Final draft report:
Proposed strategies to increase affordability
& stem displacement on Hilltop

A presentation at City Council Study Session
December 5, 2017 | Tacoma, WA

Tacoma

U.S. Department of Transportation
Federal Transit Administration

Smart Growth America
Improving lives by improving communities

Enterprise®

FTA Transit-Oriented Development (TOD) Technical Assistance Initiative Grant

Supports **TOD projects** and **policies** in communities by providing resources and support through **online** and **on-site assistance**.

- To better understand:
  - Issues of housing affordability and potential for displacement on Hilltop
  - Impacts of light rail
  - Opportunities presented by TOD

- Grant award:
  - Applied October 2016
  - Awarded December 2016

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Partners

- Community & Economic Development
- Planning & Development Services
- Sound Transit
- Tacoma Housing Authority
- Hilltop Engagement Committee
- Community Non-profits
- Citizens
- City Staff
- Elected Officials

On behalf of technical assistance team

Smart Growth America advocates for people who want to live and work in great neighborhoods.
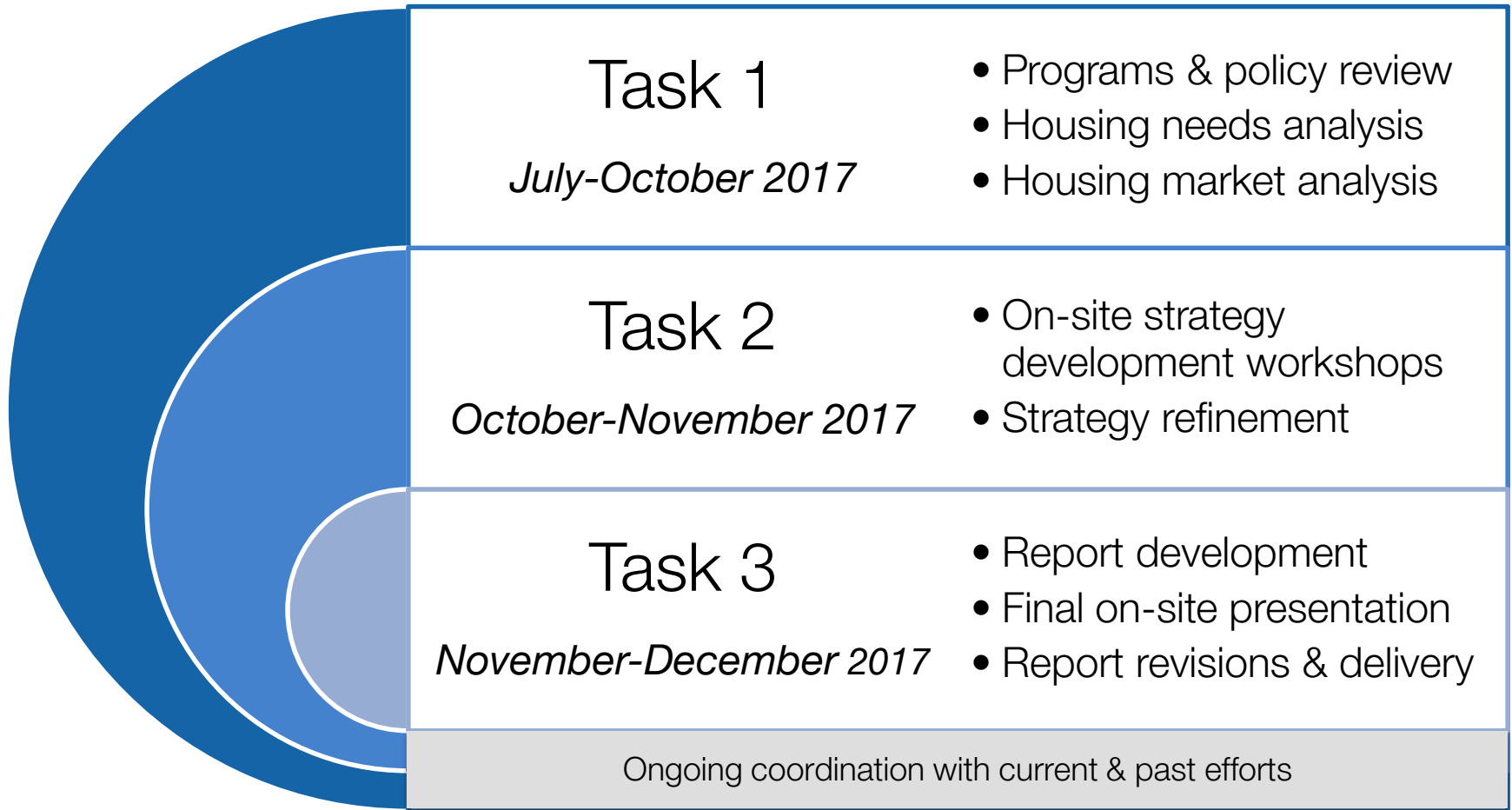
Enterprise Advisors provides public-sector consulting services as part of Enterprise's mission to end housing insecurity.

- Alex Hutchinson
  Smart Growth America

- Laura Searfoss, AICP
  Enterprise Community Partners

- Paul Bernard
  Enterprise Advisors, Enterprise Community Partners

- Jeremy Borrego, AICP
  Federal Transit Administration, Region 10 Office

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Task 1

July-October 2017

- Programs & policy review
- Housing needs analysis
- Housing market analysis

Task 2

October-November 2017

- On-site strategy development workshops
- Strategy refinement

Task 3

November-December 2017

- Report development
- Final on-site presentation
- Report revisions & delivery

Ongoing coordination with current & past efforts

Section overview

- What are the **existing housing needs & market trends** on Hilltop?

- How could housing conditions **change** on Hilltop?

- What **strategies & actions** can create **greater affordability** and **stem displacement**?

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What are existing housing needs & market trends on Hilltop?

A summary of key findings

What are the existing housing needs & market trends on Hilltop?
Lack of affordable housing is a national & regional issue.

The U.S. **rental market** continues to expand at a robust pace.
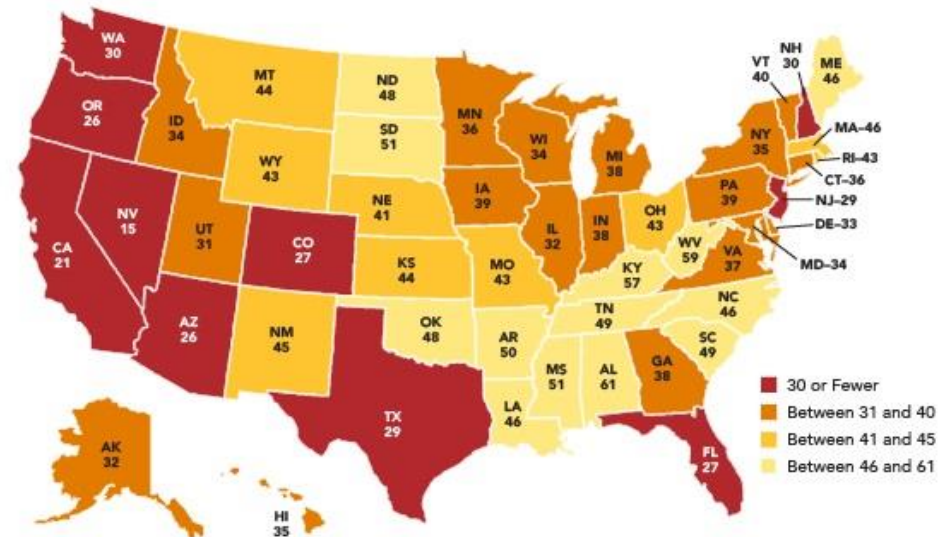
The U.S. **owner-occupied market** is still in the process of recovery from the recession.

Nearly **19 million** U.S. households experience housing insecurity.

Nationally, **only 35 affordable homes are available** for every 100 extremely low-income (ELI) renter households.

Within the Seattle-Tacoma region, **only 29 affordable homes are available** for every 100 ELI renter households.

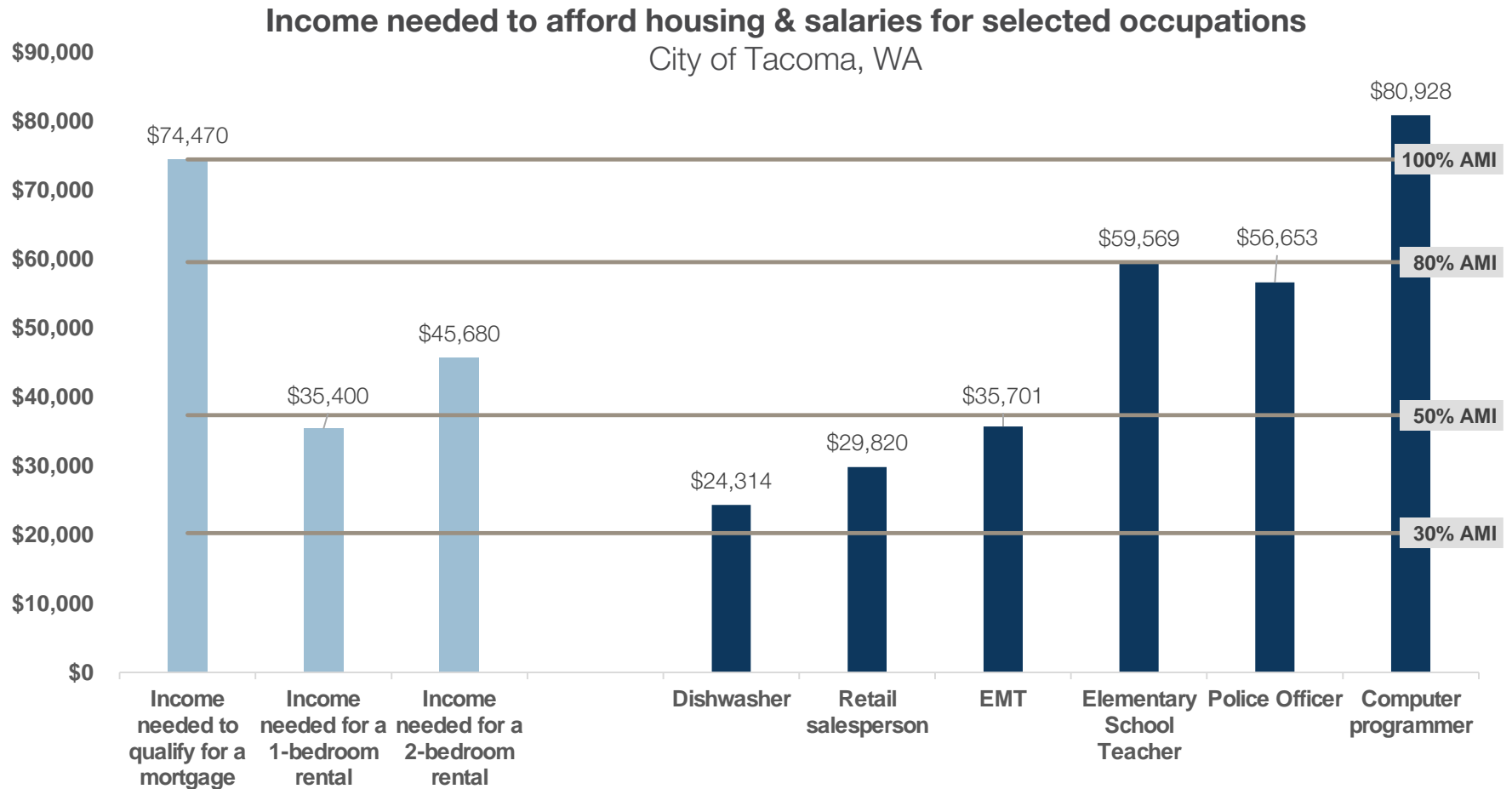**Units affordable and available per 100 ELI households by state**

WA 30, OR 26, MT 44, ND 48, MN 36, WI 34, MI 38, NH 30, VT 40, ME 46, ID 34, SD 51, NY 35, MA–46, RI–43, WY 43, IA 39, PA 39, CT–36, NV 15, NE 41, IL 32, IN 38, OH 43, WV 59, VA 37, NJ–29, DE–33, CA 21, UT 31, CO 27, KS 44, MO 43, KY 57, MD–34, AZ 26, NM 45, OK 48, AR 50, TN 49, NC 46, SC 49, MS 51, AL 61, GA 38, TX 29, LA 46, FL 27, AK 32, HI 35

30 or Fewer
Between 31 and 40
Between 41 and 45
Between 46 and 61

MAP VIA NATIONAL LOW-INCOME HOUSING COALITION

What are the existing housing needs & market trends on Hilltop?
Many common occupations in Tacoma need affordable rental and homeownership opportunities.

Income needed to afford housing & salaries for selected occupations
City of Tacoma, WA

Category	Value
Income needed to qualify for a mortgage	$74,470
Income needed for a 1-bedroom rental	$35,400
Income needed for a 2-bedroom rental	$45,680
Dishwasher	$24,314
Retail salesperson	$29,820
EMT	$35,701
Elementary School Teacher	$59,569
Police Officer	$56,653
Computer programmer	$80,928

- 100% AMI
- 80% AMI
- 50% AMI
- 30% AMI

Sources: National Paycheck to Paycheck Database 2017, HUD FY2017 Income Limits and Fair Market Rent Documentation System

What are the existing housing needs & market trends on Hilltop?
A summary of key findings

- Hilltop lacks **"missing middle"** housing. While Hilltop offers a greater variety of housing options than the City, housing stock is concentrated in a few particular types and sizes.

- Today, Hilltop offers **limited affordable housing** options for low-income renters.

- Many existing Hilltop residents, particularly renters, cannot keep pace with **rising housing costs**.

- Overall, Hilltop is in the **early stages** of gentrification.

What are the existing housing needs & market trends on Hilltop?
Hilltop lacks missing middle housing.

"Missing middle" housing fills the gap between single-family homes and apartment buildings, along the spectrum of affordability.

Adapted from missingmiddlehousing.com.

Housing types on Hilltop

Housing type	Percentage
SF, detached	43%
SF, attached	3%
Duplex	5%
MF, 3 or 4 units	8%
MF, 5 to 9 units	8%
MF, 10 to 19 units	8%
MF, 20 to 49 units	15%
MF, 50+ units	9%
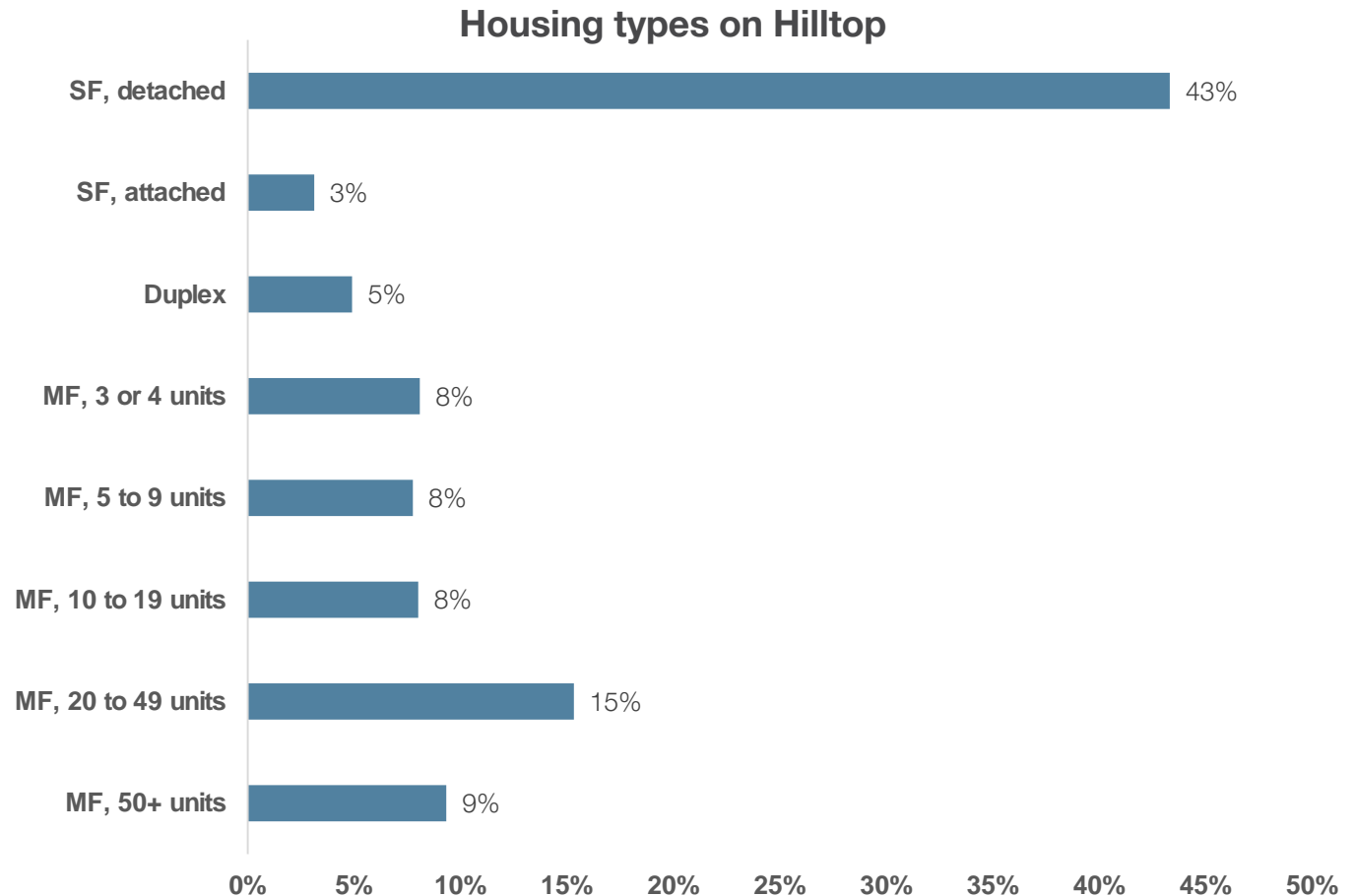
Source: American Community Survey Five-Year Estimates 2011-2015
Note: "SF" refers to single-family properties and "MF" refers to multifamily properties.

What are the existing housing needs & market trends on Hilltop?
Today, Hilltop offers limited affordable housing options for low-income renters.

Why is affordable housing limited on Hilltop?

- Occupancy by **higher income households**
- **Growth in units not targeted** to households with the lowest incomes
- **Loss of affordable units** for extremely low-income households

Total affordable & available rental units by income level on Hilltop
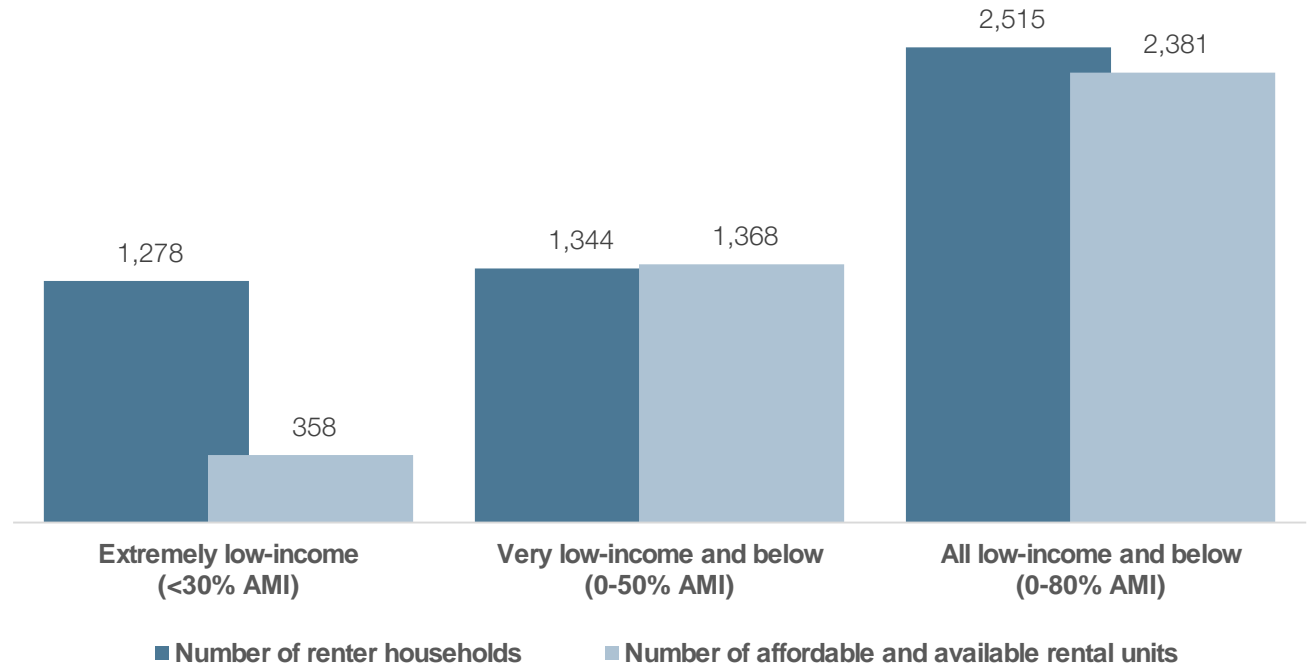
	Extremely low-income (<30% AMI)	Very low-income and below (0-50% AMI)	All low-income and below (0-80% AMI)
Number of renter households	1,278	1,344	2,515
Number of affordable and available rental units	358	1,368	2,381

■ Number of renter households   ■ Number of affordable and available rental units

- ...sing middle" housing. While Hilltop offers a greater variety of housing options than the ...t is concentrated in a few particular types and sizes.

Source: HUD 2010-2014 CHAS
*Note: Does not account for 300+ subsidized units built after 2014.

- Today, Hilltop offers **limited affordable housing** options for low-income renters.

What are the existing housing needs & market trends on Hilltop?
Many existing Hilltop residents cannot keep pace with rising housing costs.

Households are considered **"cost-burdened"** if they are paying more than 30% of their income toward housing costs.

- Housing costs have **grown faster** than household income.

- On Hilltop, **45 percent** of households experience cost-burden, compared with **39 percent** citywide.

- The number of households experiencing cost-burdens **nearly doubled** between 2000 and 2014.

Housing displacement

Is a defining feature of gentrification

Occurs involuntarily and voluntarily

Negatively affects both displaced residents and the entire community

What is gentrification?

- Definitions of gentrification vary significantly.

- But agreement exists about gentrification's three primary characteristics:

  1. Housing market changes

  2. Economic status changes

  3. Demographic changes

What are the existing housing needs & market trends on Hilltop?
Hilltop is in the early stages of gentrification.

Gentrification stages by rental (left) and for-sale (right) housing markets on Hilltop

Light rail stations (in Hilltop)

1/2 mile buffer around light rail stations

Hilltop study area

Gentrification stages

Early

Mid

Late

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How could housing conditions change on Hilltop?

A summary of potential losses in affordability

How could housing conditions change on Hilltop?
Projected impact of the Link extension

Measuring transit's impact

The estimates of general and TOD-related rent increases were projected using patterns in home sales prices.

This projection is based on the change in home sale values within ½-mile of the Central Link in Seattle.

1. **Higher rents:**

   - On the whole, rents could rise **as much as 46 percent** over the next 10 years.

   - Much of this increase will **be general increases** in housing costs, not necessarily related to TOD.

2. **More cost-burdened households:**

   - If these gains are realized, as many as **741 additional Hilltop renters** could become cost-burdened by 2026.

3. **Fewer subsidized and unsubsidized homes for low-income individuals & families:**

   - In total, Hilltop could lose nearly **1,500 affordable rental units** in the next 5–10 years.

Subsidized & unrestricted, affordable housing on Hilltop

18 privately owned housing properties receive a federal subsidy (with a total of ~600 units).

3,047 rental units on Hilltop serve low-income households without a subsidy.

- The supply of subsidized housing could shrink by as many as **254 units**, a majority of which are within ½-mile of a station area.

- The supply of **unrestricted, affordable rental housing** could shrink by as many as **1,217** units.

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What strategies can create greater affordability & stem displacement?

A unified strategy framework for Hilltop

What strategies can create greater affordability & stem displacement?
A unified strategy framework for Hilltop

1 Increase resources for and impact of initiatives that support greater affordability.

2 Streamline existing incentives and internal processes to support greater affordability.

3 Support existing Hilltop residents.

4 Increase housing opportunities in TOD for a range of income levels and lifestyles.

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KEY STRATEGY ELEMENTS:

Strategy #1.
Increase resources for and impact of initiatives that support greater affordability.

Identifies new sources of revenue, including those generated by TOD.

Uses limited federal resources in ways that increase their flexibility.

Increases competitiveness for private investment.

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RECOMMENDED ACTIONS:

Strategy #1.
Increase resources for and impact of initiatives that support greater affordability.

Action 1.1. Explore creation of a value capture mechanism (tied to Link extension on Hilltop).

Action 1.2. Create dedicated sources of funding for the Housing Trust Fund, including general revenue.

Action 1.3. Pursue additional Section 108 authorization to support catalytic economic development projects on Hilltop.

Action 1.4. Apply for a Neighborhood Revitalization Strategy Area (NRSA) designation for Hilltop.

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KEY STRATEGY ELEMENTS:

Strategy #2.
Streamline existing incentives and internal processes to support greater affordability.

Uses existing City land-use provisions to help diversify housing options.

Identifies ways to modify existing incentives to target them to Hilltop and TOD.

Leverages market-rate development to help increase housing affordability.

RECOMMENDED ACTIONS:

Strategy #2. Streamline existing incentives and internal processes to support greater affordability.

Action 2.1. Increase by-right development of small-scale housing types.

Action 2.2. Create & apply stronger housing incentives for housing production and preservation on Hilltop.

Action 2.3. Study existing fee-in-lieu structure to better align with housing affordability goals.

KEY STRATEGY ELEMENTS:

Strategy #3. Support existing Hilltop residents.	Helps Hilltop residents stay on Hilltop.
	Proactively addresses the affordability and quality of Hilltop's subsidized rental housing supply.
	Expands protections to avoid displacement & support residents in instances where displacement may occur.

RECOMMENDED ACTIONS:

Strategy #3.
Support existing Hilltop residents.

Action 3.1. Stabilize long-time homeowners.

Action 3.2. Target expiring subsidized units for preservation, working with partners to use short-term and long-term tools.

Action 3.3. Adopt tenant protections.

KEY STRATEGY ELEMENTS:

Strategy #4. Increase housing opportunities in TOD for a range of income levels and lifestyles.	Uses TOD as way to increase Hilltop's affordable housing supply.
	Prioritizes city-owned property for affordable housing activities.
	Increases competitiveness for private investment (i.e., helps leverage existing resources).

RECOMMENDED ACTIONS:

Strategy #4. Increase housing opportunities in TOD for a range of income levels and lifestyles.

Action 4.1. Integrate provisions for TOD & other policy priorities in NOFA.

Action 4.2. Support TOD master planning and predevelopment analysis, especially among large-property owners.

Action 4.3. Leverage forthcoming public land study to identify & solicit for near-term opportunities on city-owned land.

Action 4.4. Explore creation of a community land trust on Hilltop.

29 Connection to past efforts and next steps

Connections to previous actions

Affordable Housing Policy Advisory Group (AHPAG)

Created in 2009 and tasked with recommending a series of policy actions that were consistent with or complimentary to the City Comprehensive Plan.

- Recommendations of report take into account previous actions, including work of the AHPAG

- Incorporates input from key stakeholders including the Tacoma Housing Authority and other affordable housing developers

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Internal Housing Working Group

Internal Housing Working Group

Includes key staff from Community and Economic Development, Planning and Development Services, City Managers Office, Office of Equity and Human Rights, Neighborhood Community Services, etc.

- Interdepartmental work group

- Tasked with the creation of an affordable housing action strategy

- Goal of strategy is the creation/preservation of affordable housing units

- Input from external stakeholders

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Affordable Housing Action Strategy

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Action Strategy

The process by which the City will preserve and/or create the number of affordable housing units necessary to address the growing problem.

- Coordinate efforts across departments

- Comprehensive strategy with defined goal of number of units preserved/created

- Actionable items with defined timelines and responsible departments

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