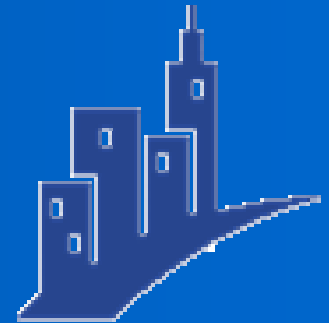


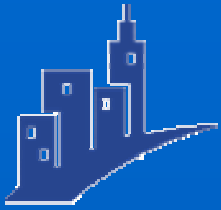
The Brookings Institution

Metropolitan Policy Program
Bruce Katz, Director

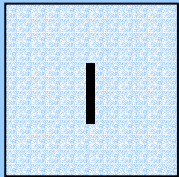


Rethinking Local Affordable Housing Strategies

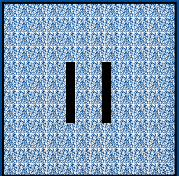
Housing Washington 2004
September 21, 2004



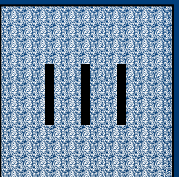
Rethinking Affordable Housing Strategies



What are the housing challenges in Washington State?



What is a winning affordable housing playbook?



Where does Washington go from here?



*"As the devolution
of housing poli-
cies continues to
unfold, there is
great potential
for state and
local leaders to
build upon the
experience of
the past while
bringing fresh
thinking to a
new generation
of approaches."*



CENTER ON URBAN AND METROPOLITAN POLICY
THE BROOKINGS INSTITUTION
AND THE URBAN INSTITUTE

Rethinking Affordable Housing Strategies: An Action Agenda for Local and Regional Leaders

Bruce Katz and Margery Austin Turner¹

Housing policies and programs have undergone a dramatic transformation in the past several decades. The greatest change has been the federal devolution of affordable housing programs to state and local leaders, often in partnership with the private sector. This devolution, coupled with major market and demographic changes occurring in local communities, has created wide demand among state and local stakeholders for facts to help them understand "what works" in affordable housing. To that end, the Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute joined forces to examine the major lessons from 70 years of housing policies and how those lessons can inform local approaches. This action agenda, derived from the findings of that policy review, details seven principles for action to help state and local policymakers, advocates, practitioners, and foundations design more effective housing programs and strategies that truly meet the diverse needs of today's families and communities.

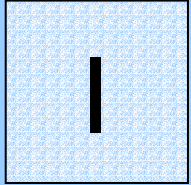
Since the mid-1980s, the nation's affordable housing policies and programs have undergone a profound transformation. After decades of initiatives that were designed by Washington and administered by the U.S. Department of Housing and Urban Development (HUD) and its predecessors, a palpable shift toward state and local control has dominated federal thinking. With the enactment of the Low-Income Housing Tax Credit in 1986 and the HOME program in 1990, federal policymakers essentially devolved responsibility for the design and implementation of affordable housing policies to a myriad of state and local housing agencies.

As with other domestic policies, devolution remains a work in progress. Across the nation, state and local government leaders are struggling to implement federal policies—and to effectively use available resources—in communities with significantly different market conditions, residential patterns, regulatory regimes, and local goals. These leaders—and their partners in the corporate, civic, and real estate communities—routinely ask several questions: What lessons can guide state and local efforts to design and implement effective affordable housing strategies? What affordable housing strategies have proven to be successful? In short, what have we learned from almost seven decades of trial and error in affordable housing policy?

DECEMBER 2005 • THE BROOKINGS INSTITUTION • THE URBAN INSTITUTE • RESEARCH BRIEF 1



What are the housing challenges in Washington State?



What are the housing challenges in Washington State?

Housing costs are high and continue to rise

Several factors contribute to the high cost of housing

Housing challenges vary across and within metro areas



Washington's rent and mortgage burdens are among the highest in the country

Source:
U.S. Census
Bureau, 2000

Rent Greater Than 30% of Income		
1	California	42.26%
2	Florida	40.87%
3	New York	40.55%
4	Oregon	40.01%
5	Washington	39.10%
6	Nevada	39.07%
7	Colorado	38.73%
8	Arizona	38.63%
9	New Mexico	37.62%
10	New Jersey	37.54%
National Average		36.85%

Housing Costs Greater Than 30% of Income		
1	Hawaii	39.65%
2	California	37.02%
3	Nevada	31.82%
4	New Jersey	31.54%
5	Washington	31.31%
6	New York	31.21%
7	Florida	30.61%
8	Oregon	30.23%
9	Washington D.C.	29.57%
10	Utah	28.97%
National Average		26.66%



The average rent for a 2 bedroom apartment in Washington is \$788, 16th highest in the country

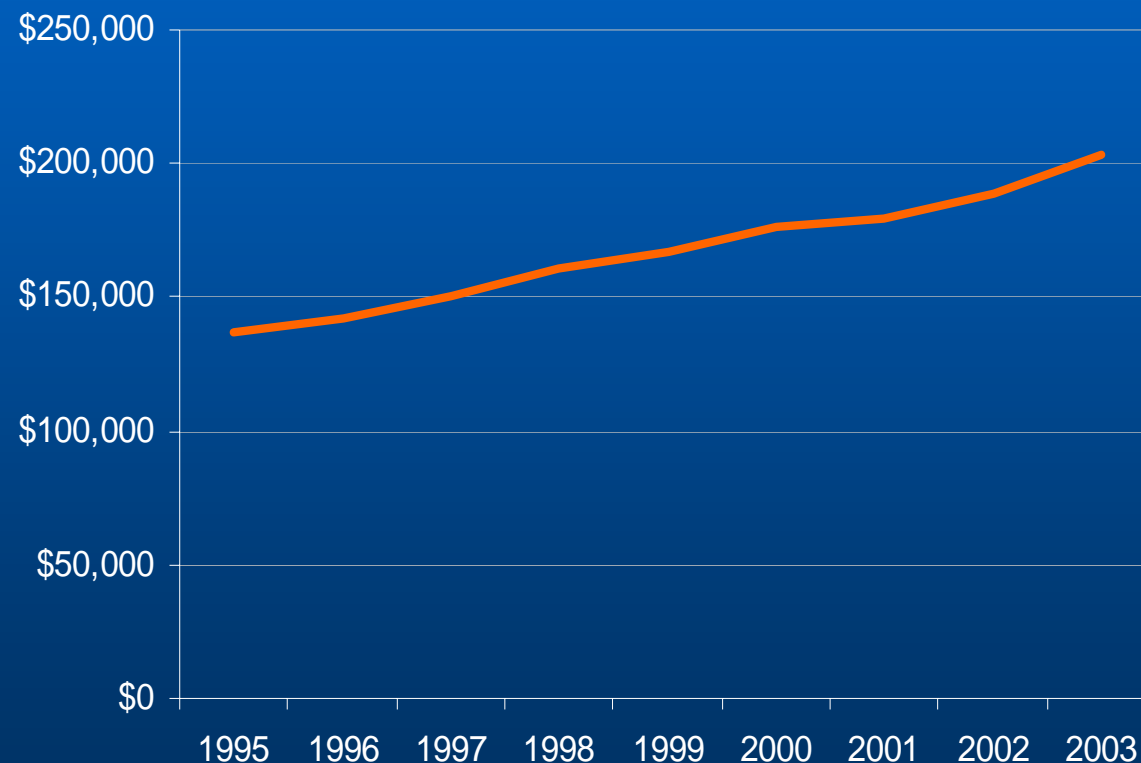
Source:
National Low
Income Housing
Coalition, 2003

Rank	State	Average Rent
11	Colorado	\$847
12	Nevada	\$836
13	Illinois	\$823
14	Virginia	\$821
15	Minnesota	\$788
16	Washington	\$788
17	Arizona	\$780
18	Florida	\$742
19	Delaware	\$731
20	Georgia	\$728
21	Vermont	\$717



And the median home price in the state has increased over 49% in the last 10 years, from \$136,000 to \$203,800

Median home
price from
1995 to 2003
Source:
Washington
Center for
Real Estate
Research

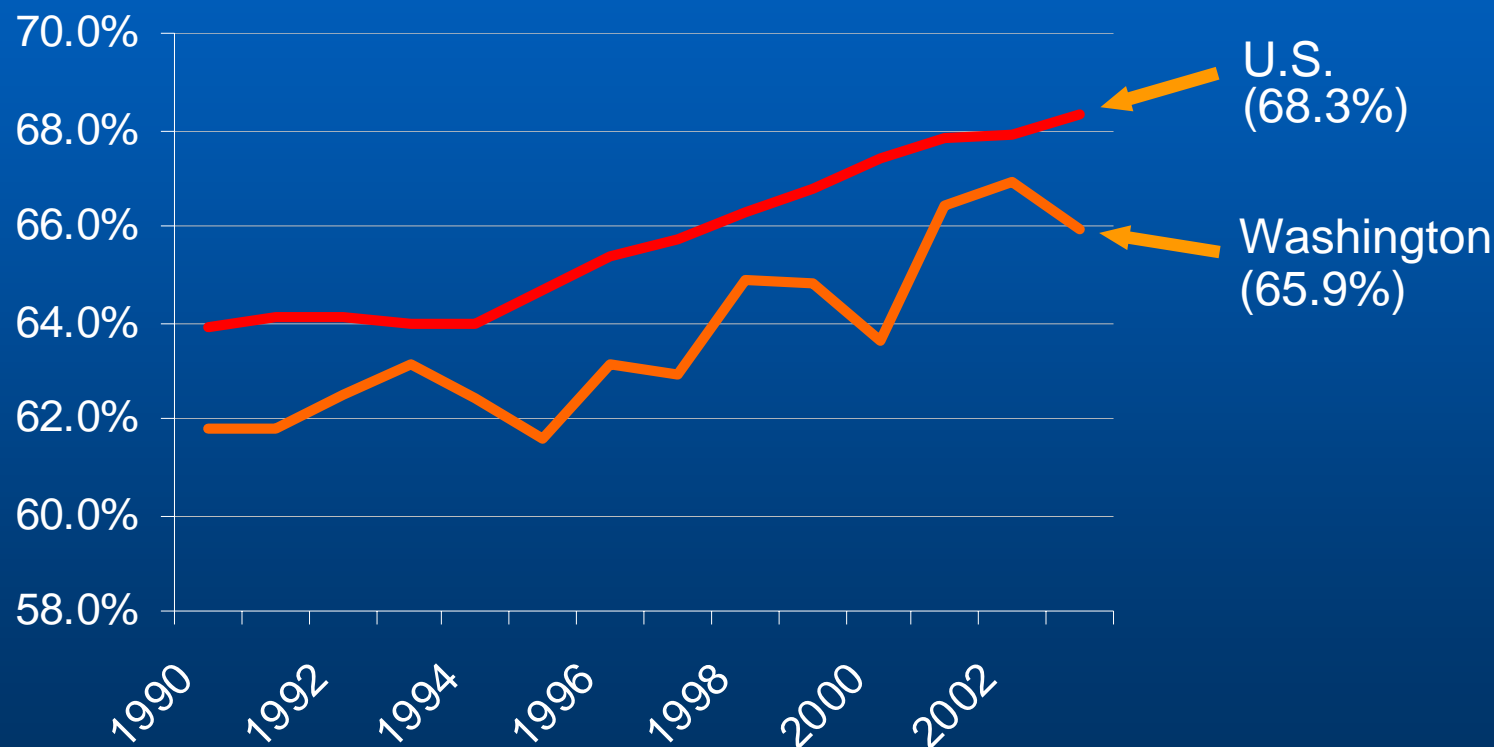


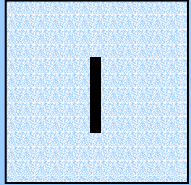


Homeownership rates in Washington consistently lag behind the national average

Homeownership rates in Washington and the U.S., 1990-2003

Source:
U.S. Census Bureau





What are the housing challenges in Washington State?

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Washington's desirability boosts housing prices

From The
Seattle
Times,
May 13, 2004

Source:
National
Policy
Research
Council, 2004

According to America's Best Cities and States: The Annual Gold Guide to Leading Rankings, **Seattle ranked 11th among cities** while **Washington state was fifth among states**.



The state's high tech economy also creates a “hot” real estate market

- The economic boom of the 1990s raised employment and homeownership in most areas, but also **drove up rents more than one and a half times faster than inflation** (HUD, 2000)
- “New economy housing markets are...**faster and more extreme versions of traditional housing markets**” (Landis, Elmer, and Zook, 2001)
- A **high-tech presence significantly contributes to critical housing problems** for low and moderate income renters and owners (Quercia, Stegman, and Davis, 2001)



“A high-tech presence significantly contributes to critical housing problems for low and moderate income renters and owners”

- High-paying tech jobs going to highly educated people
 - Raises housing prices
 - Low income households and those with less education see their incomes fail to keep up with inflation
- Developers in fast-paced, high-tech economies have focused on the high end market
 - Leaves fewer choices for low and moderate income households

(Quercia, Stegman, and Davis, 2002)



For many families, wages are insufficient to keep pace with housing costs. In Washington, 86 hours must be worked per week at minimum wage to affordably rent a 2-bedroom apartment

Source:
National Low
Income Housing
Coalition, 2003

Rank	State	Hours Needed
26	Wisconsin	90
27	Vermont	88
28	New Mexico	87
29	Rhode Island	87
30	Missouri	86
31	Washington	86
32	Indiana	85
33	Kansas	83
34	South Carolina	82
35	South Dakota	82
36	Tennessee	81



A renter in Washington needs to make over \$15/hour full time to be able to *affordably* rent an average 2-bedroom apartment at fair market value

Source:
National Low
Income Housing
Coalition, 2003

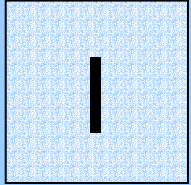
Rank	State	Wage Needed
42	Colorado	\$16.29
41	Nevada	\$16.08
40	Illinois	\$15.83
39	Virginia	\$15.79
38	Minnesota	\$15.16
37	Washington	\$15.15
36	Arizona	\$15.00
35	Florida	\$14.26
34	Delaware	\$14.06
33	Georgia	\$14.00
32	Vermont	\$13.78



The supply of affordable housing is not keeping pace with demand

Source:
Washington
Center for
Real Estate
Research

County	Affordable Housing Demand (Need)	Current Supply of Affordable Units	Shortage of Affordable Units
King	55,089	45,117	9,972
Pierce	27,053	10,363	16,690
Snohomish	14,796	425	14,371
Spokane	16,297	7,772	8,525
Yakima	7,353	1,721	5,632
Statewide	195,751	98,427	97,324



What are the housing challenges in Washington State?

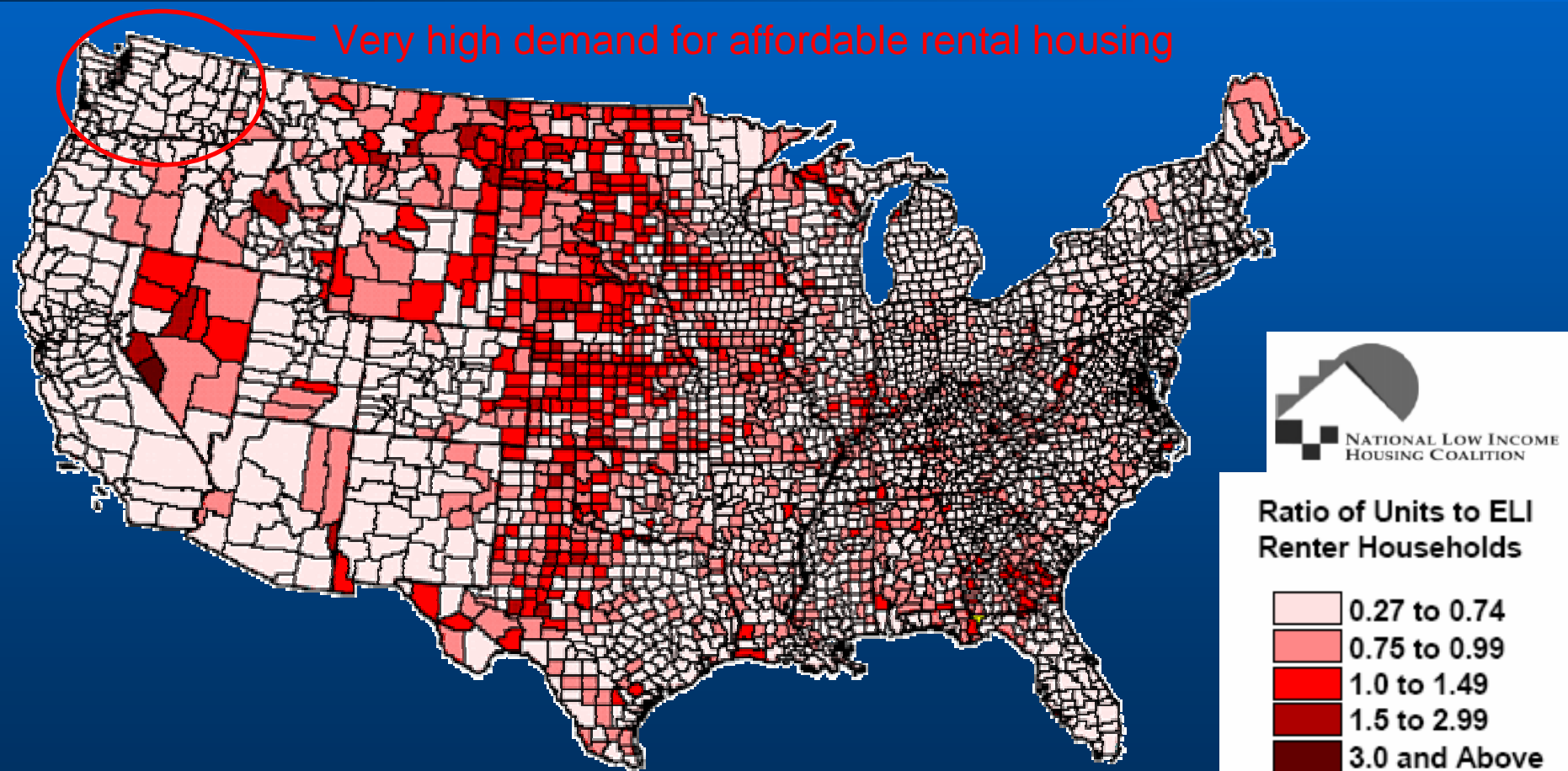
Housing costs are high and continue to rise

Several factors contribute to the high cost of housing

Housing challenges vary across and within metro areas

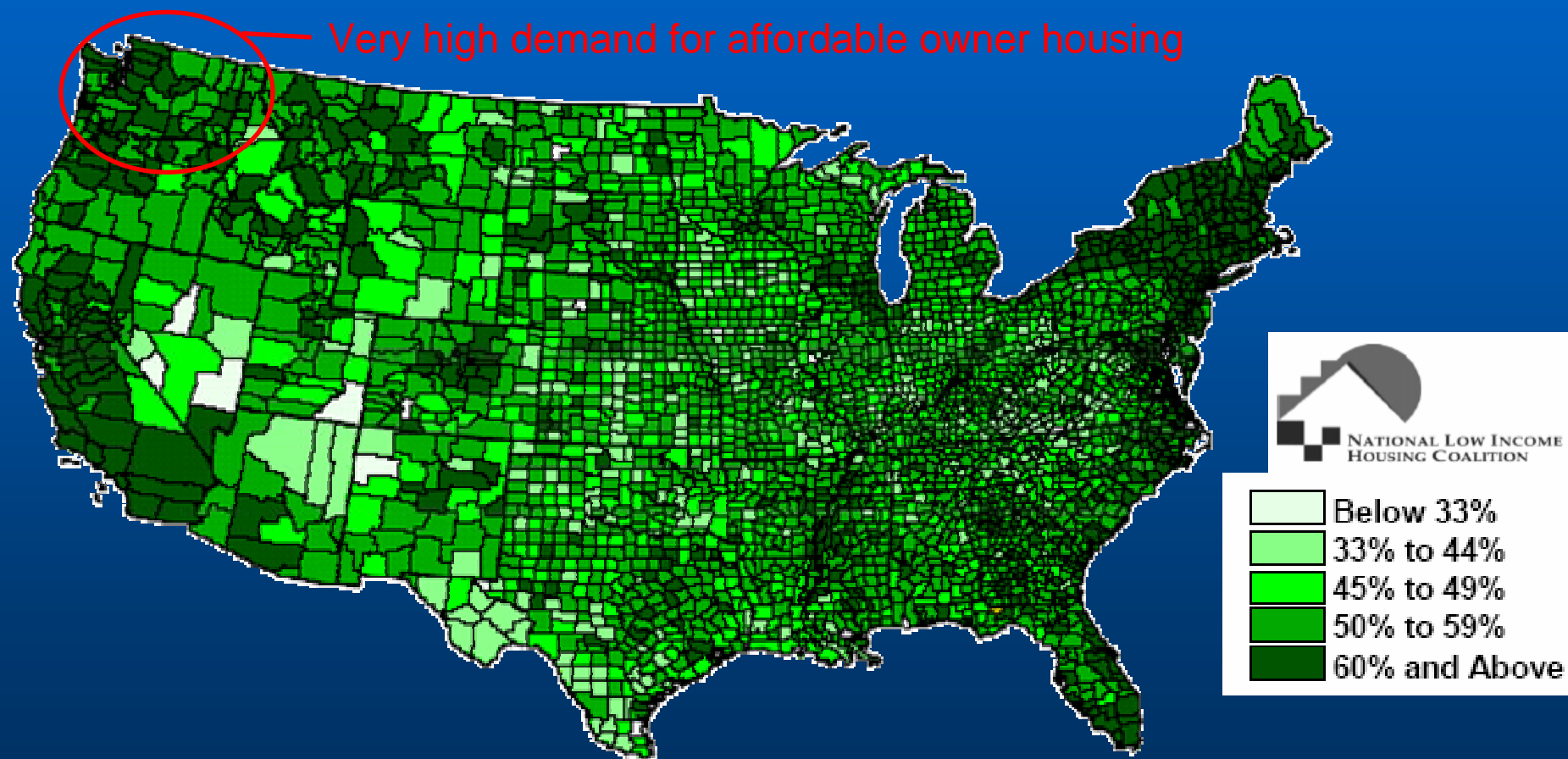


The entire state faces a rental housing challenge: No county has a ratio of affordable housing units to extremely low income renter households over .74





Homeownership is also unaffordable throughout the state: Very low income owners' average housing cost burdens are at least 50% in every county





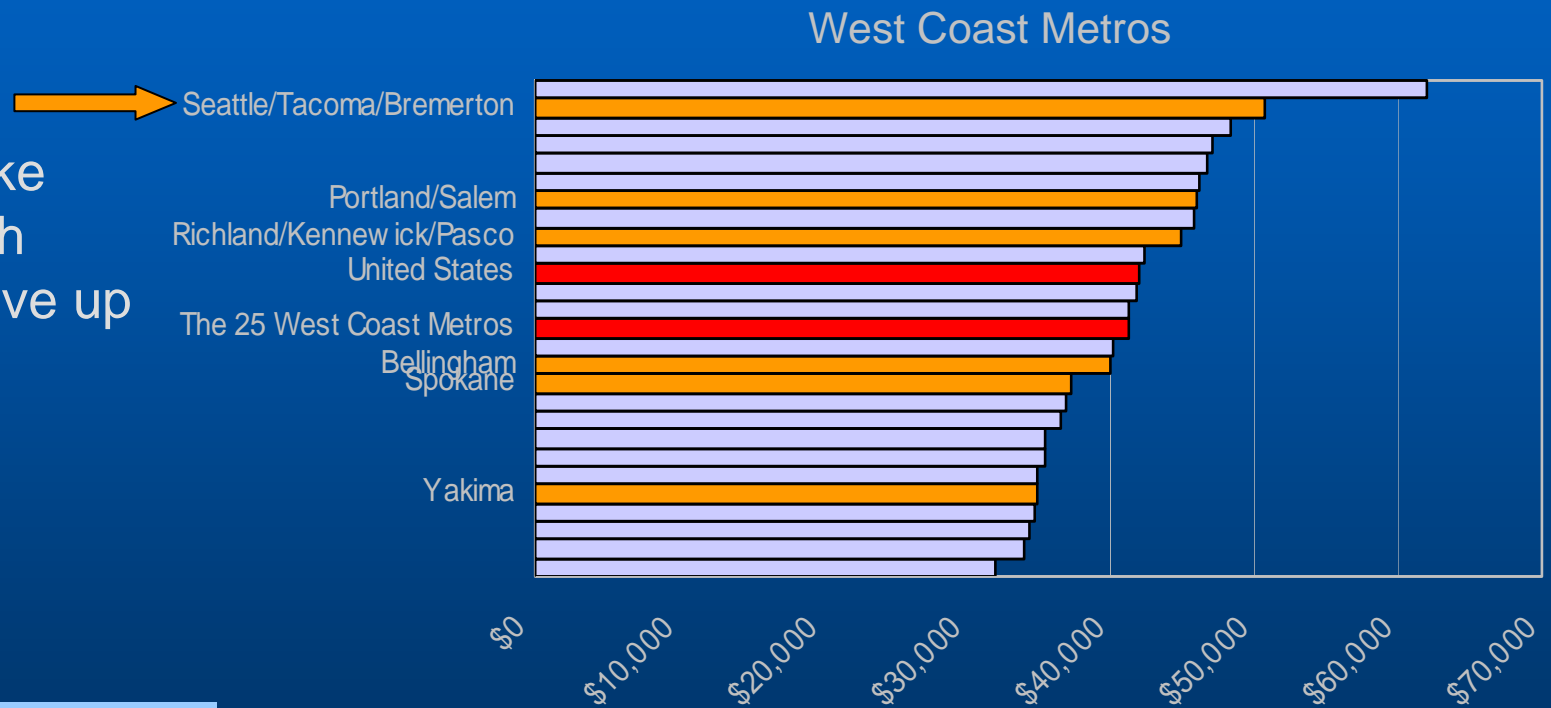
But challenges vary

Differences in income levels, poverty rates, and housing costs mean that the nature and extent of the housing challenge differs across the state



Household incomes in Washington metro areas vary across the state

In metros like Seattle, high incomes drive up the cost of housing



Median HH Income for the 25 West Coast Metro Areas

Source: U.S. Census Bureau, 2000

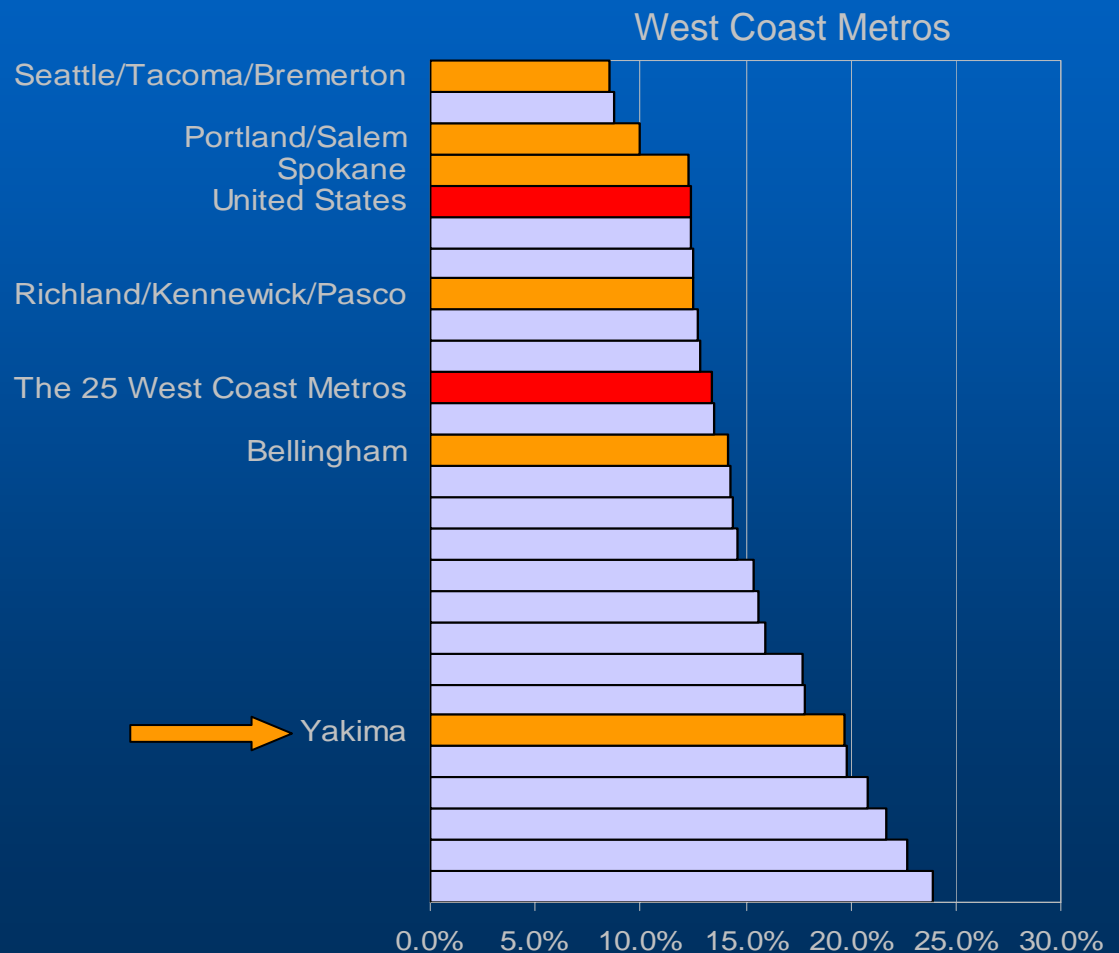


While poverty rates for the state are relatively low, some metros fall behind

In metros like Yakima, high poverty rates also make housing unaffordable for many

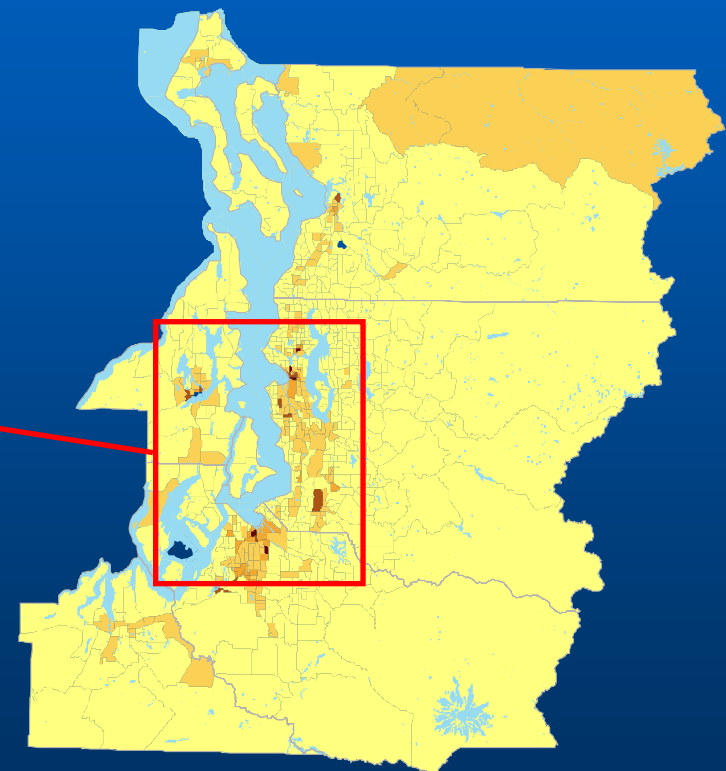
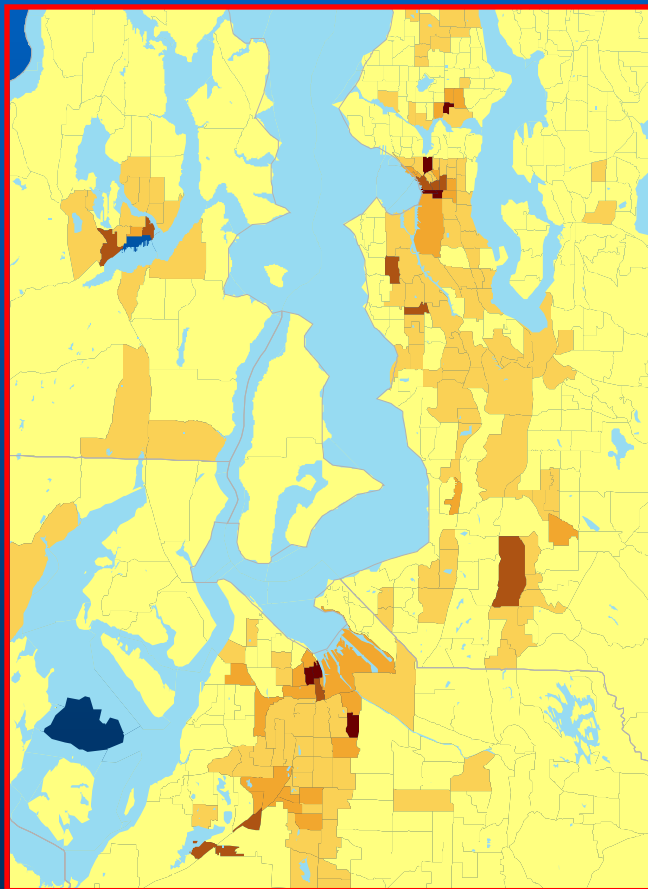
Poverty Rates for the 25 West Coast Metro Areas

Source: U.S. Census Bureau, 2000



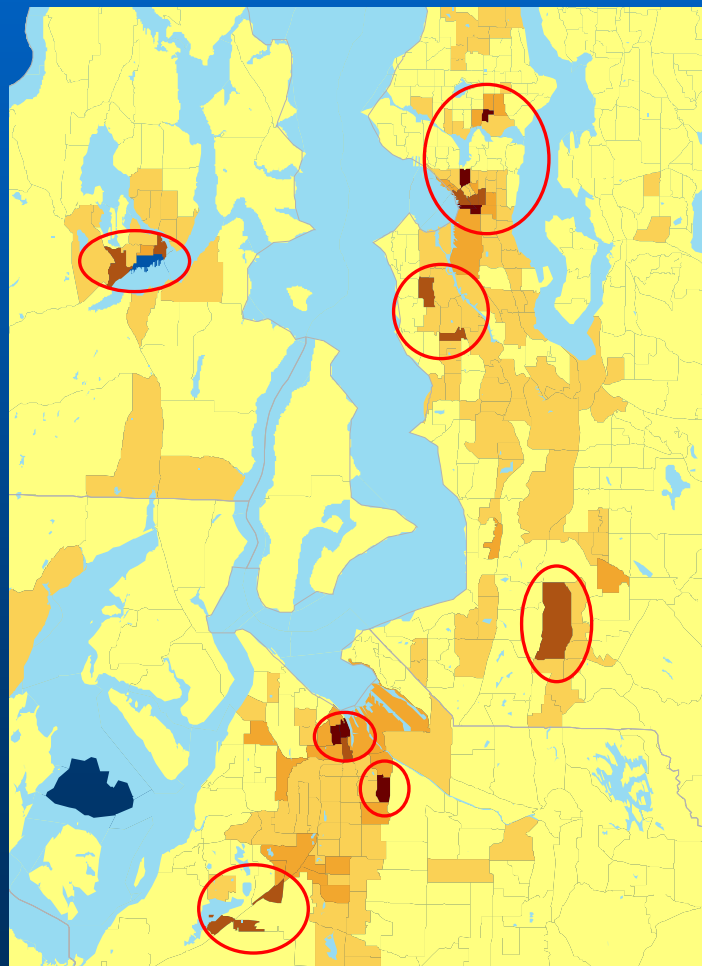


The Seattle metro area: Looking closer



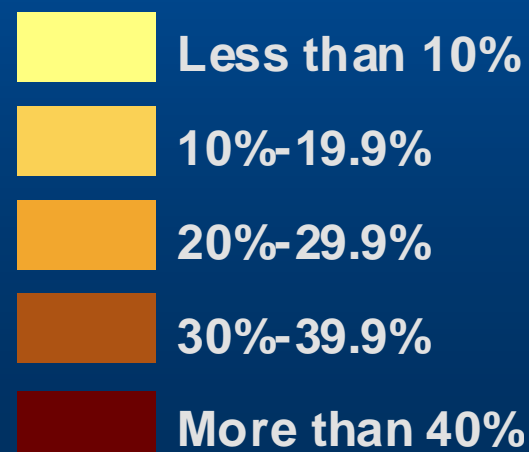


Although the Seattle/Tacoma metro's overall poverty rate is low, concentrated pockets of poverty still exist



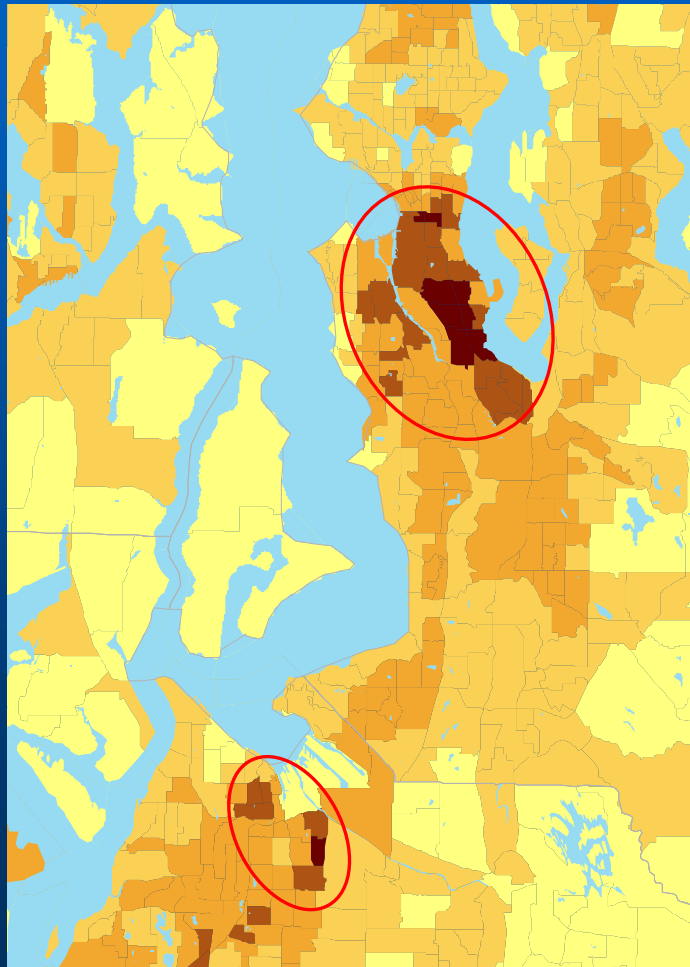
People experiencing high or extreme levels of poverty are found in these neighborhoods within the Seattle metro area

Individual poverty rates by census tract
Source: U.S. Census, 2000



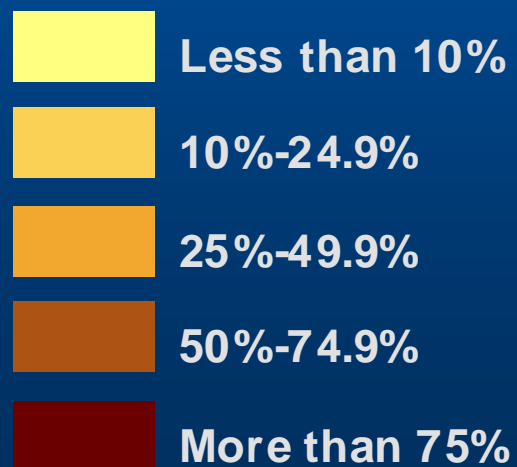


Minority populations are also concentrated in this region



Nearby neighborhoods with a majority of non-white individuals are found here

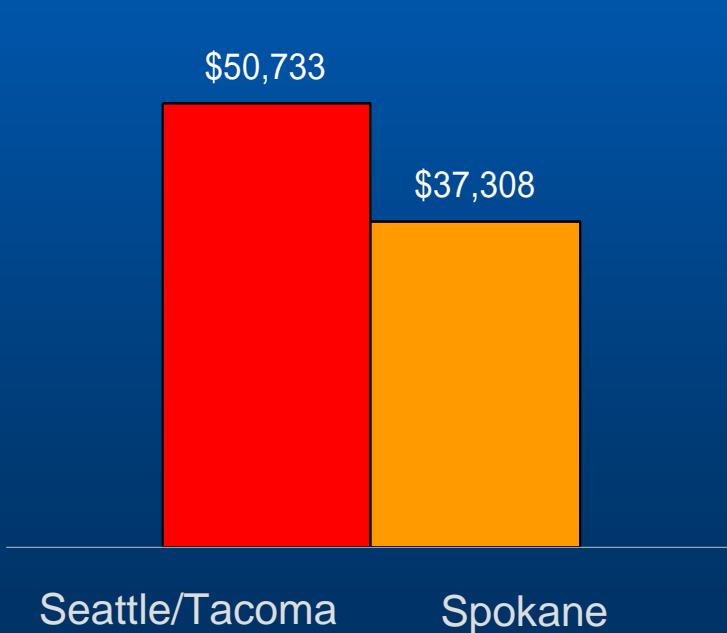
Percent of Non-White individuals
Source: U.S. Census, 2000



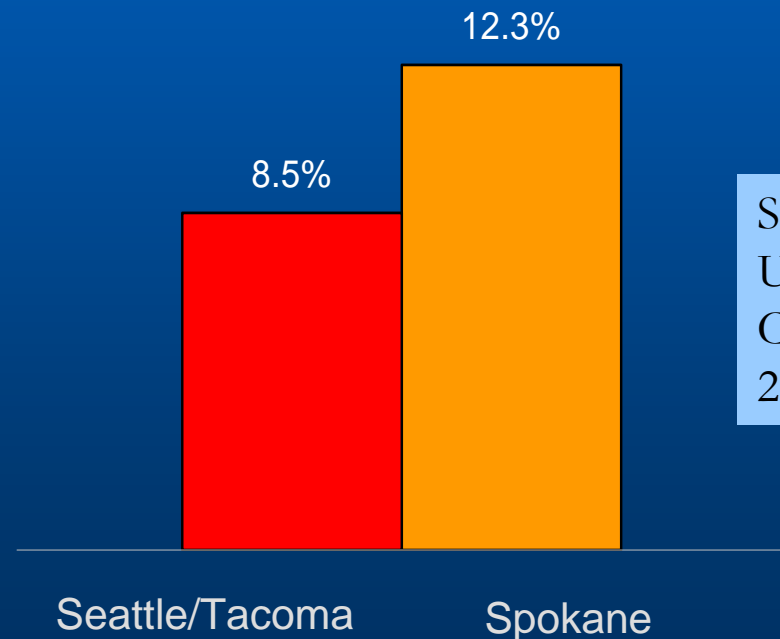


Strong markets versus weak markets: Seattle and Spokane

Median household income
is much lower in Spokane



And poverty rates are
much higher in Spokane



Source:
U.S.
Census,
2000



Strong markets versus weak markets: Seattle and Spokane

High incomes in the
Seattle metro area are not
enough to make homes
affordable for most families



And low home prices in
Spokane are not enough
to compensate for low
incomes in the metro area

Source: National
Association of
Home Builders



Metro	Median Sales Price	Median Family Income	Affordable for median income families	Rank
Seattle	\$234,000	\$77,900	63.1%	133
Spokane	\$125,000	\$46,600	66.1%	126
U.S. Average	\$160,000	\$54,400	64.8%	

**Result: Both
metros are among
the worst in the
country in terms of
home affordability**



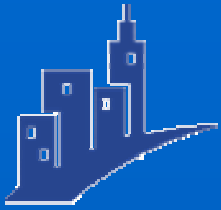
Different markets, same problem

Strong Market
(Seattle)

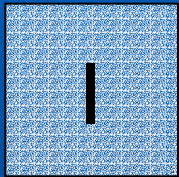
Weak Market
(Spokane)



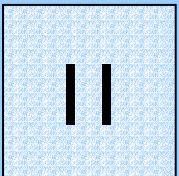
High Demand for
Affordable Housing



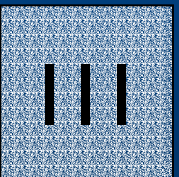
Rethinking Affordable Housing Strategies



What are the housing challenges in Washington State?



What is a winning affordable housing playbook?



Where does Washington go from here?



Seven principles for success

1. Make Policy Goals Explicit
2. Tailor Housing Strategies to Local Market Conditions
3. Housing Markets are Regional
4. Income Policy is Housing Policy
5. Regulatory Policy Makes a Difference
6. Race Matters
7. Implementation Matters



Principle One: Make Policy Goals Explicit

The main goal should be housing that supports healthy families and communities



Principle One: Make Policy Goals Explicit

1. Preserve & expand housing stock
2. Make housing affordable and available
3. Promote racial & economic diversity
4. Help households build wealth
5. Strengthen families
6. Link housing with supportive services
7. Promote balanced metropolitan growth



Principle Two: Tailor Housing Strategies to Local Market Conditions

Goal	Strong Market (Seattle)	Weak Market (Spokane)
Preserve and Expand Stock	1	7
Make Housing Affordable	2	1
Promote Diversity	3	5
Help Build Wealth	6	6
Strengthen Families	5	4
Link Supportive Services	4	3
Promote Balanced Metro Growth	7	2

Priorities vary depending upon the type of market



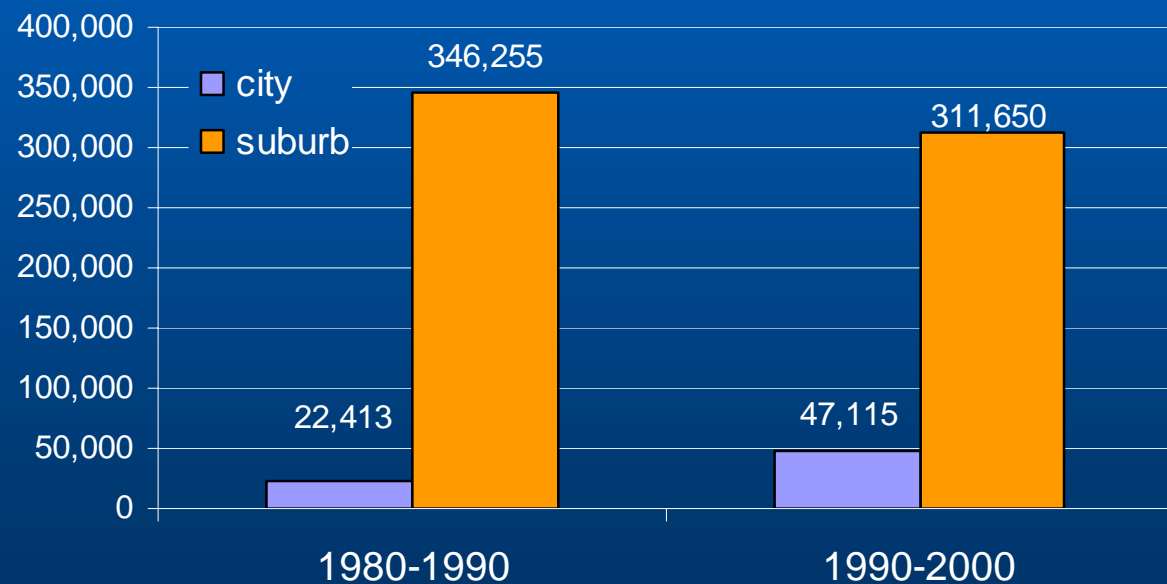
Principle Three: Housing Markets are Regional

Example: The Seattle metro area

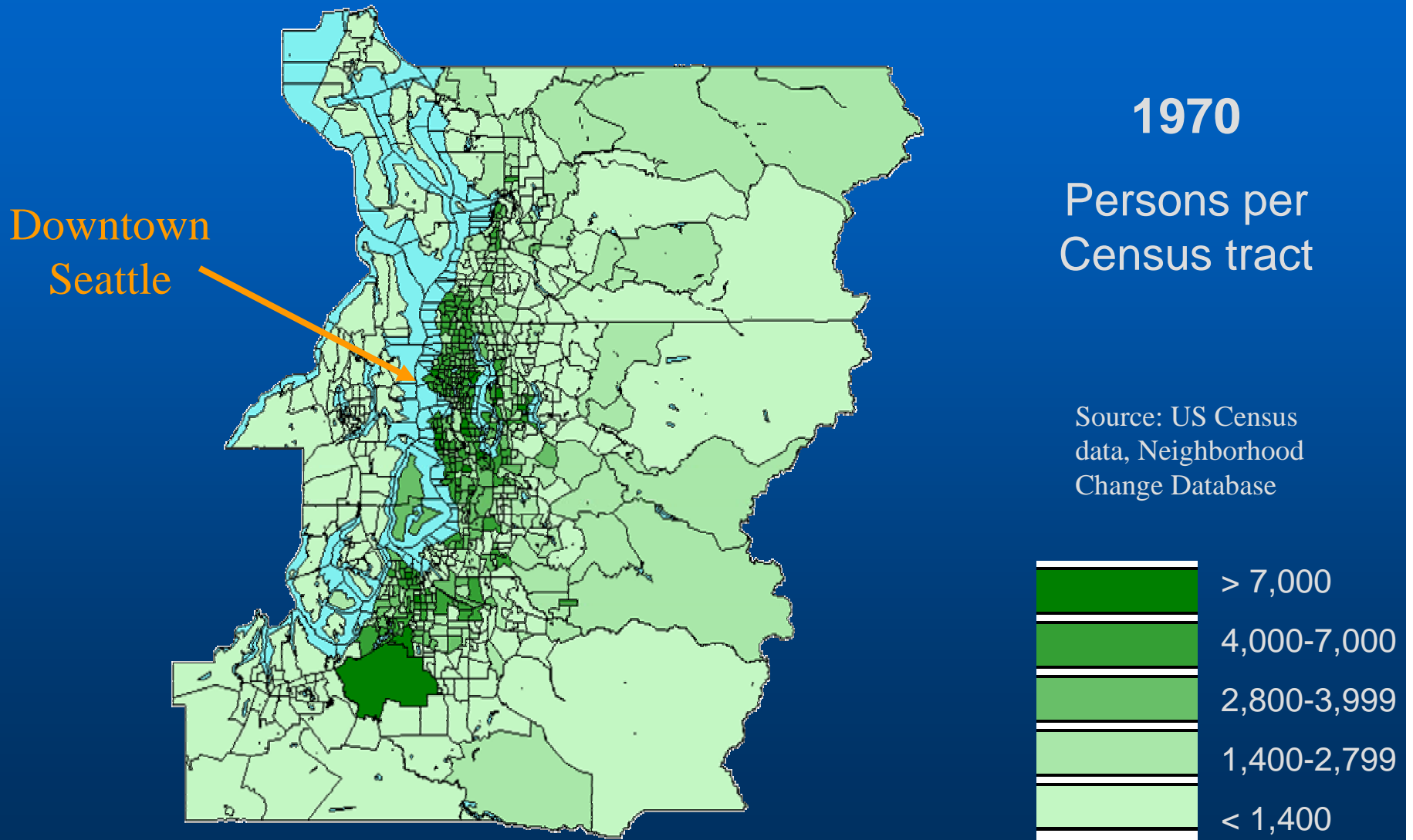
The Seattle suburbs have increased by over 250,000 more people than the city

Population increase,
1990-2000

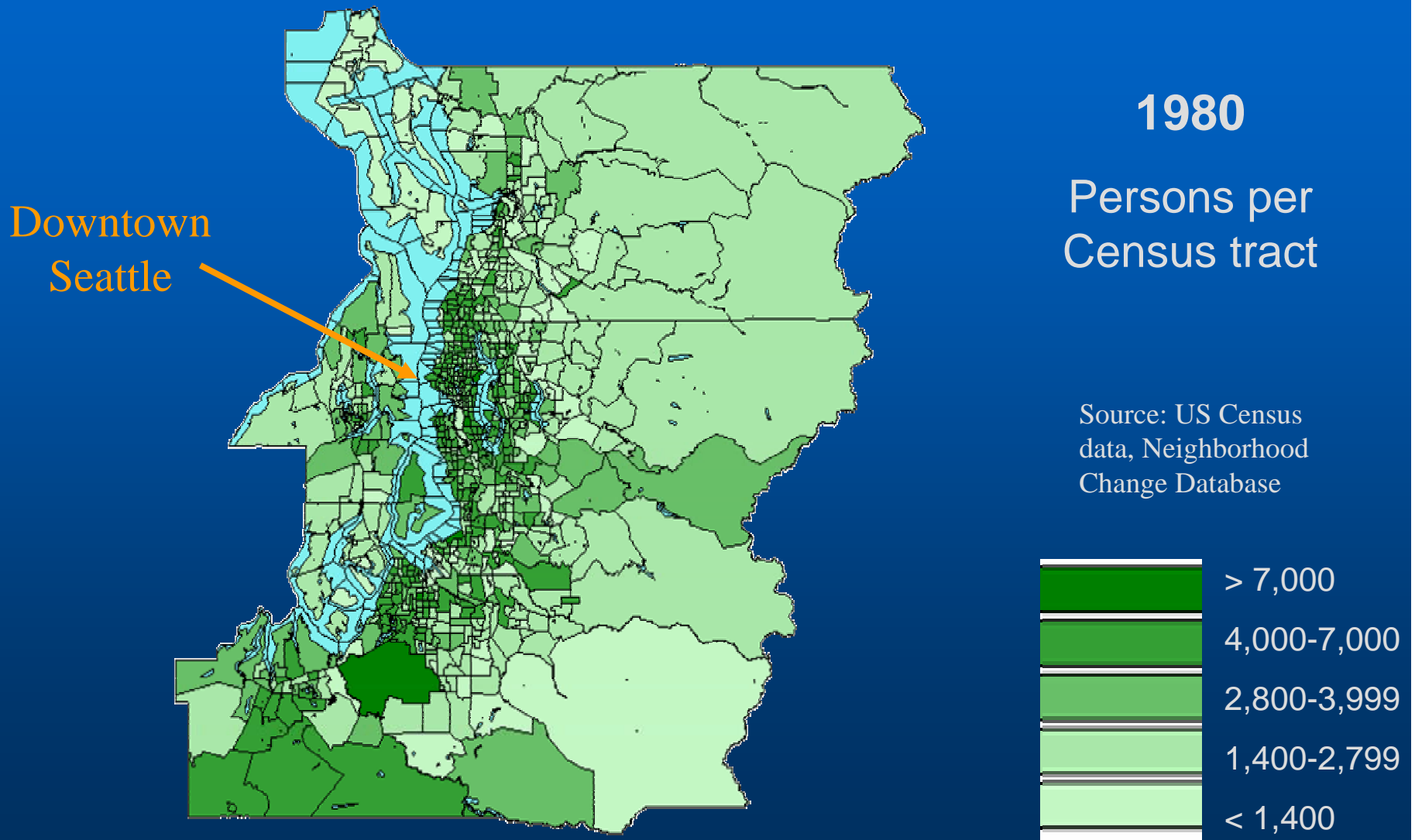
Source: Living
Cities Census Series



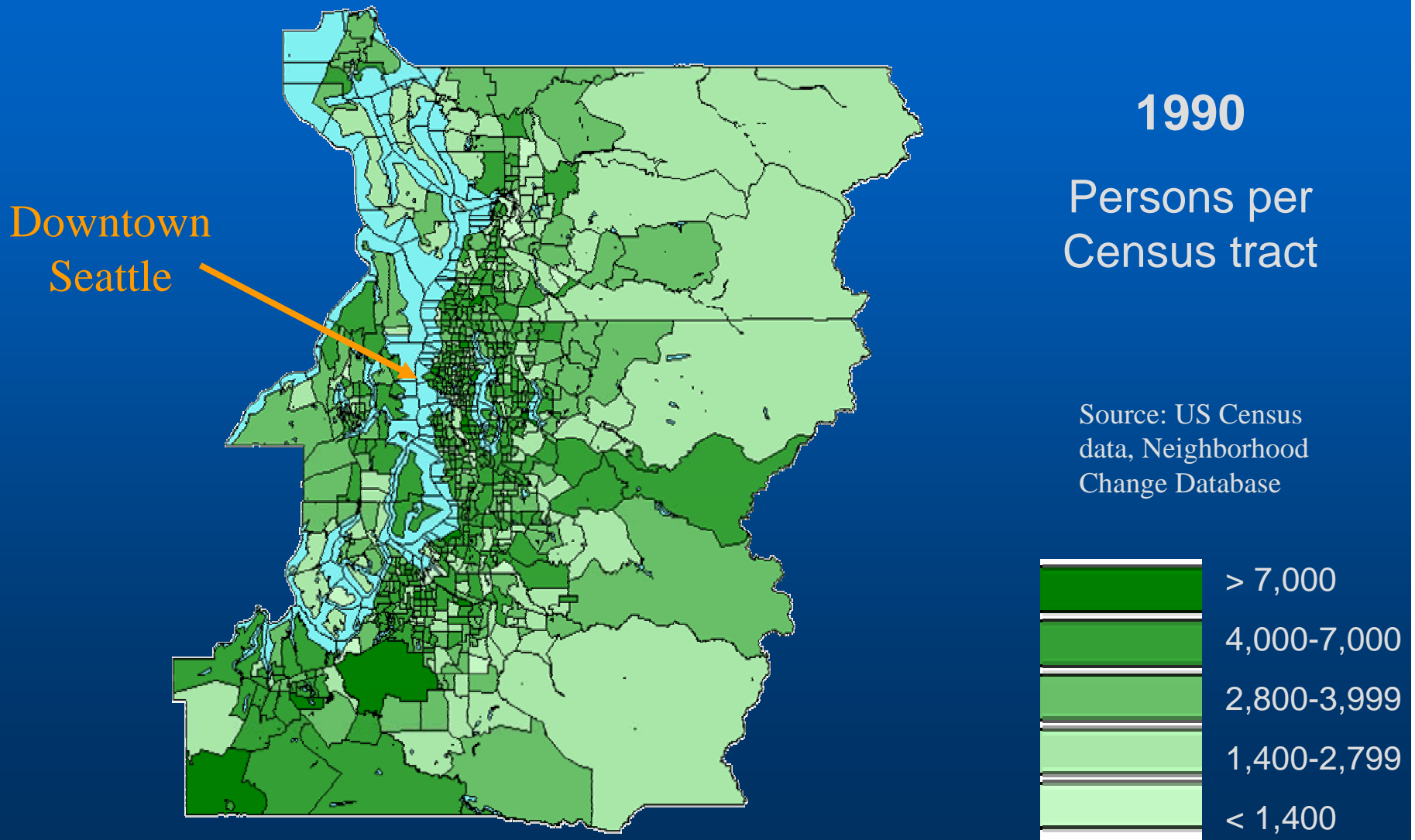
The resulting growth looks like this:



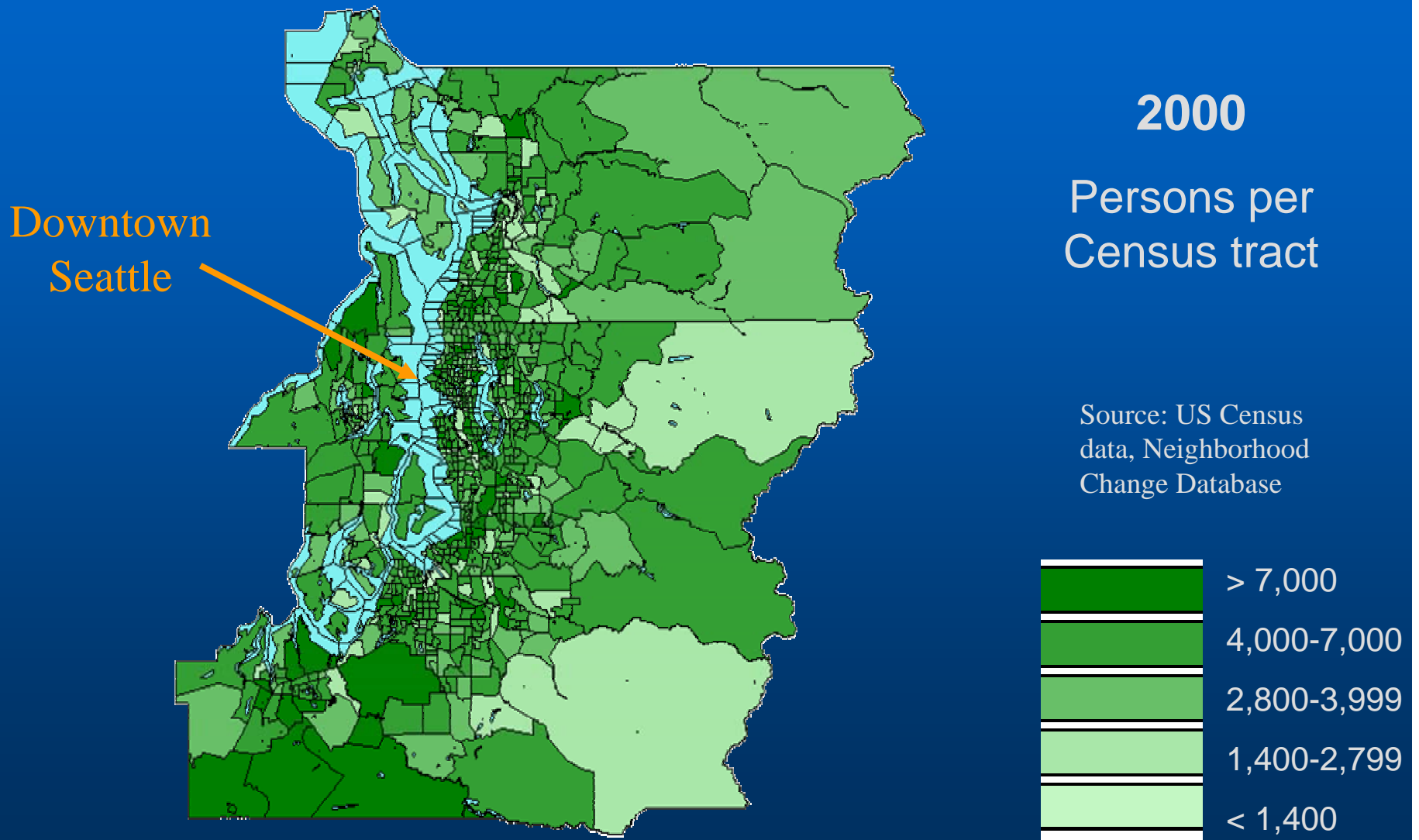
The resulting growth looks like this:



The resulting growth looks like this:



The resulting growth looks like this:





Policy Response: Housing markets are regional—Housing policies should be, too

- Do not cluster affordable homes in low-income neighborhoods, especially in the core
- Enable low-income households to live closer to employment centers and better schools



Aim for this...

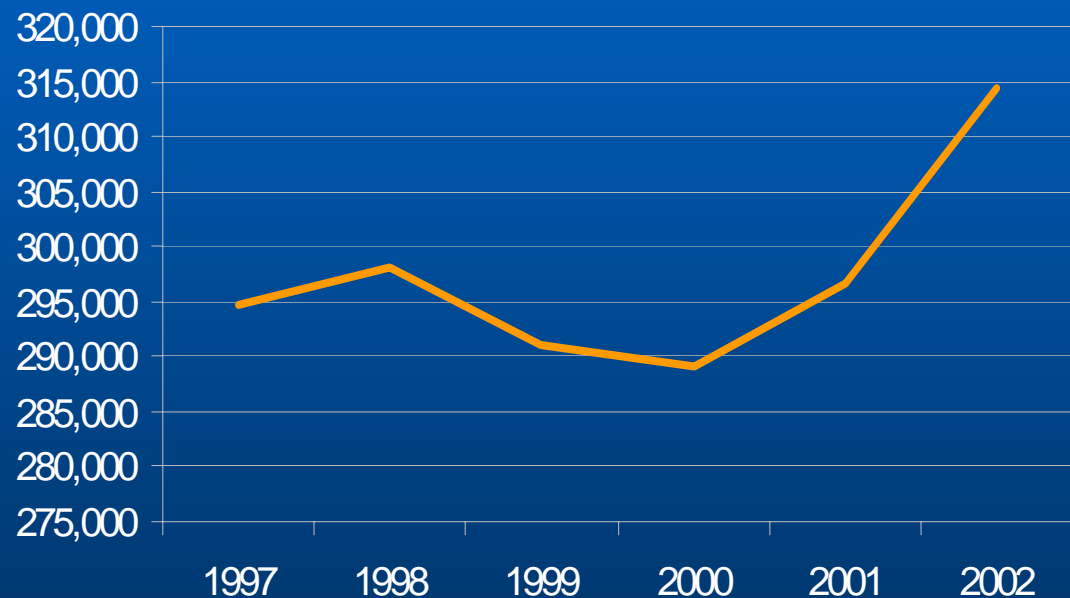


...instead of this



Principle Four: Income Policy is Housing Policy

Those claiming the earned income tax credit in Washington have increased markedly in recent years



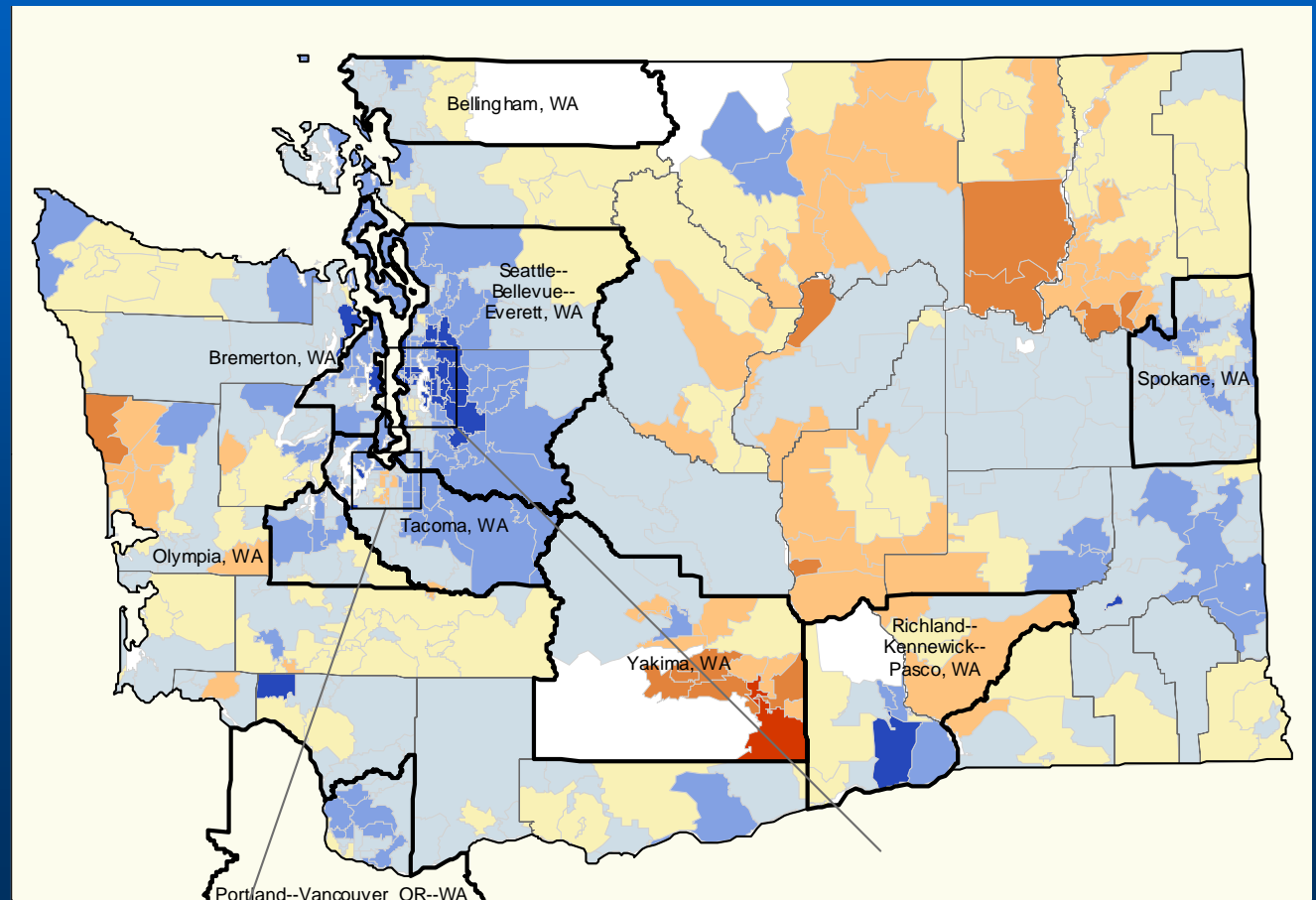
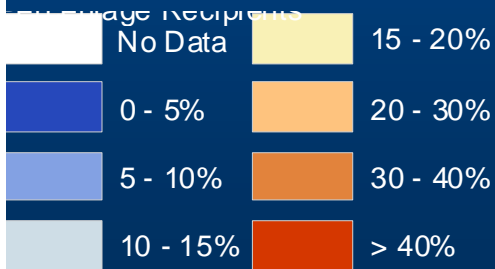
Source: EITC Interactive Site, The Brookings Institution's Metropolitan Policy Program



Income Policy is Housing Policy

Percent of filers claiming the EITC varies widely across Washington

Percent of filers claiming the EITC, Tax Year 2001





Income policy is housing policy

- Local leaders can impact household incomes and, by extension, housing affordability
- Raise the incomes of working families through earned income tax credit, nutrition assistance, health care, and child care

***Think of affordable housing as
workforce housing***



Principle Five: Regulatory Policy Makes a Difference

- Building Codes
- Zoning Ordinances
- Rent Controls
- Development Fees
- Land Use Regulations
- Design Requirements
- Subdivision Requirements
- Parking Requirements



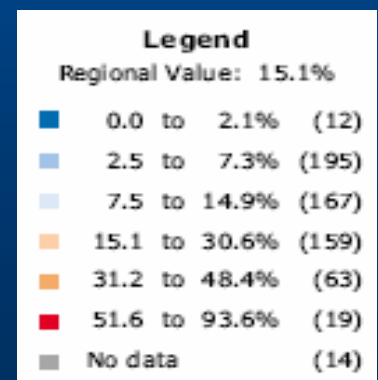
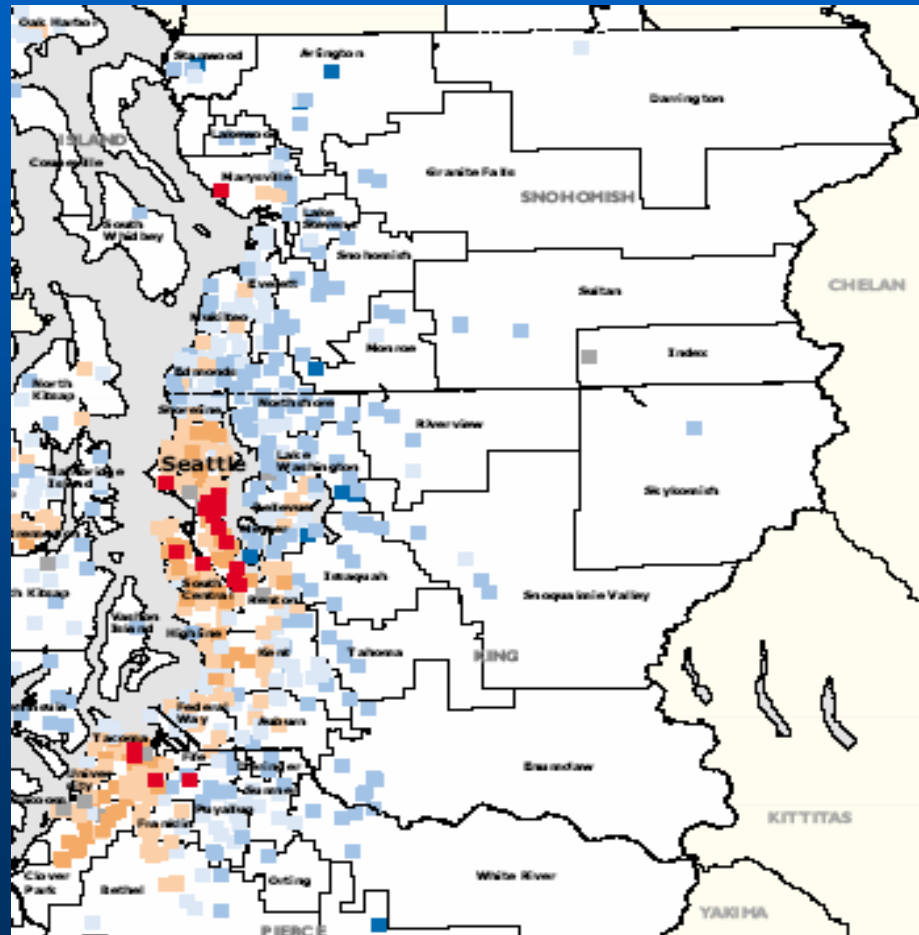
Policy Response

- Eliminate or moderate regulatory barriers to affordable housing production
 - Identify and get rid of regulations that are exclusionary or unnecessary
- Provide incentives for private developers to produce more affordable housing
 - Create inclusionary housing policies to improve supply of affordable housing



Principle Six: Race Matters

Percent of non-Asian minority elementary students by school
Source: Metropolitan Area Research Corporation





Race matters

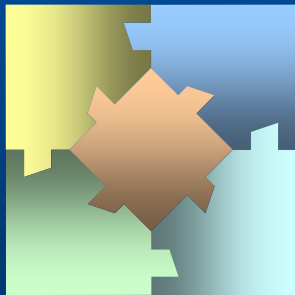
- Implement policies that do not reinforce patterns of segregation and discrimination
- Be aware that “color blind” policies may not work as intended if segregation and ethnic inequalities are ignored





Principle Seven: Implementation Matters

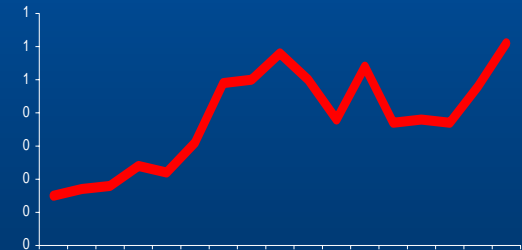
Housing policy needs to be implemented in an integrated, accountable and sustainable fashion



Integrated



Accountable



Sustainable



Implementation matters

- Housing programs should connect directly with other neighborhood interventions (e.g., schools)
- Hold implementing agencies accountable through performance measures
- Economic integration is the principle vehicle for sustainability



Set clearly defined performance measures

Example:

Goal	Short-term Indicator (1-5 years)	Long-term Indicators (5-20 years)
Preserve and Expand Affordable Housing Stock	Number of units built or rehabbed	Number of units affordable to range of incomes
	Number of units improved or upgraded	Number of physically deficient units
	Share of units affordable for range of incomes	Number of overcrowded housing units



An example of integrated affordable housing policy: Murphy Park of St. Louis, Missouri

Murphy Park Development replaced the original George L. Vaughn High Rises

- Partnered with corporate and philanthropic groups to improve the local school
- Aimed to increase economic diversity to promote sustainable economic performance
- Included townhouses, garden apartments, and single-family homes



Murphy Park, Today



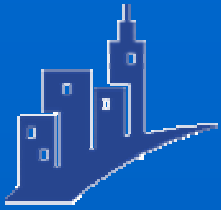
George L. Vaughn High Rises, 1995



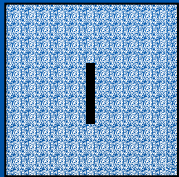
An example of integrated affordable housing policy: Murphy Park of St. Louis, Missouri

The Results

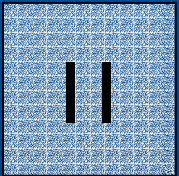
- Performance at the local school dramatically improved, with the percent of students reading at their grade level rising from under 20% to 60%
- The developers were successful at attracting a much more economically integrated community
- The median household income rose by 18 percent between 1989 and 1999, compared to four percent regionally
- Private investment in the form of residential and commercial development has since located in the surrounding area



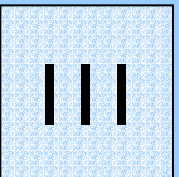
Rethinking Affordable Housing Strategies



What are the housing challenges in Washington State?



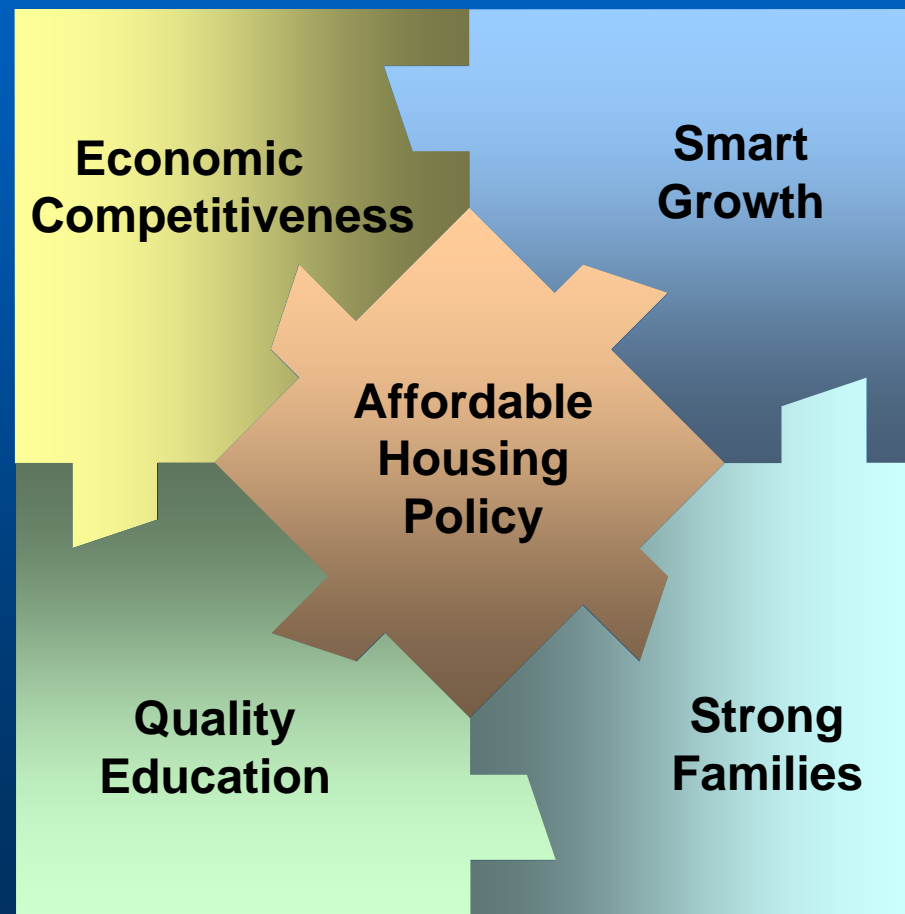
What is a winning affordable housing playbook?



Where does Washington go from here?



Washington needs to connect housing policy to core state priorities



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July 1, 2004

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Brookings > Metropolitan Policy

Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

read an open letter from Brookings President Strobe Talbott

METROVIEW

Deficits by Design Plague Metro
by Robert Puentes
The Washington Times
June 21, 2004

[News Index](#)

METROPOLITAN GROWTH

Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

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