

WORKFORCE HOUSING AN AFFORDABLE SOLUTION

PROBLEM STATEMENT

In Sequim, as in many cities across the country, it is increasingly difficult for middle-income workers to find housing in the areas in which they work, whether it is to buy or rent. In part, this may be attributable to wages not keeping up with increasing costs of living but is also due to the limited supply of housing that is priced at levels that these workers can afford. Additionally, families relocating to the area from a region with a higher cost of living can competitively “bid the cost” of a home on the market higher than what might be considered reasonable to the local economy. In response to limited affordable housing options in areas closer to the workplace, many middle-income workers move to the outer fringes of our local area, leading to longer commute times, higher levels of traffic, and other negative impacts to the surrounding area.

Housing affordability is based on the ability of a middle income family to acquire a median price home under typical market rate down payment requirements (20%) and mortgage terms (30-year) and interest rates, assuming lending institutions will not underwrite a home loan with monthly payments that exceed 25% of the buyer’s income.

Housing is not affordable if the housing market does not or cannot provide housing within a price range that a household can rent or purchase with 35% of their gross household income and especially if a household has to occupy housing that consumes more than 35% of their gross household income.

AFFORDABLE HOUSING ACTION PLAN

The Sequim Affordable Housing Action Plan 2018 (The “Plan”) was prepared to update the 2009 Sequim Affordable Housing Action Plan and support the City’s 2015-2035 Comprehensive Plan Update in conformance with the Washington State Growth Management Act (GMA). In accordance with GMA requirements, this includes an analysis of:

- Population trends in Sequim and Clallam County
- Demographic characteristics including age, household status, employment, income, housing tenure, and housing costs
- Housing market trends in Sequim and Clallam County compared with the surrounding areas and Washington State, including housing affordability
- Housing capability of critical skill occupations within Sequim and Clallam County
- Housing cost burdens of all income groups including extremely low, lower, and low income § Publicly assisted housing inventory including numbers and key sponsors
- Demographic characteristics of occupants of publicly assisted housing units
- Homelessness populations including provisions for shelter

- Population projections and allocations for the 20-year planning period
- National trends in household formations and characteristics of impact on housing needs
- Housing policy implications for Sequim including the impact of various incentives

The statistics quoted in this analysis were taken from a variety of sources including the Washington State Office of Financial Management (OFM) and Employment Security Department (ESD), U.S. Bureau of Census American Community Survey (ACS), U.S. Housing & Urban Development (HUD) Comprehensive Housing Affordability Statistics (CHAS), Washington Center Real Estate Research (WCRER), Clallam County Homeless Count 2014, among others. The time periods for which data is available varies for each source and is noted in the text and charts, and in the detailed spreadsheets included in the Appendices of the Plan.

Housing Committee

Finding ways to reduce the housing affordability gap is a City Council priority. In response, the City Council commissioned a housing study as the first step towards addressing the local housing affordability issue. Following a briefing from consultant Tom Beck regarding the Sequim Housing Action Plan at its January 28, 2019 meeting, the Council supported referring the study to the Planning Commission for additional review and analysis and asked for the formation of a committee comprised of City representatives and other stakeholder organizations to make recommendations regarding the tasks.

In the spring of 2019, the City of Sequim formed the Sequim Housing Ad Hoc Committee which held a series of meetings over the summer of 2019. The City and the Sequim Housing Ad Hoc Committee has held extensive discussion regarding the matter of “affordable housing” which, by its connotation alone, can make it seem to be a concept unachievable for a city the size of Sequim.

Perhaps, as crafters of proposed legislation, we can take somewhat of an innovative approach and think of it not so much as “affordable housing” but as something that might be more affordable to the local workforce. The term “Workforce Housing” is becoming increasingly used in affordable housing circles. There are an increasing number of articles being written on the topic of Workforce Housing, some of which provide a brief history of the term’s origins in the U.S., which discuss ways municipalities can help stimulate the creation of more Workforce Housing in their communities

Workforce Housing

Workforce Housing is a term that is increasingly used by planners, government, and organizations concerned with housing policy or advocacy. It is gaining distinction with realtors, developers and lenders. Workforce Housing can refer to any form of housing, including ownership of single or multi-family homes, as well as occupation of rental units. Workforce Housing is generally understood to mean affordable housing for households with earned income that is insufficient to secure quality housing in reasonable proximity to the workplace.

According to the Urban Land Institute (ULI), Workforce Housing is defined as housing affordable to households earning between 60 and 120 percent of area median income (AMI). Workforce Housing targets middle-income workers which includes professions such as police officers, firefighters, teachers, health care workers, retail clerks, and the like. Households who need Workforce Housing do not qualify for subsidy programs such as the Low-Income Housing Tax Credit (LIHTC) program or the Housing Choice Vouchers program (formerly known as Section 8), which are the two major programs in place for addressing affordable housing needs.

Origins

Workforce Housing finds its origins within the backdrop of affordable housing; therefore, to best understand Workforce Housing, it is important to understand how affordable housing has evolved in the U.S. over the past several years. Starting with the Housing Act of 1949, and up to the Housing and Community Development Act of 1974, affordable housing was largely driven by supply-side measures from the government. In this supply-side approach, local governments built, maintained, rehabilitated and owned public housing for low-income individuals (Parlow, 2015). However, due to the immense demand for affordable housing and limited public resources to keep up with the demand, governments began moving away from this approach. Instead, governments began to focus their efforts on engaging the private sector in affordable housing development.

The Housing and Community Development Act of 1974 launched two initiatives, the Section 8 program and the Community Development Block Grant (CDBG) program, highlighting a shift in policy from government led affordable housing development to private sector affordable housing efforts (Parlow 2015). Instead of operating as affordable housing developers, the government would instead support the demand-side of affordable housing by providing vouchers and subsidies to low-income households, who could then use these subsidies in the private market. Additional legislation was later enacted to further build the supply-side of affordable housing, including the creation of the Low-Income Housing Tax Credit (LIHTC) program in 1986, the HOME program, and the Homeownership and Opportunity for People Everywhere (HOPE) program.

It was within this affordable housing landscape that the need for Workforce Housing emerged. From the 1940's to the 1990's, housing was affordable to many middle-income workers due to wages remaining relatively correlated with costs of living, and homeownership becoming more affordable through the introduction of the 30-year amortizing loan. However, during the late 1990's and early 2000's, incomes began to lag behind rising costs of living, and housing supply for middle-income workers grew stagnant, causing an acute need for Workforce Housing especially in larger metropolitan areas (Parlow, 2015). The Great Recession of 2007 to 2009 further exacerbated the issue of housing affordability for middle-income workers by significantly reducing the production of new housing units across the nation. Because affordable housing programs focused on serving households making 60 percent or lower of AMI, middle-income workers were left with fewer housing options available to them in the cities where they worked.

Workforce Housing Implementation Strategies

The economy and housing market have widely recovered since the Great Recession and housing prices continue their steady rise as market forces drive the cost of new homes up thus reducing the availability of a more affordable option for workforce and first time home owners. The latest housing data shows that nearly 38 million households nationwide are paying more than 30% of their incomes on housing. That's 20.5 million renters and 17.3 million homeowners. More than 18 million households (1 in 6) are paying more than half of their income on housing and are considered severely cost-burdened. Nationwide, most new single-family homes are larger and more expensive than in past years. Only 22% were modest-sized homes of less than 1,800 square feet which is down from an average of 32% in 1999-2011.

Today's high demand paired with low supply has driven housing prices up and out of reach for many middle-income workers, and many local governments are exploring and implementing strategies to stimulate Workforce Housing creation. As an example, in a panel report published by the Urban Land Institute, ULI offered recommendations and a detailed implementation plan to Collier County, Florida to

help the County address its Workforce Housing needs. The following are a few strategies pulled from this report:

- Create a dedicated housing trust fund
- Repurpose vacant land and underutilized retail space
- Adopt inclusionary zoning
- Create a community land trust
- Update land development codes to encourage development in already urbanized areas
- Allow single-family homeowners to build and rent out accessory dwelling units

It is widely agreed that a significant first step the City can take to encourage Workforce Housing development is to start the conversation within our community and help raise awareness. The City of Sequim has initiated these conversations with the “City of Sequim Affordable Housing Action Plan” and with the formation of the “Sequim Housing Ad Hoc Committee” who reviewed the issue through their five meetings over the summer of 2019.

There are often misconceptions associated with Workforce Housing and housing affordability that a local government would need to dispel so that communities can become supportive of housing affordability initiatives. As Workforce Housing continues to become increasingly scarce across the U.S., those local governments who understand what Workforce Housing is, how it fits within the affordable housing landscape, and the strategies available to them will be the governments best postured to serve their middle-income workers.

The Sequim Housing Ad Hoc Committee Recommendations

At the conclusion of the Ad Hoc Housing Committee’s review of the Affordable Housing Action Plan’s Tasks, they formulated recommendations from short term to long term as follows:

Short Term Recommendations

- ST - The City of Sequim should advocate at the State Legislature for the ability to use the Multi-Family Tax Exemption (Task 1) – fall 2019
- ST - The City of Sequim should address the differential in development fees between single family and multi-family housing to reduce the relative costs for multi-family. Verify in the rate study that the multi-family rates are correct. (Task 5) – by Q2 2020
- ST – Develop a bullet list of discussion points about housing. (Other) – by 2020
- ST - Adding multi-family as an allowable use in the Commercial Business and High Tech Light Industrial Zones came up in conversation. While land use is not the within the scope of this committee, the committee recommends that the Planning Commission study both of these possibilities. (Other) – there is also a need for more multifamily zoned land
- ST - The City of Sequim should consider the use of REET2 for housing related expenses (Other).

Short Term to Mid Term Recommendations

- ST/MT - The City of Sequim should consider lobbying for federal policy changes, as needed. (Other)
- ST/MT – The City of Sequim should help people keep their homes through the provision of technical assistance. (Other)

Mid Term Recommendations

- MT – Be clear on what the assumptions are for development related fees charged by the City of Sequim – by Q1 2021 (Other)
- MT – Explore developing a community land trust. (Other) – by 2021

Mid Term to Long Term Recommendations

- MT/LT – Starting with community engagement and possibly ending with a survey, the City of Sequim should consider a sales tax and/or property tax (MT/LT) to support a Housing Trust Fund. (Task 8) – by 2022
- MT/LT - The City of Sequim should initiate a catalytic mixed-use project with affordable units and leverage the Emerald Coast Opportunity Zone. (Task 7) – by 2022

Long Term Recommendations

- LT - If a Housing Trust Fund (HTF) forms, the City of Sequim should not consider using funds to refinance overextended households. (Task 9)
- LT - If a Housing Trust Fund (HTF) forms, the City of Sequim should consider using funds to renovate eligible housing with shared and limited equity loan programs, with REET 2 as a possible funding source. (Task 10)