especially in designated centers and along transit corridors. Code sections may need to be developed or amended to implement new plan policies. Procedures for expedited review may need to be developed or amended.

IV. Don't Forget Preservation

One of the greatest threats to the long-term availability of affordable units, especially those affordable to households with incomes less than 80 percent of the area median, is the loss of existing units. For subsidized rental housing, preservation may mean renewing an expiring subsidy or assisting with funding for upgrades to ensure the housing remains "safe and decent". With unsubsidized rental housing, preservation can refer to identifying affordable units, and seeking mission-oriented buyers to purchase rental housing that is risk of becoming unaffordable (either because of rising rents or because of the building falling into obsolescence). Affordable housing is also preserved when low-income renters or owners are able to stay in their homes due to weatherization and rehabilitation services, and loans that keep property conditions viable.

Due to restricted revenues, owners and operators of affordable housing properties face unique challenges when those properties need capital improvements or other investment. Owners are often unable to take out loans to finance rehabilitation because revenues are insufficient to service the debt, and replacement reserves are typically not adequate to cover all costs.¹³ If the existing subsidized and market-rate affordable housing inventory is not maintained and preserved, Washington will be further behind the mark in meeting the needs of low-income households.

V. Performance Measures

Each housing element should include provisions to monitor the performance of its housing strategy, such as targets and benchmarks to track affordability. This may include tracking development of housing at different price levels, and tracking purchase and rental prices. The seven most populous counties and their cities that are subject to "buildable lands" requirements (RCW 36.70A.215) must review past development for consistency with zoning densities. If development has not met planned densities, the jurisdiction must employ "reasonable measures" to ensure that comprehensive plan goals and targets are being achieved. *Reasonable measures are those actions*

AFFORDABLE HOUSING TYPES

- *Accessory dwelling units*
- *Infill development*
- *Small lot development*
- *Duplex, tri- and four-plexes*
- *Cottage and courtyard housing*
- *Townhomes and row houses*
- *Multifamily 5-7 story development*
- *Micro housing*
- *Mobile/manufactured home parks*

¹³ Housing Trust Fund Portfolio Needs Study, 2015

necessary to reduce the differences between growth and development assumptions and targets in the countywide planning policies and the county and city comprehensive plans with actual development patterns. “Reasonable measures” may include upzones, bonus densities, flexible development standards, exemption from certain review, or other tools detailed in the next section.

Cities Can Address Housing Affordability

Counties and cities also have broad authority to implement the comprehensive plan through land use controls that regulate housing density, height, setbacks, lot coverage, parking requirements, landscaping, and other aspects of development. They also have the authority to develop their own permit-processing systems, consistent with state law,¹⁴ and to adopt a variety of tools to encourage the development of a variety of housing types, including affordable housing. To achieve housing affordability, a broad variety of housing types must be available. Townhomes, cottage housing, accessory dwelling units and duplexes can all be integrated into neighborhoods with minimal change to residential character. A municipal code that promotes varied forms of housing and small lot development will help to allow for production of housing affordable to all incomes.



Confronting Opposition to Growth

A sufficient supply of affordable housing offers benefits to the entire community and is necessary for a healthy local economy. Yet, when there is opposition to housing development, it means much of the housing stock needed to ease the cost-burden that so many households experience never gets built. While existing homeowners can, and do, have legitimate concerns about new development, oftentimes the problem is one of perception which can be addressed through engagement and messaging aimed at helping community members see why housing matters. Also consider whether the opposing voices are representative of the broader population in your community. Capturing a broader array of input during the process could help

4. Local Tools for Housing Affordability

There are many planning tools that local governments can use to encourage the development of more and more diverse forms of housing.

- **Minimum densities** can assure that land is developed efficiently and that future urban densities are not precluded by current development. “Shadow platting” is a tool that can be used in areas where sewer is not yet available, so that land can be platted in a way that allows urban development when sewer become available. Some cities may not put a cap on the number of dwelling units per acre, and instead, or may use floor area ratios (which limit the total floor area of development) or form-based codes (which regulate only the size and shape of the building envelope) to control the scale of development.

¹⁴ RCW 36.70B Local Project Review Act, which provides authority and guides for local government permit processing.

- **Density bonuses** can be an incentive for desired housing types, such as affordable or senior housing. The developer is allowed to construct more units in return for a public benefit, such as affordable housing. An alternate strategy is “inclusionary zoning”, which requires that any proposed development include a certain component of affordable housing.¹⁵
- **Flexible development standards:** Local governments can choose to allow lot size averaging or reduced setbacks. Zero lot line development, eliminating or reducing off-street parking requirements in certain areas, or relaxing other standards to reduce overall costs for developers can balance the intent of the regulations with the need for affordable housing. Flexibility related to the size of ADUs can also help add density in existing development.
- **Multifamily housing:** Low- and mid-rise multifamily development can be a source of affordable and diverse housing, especially appropriate in designated “centers” or in transit-oriented development areas near frequent transit service. High rise housing, which generally depends on concrete and steel construction is more expensive to build, however, multifamily development of any scale can be appropriate in expensive housing markets where developers can maximize the number of dwellings on high-cost land.
- **State Environmental Policy Act (SEPA) Tools:** Planned actions assess environmental impacts within a defined sub-area, and reduce a layer of regulation and potential of appeal for developments proposed within the area that meet the planned uses.¹⁶ SEPA also allows an infill exemption from SEPA review for development proposed to “fill in” an urban growth area, consistent with a GMA comprehensive plan.¹⁷ SEPA categorical exemptions allow a certain threshold of development before SEPA must be applied. (WAC 187-11-800).
- **Expedited permit processing** for certain types of desired development can be expedited as an incentive. Tools include centralized counter services, pre-application conferences, permit checklists, reducing the number of residential zoning districts, reducing complicated administrative procedures, or fast-tracking applications.
- **Short subdivisions** are now defined in state law as plats with up to nine lots, expanded from four. Increasing the number of lots allowed in a short plat can help streamline the permit process. (RCW 58.17.020 (6)).
- **Impact fee deferral** RCW 82.02.050(3) requires jurisdictions that use impact fees set up a system to defer the collection of impact fees until later in the process so that developers do not need to carry the cost of the impact fees over the construction period.

TOOLS FOR AFFORDABILITY

- *Minimum densities*
- *Density bonuses*
- *No maximum densities*
- *Inclusionary zoning*
- *Transit-oriented development*
- *Flexible regulations*
- *Parking reductions*
- *Planned action EIS*
- *SEPA infill and categorical exemptions*
- *Short subdivisions*
- *Impact fee deferrals*



¹⁵ Examples of city codes that promote bonus density at MRSC.org

¹⁶ See RCW 43.21C.440 for the definition of a planned action. See also sub-area plans under RCW 43.21C.420 for cities with a population of 5,000 or more.

¹⁷ See RCW 43.21C.229 for more detail.

Tools for Deeper Affordability: Local Program Options

The State has authorized certain affordable housing programs and incentives for local adoption.

- **Multifamily tax exemptions (MFTE)**, authorized by RCW 84.14, can be applied in GMA cities with at least 15,000 people, 5,000 people in the seven most populous counties, or the largest city in other counties. MFTEs may be offered in certain locally designated “residential target areas” where more multifamily housing is desired. Multifamily construction within the designated area may be exempted from paying property taxes on the value-added portion of new or rehabilitated property investment for eight years, if adding multifamily housing units, and up to 12 years, if 20 percent of housing units are affordable to low- and moderate-income households.¹⁸ Some elements of the program can be modified to meet local conditions.
- **Affordable housing incentive programs** may be enacted by counties and cities for the development of low-income housing through development regulations, conditions on rezoning or permit decisions, or both, on residential, commercial, industrial or mixed-use development. Incentives may include density, height and bulk bonuses, fee waivers, parking reductions, expedited permitting or other means. Units created with an incentive program must meet specific affordability levels, and must remain affordable for 50 years.¹⁹
- **Utility or permit fee waivers.** A city or town may waive or delay collection of tap-in charges, connection fees, or hookup fees for low-income persons connecting to water, sanitary or storm sewer service, electricity, gas, and other means of power and heat.²⁰ A jurisdiction may also waive permit fees.
- **Impact fee reductions or waivers** are one-time charges imposed by a local government on new development to pay for a reasonable portion of the costs of providing public services to the development. Impact fees may be reduced by up to 100 percent for housing units that are designated as affordable by covenant.²¹ Eighty percent of impact fees may be waived completely, twenty percent must be paid from other public funds.
- **Publicly owned land for affordable housing:** The state constitution allows local governments that want to support the development of affordable housing to provide gifts to the “poor and infirm.”²² They can choose to provide underused infrastructure or publicly-owned land to help affordable housing (RCW 39.33.015). HB 2382 (laws of 2018) sets out procedures for the transfer of public property for a public benefit, specifically defined as affordable housing. The state is also required to inventory state-owned surplus property to consider its use for affordable housing (RCW 43.63A.510). Locally-owned public property should also be inventoried and considered. Public projects can be catalysts for additional private development.

TOOLS FOR SUBSIDIZED HOUSING

- *Multifamily Tax Exemption*
- *Affordable housing incentive programs*
- *Impact fee waivers*
- *Fee waivers or reductions*
- *Surplus land*
- *Linkage fees*
- *Property tax levy*
- *Sales and use tax*

¹⁸ See RCW 84.14 for more detail and the 2019 Joint Legislative Audit Review Committee (JLARC) report http://leg.wa.gov/jlarc/taxReports/2019/MFTE/p_a/default.html

¹⁹ RCW 36.70A.540

²⁰ RCW 35.92.380, RCW 35.92.020(5)

²¹ See RCW 82.02.060(3)

²² Article 8, Section 7 of the State Constitution provides: No county, city, town or other municipal corporation shall hereafter give any money, property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

- Affordable housing property tax levy:** RCW 84.52.105 allows for a vote for up to \$0.50 per \$1,000 assessed value for up to 10 years to finance affordable housing. The county, city or town must declare an emergency with respect to the availability of housing that is affordable to very low-income households (less than 50 percent area median income (AMI)) in the taxing district. The governing body must adopt an affordable housing financing plan. Seattle, Bellingham, Olympia, Vancouver, and Jefferson County have voted for such levies.
- Sales and use tax for housing and related services:** RCW 82.14.530 allows a county to vote to impose a sales and use tax of up to 0.01 percent for constructing affordable housing, mental or behavioral health facilities. If the county has not imposed the tax, a city may go to their voters for the tax. People served must be at less than 60 percent of the median income of the county, and must be seniors, homeless, veterans, have mental illness, or meet other criteria.²³ Olympia and Ellensburg have such sales taxes.
- 1406 Affordable housing sales tax credit (Laws of 2019):** SHB 1406 provides a new affordable housing revenue stream for those cities and counties that choose to impose the tax and complete the required steps for adoption. It is a credit against the state sales tax, so it will not increase the tax rates for consumers. Jurisdictions may enter into interlocal agreements to pool and allocate the tax revenues. They may also finance loans or grants to nonprofit organizations or housing authorities to carry out the purposes of the legislation. Counties with a population greater than 400,000 and cities with a population greater than 100,000 can use a portion of their sales tax revenue to acquire, rehabilitate, or construct affordable housing, or to fund the operations and maintenance costs of new affordable or supportive housing. Smaller counties and cities may also use the funds for rental assistance to tenants who are below 60% of the area median income. Cities and counties imposing the tax may issue general obligation or revenue bonds and may pledge the revenue collected for repayment of the bonds. Funds may also be pooled for a regional approach. A resolution of intent must be passed by January 27, 2020, legislation must be adopted by July 28, 2020.

Gifts to the “Poor and Infirm”

The state constitution prohibits local governments from the gifting of public funds “except for the necessary support of the poor and infirm.” This gives jurisdictions the flexibility to provide for affordable housing development through free or reduced public land, reduced or waived permit or utility connection fees, or by directly financing affordable housing.

Washington State Constitution: ARTICLE 8, SECTION 7

5. Funding and Finance for Low-Income Housing

Addressing affordability across the full continuum of income levels requires the participation of many different entities. The public sector generally targets funding toward the needs of low and extremely low-income households, such as providing permanent supportive housing for the homeless, households with disabilities, and rental vouchers for households with incomes at 50 percent or below the Area Median Income (AMI). Tax incentives and other market devices help with affordability at the higher income levels, such as home mortgage interest deductions²⁴ on federal tax returns. Although households in the lower middle of the spectrum may be eligible for some of these programs, funds are typically prioritized for those with the lowest incomes and highest need.

²³ RCW 82.14.530(2)(b) (2015)

²⁴ Deduction limits and definitions changed in 2018 <https://www.irs.gov/newsroom/interest-on-home-equity-loans-often-still-deductible-under-new-law>

The following is a list of federal and state programs for housing. Programs, eligibility rules and funded activities change periodically. Thus, the information should not be construed as an exhaustive list of resources, but as a sampling of programs that are currently in service. Partnering with local non-profits and community services agencies can help planners and local government officials stay apprised of new developments and program offerings.

State Funding for Housing Construction and Renovation

At the state level, two agencies have primary responsibility for low-income housing and services and fund a variety of activities:

- **The Washington State Department of Commerce** manages the **Washington State Housing Trust Fund**, a state capital fund dedicated to the provision of low-income and special-needs housing. The Housing Trust Fund is the largest investment the state makes in affordable housing. Every dollar invested in the Housing Trust Fund leverages nearly six additional dollars from other sources.
- **The Washington State Housing Finance Commission (WSHFC)** administers Washington State's allocated Low Income Housing Tax Credits (LIHTC) - A federal tax incentive that facilitates financing to develop low-income housing. The program provides dollar-for-dollar credit toward taxes owed by the housing owner. These tax credits can be sold, or used to back up bonds that are sold, to obtain financing to develop the housing (*see Federal Funding for Housing* for more information). The WSHFC has several programs for first-time homebuyers, buyers from qualified census tracts, and current homeowners who meet income and eligibility requirements. These programs partner with private lenders to make homeownership possible for those who may not be served through traditional financing products.



The WSHFC also administers a revolving loan program for land acquisition. This program helps eligible organizations (including local governments) in Washington State to purchase land suited for either multifamily or single family affordable housing development. Unlike traditional programs, this fund allows suitable land to be purchased and held for an extended period of time, thus allowing communities to respond quickly when sites become available in markets where there is an urgent need for affordable housing and/or high competition for limited developable land.

- **Manufactured home communities** provide critical affordable housing to people with lower incomes, especially in rural areas. The Washington State Housing Finance Commission, in partnership with Resident Owned Communities (ROC) Northwest, and ROC USA, offers financial tools and guidance for manufactured housing communities to become self-owned cooperatives.²⁵ Loan funds can be used to purchase the land on which the manufactured community is sited and may also be used to fund critical improvements.
- Commerce's **Housing Preservation Program**²⁶ provides funds for major building improvements, preservation, and system replacements necessary for existing Housing Trust Fund (HTF) multi-family rental projects.

²⁵ <http://www.wshfc.org/>

²⁶ <http://www.commerce.wa.gov/building-infrastructure/housing/housing-preservation-program/>

- Commerce’s, **Home Rehabilitation Loan Program**²⁷ (HRLP) provides deferred loans to rural, low-income households that need repairs and improvements on their primary residence for health, safety, or durability. Funding for the loan program comes from the Washington State capital budget.
- **Brownfields** are abandoned, idled, or under-used industrial and commercial facilities where expansion or redevelopment is complicated by real, potential or perceived environmental contamination. These properties can be cleaned up and developed into housing or other uses through Commerce’s **revolving loan program**.

Federal Funding for Housing

- The **Low-Income Housing Tax Credit (LIHTC)** program works through a subsidy mechanism: the Internal Revenue Service allocates funds on a per capita basis to each state. In Washington, the Washington State Housing Finance Commission (WSHFC) allocates credits to developers as an incentive to create or preserve affordable housing. Investors buy income tax credits in qualified properties that have received state allocation, creating cash equity for owners that reduces project development debt burden. In exchange, the owner agrees to rent a specific number of units to qualified tenants at specified rents, usually below-market.
- **The Community Development Block Grant (CDBG)** is a flexible program that provides communities with resources to address a wide range of unique community development and infrastructure needs including construction and rehabilitation of affordable multifamily housing. The CDBG State Program is administered by the Washington State Department of Commerce which makes grants of federal funds to small, rural cities, towns and counties. Among many eligible activities, CDBG grants can be used to rehabilitate and preserve decent affordable housing, provide services to the most vulnerable people in communities, and create and retain jobs.²⁸ The **CDBG Entitlement Program** provides annual grants on a formula basis directly to “entitled” or large population cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.²⁹ To see a list of “Entitlement” jurisdictions, visit www.hud.gov/states/washington/community/cdbg.
- The **Indian Community Development Block Grant Program (ICDBG)** is administered by the federal Department of Housing and Urban Development. The ICDBG Program provides eligible grantees with direct grants for use in developing viable Indian and Alaska Native Communities, including decent housing, a suitable living environment, and economic opportunities, primarily for low and moderate income persons.³⁰
- The **United State Department of Agriculture’s Rural Development Program, (USDA RD)** and the **Rural Community Assistance Cooperation** have a broad variety of housing assistance programs for low income rural home owners, community development organizations.³¹ The U.S. Dept. of Agriculture Rural Development’s (USDA RD) **Multifamily Preservation and Rehabilitation program**³² can help existing USDA borrowers make renovations and major repairs by deferring loan payments.

²⁷ <https://www.commerce.wa.gov/growing-the-economy/energy/weatherization-and-energy-efficiency/rural-rehab/>

²⁸ <https://www.commerce.wa.gov/serving-communities/current-opportunities-2/community-development-block-grants/>

²⁹ To see a list of “Entitlement” jurisdictions, visit <https://www.hud.gov/states/washington/community/cdbg>.

³⁰ https://www.hud.gov/program_offices/public_indian_housing/ih/grants/icdbg

³¹ www.rd.usda.gov/programs-services/ and www.rcac.org/housing/

³² <https://www.rd.usda.gov/programs-services/all-programs/multi-family-housing-programs>

- The **Federal Historic Tax Credit Program** is managed by the Washington State Department of Archeology and Historic Preservation (DAHP).³³ The 20 percent Historic Tax Credit is a financial incentive that supports private investment in historic buildings. It encourages private property owners to rehabilitate historic properties for an income-producing use, such as rental housing, office, retail, manufacturing and entertainment space. It can be an effective tool to create affordable housing, including mixed-use developments that have commercial space on the first floor and residences on the upper floors.³⁴
- The **Low Income Home Energy Assistance Program (LIHEAP)** provides federally funded assistance to help low-income households manage energy costs: home energy bills, energy crises and minor weatherization and home repairs.

6. Other Means to Achieve Housing Affordability

In addition to those listed above, a number of other tools are authorized at the state level, including **community revitalization financing** and the **local infrastructure financing tool (LIFT)**. Locally issued **General Obligation bonds**³⁵ are a potential source of financing for affordable housing development, as well as tax-exempt private activity bonds. In addition to public sources, the private sector is a critical source of financing for market rate and affordable housing. This takes the form of construction financing, permanent loans, and contributions of equity.

- **Commercial linkage fees** are when local development is linked to the development of housing. Any housing assistance provided to employees is tax deductible.
- **Condominiums and Cooperatives** provide security of tenure through homeownership, but the price at which the housing can be resold or leased is limited because ownership is shared. There are two typical forms of shared ownership: 1) condominium- each household owns its unit, but an association owns the land and common areas; 2) cooperative- each household owns a share of the cooperative housing association, not a unit.
- **Community Land Trusts** – are a form of ownership similar to a condominium, in that each household owns an individual unit but not the land beneath it, which is owned by a non-profit, community-based corporation. Because land values are controlled, housing units maintain long-term affordability.

Need Help?

For more information about this publication, or on planning, or policy please contact the following staff:

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The Department of Commerce provides local governments, nonprofits, and community action agencies with tools to ensure that everyone is housed in their communities. Our support ranges from guidance on implementing Growth Management Act provisions for housing, to capital funding to build and preserve affordable housing stock, and to programs that prevent families from becoming homeless.

³³ <https://dahp.wa.gov/tax-credits>

³⁴ <https://www.hudexchange.info/programs/environmental-review/historic-preservation/tax-credit/>

³⁵ To learn more about General Obligation Bonds visit <https://www.commerce.wa.gov/about-us/research-services/bond-users-clearinghouse/>.

Affordable Housing Checklist for Counties, Cities, and Towns

	Yes/No	Ideas for implementation
Does your comprehensive plan include policies supporting a wide variety of housing choices, such as duplexes, townhomes, row houses, cottage and courtyard housing?		
Does your zoning plan for higher intensities of residential development around public amenities, such as parks or bodies of water, or along transit corridors? Seven units per acre is generally considered a minimum for viable transit service.		
If eligible, have you designated “centers” , where multifamily tax credits can be offered to developers to reduce taxes on new development?		
Does your municipal code offer bonus densities for affordable, senior, or other desired types of housing?		
For subdivisions, do you require minimum densities so that land is used most efficiently? If no sewer is available, does your code require platting in a way that future urban development is not precluded?		
Does your municipal code allow accessory dwelling units ? This is required if population is greater than 20,000 people. Recommended for all communities, the fewer restrictions in size, parking, etc., the better.		
Has your jurisdiction enacted affordable housing incentive programs under RCW 36.70A.540, giving broad options for affordable housing?		
Have you adopted SEPA tools , such as larger SEPA thresholds, planned actions, or infill programs to remove a layer of review?		
Do you use fee waivers for hookup fees for affordable housing projects? Have you considered adjusting the fee structure so that multifamily projects cost less per unit to connect?		
Do you provide a waiver of up to 80 percent of impact fees for affordable housing projects? Do you have a fund that can cover the last 20 percent of the fees?		
Have you considered partnering with public agencies to add housing above public projects such as libraries, community centers?		
Do you have a housing authority, and if so, do you work with them to plan for affordable housing? Have you considered a sales tax or property tax levy to raise funds for affordable housing?		
Have you considered using surplus city or county land for affordable housing? Or have you worked with other public or non-profit agencies, to identify suitable land, or a community land trust to manage the land?		
Do you have manufactured home parks that need protection? Or have you considered developing manufactured home parks as a way to provide affordable housing sites?		
Have you inventoried existing affordable housing and considered ways to protect its affordability, and ensure maintenance of the property?		
Does your code allow nine lots in a short plat to reduce barriers to development?		
Have you reviewed how short-term rentals , such as Air B&B, may be impacting your affordable housing availability?		
Have you met with local lenders to compare their ability to lend on a project with the requirements of your code?		

[Affordable Housing Resources](#)

Resources from Commerce

(May not be available in all localities)

NSP and GMA Housing Planning Guidebook: Lessons for Future Housing Plans, 2014 (PDF)

www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/

Community Development Block Grants

The CDBG program can fund planning, housing rehabilitation and infrastructure in support of affordable housing.

www.commerce.wa.gov/serving-communities/current-opportunities/community-development-block-grants/

Washington State Foreclosure Fairness Program provides homeowner foreclosure assistance for offering free housing counseling, civic legal aid, and foreclosure mediation.

www.commerce.wa.gov/building-infrastructure/housing/foreclosure-fairness/

Mobile and Manufacture Home Relocation Assistance is available for mobile and manufactured home owners.

www.commerce.wa.gov/building-infrastructure/housing/mobile-home-relocation-assistance/

The Emergency Solutions Grant (ESG) Program grants federal funds in certain counties to provide street outreach, emergency shelter, rental assistance, and related services for adults and families with children experiencing or at risk of homelessness.

www.commerce.wa.gov/serving-communities/homelessness/emergency-solutions-grant

The Low-Income Home Energy Assistance Program (LIHEAP)

makes energy assistance available to citizens of Washington through a network of community action agencies and local municipalities. www.commerce.wa.gov/growing-the-economy/energy/low-income-home-energy-assistance/

Tenant-Based Rental Assistance (TBRA) uses federal funds to support communities providing utility, deposit and ongoing rental assistance to very low-income households (at or below 50 percent area median income (AMI)). www.commerce.wa.gov/serving-communities/homelessness/tenant-based-rental-assistance-tbra/

Housing Opportunities for Persons with Aids (HOPWA) is a federally funded program providing housing assistance and supportive services for low-income people with HIV/AIDS and related diseases, and their families.

www.commerce.wa.gov/building-infrastructure/housing/housing-opportunities-for-persons-with-aids-overview/

Section 811 Project Rental Assistance Demonstration (811 PRA)

will provide project-based rental assistance to extremely low-income, non-elderly disabled households.

www.commerce.wa.gov/serving-communities/homelessness/hud-section-811-rental-assistance/

Homeless Assistance www.commerce.wa.gov/serving-communities/homelessness/

Housing Services for Farmworkers

www.worksourcewa.com/Resources/Farmworkers

HOME Investment and Partnership Program

HOME funds are awarded to non-profit organizations, housing authorities, and local and tribal governments through the state Housing Trust Fund (HTF) application process. www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/home-program/

Housing Trust Fund provides state and federal funds for affordable housing construction and preservation.

www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/

Commerce's Housing EZ View web site houses examples of comprehensive plan housing elements, housing action plans, Commerce guidance, and links to other resources.

www.ezview.wa.gov *Affordable Housing Planning*

Other Programs and Resources

Homelessness and Housing Toolkit for Cities (2017) MRSC/AWC.

Puget Sound Regional Council (PSRC) Housing Innovations Program

– Complete toolkit includes a listing of development types, regulatory tools, incentives, project level tools, renter-homeowner assistance, partnerships, education and outreach. www.psrc.org/housing-innovations-program-hip

Municipal Research and Services Center. www.mrsc.org

Affordable Housing:

Accessory Dwelling Units

Mobile Home Parks: The Newest Front for Housing Affordability

Creating Affordability Locally: A guide for Cities, Counties and Advocates in Washington State, Housing Development Consortium Seattle-King County (2016)

US Department of Agriculture Housing Assistance for homeownership, housing repair, housing preservation and loan guarantees. www.usda.gov/topics/rural/housing-assistance

Washington State Housing Finance Commission for homeownership, multifamily tax credits, and other programs. www.wshfc.org/