Washington State's Housing Affordability Crisis

Office of Lieutenant Governor Denny Heck

Ilina Logani | 2021 Research Fellow

INTRODUCTION

Washington's housing market is unquestionably in crisis. Prices are rising across the state and all types of housing, from units for higher-income families to affordable housing. Homes are becoming increasingly scarce, expensive, and out of reach for every Washingtonian. This is a story we are hearing again and again from every constituent stakeholder in the market—from realtors, contractors, construction companies, builders, and homebuyers. Despite our robust state economy, families across Washington are struggling to afford their most basic needs: a roof over their heads and four walls around them.

This report details the current state of Washington's housing crisis— how large the crisis is, where exactly our shortage lies, housing unaffordability's most pertinent implications, and its potential causes. The bottom line is clear: <u>our housing affordability crisis affects every Washingtonian, and something must be done.</u>

EXECUTIVE SUMMARY

What We Observe:

Across Washington, housing prices are soaring and rents are climbing faster than wages—and faster than prices across the rest of the nation.

Diagnosing the Problem:

Ever-rising demand driven by population growth and demographic shifts coupled with stagnant construction has led to increasingly unaffordable housing. The imbalance between supply and demand for housing is particularly pronounced among units that are traditionally affordable for median- and low-income households, exacerbating the affordability crisis for the average Washington family.

Implications of Our Housing Crisis:

Paying for housing is becoming a larger and larger share of household budgets across Washington. As fewer Washingtonians can afford the high costs of shelter, people begin falling off the housing ladder statewide: those once able to buy pricier homes step down to housing meant for median-income families; households once living in median-income units drop to low-income affordable housing or renting; those once renting or living in low-income affordable housing become homeless. Homeownership is dropping across the state, reducing the wealth-building potential of countless Washingtonians. Homelessness is rising, and the impacts are disproportionately felt among low-income households and families of color. Our state economy's productivity is reduced, and our ability to recover from other crises at full capacity is diminished.

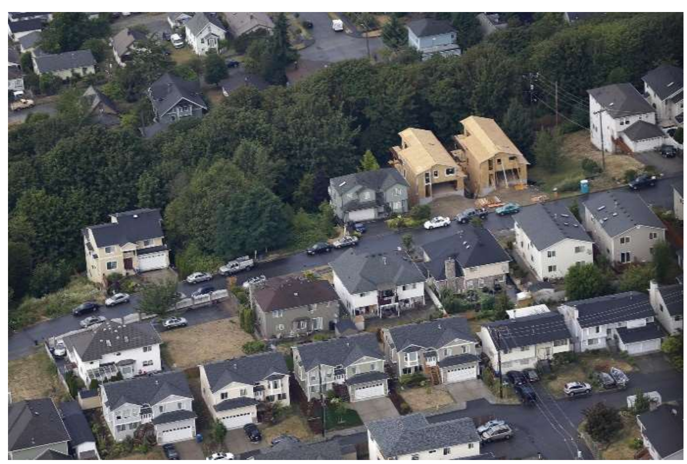
Potential Causes:

While no single factor can explain Washington's housing stock shortage, potential causes include:

- Restrictive and exclusionary zoning restrictions that limit the number and type of housing units that can be built on a given parcel of land.
- "Not in My Backyard" resistance to new housing construction in traditionally single-family neighborhoods.
- Impact fees, opaque regulations, and complex permitting processes that place an undue cost on builders of new homes.
- The construction labor pool is stagnant.
- Demand for housing has not slowed among our state's newest generations; meanwhile, COVID-19 has spurred further desire to own homes.

What to Do About It:

Washington must build hundreds of thousands more homes to close its supply and demand imbalance, and it must do so in a way that prioritizes housing that is affordable for the average Washington family.



OBSERVATIONS

Housing prices are soaring both in Washington's biggest markets as well as across the rest of the state at rates that far outstrip national trends.

Housing Prices Are Soaring in the Biggest Washington Markets…

	$300,000 - plus above asking price	$100,000 - $299,999 above asking price	$25,000 - $99,999 above asking price	$1 - $25,000 above asking price
January 1 through June 16, 2021	580	4,078	6,329	3,601
January 1 through June 16, 2020	16	362	2,091	4,395

[1]

Number of Homes Sold Above Asking-Price Thresholds in Seattle Metro, 2020 vs. 2021

In 2020, nearly 400 homes in the Seattle-Area sold for at least $100,000 above asking price. In 2021, this figure climbed to more than 4,500 homes; an astonishing 580 of these sold for more than $300,000 over list price.[2]

These extravagant figures are not just concentrated at the higher end of Washington's housing market. The average family in the state's largest markets has similarly found themselves facing a wave of rising prices, with nearly 70% of all Seattle-area homes in May 2021 selling above asking price.[3] This year alone, the median home-sale price in Seattle is 26.1% higher than last year's, bringing median prices to a record of $737,800.[4]

Such statistics are a troubling continuation of statewide trends from the past decade: in Washington's largest housing markets, prices for all income levels are spiraling upwards at astronomical rates.*

*Note: Because COVID-19 lockdowns slowed homebuying and selling in the spring of 2020, year-over-year trends for home prices and sales are somewhat exaggerated.

…And Across All of Washington…

Across most of Washington state, year-over-year November single-family home prices jumped in 2020: prices rose around 37% in both Okanogan and Chelan counties, while the median price in Pacific County in southwest Washington increased by more than 51%.[5]

Clearly, housing prices are shooting up not only in Western Washington, but throughout the rest of the state as well, driven in part by a migration within the state from urban centers out to more affordable, less spacious, and less populated areas.

…Especially Compared to the Rest of the Nation

Despite following broader nationwide trends of mounting housing prices, soaring rents, and rising

[1] Anderson, Dana. "More Than 4,500 Seattle-Area Homes Have Sold For At Least $100,000 Above Asking Price in 2021, Versus 400 During the Same Period Last Year." Redfin News, June 23, 2021. Accessed at: https://www.redfin.com/news/seattle-homes-sold-above-list-price/

[2] Ibid.

[3] Redfin research shows that the typical home in the Seattle metro sold for $47,878 above asking price in 2021, compared to just $3025 in 2020. Ibid.

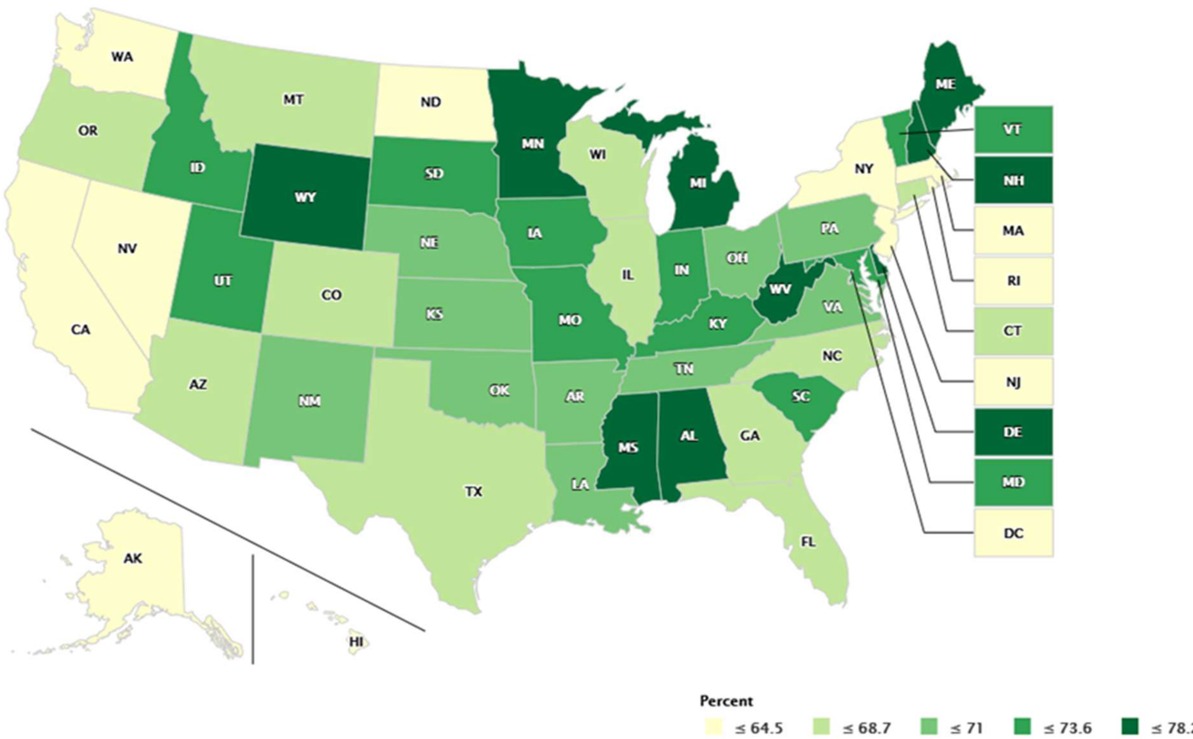
[4] Ibid.

[5] Stiles, Marc. "Home prices up all over, but especially in 'Zoom towns' like Chelan." Puget Sound Business Journal, December 9, 2020. Accessed at: https://www.bizjournals.com/seattle/news/2020/12/08/home-prices-up-throughout-washington-state.html

homelessness, the unique severity of Washington's housing crisis sets it apart from the rest of the United States.

While in 2020, the national overall homeownership rate was 65.8%, Washington hovered at 64.1%, ranking among the bottom ten states for its proportion of the population who are homeowners.[6] Additionally, median home prices in Washington in 2020 stood almost $100,000 higher than the rest of the nation at a peak of $452,400 (compared to the broader United States' $358,700).[7]

Moreover, just last year, 6 of the 10 most competitive cities in the nation for buying a home were in Washington State.[8] Whereas just the year before in 2019, Washington cities were not among the top ten most competitive neighborhoods in the country, an influx of buyers from pricier neighborhoods into more affordable areas has driven up Washington prices in recent years. With new buyers able to make higher offers than residents, entire neighborhoods have become



2020 Homeownership Rates by State
Source: FRED Economic Data; "Homeownership Rate for Washington"

[6] "Homeownership rate in the United States from 1990 to 2020." Statista, February 2021. Accessed at: https://www.statista.com/statistics/184902/homeownership-rate-in-the-us-since-2003/
"Homeownership Rate for Washington." FRED Economic Data, last updated March 9, 2021. Accessed at: https://fred.stlouisfed.org/series/WAHOWN

[7] "Median home price in Washington." Washington State Office of Financial Management, last updated Friday, July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price
"Median Sales Price of Houses Sold for the United States." FRED Economic Data, last updated July 26, 2021. Accessed at: https://fred.stlouisfed.org/series/MSPUS#0

[8] Spanaway, Lacey, Tacoma, Seattle, Frederickson, and Graham were six of the ten most competitive cities for buying a home in the United States in 2020.
Anderson, Dana. "6 of the 10 Most Competitive Cities for Buying a Home This Year Are in Washington State." Redfin News, December 28, 2020. Accessed at: https://www.redfin.com/news/most-competitive-cities-homebuying-2020/
Anderson, Dana. "Redfin Ranks the Most Competitive Neighborhoods of 2019." Redfin News, December 23, 2019. Accessed at https://www.redfin.com/news/most-competitive-neighborhoods-2019/

increasingly less affordable for the average Washington family.

THE PROBLEM

Washington Demand for Housing Continues to Rise…

Washington housing demand is driven by three main variables: steady population growth, shifting generational preferences and household demographics, and COVID-19 inspired demand growth.

Washington's inability to match our housing supply to our economic and population growth has placed us in a precarious real estate position, characterized by a severe imbalance between supply and demand.

1. Steady Population Growth

The early 1990s brought an influx of new migrants to Washington, many of whom were leaving California's poor economic climate.[9] Migration into Washington has steadily increased over the past three decades as the state's job market remains attractive and as the technology space in Seattle and the eastside continues to draw new residents.[10] Indeed, even though Washington's natural population increase[11] has steadily dropped over the last ten years, continuously positive net domestic migration—with more people moving into the state than moving out—has resulted in robust statewide population growth.[12] Over the past decade, Seattle's population grew 25%; in 2019 alone, King County saw a population increase of 1.6%.[13] Such swift population increases ultimately translate to more residents in need of housing, increasing demand in the largest Washington housing markets at a time when housing stock is at a record low.

2. Shifting Generational Preferences

Demand has also been fueled by the aging of the millennial generation (also known as Gen Y), who have begun to form families and seek

[9] Around 400,000 people migrated out of California due to poor economic climate in the early 1990s; many of these migrants flocked to Washington, whose economic growth was slow but still exceeded that of California's. "Population Change: Natural Increase and Net Migration." Washington Office of Financial Management, last updated October 27, 2020. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/population-changes/population-change-natural-increase-and-net-migration

[10] Ibid.

"2021 Economic Forecast: Housing demand will remain robust amidst journey to economic recovery." Seattle King County Realtors, November 6, 2020. Accessed at: https://www.nwrealtor.com/2020/11/06/2021-economic-forecast-housing-demand-will-remain-robust-amidst-journey-to-economic-recovery/

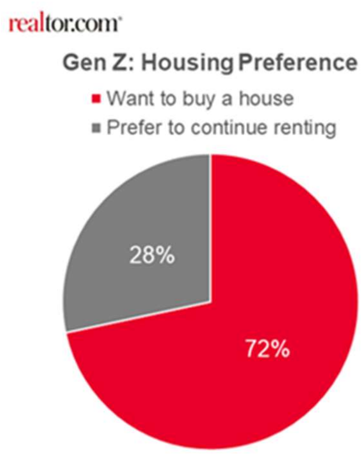
[11] Natural population increase is defined as a state's annual number of births minus its annual number of deaths. Washington's natural increase has declined nearly every year since 2010. "Population Change: Natural Increase and Net Migration." Washington Office of Financial Management, last updated October 27, 2020. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/population-changes/population-change-natural-increase-and-net-migration

[12] "Low Inventory Lifting Prices in Washington Housing Markets." Sammamish Mortgage, last updated February 26, 2021. Accessed at: https://www.sammamishmortgage.com/low-inventory-washington-housing-markets/

[13] Ibid.

larger houses in Washington's suburbs. In embracing homeownership, millennials have been a dominant force behind rising housing demand in recent years and have simultaneously shirked their classification as the "renter generation."[14]

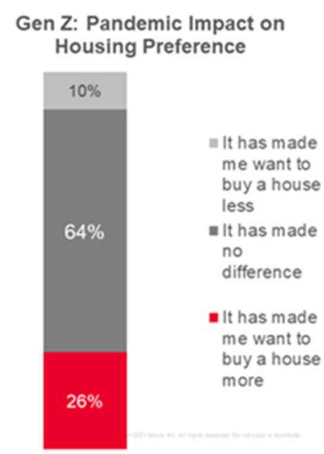
Such a pattern of homeownership valuation is useful to consider as Washington's youngest generation, Gen Z, begins to enter adulthood and finds itself mimicking much of the same housing preference patterns. According to research from Realtor.com, 72% of Gen Z residents—who tend to be highly educated, socially active, and digitally fluent, much like the generation before them—look to buy a house in the future; 26% report that the experience of the COVID-19 pandemic has only increased this desire.[15] As this newest cohort ages over the coming decade, housing demand will likely only rise even further.



Not only are millennials and Gen Z increasingly turning their eyes towards homeownership, but they seek a very specific kind of home: one located in walkable urban areas and near easily accessible transit and amenities.[16] This bigenerational shift in housing preference has meant a strong in-migration to many Washington cities in the post-2008 climate, especially in large Western Washington areas. This has resulted in heightened competition for housing: in 2019, people in Seattle paid 15.7% more for walkable homes than for non-walkable ones.[17]

3. COVID-19 Inspired Demand Growth

The COVID-19 pandemic has brought a new source of housing demand in Washington too, among employees of local tech companies like Microsoft and Amazon, and from companies like Google and Facebook who host large offices in the state. With lockdowns forcing workers into cramped housing spaces, many such employees began to seek larger homes with room for office spaces during the pandemic to support their remote work.[18] Most of these have the requisite income to buy homes even in an exceedingly expensive



[14] Ratiu, George. "Gen Z Values Homeownership." Realtor.com, June 24, 2021. Accessed at: https://www.realtor.com/research/topics/housing-demand/
[15] Ibid.
[16] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf
[17] Katz, Lily. "How Much Does Walkability Increase the Value of a Home?" Redfin News, February 11, 2020. Accessed at: https://www.redfin.com/news/how-much-does-walkability-increase-home-values/
[18] Anderson, Dana. "More Than 4,500 Seattle-Area Homes Have Sold For At Least $100,000 Above Asking Price in 2021, Versus 400 During the Same Period Last Year." Redfin News, June 23, 2021. Accessed at: https://www.redfin.com/news/seattle-homes-sold-above-list-price/

housing market and can compete with other buyers, driving up prices in Seattle and surrounding areas.

Between exploding population growth, a marked generational shift in expected homeownership preferences, and pandemic-inspired lifestyle changes, demand for housing in Washington is projected to increase exponentially over the next several years.

...Even as Housing is Persistently Undersupplied

Despite ever-rising demand for housing, Washington suffers from a chronically low housing inventory, evidenced by exceedingly low vacancy rates, new construction falling short of economic and population growth, and the increasingly short amount of time newly vacant units spend on the market.

1. Low Vacancy Rates

Vacancy rates are defined by the percentage of all available units—rental or otherwise—that are unoccupied at a particular moment of time. Rates below 5% are generally considered too low and can induce housing price inflation.[19]

For the past ten years, Washington's homeowner and rental vacancy rates have both remained well below the 5% marker and continue to drop, making it extremely difficult for buyers to find available housing even when they can afford it. Indeed, in recent years, Washington's homeowner vacancy rate has hovered near 1%, while the state's rental vacancy rate has remained between 3% and 4%.[20] In Washington's major urban areas, these rates have dipped even lower as new home construction supply remains stagnant.

	2010	2012	2014	2015
United States	8.2%	6.8%	6.3%	5.9%
California	5.9%	4.5%	3.9%	3.3%
Oregon	5.6%	4.7%	3.6%	3.6%
Texas	10.6%	8.5%	7.3%	7.0%
Washington	5.8%	5.3%	4.2%	3.3%
Clark County	8.2%	3.4%	2.4%	2.2%
King County	5.2%	4.1%	2.5%	2.6%
Pierce County	6.6%	5.4%	5.7%	3.3%
Spokane County	4.0%	7.2%	5.5%	3.7%
Yakima County	3.1%	4.5%	5.1%	3.6%
Seattle	4.0%	3.5%	1.2%	2.7%

Census Bureau, American Community Survey

Rental Vacancy Rates in Various Washington Counties; Other States for Comparison [21]

2. New Construction Falling Short of Economic and Population Growth

One of the main drivers of Washington's persistently low vacancy rates is the inability of new construction to keep up with economic and population growth.

Counties across Washington continue to produce fewer houses than new households that are formed, and they consistently create more new jobs than new units of housing.[22] A well-functioning housing market should

[19] "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[20] Selected Housing Characteristics. U.S. Census Bureau, Table DP04 (American Community Survey 1-Year Estimates)

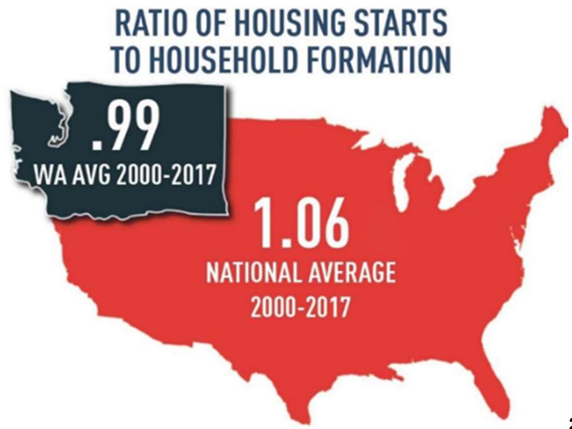
[21] "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[22] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf

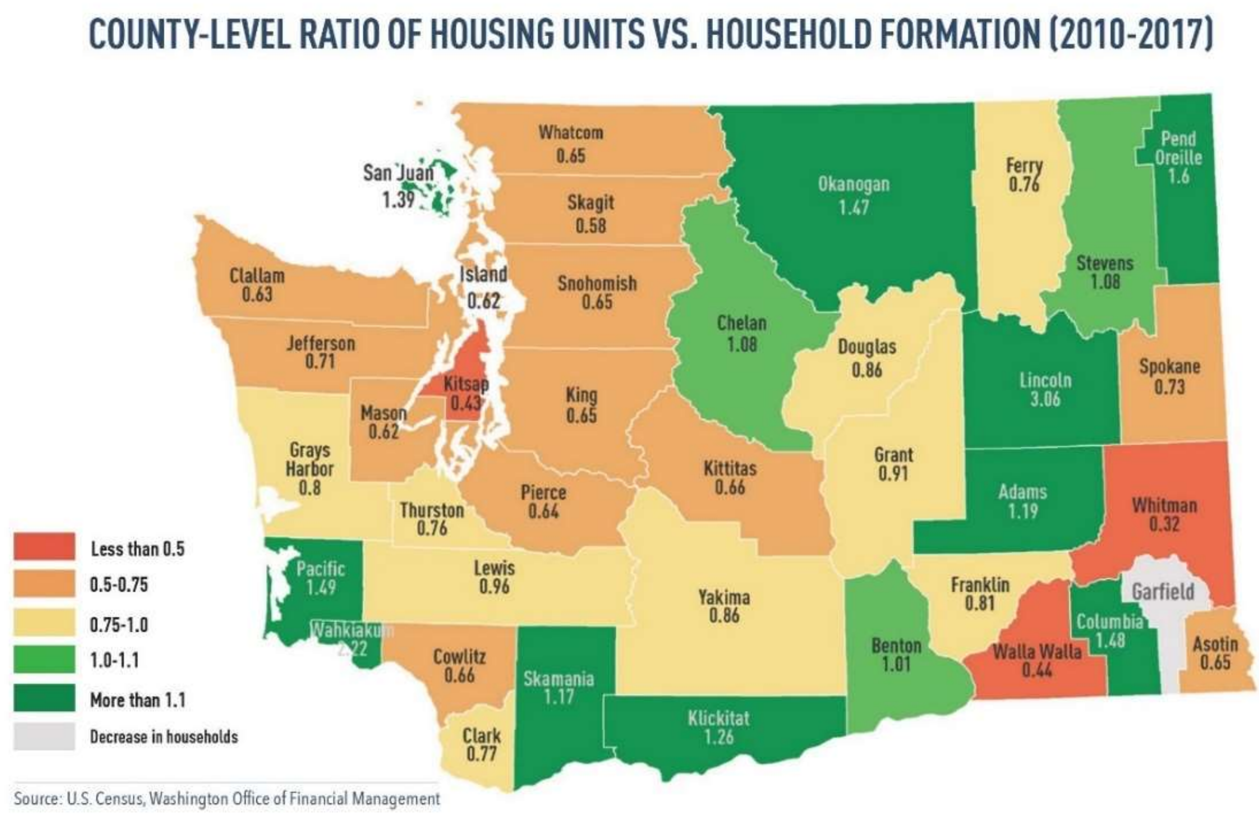
produce at least one new housing unit per new household formed. However, when considering existing stock deterioration, demolition, and the rising propensity for buying second homes, this ratio should ideally increase to *more than one* new housing unit built per new household formed.

Nationally, this ratio has been around 1.06 new units for every household formed from 2000 to 2017. Washington State has underproduced in comparison, producing only 0.99 new units for every new household formed from 2000 to 2017—falling short of the national average by 7 units per 100 households.[23]

Indeed, between 2010 to 2017, only 12 counties in Washington produced more than 1.06 units per new household; statewide, just 68 units were produced for every 100 households formed.[24]



25



26

---

[23] Ibid.

[24] Ibid.

[25] Ibid.

[26] Ibid.

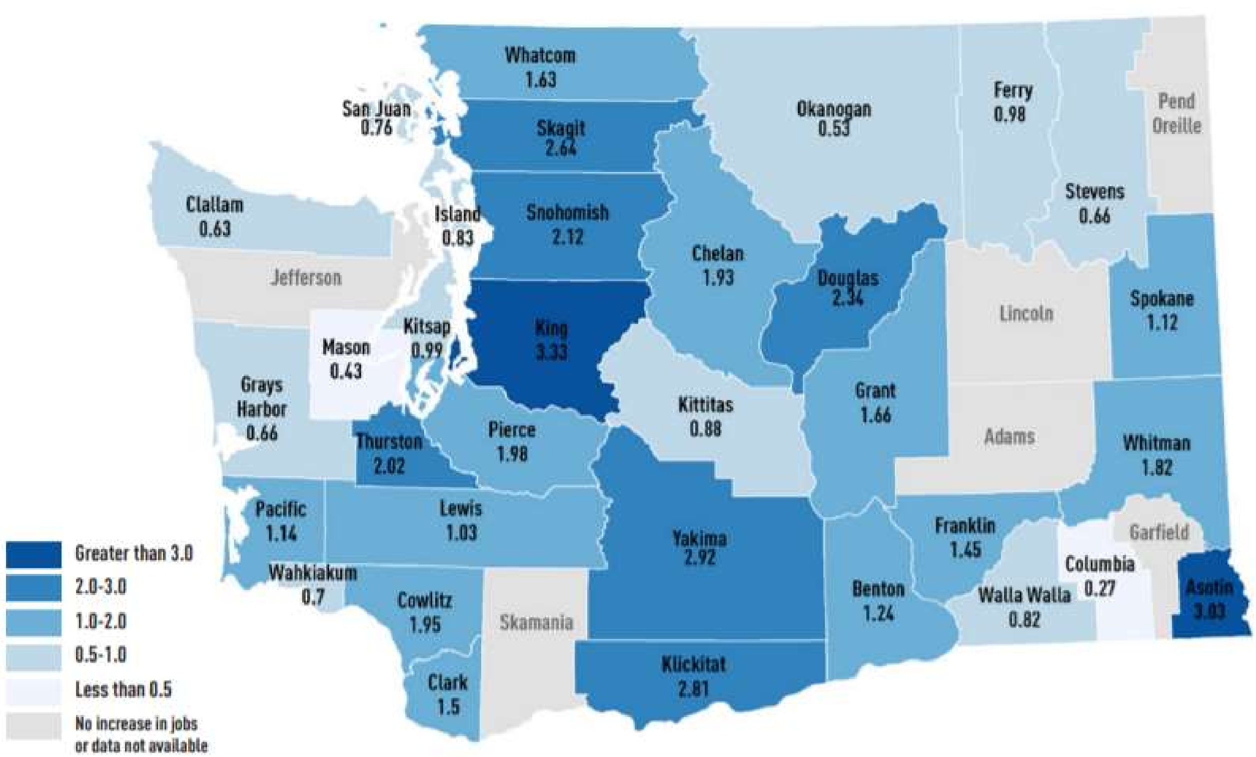
Just as housing production has failed to keep up with statewide household growth, so too has Washington underproduced in relation to job growth.

Between 2010 and 2017, Washington counties persistently saw more new jobs created than new housing units in the area, with two counties—King County and Asotin County—seeing just one new housing unit created for every *three* new jobs.[27]

These imbalances between job growth and housing unit production exacerbate the current housing affordability crisis, causing workers to compete for already limited housing. They also pose environmental concerns, increasing traffic congestion and emissions output as commuters drive from increasingly distant housing to job centers.

The bottom line should be clear: workers employed in these new jobs need housing close to their work. Right now, Washington does not meet this bottom line.

COUNTY-LEVEL RATIO OF JOBS CREATED VS. HOUSING UNITS PRODUCED (2010-2017)



Source: Washington Office of Financial Management, U.S. Census Bureau LEHD Origin-Destination Employment Statistics (LODES)

[28]

[27] Ibid.

[28] Ibid.

3. Exceedingly Short Market Time

Nationally, a "balanced" real estate market should have a five-to-six-month supply of vacant homes for sale—meaning that it would take five or six months to sell all homes currently listed for sale if no new homes came into the market during that period.

Most markets in Washington, however, fall far short of this number, residing instead around the two-month supply mark; some counties have a supply even lower than this.[29] King County, for instance, has just a one-month supply, and in January 2021 this dropped to 0.71 months.[30] Indeed, all of Washington's major cities this January had less than a 1.3-month supply of homes.[31]

Washington is seeing a disturbing pattern emerge of lightning-quick sales of newly vacant units: almost as soon as a unit becomes available for sale, it is bought. As of January 2021, the median number of days on the market for homes in Seattle was 19, with some estimates even more extreme.[32] Redfin research, for instance, notes that this year alone, more than 74% of their housing offers in the Seattle metro faced a bidding war, with the typical home selling in a mere five days.[33] Such short market time indicates that while supply may be lagging, demand is still hot, making Washington housing units increasingly competitive and difficult to obtain.

A housing report from Up for Growth shows that between 2000 and 2015, Washington fell short of meeting residents' housing needs by around 225,600 homes —a quantity that makes up 7.5% of the state's total housing stock in 2015.

These three phenomena—low vacancy rates, economic and population growth outstripping construction growth, and short market time for new housing units—are all symptoms of a key supply and demand imbalance in the Washington real estate market.

A Spiraling Rise in Home Prices

Washington's severe housing supply shortage and its ever-rising demand for homes has created an extremely tight housing market.

[29] "Forecast: Washington Housing Market to be Hot in 2021." Sammamish Mortgage, last updated February 26, 2021. Accessed at: https://www.sammamishmortgage.com/washington-market-to-explode/

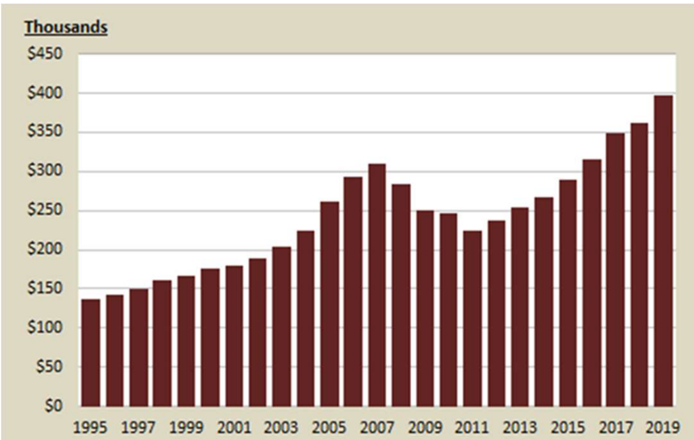
[30] "Low Inventory Lifting Prices in Washington Housing Markets." Sammamish Mortgage, last updated February 26, 2021. Accessed at: https://www.sammamishmortgage.com/low-inventory-washington-housing-markets/

[31] For comparison, the broader United States had around a 1.9-month supply of homes for sale in January; both of these figures, of course, fall far short of a "balanced" real estate market. Ibid.

[32] "Seattle Housing Forecast Through 2021: Prices Cool but Slated to Increase." Sammamish Mortgage, last updated March 2, 2021. Accessed at: https://www.sammamishmortgage.com/seattle-housing-forecast/

[33] Compare this to the nine days it took for a new home to sell in the Seattle metro in 2020. Anderson, Dana. "More Than 4,500 Seattle-Area Homes Have Sold For At Least $100,000 Above Asking Price in 2021, Versus 400 During the Same Period Last Year." Redfin News, June 23, 2021. Accessed at: https://www.redfin.com/news/seattle-homes-sold-above-list-price/

Existing stock is priced at a premium and continuous upward pressure is applied to prices. The result? The cost of homes has risen significantly and steadily over the past decade.[34]



Median Home Price in Washington: 1995 to 2020 [35]

Because new home construction supply has not grown, high demand has led to sale prices skyrocketing.

In 2020, for instance, the median home price in Washington state was $452,400—a 13.7% increase from 2019 and an astonishing 83.7% increase from just ten years ago in 2010.[36]

Predicted growth for Washington's home values is another 11.3% over the next year.[37]

Historically, housing prices in the United States tend to rise no more than 3% to 4% annually; Washington's home price increases over the last decade, however, have almost exclusively remained between 5.5% to 10.5%, with most years concentrated towards the high end of the range.[38]

In other words, a chronically low inventory has meant that Washington's home price increases have far outpaced the nation's own trends—particularly in the state's most populated areas.

Average Sale Price: Seattle MSA; Single-Family Resale Homes; Seasonally Adjusted [39]

---

[34] "Median Home Price." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

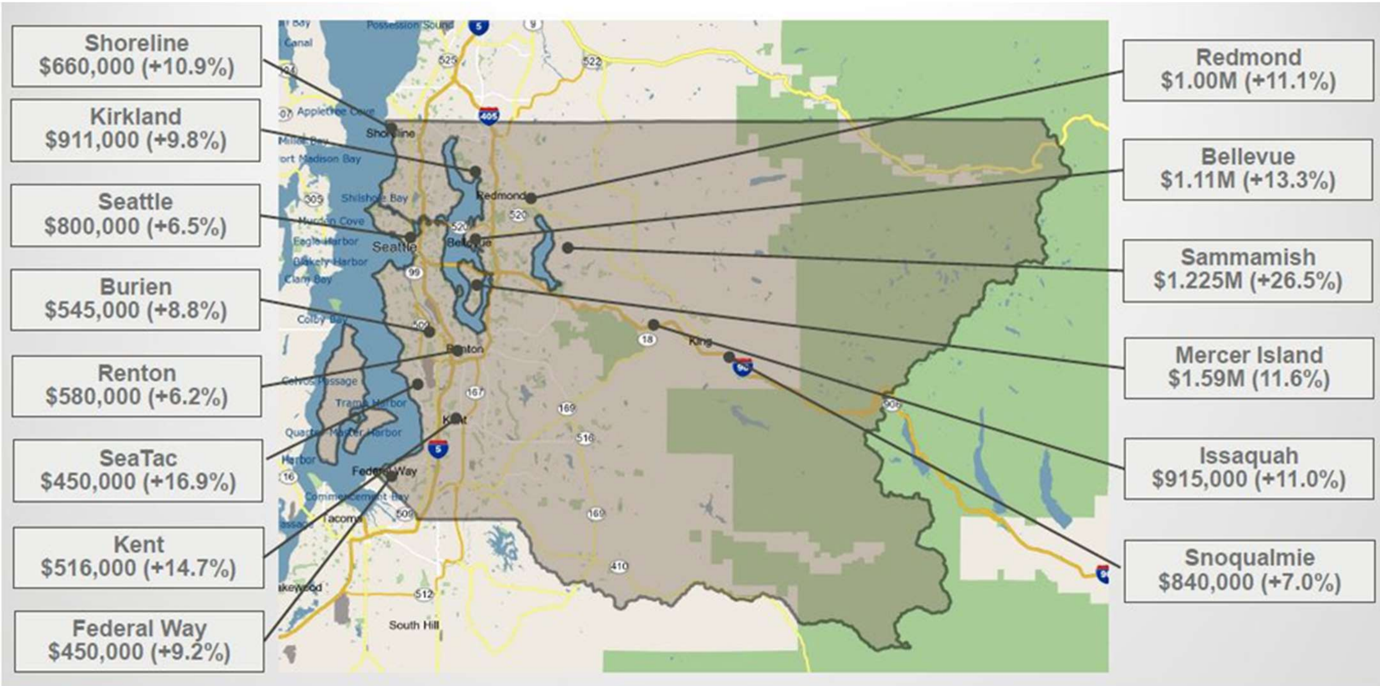
[35] "Median Home Price." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

[36] "Median Home Price." Washington Office of Financial Management, last updated Friday, July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

[37] "Forecast: Washington Housing Market to be Hot in 2021." Sammamish Mortgage, last updated February 26, 2021. Accessed at: https://www.sammamishmortgage.com/washington-market-to-explode/

[38] Ibid.
"Median Home Price." Washington Office of Financial Management, last updated Friday, July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

[39] "Median Home Price." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-



[42]

Washington Median Sale Prices & 12-Month Change: 2020

Generally, home prices in the Unites States are approximately three times the nation's annual household income levels.[40] Washington again surpasses the national marker here, with home prices ranging between 4 to 5 times the state's median household income between 2011 and 2019.[41]

Whenever one segment of the housing market is affected by external economic, social, and geographic variables, the impacts trickle outwards through the rest of the housing ecosystem. As such, home sale pricing is not the only factor to increase—so has rent. Since 2012, rent has increased sharply in Washington State, and not just in the Puget Sound Corridor; rather, statewide average monthly rents have increased by $429 between 2010 and 2019, a 53.6% increase.[43] While rent increases in urban centers have been more pronounced, more rural areas have also seen significant rent increases in recent years.[44]

Washington's extreme housing shortage has a direct impact on statewide home and rent prices. Indeed, if the 225,600 housing units

data/washington-trends/economic-trends/median-home-price

40 "Median Home Price." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

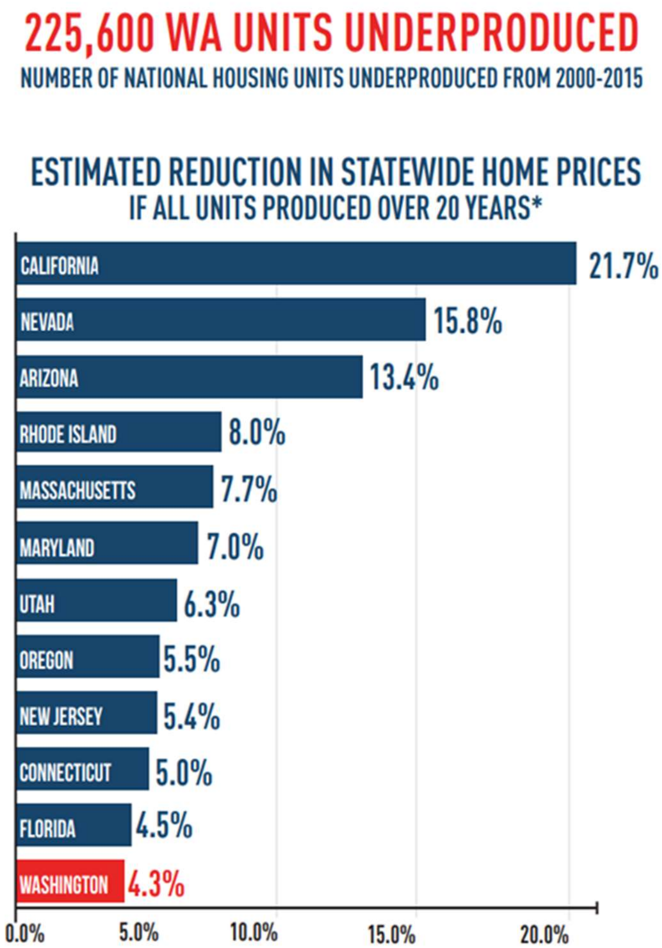
41 Selected Economic Characteristics. U.S. Census Bureau, Table DP03: American Community Survey 1-Year Estimates

42 "2021 Economic Forecast: Housing demand will remain robust amidst journey to economic recovery." Seattle King County Realtors, November 6, 2020. Accessed at: https://www.nwrealtor.com/2020/11/06/2021-economic-forecast-housing-demand-will-remain-robust-amidst-journey-to-economic-recovery/

43 Median Contract Rent (Dollars). U.S. Census Bureau, Table B25058: American Community Survey 1-Year Estimates

44 "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at:

that have been underproduced between 2000 and 2015 were, in fact, produced over the next twenty years, housing prices would be 4.3% lower two decades from now than they otherwise would be without this additional unit production.[45]*



[46]

*Note: this does not mean that prices would be reduced from current levels, but rather that prices would be lower in the future than they otherwise would have been due to the increase in housing units.

The Missing Middle

The key to this problem seems to be obvious: Washington is simply not building enough homes.

Yet this statement seems to be contradicted by trends from recent years. In 2019, permitting activity for both single family and multifamily homes increased by 23.3%.[47] Meanwhile, housing affordability worsened by 10% in Washington.[48]

Clearly, then, more housing inventory does not automatically translate to a more affordable housing market. Rather, when suppliers build new units, they tend to target higher-wage earners, concentrating on single-family and high-rise multifamily buildings over duplexes, triplexes, courtyard apartments, and townhomes. [49] Though the former, given high development costs, earn a more profitable return for builders,[50] they are unaffordable for most Washington families and drive up costs for everyone else.

The key, then, can be amended to this: Washington is not building enough homes for everyone, *but especially homes that are affordable for the median-earning or low-income Washington household.*

---

http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[45] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf

[46]

[47] "Washington Market Highlights: Second Quarter 2019." Washington Center for Real Estate Research, 2019, Accessed at: http://realestate.washington.edu/wp-content/uploads/sites/6/2019/09/2019Q2WAHMR.pdf

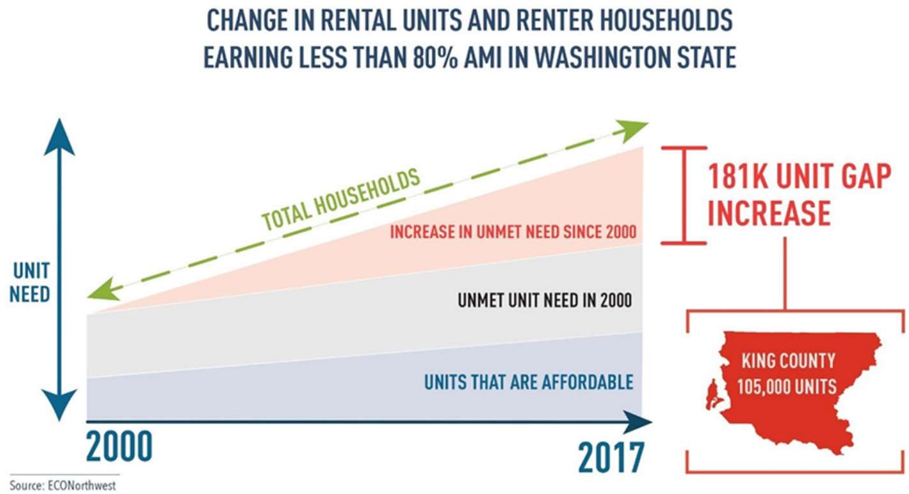
[48] "Affordable Housing Update: Report to the Legislature." Washington State Department of Commerce, February 1, 2020. Accessed at: https://www.commerce.wa.gov/wp-content/uploads/2020/03/2019-AHAB-Annual-Report.pdf

[49] Ibid.

[50] "2017 Housing Affordability Response Team (HART) Recommendations: Report to the Governor." Washington State Department of Commerce, June 2017. Accessed at: http://www.commerce.wa.gov/wp-

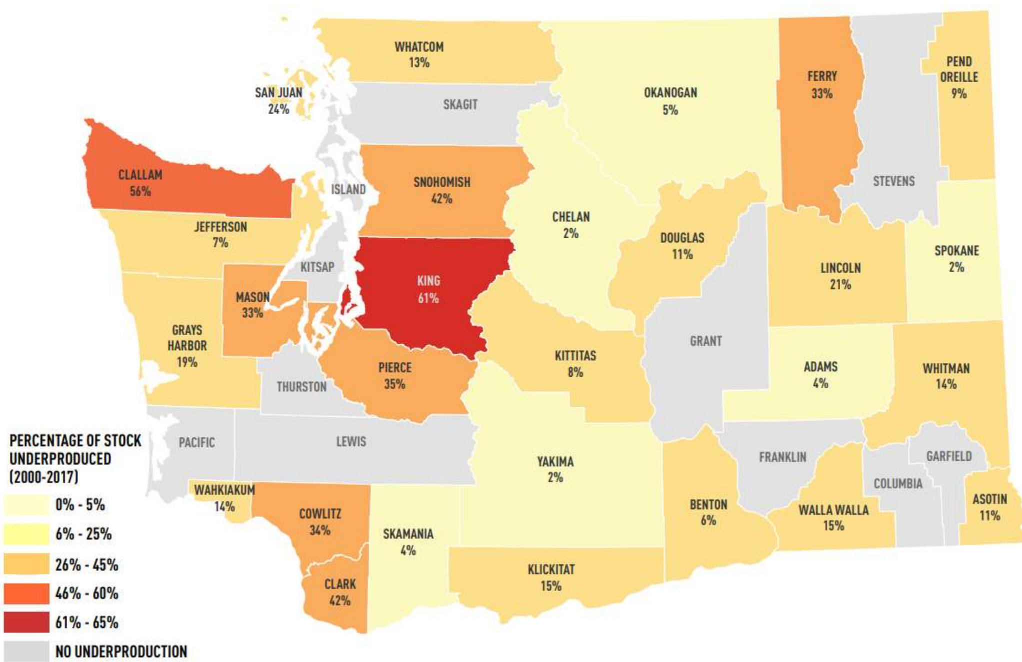
Out of the 225,600 homes missing in Washington from 2000 to 2015, 181,000 units—or approximately 80% of the statewide shortage—are concentrated in housing for families making less than 80% of the area median income.[51]

As builders turn to more expensive units with a higher return on investment, we find it is the very lack of the housing type that middle- and low-income families might be able to turn to that is driving overall rents and housing prices up beyond their means.



Differences-in-Differences: Change in Affordable Rental Units and Low-Income Renter Households Since 2000

53



52 *Units Underproduced from 2000 to 2017 As a Percent of Total Renter Households Earning Below 80% AMI*

Much of this low-income housing underproduction is concentrated in King County, where 61% of the houses underproduced there belonged to units that would be affordable to renter households earning below 80% of the area median income.

This gap in the housing production process is known colloquially as the "missing middle": too few houses are being built that households with median incomes can afford.

content/uploads/2017/07/HART-Housing-Affordability-2017.pdf

[51] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf

[52] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf

[53] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf

IMPLICATIONS

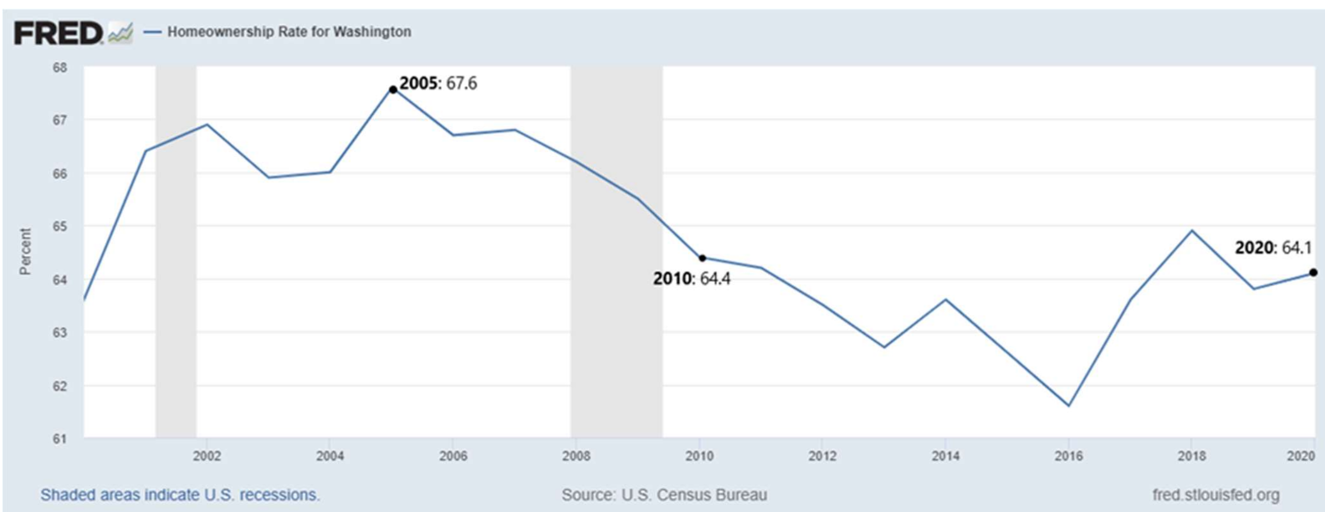
Fewer Washingtonians Can Access the Wealth-Building Benefits of Homeownership

Housing is unaffordable for every Washingtonian—but especially for low-income households and families of color. Fewer and fewer families have access to the wealth-building asset of homeownership. Homelessness is rising, holding back our state's economy by trillions of dollars.

With climbing housing prices, it is altogether unsurprising that Washingtonians are less likely to own homes today compared to just fifteen years ago, in 2005. While the state's ownership rate has, for the most part, risen since 2016, it is nowhere near the proportion it used to be in the mid-2000s.[54]

This drop in the homeownership rate has troubling implications for the ability of Washington residents to build and maintain wealth, a key indicator of economic stability. Homeownership is unequivocally one of the most reliable ways for Americans to build wealth: in 2019, the Federal Reserve reported that while the net worth of a renter in America was just $6,300, the net worth of a homeowner was $255,000—40 times that of a renter.[55]

On top of the clear economic benefits of homeownership—benefits that Washingtonians continue to be priced out of—is an intergenerational lens: owning a home promotes wealth building and homeownership for future generations. Children of homeowners statistically



Homeownership Rate for Washington: 2000 - 2020 [56]

[54] Homeownership Rate for Washington. FRED Economic Data, last updated March 9, 2021. Accessed at: https://fred.stlouisfed.org/series/WAHOWN#0

[55] "Snapshot of Race and Home Buying in America." National Association of REALTORS Research Group, February 2021. Accessed at: https://cdn.nar.realtor/sites/default/files/documents/2021-snapshot-of-race-and-home-buyers-in-america-report-02-19-2021.pdf

[56] Homeownership Rate for Washington. FRED Economic Data, last updated March 9, 2021. Accessed at: https://fred.stlouisfed.org/series/WAHOWN#0

transition to homeownership earlier than the children of renters, meaning they accumulate wealth over a longer period. They also have higher homeownership rates overall (25 percentage points higher than the rate of children of renters).[57] And intergenerational benefits are not just financial, but social as well: owning a home is associated with higher participation in civic and volunteer activity, better healthcare outcomes, and better educational performance in children.[58]

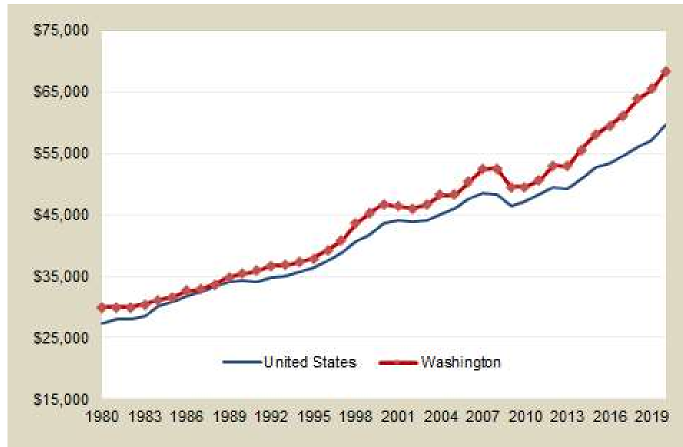
With the prospect of owning a home spiraling ever further out of reach, future generations of Washingtonians are being stripped of the ability to build a stable source of wealth and to live in healthy, civically engaged communities.

Housing is Unaffordable for Everybody…

In theory, housing price inflation and rising rent are not harmful to buyers so long as wages are increasing at the same rate.

Unfortunately, in Washington, this is not remotely the case: wages across the state have consistently increased slower than rent and housing prices. Between 2010 and 2019, though median wages mostly increased by 0.6% to 3.9% each year, home prices increased by 5.4% to 10.4% in the same period.[59] And while rent changes have generally been more volatile, rent, also increased by 3.5% to as high as 18% in any given year between 2010 to 2019.[60]

Clearly, even though incomes in Washington state are growing faster than the national average, they are unable to keep pace with the state's exorbitant housing prices.



Washington and U.S. Per Capita Personal Income (1980-2019) [61]

… But Especially for Low-Income Families

The affordability of housing for Washington families can be measured by the extent to which households with different income levels are cost-burdened—that is, the extent to which households are paying more than 30% of gross income for rent and utilities. In most counties across Washington, more than 30% of households were cost-burdened

[57] "How does homeownership contribute to wealth building?" Habitat for Humanity International, December 2020. Accessed at: https://www.habitat.org/sites/default/files/Evidence-Brief_Wealth-building-for-homeowners.pdf

[58] "Snapshot of Race and Home Buying in America." National Association of REALTORS Research Group, February 2021. Accessed at: https://cdn.nar.realtor/sites/default/files/documents/2021-snapshot-of-race-and-home-buyers-in-america-report-02-19-2021.pdf

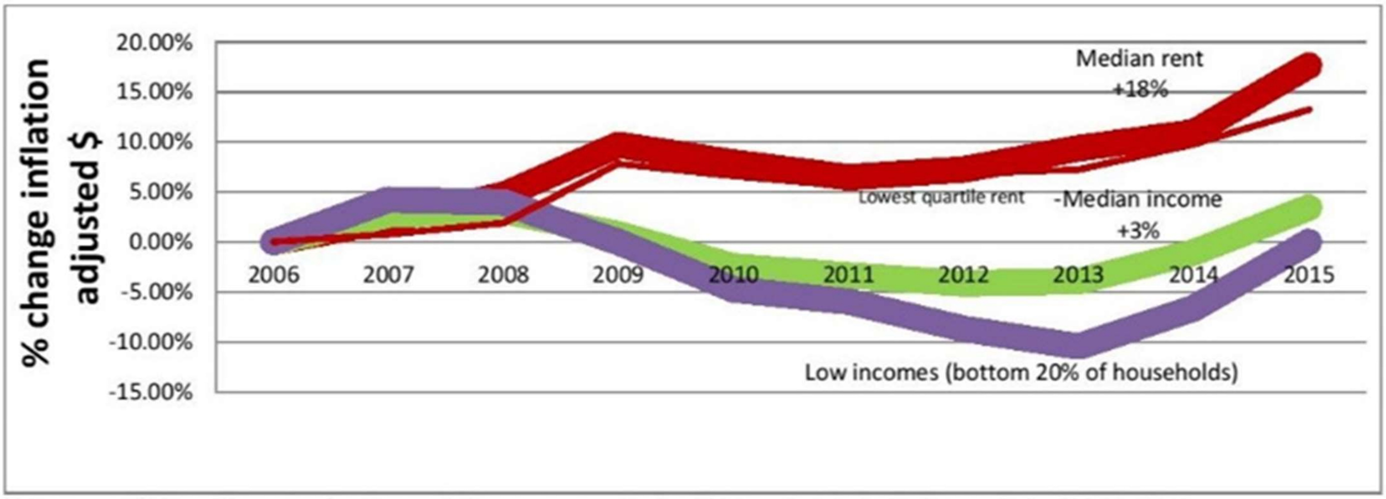
[59] "Washington and U.S. average wages." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/washington-and-us-average-wages
"Median Home Price." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/median-home-price

[60] Median Contract Rent (Dollars). U.S. Census Bureau, Table B25058: American Community Survey 1-Year Estimates

[61] "Washington and U.S. per capita personal income." Washington Office of Financial Management, last updated June 30, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/washington-and-us-capita-personal-income

in 2017, with no county reaching below 21% of cost-burdened households.[62]

Cost-burdening in the Seattle-Tacoma metropolitan area is especially problematic, with 48% of renters in the area cost-burdened in 2017.[63] This affordability crisis deepens significantly for low-income families: in 2019, low-earning families in an astonishing 73 out of 91 measured cities in Washington had less than 70% of the necessary income to qualify for a mortgage on a low-priced house.[65]



Data sources: U.S. Census Bureau American Community Survey one-year estimates; inflation adjusted using the Bureau of Labor Statistics CPI-U.

[64] *Relationship Between Rent and Income in Washington State**
**Note that the lower incomes are dropping at a faster pace than the lowest rent markets*

---

[62] Despite Washington state boasting a higher per capita personal income than the national average almost every year since 1980—ranking 7th among the states in 2020—income increases for middle- and lower-income households have failed to keep up with rent and purchase price increases as a whole.
"Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf
"Washington and U.S. average wages." Washington Office of Financial Management, last updated July 2, 2021. Accessed at: https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/washington-and-us-average-wages

[63] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf
"Housing Affordability Indices." Washington Center for Real Estate Research, last updated October 15, 2020. Accessed at: https://wcrer.be.uw.edu/housing-market-data-toolkit/affordability-index/

[64] Ibid.

[65] This data comes from the Washington Center for Real Estate Research. In 2019, households earning the median income in 41 out of 91 measured cities has just 90% or less of the income needed to qualify for a mortgage on a median priced house; this number decreased to just 6 cities for median-earning families having less than 70% of the requisite income for a mortgage. WCRER's Housing Affordability Indices assumes a median-income household purchases a median-priced home, with a 20% down payment on 30-year fixed rate mortgage at prevailing rates. WCRER defines low-income families as ones earning 70% of the median household income and assumes such families purchase low-priced homes priced at 85% of the median house price, with a 10% down payment on a 30-year fixed rate mortgage.
"Housing Affordability Indices." Washington Center for Real Estate Research, last updated October 15, 2020. Accessed at: https://wcrer.be.uw.edu/housing-market-data-toolkit/affordability-index/

Indeed, the state's housing shortage hits low-income Washingtonians the hardest: the gap between wages and the cost of housing has established itself most widely among middle- and lower-income households.[66] According to the National Low-Income Housing Coalition's 2019 Out of Reach report, Washington renters must make twice the minimum wage—or $57,782 a year, known as the "housing wage"—to affordably rent a two-bedroom unit. Yet the median wages for the largest occupations in Washington state fall far short of this housing wage mark.[67]

Median Wages for Largest Occupations Compared to Two-Bedroom Housing Wage [70]

Homelessness is Rising

If we think about the housing system as a ladder—with the most expensive homes at the top and affordable housing near the bottom—increasing housing costs relative to more stagnant wages pushes everybody down a rung. Families once able to afford higher-priced housing move down to median-priced housing; those once in median-priced housing move down to affordable housing or renting; those once in affordable housing, subsidized housing, or renting can no longer afford any of those options and are left houseless.[68] After 2013, following almost a decade of steady decline, the number of people experiencing homelessness in Washington State began to rise again.[69] The state's most vulnerable populations have been falling off the lowest rung of the ladder for the past eight years, with many Washingtonians just one financial emergency away from job loss and eviction.

The number of Washington households experiencing homelessness increased almost 16% between 2017 and 2019, and studies from the Washington Department of Commerce show that the leading factor is unequivocally families being priced out of already tenuous living situations.[71] In other words, rising rents and housing prices in the state is the primary reason for rising homelessness in Washington—*not*

---

[66] "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[67] "Affordable Housing Update: Report to the Legislature." Washington State Department of Commerce, February 1, 2020. Accessed at: https://www.commerce.wa.gov/wp-content/uploads/2020/03/2019-AHAB-Annual-Report.pdf

[68] In Washington, rent increases have forced people out of renting situations that they would otherwise have been able to afford using Section 8 vouchers.
Chen, Natasha. "Study: Rent increases linked to homelessness." KIRO 7 News, July 27, 2015. Accessed at: https://www.kiro7.com/news/rent-increases-linked-homelessness/28697248/

[69] "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[70] "Affordable Housing Update: Report to the Legislature." Washington State Department of Commerce, February 1, 2020. Accessed at: https://www.commerce.wa.gov/wp-content/uploads/2020/03/2019-AHAB-Annual-Report.pdf

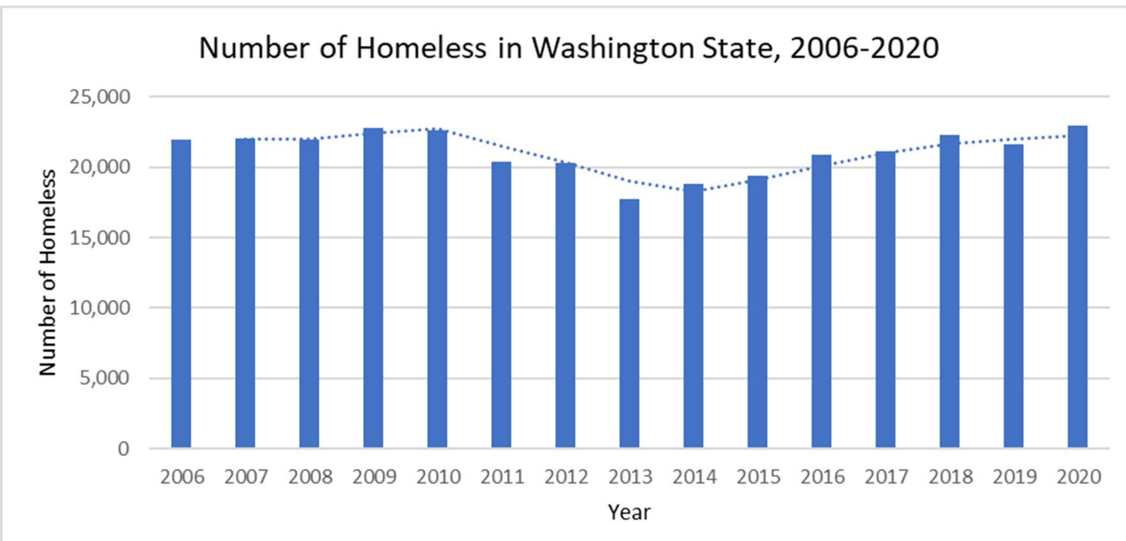
[71] "Housing Underproduction in Washington State." Up for Growth, January 2020. Accessed at: https://www.upforgrowth.org/sites/default/files/2020-

related factors like family instability, divorce, drug and alcohol dependence, educational attainment, or domestic violence.[72]

Such findings are supported by broader national research, which shows that a $100 increase in rent is associated with an increase in homelessness of between 6% to 32%.[73] Of course, part of Washington's problem of rising homelessness is exacerbated by the related issue of the state's exceedingly low vacancy rates: even when people have sufficient income or rental assistance to pay market rates for affordable housing, they have a difficult time finding an available unit at all.

Black, Indigenous, and other People of Color (BIPOC) Are Disproportionately Harmed

While more than 72% of Washington's roughly 3 million households are priced out of the state's housing market—with 2,524 more households unable to qualify for a new mortgage with every $1000 increase in costs—the impact does not fall evenly among different racial demographics in the state.[74] About half of the state's White residents can afford to buy the typical home; just 32% of Black residents and 33% of Hispanic residents can afford to do the same.[75]



Number of Homeless in Washington State, 2006-2020: Annual Point-in-Time Count from W.A. State Department of Commerce

This affordability gap means that in Washington, as in the rest of the nation, Black, Native American, and Hispanic households are more likely than White households to be renters and are even more likely to be extremely low-income renters—that is, renters with incomes at or

---

01/HousingUnderproductionInWashingtonState2020-01-10.pdf

[72] "Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

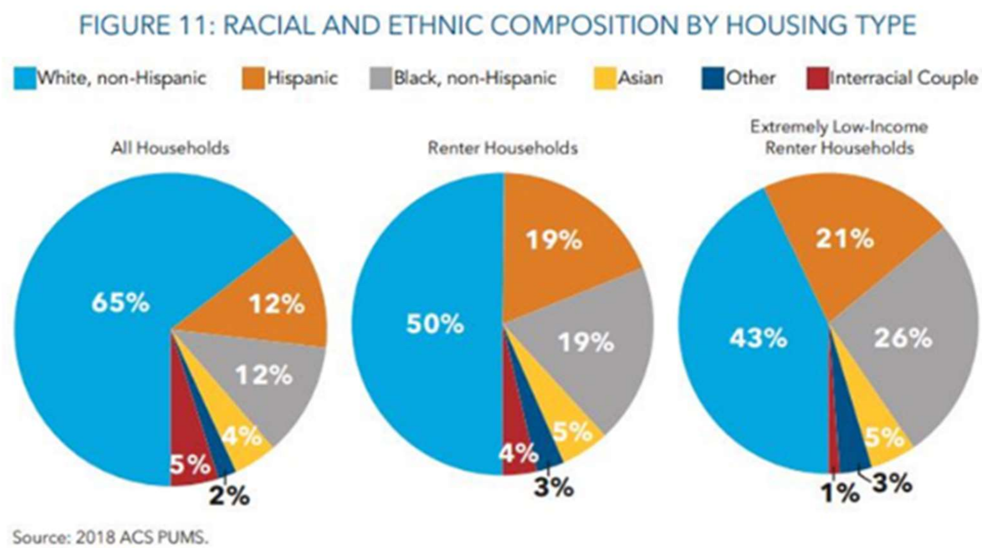
[73] Chen, Natasha. "Study: Rent increases linked to homelessness." KIRO 7 News, July 27, 2015. Accessed at: https://www.kiro7.com/news/rent-increases-linked-homelessness/28697248/

"Why is homelessness increasing?" Washington Department of Commerce, January 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf

[74] "First-time home buyers increasingly priced out of Washington housing market." Building Industry Association of Washington, March 1, 2021. Accessed at: https://www.biaw.com/first-time-home-buyers-increasingly-priced-out-of-washington-housing-market-2/

[75] Here, affordability was defined by computing a qualifying income for a 30-year fixed rate mortgage assuming a 10% down payment. "Snapshot of Race and Home Buying in America." National Association of REALTORS Research Group, February 2021. Accessed at: https://cdn.nar.realtor/sites/default/files/documents/2021-snapshot-of-race-and-home-buyers-in-america-report-02-19-2021.pdf

below the poverty level or 30% of their area median income.[76]



77 *Racial and Ethnic Composition by Housing Type*

The disproportionate tendency for BIPOC renters to struggle with paying rent in comparison to White households means that they are far more likely to experience housing instability and homelessness. As of 2020, for every 10,000 people in Washington, there are 269.4 Native Americans who are homeless, 140.3 Black people who are homeless, and 32.6 Hispanic people who are homeless.[78] For comparison, there are 24.9 White homeless people for every 10,000 people in Washington state.

In 2017 in Seattle alone, though Black residents make up around 6% of the population, they comprise 29% of the homeless population; and while Native Americans are just 1% of Seattle's residents, they are 6% of Seattle's homeless population. White Seattleites, on the other hand—who are 66% of the city's population—are underrepresented among the homeless, making up 45% of the homeless population.[79]

The link between Washington's housing affordability crisis and the disproportionate representation of BIPOC Washingtonians among the state's homeless population is not difficult to find. A study led by the University of Washington found that the most racially diverse neighborhoods across Washington bear the most evictions: in King County, one in 11 Black adults was evicted between 2013 and 2017, while in Pierce County, one in six was evicted in the same period. For comparison, only one in 50 White adults was evicted in Pierce County, and one in 100 was evicted in King County during the same period.[80]

The root cause of these evictions? Primarily, people simply cannot afford to pay their ever-rising rent. At least 80% to 90% of households in Washington were evicted for falling behind on rent in 2019—a function of stagnant wages unable to keep up with soaring housing costs.[81] With Black, Indigenous,

---

[76] "Embedding Racial Equity in Housing." National League of Cities, July 9, 2020. Accessed at: https://www.nlc.org/article/2020/07/09/embedding-racial-equity-in-housing/

[77] "Racial Inequities in Housing: Fact Sheet." Opportunity Starts at Home. Accessed at: https://www.opportunityhome.org/resources/racial-equity-housing/

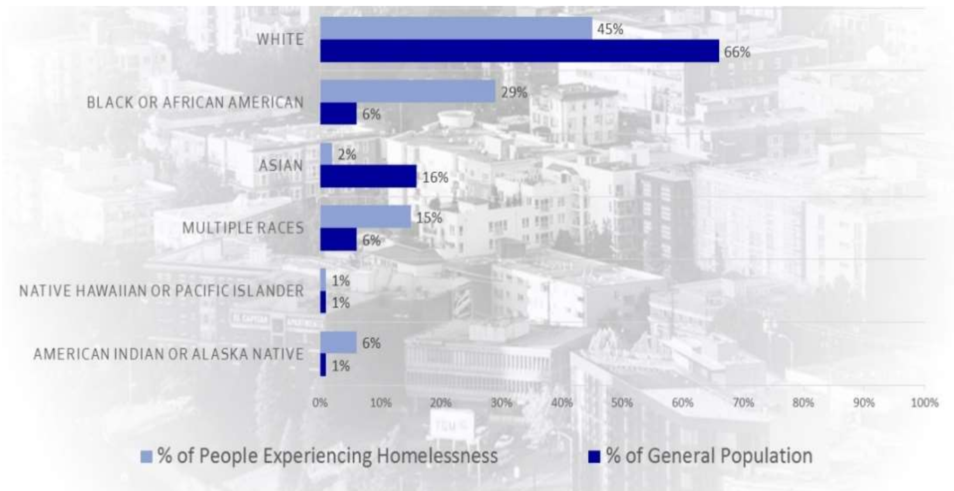
[78] "State of Homelessness: Homeless Demographics." National Alliance to End Homelessness. Accessed at: https://endhomelessness.org/homelessness-in-america/homelessness-statistics/state-of-homelessness-dashboards/?State=Washington

[79] "The Roots of Seattle's Homelessness Crisis." Seattle.gov. Accessed at: https://www.seattle.gov/homelessness/the-roots-of-the-crisis

[80] Gray, Haley. "New Study Shows the Racial Impact of Washington's Housing Crisis." SeattleMet, February 12, 2019. Accessed at: https://www.seattlemet.com/news-and-city-life/2019/02/new-study-shows-the-racial-impact-of-washington-s-housing-crisis

[81] Thomas, Timothy A.; Toomet, Ott; Kennedy, Ian; and Ramiller, Alex. "The State of Evictions: Results from the

and Hispanic Washingtonians most likely to be extremely low-income renters, it comes as no surprise that most evictions in Washington occur in racially diverse, gentrifying, and low-rent neighborhoods—a trend inextricably linked to legacies of housing segregation that have historically kept households of color from purchasing homes, accessing better neighborhoods, and building wealth.



People of Color Experience Homelessness in Seattle at Disproportionately High Rates

Rising evictions caused by Washington's housing crisis are undeniably at the root of the state's growing homelessness rate and the disproportionate representation of people of color among our homeless. A decade of research has indicated that evictions set households on a path of housing insecurity that reinforces poverty, limiting the types of neighborhoods they can access.[82]

When Washington began to lose affordable housing to rising rents around 2012, it was swiftly followed by an increase in homelessness and in evictions beginning in 2013.[83] Evictions, at their most basic level, are the direct mechanism between Washington's current housing crisis and our increases in homelessness, especially among our populations of color.

Finally, one of the underlying problems of Washington's housing undersupply—the "missing middle" of home construction—is a shortage of the very type of housing that BIPOC residents of Washington disproportionately occupy. Only 54.5% of Black households live in single-family homes (compared to 74.5% of White households), largely due to historical exclusionary zoning laws in which single-family homes were zoned primarily for majority-White neighborhoods.[84]

Without a diverse spread of housing options at different price points, lower-income households—and especially[85] households of color—were and continue to be priced out of certain neighborhoods.

Senator Mona Das of the 47th Legislative District recently noted: "the exclusion of missing middle housing is rooted in inequity and was always a way to keep some families out of certain neighborhoods."

University of Washington Evictions Project." University of Washington, February 17, 2019. Accessed at: https://evictions.study/washington/

[82] Ibid.

[83] Ibid.

[84] Passy, Jacob. "'The housing emergency most harms people of color:' Black Americans face and unequal housing market—and coronavirus could make it worse." MarketWatch, June 3, 2020. Accessed at: https://www.marketwatch.com/story/the-housing-emergency-most-harms-people-of-color-black-americans-face-an-unequal-housing-market-and-coronavirus-could-make-it-worse-2020-06-03

[85] "The Roots of Seattle's Homelessness Crisis." Seattle.gov. Accessed at: https://www.seattle.gov/homelessness/the-roots-of-the-crisis

POTENTIAL CAUSES

Washington's shortage of housing cannot be explained by just one driving factor. A myriad of causes—legal, political, social, historical—may collectively explain at least part of the story of our state's affordable housing crisis.

Restrictive and Exclusionary Zoning and NIMBY

Washington's historically restrictive zoning codes have impeded the state's ability to invest in more affordable homes. Zoning restrictions, which are typically biased against high-density sites, often prohibit the addition of "missing middle"-type housing in single-family neighborhoods, suppressing our housing supply by barring new construction and densification.[86] Though a Senate Bill (SB 6536) moving through the Capitol in 2020 would have implemented a statewide ban on zoning preventing the construction of high-density dwellings in single-family neighborhoods, it never passed either chamber, leaving Washington saddled with prohibitory zoning codes.[87]

Even where zoning codes technically allow for missing middle housing types in Washington, other regulations often serve as de facto zoning—say, by limiting the height of new buildings, requiring a minimum number of parking spots for apartment buildings, or mandating floor area ratio requirements.[88] All of these restrictions force housing to take up excessive lot space, heighten costs to builders, and effectively limit the number and type of units that can be constructed on a particular parcel of land to a narrow few.

In the areas where regulations and zoning codes do not work against the construction of affordable housing, political pressures often take their place. Local resistance, based on fears that new high-density housing will irrevocably change the culture and character of their neighborhoods, can be powerful deterrents for builders. "Not in my backyard" ("NIMBY") sentiments among residents and landowners tend to increase property values, adding to the cost of housing and driving away investors.[89]

Impact Fees, Permitting Times, and Other Regulations

Another contributor to spiraling construction costs is a rise in local government fees. After the 2008 financial crisis, real estate prices—and hence, property tax revenues—declined sharply. Many localities, in turn, raised permitting and impact fees to cover the ground lost.[90] Indeed, a common pattern among many missing middle housing

[86] Pulkkinen, Levi. "Make way for duplexes: Washington bill would mostly ban single-family-only zoning." Crosscut, February 14, 2020. Accessed at: https://crosscut.com/growth/2020/02/make-way-duplexes-washington-bill-would-mostly-ban-single-family-only-zoning
Sisson, Patrick; Andrews, Jeff; and Bazeley, Alex. "The Affordable Housing Crisis, Explained." Curbed, March 2, 2020. Accessed at: https://archive.curbed.com/2019/5/15/18617763/affordable-housing-policy-rent-real-estate-apartment

[87] "SB 6536 – 2019-2020." Washington State Legislature Bill Information, 2020. Accessed at: https://apps.leg.wa.gov/billsummary?BillNumber=6536&Chamber=Senate&Year=2019

[88] "Missing middle housing." Local Housing Solutions Policy Brief. Accessed at: https://www.localhousingsolutions.org/housing-policy-library/missing-middle-housing/

[89] "2019 Affordable Housing Update: Report to the Legislature." Washington State Department of Commerce, February 1, 2020. Accessed at: https://www.commerce.wa.gov/wp-content/uploads/2020/03/2019-AHAB-Annual-Report.pdf

[90] Bernstein, Jared; Parrott, Jim; and Zandi, Mark. "The conundrum affordable housing poses for the nation." The Washington Post, January 2, 2020. Accessed at: https://www.washingtonpost.com/realestate/the-conundrum-affordable-housing-poses-for-the-

developments is cumbersome regulatory barriers: high impact fees, long and opaque permitting processes, and long timelines for approval.[91]

Alongside these regulatory barriers is the fact that within Washington, there are few standardized "blueprints" for roads and zoning, and code language tends to differ between neighboring jurisdictions. A developer building projects across several jurisdictions will likely face several different and confusing zoning codes, permitting processes, and additional fees at each permit counter.[92] Such a process is far from expeditious. Every separate regulatory barrier translates to added costs for builders and ultimately pricier homes.

Future Labor Concerns

Looking forward, anecdotal data suggests rising concerns from employers about the current and future availability of skilled craftsmen and laborers. When surveyed, 89% of Washington State contractors admitted they were having a difficult time filling salaried and hourly craft positions, and many mentioned difficulties in finding electricians, carpenters, and installers. On top of this, 64% surveyed claimed they are losing employees to other construction firms, 58% said they have increased the base pay rate to try and fill missing spots, and around 50% have noted that projects are taking longer than anticipated to complete and are costing more because of staffing challenges.[93]

In the face of growing demand for construction workers, the vast majority of surveyed contractors cite apprehensions over worker quality and availability as their biggest concern for the coming years.[94]

Such surveys do not paint a complete picture—after all, though wages have increased over the past decade for construction laborers, they have not shown the dramatic acceleration typical of a tight labor market.

[95]

Still, signs indicate that a shortage of skilled labor might grow to cause problems for the construction industry: the average age of those in the trade hovers around the mid-40s and continues to grow,

nation/2020/01/01/a5b360da-1b5f-11ea-8d58-5ac3600967a1_story.html

[91] "Missing middle housing." Local Housing Solutions Policy Brief. Accessed at: https://www.localhousingsolutions.org/housing-policy-library/missing-middle-housing/

[92] "2017 Housing Affordability Response Team (HART) Recommendations." Washington Department of Commerce, June 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/07/HART-Housing-Affordability-2017.pdf

[93] Morrow, Jeff. "Construction companies face shortage of skilled workers." Tri-Cities Area Journal of Business, June 2019. Accessed at: https://www.tricitiesbusinessnews.com/2019/06/labor-shortage/

"2017 Housing Affordability Response Team (HART) Recommendations." Washington Department of Commerce, June 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/07/HART-Housing-Affordability-2017.pdf

[94] Conroy, Bill. "Worker Shortage Plagues the Nation and Seattle's Ability to Keep Pace with Growth-Fueled Construction Demands." Settle Business Magazine, December 19, 2019. Accessed at: https://www.seattlebusinessmag.com/commercial-real-estate/worker-shortage-plagues-nation-and-seattles-ability-keep-pace-growth-fueled

[95] Washington State Occupational Employment and Wage Estimates. U.S. Bureau of Labor Statistics. Accessed at: https://www.bls.gov/oes/2020/may/oessrcst.htm

and younger workers and apprentices are ever more difficult to attract to construction job training programs.[96] Such statistics throw up a definite red flag for continued housing production in Washington in the future if trends continue.

Unenforceable Affordable Housing Goals

Though Washington is in dire need of hundreds of thousands of new affordable housing units, there is still no agency that reviews local housing units for consistency with regional and state housing needs assessments. While goals for affordable housing have been set and can be adopted at the county, city, or town level, there is no penalty if jurisdictions fail to meet affordable housing goals.[97]

On top of this, administrative complexity for directing and enforcing subsidized and affordable housing developments increase production costs. These developments must be managed all throughout the regulatory period—which can be as long as forty years—and the administration of these projects are often complex and arduous, requiring legal expertise to cement contracts and maintain regulatory compliance.[98]

---

[96] Sisson, Patrick; Andrews, Jeff; and Bazeley, Alex. "The Affordable Housing Crisis, Explained." Curbed, March 2, 2020. Accessed at: https://archive.curbed.com/2019/5/15/18617763/affordable-housing-policy-rent-real-estate-apartment

[97] "2017 Housing Affordability Response Team (HART) Recommendations." Washington Department of Commerce, June 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/07/HART-Housing-Affordability-2017.pdf

[98] "2017 Housing Affordability Response Team (HART) Recommendations." Washington Department of Commerce, June 2017. Accessed at: http://www.commerce.wa.gov/wp-content/uploads/2017/07/HART-Housing-Affordability-2017.pdf

CONCLUSION AND POLICY IMPLICATIONS

Washington's housing market is not exempt from the laws of economics. When demand for housing far outstrips supply—as is the case in Washington—prices spiral upwards, far out of reach of the average household. In our highly interconnected housing ecosystem, rising costs in one corner of the market impacts every other segment: as housing prices rise, so too does rent. Homeownership drops statewide, but so do the numbers of renters as Washingtonians increasingly fall into housing instability and homelessness. And when housing prices skyrocket across the state and across every housing type imaginable—from more affordable high-density units to the average single-family starter home to pricier units—**everybody in Washington suffers**. Even so, just as our recent health and economic crises have highlighted the way marginalized populations—working class families, women, households of color—bear the brunt of nationwide emergencies, so too has our statewide housing crisis disproportionately placed the burden of housing affordability upon the shoulders of our most vulnerable Washingtonians.

The status quo is simply not an option. We cannot expect the imbalance between supply and demand to arrive at equilibrium by itself. We will need to actively work towards significant changes in the structure of our housing market before our affordability crisis slows and begins to reverse course. Whether this means concentrating on the construction of "missing middle"-type housing, taking a critical legislative eye to our zoning codes statewide, or reconsidering our impact fees and permitting process, action is essential.