Technical Report 12

Analysis of Housing and Development Tools

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INTRODUCTION

The Highway 99 Sub-Area Plan project area is an urbanized area of unincorporated Clark County located between the cities of Vancouver and Ridgefield with a unique character rich in local lore and tied to the earliest settlements in the Pacific Northwest. The community has long targeted this area as needing significant improvement. With the adoption of the Highway 99 Sub-Area Plan, the community has identified how the area will evolve into the future and be assured that positive change will take place.

Redevelopment and in some cases new development would occur creating an improved sense of place. The public and private sector will be able to partner in implementing new developments, rehabilitating homes and buildings, and creating new jobs and economic opportunities. Redevelopment is a process created to assist city and county government in eliminating blight from a designated area, and to achieve desired development, reconstruction and rehabilitation including but not limited to: residential, commercial, industrial and retail.

Redevelopment is one of the most effective ways to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions which act as a barrier to new investment by private enterprise. Through redevelopment, a project area will receive focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock and gain active participation and investment by citizens which would not otherwise occur.

Redevelopment can also affect the socioeconomic character of an area, which is defined in terms of its population, housing and economic activities. Socioeconomic impacts may occur when redevelopment would directly or indirectly change population, housing stock, or economic activities in an area. In some cases, these changes can be substantial but not adverse. In other cases, these changes may be beneficial to some groups and adverse to others. In an effort to avoid an imbalance specifically regarding the area’s housing supply and demand which can lead to affordability problems, displacement, and unanticipated changes in the character of a neighborhood; this technical paper seeks to describe the current profile of housing and population demographics within the sub-area, sets forth the county’s objectives in relation to housing and presents a variety of tools available to protect the area’s economic and social vitality by having a range of housing types and prices for all its residents.

CLARK COUNTY COMPREHENSIVE PLAN HOUSING GOALS

The Washington Growth Management Act is clear in its direction that comprehensive plans are to provide sufficient land and opportunities for a variety of housing types, ranging from site built to offsite manufactured. It is also clear that the housing and land use elements of local plans must be structured in a manner that makes it possible for persons of all income groups to have a degree of choice in their geographic search for housing. Therefore, Clark County has developed general goals and policies it will use to direct housing development.

Goal 1: **Provide for diversity in the type, density, location, and affordability of housing throughout the county and its cities. Encourage and support equal access to housing for rental and homeowners and protect public health and safety.**

Goal 2: Plan for increasing housing needs of low-income and special needs households.

Goal 3: Provide assistance for maintenance and rehabilitation of housing for Clark County residents.

Goal 4: Promote an active role in affordable housing using a combination of regulatory, partnership and finance techniques.

Goal 5: Establish a secure funding mechanism to support development of affordable housing. Coordinate and concentrate public expenditures to make positive and visible impacts on targeted neighborhoods.

Goal 6: Support diversity in the mix of housing types in the community, while improving home ownership tenure.

The purpose of the Housing Element of the Comprehensive Plan is to identify the need for, and mechanisms that will lead to the construction and preservation of decent housing for all economic segments of the Clark County population. The goals set out by the Clark County Comprehensive Plan can be achieved through a variety of innovative housing development tools. In order to efficiently achieve these goals and utilize those tools for the redevelopment of the Highway 99 Sub-Area, there first needs to be understanding of the existing housing inventory, housing costs, trends, demographics and a determination of what the current demands are for housing. (For more detailed information, please see the Comprehensive Plan 2004-2024, Chapter 2 Housing.)

HIGHWAY 99 CURRENT HOUSING INVENTORY & COSTS

The Highway 99 Sub-Area is located in an urbanized area of unincorporated Clark County between Vancouver and Ridgefield. The planning area includes approximately 2,400 acres and extends from the Chelatchie Prairie Railroad Bridge near NE 63rd Street (south), Interstate 5 (west), NE 134th Street (north), and the Bonneville Power Administration Transmission Line Right-of-Way (east).

The area has a mix of housing, businesses, and undeveloped property, but it is regionally known for US Highway 99. This key corridor, next to Interstate 5, serves as a business district for the Hazel Dell, Salmon Creek, and Felida unincorporated areas.

Housing Inventory

Census data and Assessor Records provide the most complete picture of the number and type of available housing units within the Sub-Area boundaries. The information will assist in the discussion and decision making regarding housing.

Table 1 shows the increase in housing units between 1990, 2000, and 2006 in Clark County and the Highway 99 Sub-Area. The percent change in housing units from 2000 to 2006 for Clark County was 19.3% and the Highway 99 Sub-Area was 17.6%.

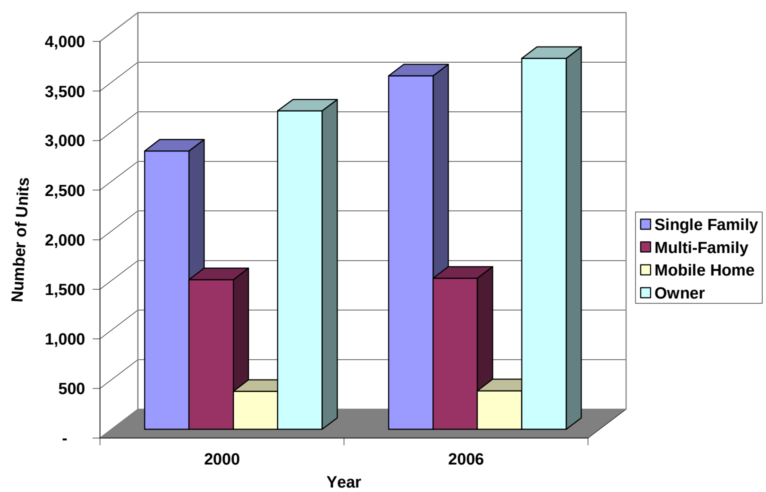
Table 1 | Housing units in Clark County and Highway 99 Sub-Area, 1990, 2000 and 2006

	Year			Percent Change
Area	**1990**	**2000**	**2006**	**2000 - 2006**
Clark County	92,849	134,030	159,907	19.3%
Highway 99 Sub-Area	3,634	4,572	5,378	17.6%

*Source: U.S. Bureau of the Census. *Clark County Department of Assessment and GIS.*

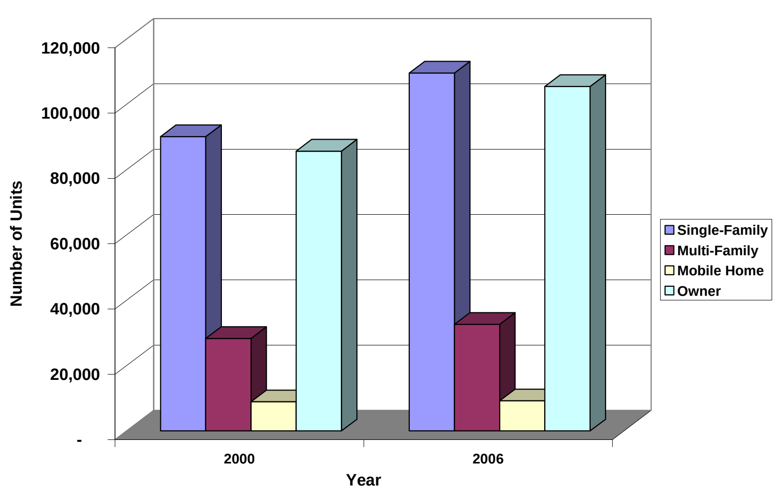
Figures 1 and 2 below indicate the number of housing units, by type, in the Highway 99 Sub-Area and Clark County for the years 2000 & 2006.

Figure 1 | Housing Types in the Highway 99 Sub-Area: 2000-2006



Source: Clark County Assessor Records, 2008 *Single Family units include both attached and detached units.

Figure 2|Housing Types in Clark County: 2000-2006



*Source: Clark County Assessor Records, 2008 *Single Family units include both attached and detached units.*

The number of single-family homes increased within the Highway 99 Sub-Area by 27% between 2000 and 2006. Multi-family and mobile home units stayed fairly constant within the same time frame. In 2006, single-family homes including attached and detached units comprised 65% of the total. Twenty-eight percent of the remaining units were multi-family dwellings and 8% were mobile homes. County-wide, the numbers by housing types are similar to the Highway 99 Sub-Area. In 2006, 72% were single-family homes, 22% were multi-family and 6% were mobile homes. This shows that there is not a larger concentration of any one type of housing within the sub-area compared to the county.

According to data provided by the Department of Assessment and GIS, in 2006, there were 3,743 owner-occupied units and 1,736 renter-occupied units within the sub-area boundaries. The homeownership rate was 68% for the sub-area. County-wide, 67% of the households were owner-occupied and 33% were renter-occupied.

Overall, the trend over the years (2000-2006), shows an increase in single-family homes within the sub-area, while the multi-family and mobile home units remained relatively constant.

Housing Market

The Washington Real Estate Commission's report, *Washington State's Housing Market: A Supply/Demand Assessment - 3rd Quarter 2007* states that the primary impact on the cooling housing markets in Washington has been reduced level of sales and increases in the absolute number of homes available for sale, not necessarily a decrease in sale prices. The report offers the following summary.

> *While responding to the national slowing of the housing market and disruption of mortgage markets, the Washington housing market is one of the brighter spots. Inventories have increased enough to provide greater consumer choice and to stabilize prices, but not enough to force prices into steep declines. Employment remains strong. Overbuilding was never the problem in Washington as it was in markets without growth management restrictions. Interest rates remain affordable, but after the rapid increases in prices in the last two years overall housing affordability remains a significant challenge, especially in the largest urban communities in Western Washington. Affordability, coupled with the inability to predict how consumers will react to national media allegations that the housing market is in a prolonged free fall, creates an atmosphere where panic decision making could reinforce instability.*[1]

The Washington Center for Real Estate Research data shows that between 2000 and 2006, the median home price in Clark County rose from $147,000 to $269,400, an increase of 83 percent. Table 2 shows the median home prices in Clark County and Washington from 2000-2006.

Table 2 | Median Home Prices in Clark County and Washington 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Clark County	$147,000	152,000	$156,500	$165,500	$195,000	$236,900	$269,400
Washington	$176,300	$179,900	$188,500	$203,800	$225,000	$260,900	$293,800

Source: Washington Center for Real Estate Research/Washington State University

[1] Washington State's Housing Market: A Supply/Demand Assessment – 3rd Quarter 2007. A report to: Washington Real Estate Commission – Washington State Department of Licensing. Prepared by Washington Center for Real Estate Research. P.11.

The January 2008 RMLS (Regional Multiple Listing Service) Market Action Report for Clark County compared January 2008 with that of 2007. The report showed a slowdown in overall market activity as new listings decreased 7.2%. Pending sales fell 24.8% and closed sales dropped 30.5%. The drop in closed sales contributed in part to a record-high inventory. At the month's rate of sales, the 4,175 active residential listings would last 17 months.

Using the average sale prices for the twelve months ending in January 2008 compared to the twelve immediately prior, the average sale price appreciated 1% and the median sale price dropped a slight 0.1%. Home sales listed as proposed, under construction or new construction fell 25% (1,449 v. 1,941) in Clark County when comparing 2007 and 2006. However, the average sale price for the group appreciated 6% ($369,800 v. $349,800) and the median sale price rose 5% ($320,000 v. $303,900).

The Housing Affordability Index measures the ability of a middle income family to carry the mortgage payments on a median price home. When the index is 100 there is a balance between the family's ability to pay and the cost. Higher indexes indicate housing is more affordable.

According to data retrieved from the Washington Center for Real Estate Research, for the third quarter of 2007, Clark County's Housing affordability index was 92.9, assuming a median family income of $64,481 (Please note that the Highway 99 Sub-Area Median Household Income for 2006 was $46,780). However, Clark County's first time buyers housing affordability index, for the same period was 56.6. First-time buyer index assumes the purchaser's income is 70% of the median household income ($45,136) and that they are purchasing homes that are 85% of the area's median price ($228,990).

The information retrieved from the Washington Center for Real Estate Research and the RMLS Market Action Report for January 2008 seems to show that although there is a substantial increase in the market's inventory, prices have not significantly dropped. The median sale prices still remain high. This means that more and more people are being priced out of the market, especially first time home-buyers and lower income households.

Rental Market

Renters in Clark County are diverse. For some moderate and upper income households, renting is a choice despite the fact that they have the financial means to buy a home. For some young households, renting is a stepping stone to future homeownership. For many low and moderate-income households, however, renting is the only financially feasible choice due to the high cost of ownership and the recent mortgage crises making it harder to qualify for a loan. The rising cost of renting has the greatest effect on the most vulnerable of Clark County's population. Once rents get too high, low-income households are forced to double up with family members, live in an apartment that is far away from their job, school, or social networks, live in substandard conditions or sometimes are even forced into homelessness. Table 3 indicates the rents for varying sizes of multi-family units in Vancouver for the First Quarter of years 2004 through 2008.

Table 3 | Vancouver Market Summary, 2004-2008

YEAR	1 BD / 1 BTH	2 BD / 1 BTH	2 BD / 2 BTH	3 BD / 2 BTH
1st Qtr 2004	$586	$641	$744	$857
1st Qtr 2005	$590	$646	$753	$857
1st Qtr 2006	$585	$649	$744	$846
1st Qtr 2007	$582	$648	$740	$846
1st Qtr 2008	$581	$648	$738	$846

Source: Norris, Beggs & Simpson: Multi-Family Reports

Apartment markets nationwide have retreated from record vacancies despite the continued strengths of the home purchase market and the resulting competition from rental single-family homes. The wave of foreclosures currently plaguing the national housing market is expected to further benefit the rental apartment market. As indicated in Table 4, Clark County had a 2.9% vacancy rate in September 2007, compared to a 4.9% vacancy rate the year before.

Table 4| Clark County and Washington Apartment Market Statistics

YEAR	Clark County Average Rent	Vacancy Rate	Washington Average Rent	Vacancy Rate
2004	$672	4.9%	$753	6.9%
2005	$681	4.9%	$769	5.3%
2006	$708	4.9%	$811	4.6%
2007	$738	2.9%	$878	3.8%

Source: Washington Center for Real Estate Research
Note: Rents in Clark County are based on an average apartment size of 890 square feet.

The information retrieved from Norris, Beggs & Simpson (Table 3) shows that the rents in the first quarter of each year had stayed relatively constant throughout 2004-2007. The Washington Center for Real Estate Research data shows a more significant increase in rental costs. However, the most noteworthy change in the rental market is the decrease in the vacancy rate in the past few years. As rentals become more popular due to changes in the housing market, rents could substantially increase due to a lack of supply.

HIGHWAY 99 SUB-AREA COMMUNITY PROFILE

This section summarizes the Highway 99 Sub-Area demographics and trends, providing a social baseline to assist in discussion and decision making regarding housing and housing needs.

Population

Table 5 shows the population trends of the Highway 99 Sub-Area, Clark County and state of Washington from 1980 to 2006. There has been a significant increase in the overall population of the county in the last two decades. This growth has also occurred in the Highway 99 Sub-Area. The sub-area had an almost 150% increase in population since 1980. The 1980s showed the most substantial growth rate averaging 5.3% per year. The 1990s and 2000s still showed an increase at an average annual growth rate of 2.4% and 2.6%, respectively.

Table 5 | Population Growth in Washington, Clark County, and Highway 99 Sub-Area, 1980-2006

	Year				AAGR by Decade		
Area	**1980**	**1990**	**2000**	**2006**	**1980s**	**1990s**	**2000s**
Washington	4,132,353	4,866,663	5,894,143	6,375,600	1.6%	1.9%	1.3%
Clark County	192,227	238,053	345,238	403,500	2.2%	3.8%	2.6%
Highway 99 Sub-Area	5,450	9,168	11,664	13,567	5.3%	2.4%	2.6%

Source: State of Washington, Office of Financial Management.

Population projection for the Highway 99 Sub-Area was estimated by Clark County Department of Assessment and GIS. Estimates are based on housing records in the Assessor's database and persons per household by block from Census 2000. Average Annual Growth Rate (AAGR) was calculated by Clark County Community Planning.

Table 6 shows that between the years 2006-2024 Clark County will add 180,810 residents based on the Clark County 20-Year Comprehensive Growth Management Plan. If the sub-area continues to grow at an average annual growth rate of 1.7 percent, it will add 5,054 people. This percentage is based on 7,162 housing units in 2024 occupied at 2.59 persons per household.

Table 6 | Population projections for Clark County and Highway 99 Sub-Area, 2006-2024

Population Projections			AAGR
Area	**2006**	**2024**	**2006-2024**
Clark County	403,500	584,310	2.08%
Highway 99 Sub-Area	13,567	18,621	1.7%

Source: Clark County Department of Assessment and GIS. Average Annual Growth Rate (AAGR) is calculated by Clark County Community Planning.

According to Table 1, in 2006 there were 5,378 housing units within the sub-area boundaries. Therefore, 1,784 additional housing units will be needed to accommodate the projected population growth for the Highway 99 Sub-Area in the next eighteen to twenty years.

Income

The relationship of household income to housing prices is the main factor affecting the ability of residents to secure adequate housing. Table 7 shows the number and distribution of households by annual income in the Highway 99 Sub-Area, Clark County and Washington in 2006. The largest percentage of households falls within the $25,000-$49,999 income bracket. About 17 percent of household incomes are under $25,000, which is comparable to Clark County and Washington State. It also compares the median household incomes. Median income is defined as the mid-point of all of the reported incomes; that is, half the households had higher incomes and half the households had lower incomes than the mid-point. Overall, the income distribution of the sub-area is comparable with the county as a whole, except that the median income is $9,000 lower than the county median. This information shows that the Highway 99 Sub-Area compared to the county as a whole does not have a higher concentration of low income people.

Table 7 | Households by annual income in Highway 99 Sub-Area, Clark County, and Washington, 2006

Annual Household Income	Highway 99 Sub-Area		Clark County		Washington	
	HHS	%	HHS	%	HHS	%
<$25,000	927	17.2%	26,100	17.9%	538,906	21.0%
$25,000 to $49,999	1,319	24.5%	38,067	26.1%	628,242	27.0%
$50,000 to $74,999	1,135	21.1%	33,660	23.1%	499,576	21.0%
$75,000 to $99,999	731	13.6%	19,556	13.4%	326,213	13.0%
$100,000 to $149,999	914	17.0%	19,745	13.5%	303,811	12.0%
$150,000 to $199,999	215	4.0%	4,668	3.2%	93,031	3.0%
$200,000+	137	2.5%	4,202	2.9%	82,133	3.0%
Total	5,378		145,998		2,471,912	
Median Household Income	$46,780		$55,405		$52,583	

Source: Clark County Department of Assessment and GIS. U.S. Census Bureau, American Community Survey

A household consists of all people who occupy a housing unit regardless of relationship. Using federal guidelines, a household is considered “extremely low income” if its annual income is not greater than 30 percent of the median income. Households that earn between 31 and 50 percent of the median income are considered “low-income”, and those with incomes between 51 and 80 percent of the median are considered “moderate income.” Households are considered “middle income” when they earn between 81 and 95 percent of the median. Table 8 illustrates these income categories and associated incomes, using 2007 HUD median family income guidelines for the Portland-Vancouver region.

Table 8 | 2008 HUD Income Limits for Portland-Vancouver-Beaverton OR-WA MSA Annual Income by Household Size

Percent of Median Income	Number in Household 1	2	3	4	5	6	7	8
Extremely Low-Income 30% of Median	$14,250	$16,300	$18,350	$20,350	$22,000	$23,650	$25,250	$26,900
Low-Income 31%-50% of Median	$23,750	$27,150	$30,550	$33,950	$36,650	$39,400	$42,100	$44,800
Moderate 51%-80%	$38,000	$43,450	$48,900	$54,300	$58,650	$63,000	$67,350	$71,700
Middle Income 81%-95%	$45,100	$51,600	$58,050	$64,100	$69,650	$74,850	$80,000	$85,100

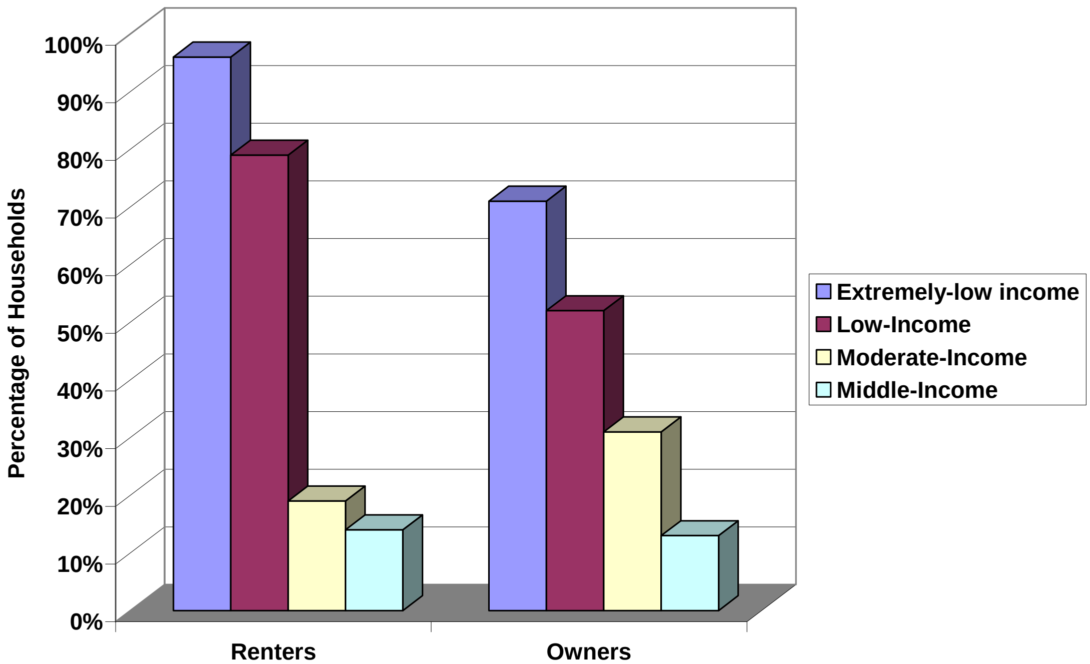
Source: U.S. Department of Housing and Urban Development
Portland-Vancouver-Beaverton, OR-WA MSA Median Family Income: $67,500

Income levels, as they relate to housing affordability, are often considered within the context of “cost-burden”. A household which is defined as “cost-burdened” has housing costs (including utilities) which exceed 30 percent of their gross household income. The percentage of Highway 99 Sub-Area households that have incomes below the area’s median and are paying more than 30% of their income for shelter is presented in Figures 3, 4 and 5 below.

The information provided in Figures 3, 4 and 5 was taken from the Comprehensive Housing Affordability Strategy (CHAS) data available through the U.S. Department of Housing & Urban Development (HUD). In order to provide the most accurate data for the sub-area regarding the number of households with incomes below median that are “cost-burdened”, Census Designated Place boundaries and data were used. Those places are defined as South Hazel Dell, North Hazel Dell and Salmon Creek. A census designated place (CDP) is a statistical entity, comprising a densely settled concentration of population that is not within an incorporated place, but is locally identified by a name.

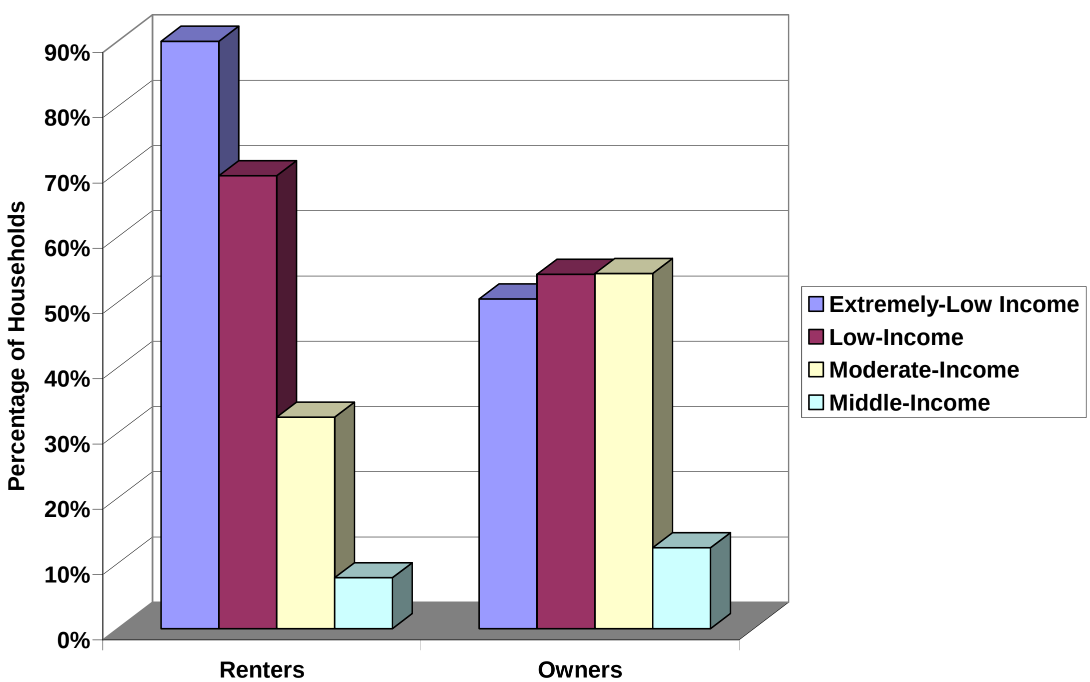
The data in Figures 3, 4 and 5 show that in all three Census Designated Places (Hazel Dell South, Hazel Dell North and Salmon Creek), households with 0-30% median family incomes or “extremely-low” households have the highest percentage of cost-burden than any other income group.

Figure 3| 2000 Hazel Dell South Households Paying Greater than 30% of Income on Housing by Income Level



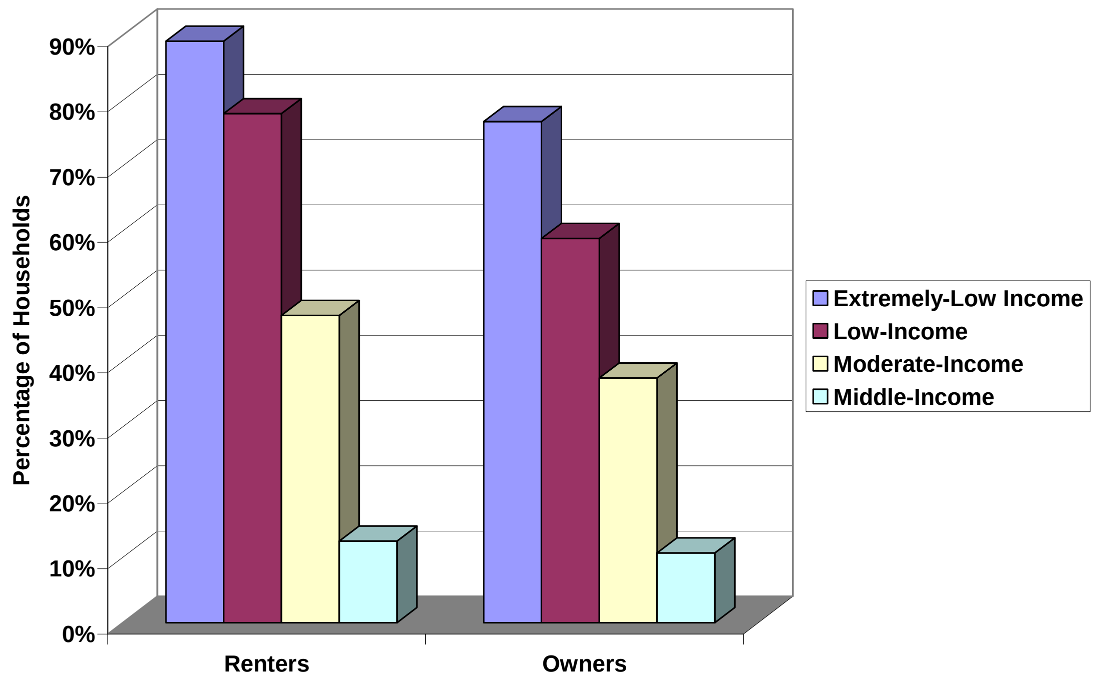
Source: CHAS data provided by the U.S. Department of Housing & Urban Development

Figure 4|2000 Hazel Dell North Households Paying Greater than 30% of Income on Housing by Income Level



Source: CHAS data provided by the U.S. Department of Housing & Urban Development

Figure 5| 2000 Salmon Creek Households Paying Greater than 30% of Income on Housing by Income Level

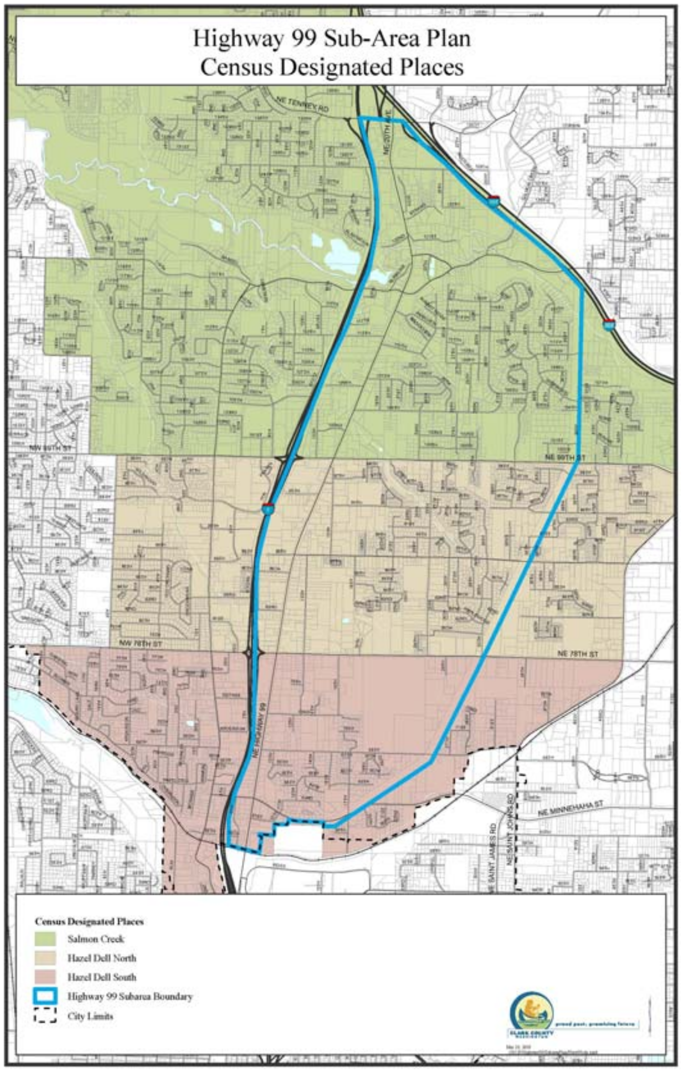


Source: CHAS data provided by the U.S. Department of Housing & Urban Development

According to the data presented in Figures 3, 4 & 5 above, the entire sub-area appears to be affordable to middle income renters and owners with fewer than 20% of the residents in these income categories paying more than 30% of their income on housing. The Hazel Dell South area is affordable to moderate income renters with fewer than 20% of the residents in that income group paying more than 30% on housing. In contrast, Hazel Dell North and Salmon Creek are not affordable to many moderate income renters and owners, and none of the areas are affordable to most low and extremely low income households. It is important to note that the data indicates that 25% of the owner-occupied households within the three Census Designated Places which earn less than the median income are paying a high percentage of their income on housing cost, therefore could be susceptible to foreclosures.

Although the Census Designated Places are not exactly matched to the Highway 99 Sub-Area boundaries, it is close enough to understand the profile of those households with below median incomes that pay more than 30% of their income on housing. Please see Figure 6 which indicates the boundaries of the Census Designated Places in relation to the Highway 99 Sub-Area boundaries.

Figure 6 | Highway 99 Sub-Area Plan Census Designated Places



Source: Clark County Department of Assessment & GIS

HOUSING TRENDS AND NEEDS

As Clark County continues to grow and change, local officials are left to figure out where all these new people will live, work, and shop. When we look at America's most popular urban communities, they share some basic characteristics. They are walkable and combine housing, work, entertainment and schools in the same neighborhood. They also have several different housing options and have lots of parks and green space. New markets are emerging for real estate that offers a more convenient lifestyle than is offered by many low-density sprawling communities.

As stated in the Highway 99 Sub-Area Technical Report #8: *Market Opportunities and Constraints*, the type of housing units demanded is driven by several factors such as price, income and wealth. Other factors include population, household size, age distribution of household, marital status, and whether or not children are in the household.

The *Market Opportunities* report listed several key trends that are occurring both nationally and locally that suggest that there is an increase in the demand for smaller housing units with greater convenience to access to work, shopping and recreational activities.

- There is a long trend (50 years) in the U.S. and the Northwest of decreasing household size and increasing home size. However, household size has increased county-wide in recent years. Continued rapid immigration could continue this trend.
- According to Eric Hovee of E.D. Hovee & Company, LLC, there are signs that the trend toward increased home size will not continue unabated. This is particularly the case with higher density urban housing products, where consumers choose fewer square feet with a higher value per square foot.
- An aging population will create more “empty nest” and single-person households, increasing relative demand for smaller housing units and multi-family housing that do not require tenants to perform yard and building maintenance.
- A larger share of children and middle-aged adults (Technical Report 1: Land Use & Demographics) will create demand for housing that is near schools, grocery stores, medical services, and pedestrian friendly environments.
- Increased income inequality will increase relative demand at the high and low end of the market, increasing relative demand for large single-family housing and affordable multi-family units. At the Community Design Forum held on September 27, 2007 citizens report a desire for affordable housing and higher density housing.
- Increasing real housing cost will force buyers to economize on land and built space, and increase demand for more affordable housing.

Leah Greenwood from Affordable Community Environments (ACE) reports two other trends occurring in today’s housing market.

- With a slowing down in the homeownership market the demand for moderate and middle income rental housing will strengthen. This will likely result in increased rental rates in existing rental housing and demand for new multi-family rental housing development.
- Upward pressures on the unrestricted rental housing market will likely result in fewer affordable housing opportunities for existing and new low and moderate income residents creating a demand for long-term affordable housing.

As stated in the Housing Market section of this report, the cooling of the housing markets in Washington State has resulted in reduced levels of sale and increases in the number of homes available for sale, but not necessarily a decrease in sale prices. On the other hand, the multi-family apartment markets have retreated from record vacancies. As home sale prices remain high and foreclosures continue to plague the national housing market, the rental apartment market will benefit.

As indicated in Table 4, Clark County had a 2.9% rental vacancy rate in 2007, compared to a 4.9% vacancy rate a year earlier. As shown in Figure 1, single family housing had increased by 27% during the time frame of 2000-2006, while the multi-family units remained relatively constant. Therefore, it appears that the current market conditions indicate multi-family residential demand is and will be increasing.

The *Market Opportunities* Report further questioned what type of residential development would be likely for the Highway 99 Sub-Area and concluded that based on the current market, demographics and inventory, there is growing evidence that there is a market in Clark County for multi-family development in mixed-use projects. However, it further concludes that whether or not that type of development could occur within the Sub-Area all depends on how the area redevelops. The current vacant lands model does show that the Highway 99 Sub-Area can accommodate an additional 1,323 multi-family housing units through 2024.

Urban-style residential developments are primarily driven by a demand for urban amenities such as retail, restaurants, and entertainment. At this time, the Highway 99 Sub-Area does not offer any of those types of urban amenities. Creating neighborhood amenities was discussed by participants of the Highway 99 Community Design Forum. Participants believed that amenities such as streetscape designs, traffic calming improvements, parks, and restaurants would be essential to developing a market for mixed-use or multi-family housing.

Participants also expressed the need for more mixed-income and affordable housing within the sub-area. As indicated in Figures 3, 4 and 5 of this report, many low and moderate income residents of the Sub-Area are paying over 30% of their annual income on housing, therefore are considered cost-burdened.

The county’s Comprehensive Plan states that we must identify the need for, and mechanisms that will lead to the construction and preservation of decent housing for all economic segments of the Clark County population. The following sections will touch on affordable housing, the area’s existing stock of affordable housing, and lastly a variety of development tools that aide in the development of mixed-income and affordable housing.

WHAT IS AFFORDABLE HOUSING?

Housing affordability issues impact all households, in all income groups. Every household has an income, at one level or another, and must find housing that meets but does not exceed the requirements of the income level. Households at higher incomes have fewer housing affordability problems, largely because their incomes allow greater flexibility to access housing at, or less than, their incomes. In addition, there are generally more housing units available within their income ranges. Persons with lower incomes have more housing affordability problems partially because their ability to access housing in their target price range is limited by persons from higher ranges “buying down,” and by limited numbers of units.

Housing affordability is expressed by lenders, government officials, and ordinary citizens in different ways. Lenders generally claim that affordable housing is housing expenditure at or below 30 percent of household income. Families respond in terms of their personal preferences and their other debts. Low and moderate-income advocates respond in terms of the impracticality of accumulating four figure down payments in terms of the potentially disastrous impact on people with fragile incomes when every available penny is committed to housing.

Who needs affordable housing? More people than you might realize. As stated before, the generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual gross income on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. In 2000, 28% of Clark County renter and homeowner households were paying more then 30 percent of their annual incomes for housing, while about 10% were paying more than 50 percent on housing. The lack of affordable housing is a significant hardship for low-income households preventing them from meeting their other basic needs, such as nutrition and healthcare, or saving for their future and that of their families.

AFFORDABLE HOUSING WITHIN THE SUB-AREA

There is a variety of housing within the Highway 99 Sub-Area. In order to understand what types of affordable housing is available, an inventory was completed to determine the number and location of affordable housing units within the planning area. Information was gathered from Clark County Department of Community Services and the Vancouver Housing Authority (VHA) regarding the number of subsidized units available. It was determined that there are 180 low income housing units within the sub-area boundaries. These units were financed either through the State of Washington Housing Finance Commission or through federally subsidized funds.

There are however, many other apartment, mobile home and single family units that may also provide affordable housing to residents within the sub-area. These units are not administered by the VHA and were not known to be subsidized; therefore tenants could be paying a cost-burden for residency. This report indicates those units that are administered by VHA or have been funded by the Housing Finance Commission and only briefly describes the inventory of other probable affordable units.

Multi-family Units

There are several entities in Clark County that have assisted in the development of affordable housing. The Housing Finance Commission was created in 1983 to provide financing for affordable housing and nonprofit facilities. It was to be a new agency that would make below-market-rate home loans available to first-time homebuyers and help finance affordable multifamily developments. The HFC has helped finance two multi-family developments within the Highway 99 Sub-Area. They include:

- 148 Units - Maple Knoll: 1800 NE 104 St. (147 Low Income Housing Units)
- 51 Units - Lodgepine, 1509 NE 91st Circle. (11 Low Income Housing Units)

Maple Knoll Apartments

Lodgepine Apartments

The Vancouver Housing Authority (VHA) provides affordable rental housing and housing assistance for more than 12,000 residents of Clark County, Washington. They provide opportunities to people who experience barriers to housing because of income, disability, or special needs. The VHA administers several programs for low income residents which include Low Rent Public Housing/ Special Needs Housing; Rental Assistance; and Workforce Housing.

Low Rent Public Housing / Special Needs Housing

In public housing, low-income elderly, family, and disabled households pay 30% of their income for rent and utilities; the VHA is the landlord, and the costs of operating the property that exceed rental income are subsidized by the US Department of Housing and Urban Development. Most of these units are owned, managed, and maintained by the VHA. The remainder is owned by nonprofit organizations but are managed and maintained by the VHA. Mostly all households have incomes below 30% of the area median income. The public housing units that are located within the Highway 99 Sub-Area boundaries include:

- 9 units - 8815/8817/8819 NE 15th Ave
- 5 Single Family Homes
- 12 units – Azalea Place: 9000 NE 15th Avenue – Section 811

8815 NE 15th Ave. Apartments

Azalea Place Apartments

Rental Assistance

With Section 8 Housing Choice Voucher assistance; low-income elderly, family, and disabled households rent from a private landlord while paying only what is affordable for rent (approximately one-third of their income). The remainder of the rent is paid to the landlord by the VHA through federal subsidies.

Workforce Housing

As a long-term strategy, workforce housing provides quality affordable housing today, keeps affordable housing stock in our growing community's development pipeline, and acts as an investment to provide more deeply subsidized housing for extremely low-income people in the future. Financed through housing revenue bonds and low-income housing tax credits, these properties provide a modest return on investment for a private-sector partner while at the same time ensuring a stable supply of affordable rental housing now and into the future. Workforce housing may have some federal and state funds/subsidy in the construction or acquisition of the capital asset but no deep subsidy. In tax credit financed projects, rents are generally set at 30% or 60% of area median income (AMI). In bond financed properties at least 51% of the residents have to have household incomes at or below 80% of median. The workforce housing units that are owned by VHA within the Highway 99 Sub-Area include:

- 148 Units - Maple Knoll: 1800 NE 104 St. *Pictures shown on page 15*
  (147 Low Income Housing Units)

In addition to the Vancouver Housing Authority, other non-profit community development corporations such as Affordable Community Environments (ACE), YW Housing and Columbia Nonprofit Housing develop affordable housing in Clark County. These organizations partner with Clark County, the State of Washington, and the Federal Government through affordable housing financing programs to provide housing and mixed-use developments. There are opportunities to partner with these organizations to provide new, quality housing in the Highway 99 Sub-Area plan.

Many other multi-family units are located within the Highway 99 Sub-Area boundaries; however it is not known which units are "affordable". According to information provided by the Clark County Department of Assessment and GIS, as of 2006 there were 1,468 multi-family units within the sub-area boundaries. The pictures below show the variety of multi-family rental units within the planning area boundaries.


Mobile Homes

According to the data received from the Clark County Department of Assessment and GIS, there are 15 mobile home parks and 426 mobile homes within the Highway 99 Sub-Area boundaries. County-wide, there are 426 Mobile Home Parks and 9,267 mobile homes. Mobile home parks originally became popular among laborers flocking to urban areas for war-related employment during World War II, primarily because they were not affected by wartime restrictions on certain types of construction.

Hidden Village Mobile Home Park

Lazy Z Mobile Home Court – 63rd Street

According to an article from the National Housing Institute, there are roughly 19 million Americans of various means living in manufactured housing today. The article further states that, "mobile homeowners are still subject to social stigmas which developed shortly after World War II. Trailer parks, now largely home to people with incomes below $20,000, are often perceived as homes for the destitute and disreputable." [2]

Manufactured housing that is produced on an assembly line helps keeps the costs of these types of units down, while single-wide "mobile" homes remain by far the most affordable category. However they often end up not as cheap as they first appear. Mortgage companies often discriminate against mobile homeowners by demanding inflated interest rates, and retailers frequently qualify people for mobile homeownership without fully explaining the range of expenses. Since mobile homes can't build equity, current low-income homeowners are unlikely to be able to "trade-up" to new models, condominiums or a single-family unit, further decreasing their range of options. However, as long as mobile homes themselves continue to be cheaper to produce than stick-built houses, they are likely to retain a place in the affordable housing spectrum.

Single-Family Housing / Duplex Units

There are also pockets of single-family/duplex units in the sub-area. Some are well-kept, while others are in substandard conditions. These units most likely provide additional supplies of affordable housing specifically for households seeking single-family or duplex residences. The pictures below show some examples of single-family and duplex rental units within the sub-area boundaries. As redevelopment occurs and the cost of land increases, those units close to the business corridor may be lost to other types of land uses.

6th Street Single Family Units

Cypress Point Development

6th Street Single Family Units

MIXED-INCOME HOUSING

Mixed-income housing is a concept that is gaining popular support at many levels and for good reason. These types of developments are occupied by households of varied income levels. The range of incomes would normally include households who are low-income and some households that have higher incomes. This concept is gaining in popularity due to social, political and economic problems found in developments serving only low-income households. As stated in the *Health Impact Assessment Technical Report,* "As density is increased, creation of mixed-income housing has the capacity to enhance social equity and social cohesion in a neighborhood."

According to the article, *Mixed-Income versus Low-Income Housing*, Jeannie McClure concludes, "The benefits of mixed-income housing are found in many forms, but the source of the benefits is

[2] Rosenbloom, Phillip. *Homeowners, and Tenants Too: Mobile Homeowners face unique, yet familiar, challenges.* National Housing Trust's Shelterforce Online. Issue #112, July/August 2000.

in the social interaction between people of different economic circumstances. The interaction can reduce the culture of poverty that can pervade low-income housing projects. The interaction can provide access to networks of contacts crucial to becoming gainfully employed. The interaction can provide the role models that children need both in the classroom to succeed academically and outside the classroom in the form of working adult role models." [3]

According to the article by McClure, research suggests that mixed-income housing will not work everywhere. Some housing markets are well suited to a mix of household income levels, while others are not. The following factors must be considered when discussing whether or not an area could support mixed-income housing.

- **A tight housing market**: Studies have found that successful projects tend to be located in housing markets characterized by a strong demand for housing. However, it all depends on whether or not households consider mixed-income housing as a positive or negative attribute. If mixed-income housing is considered a positive attribute, households would seek out such developments whether or not the market was tight or soft. Therefore, if households consider the mix a negative attribute, these types of developments would only work in a tight market. In order to overcome that stigma, developers and property managers would have to make mixed-income developments especially attractive to overcome the market-based preference.
- **Poverty and crime rates in the market:** The research conducted has found that mixed-income housing is unlikely to succeed if the neighborhood suffers from widespread poverty or crime.
- **What attracts higher income renters:** Researchers have found that good location, attractive design features and effective management are essential to attracting higher income households. Since they have more options in the marketplace, the mixed-income development must offer amenities, such as close proximity and easy access to employment and shopping.
- **Importance of Schools:** Evidence has shown that one of the greatest benefits of mixed-income housing is the interaction between low-income children who may be lacking sufficient role models and other higher-income residents of the developments. To fully engage the children of low-income households into the social interaction hoped for in mixed-income housing, it is necessary to attract upper-income households with children to these developments.

Local research and further analysis would have to be completed to determine whether the Highway 99 Sub-Area is a location where this type of development could be successful. Mixed-income housing is a viable housing strategy that should be explored, for it seeks to fulfill the Comprehensive Plan housing goal of providing diversity in the type, density, location, and affordability of housing throughout the county and its cities.

In practice

Columbia Knoll is a mixed-income redevelopment project located on the 10-acre historic Shriners Hospital site in northeast Portland. The redevelopment includes affordable senior independent and congregate housing, as well as affordable family housing, a day-care facility, community center and market-rate, for-sale townhomes. The 334 housing units are configured in two, three, and four-story structures that are carefully sited to preserve mature existing trees and the

[3] McClure, Jeannie. *Mixed-Income versus Low-Income Housing.* Urbanicity: For Local Government & Urban Development. www.urbanicity.org

historic Shriners front lawn on Sandy Boulevard. The project has required detailed coordination with the State Housing Office, the Portland Development Commission; and the Historic Landmarks Commission, as well as an extensive public outreach program with five neighborhood associations.

Columbia Knoll

AFFORDABLE/MIXED-INCOME HOUSING DEVELOPMENT TOOLS

The Washington Area Housing Partnership produced a document entitled *Toolkit for Affordable Housing Development.* It is a compilation of policies and planning tools that local governments can use to preserve and promote affordable housing development in their jurisdictions. As the metropolitan areas of Washington become more desirable to live due to excellent public schools and a steady job growth, home values continue to increase. In order to accommodate individuals who work in the public and service sector, local leaders have recognized the need for additional affordable housing.

There are also segments of the population that are living on very low, fixed incomes due to age or disabilities. As the *Toolkit* states, "studies have demonstrated that targeting public dollars to provide stable housing for these groups is a good investment because social service spending is reduced once such populations are living in housing they can afford."[4]

The following policies and programs taken from the *Toolkit* can provide Clark County officials with successful strategies and new ideas for preserving and creating more housing units for the many residents that work in the area but struggle to find decent housing for their families that they can afford. Several of the policies/programs are already being utilized in Clark County.

AFFORDABLE HOUSING DEVELOPMENT

With the increase of population forecasted for Clark County in the next twenty years, the challenge of providing housing for an economically diverse workforce will need to be addressed. Although there are many new housing developments breaking ground in Clark County, most are out of reach to moderate and low-income households. This section will touch on a variety of tools that are available to help encourage the development of affordable housing.

[4] Toolkit for Affordable Housing Development. Developed by The Washington Area Housing Partnership.

Planning and Zoning Tools

At times, inflexible zoning and land use controls may limit the development of affordable housing. Growth control policies that are designed to protect open space increase the base cost of land available for residential development. Regulations such as minimum lot sizes and parking requirements also add to the cost of development. There are a handful of zoning tools available that may remove the obstacles that impede the construction of affordable housing. They include:

- Inclusionary Zoning
- Minimum Lot Sizes & Setbacks
- Affordable Housing Districts
- Infill Housing Development
- Affordable Dwelling unit Ordinance

Inclusionary Zoning. Inclusionary Zoning is a regulatory tool that requires developers to include a number of affordable homes in new residential developments over a certain size. In return, developers receive non-monetary compensation-in the form of density bonuses, zoning variances, and/or expedited permits-that reduce construction costs. By linking the production of affordable housing to private market development, Inclusionary Zoning expands the supply of affordable housing while dispersing affordable units throughout a city or county to broaden opportunity and foster mixed-income communities.

Inclusionary zoning, sometimes called "inclusionary housing," can take many forms. Some programs are mandatory, while others are voluntary or incentive-driven. Some jurisdictions require developers to construct affordable units within the development, while others allow affordable units to be constructed in another location. Some require developers to build the units, while other communities allow developers to contribute to an affordable housing fund.

In Practice

Passed in 1974, Montgomery County's Moderately Priced Dwelling Unit (MPDU) Ordinance requires developers of projects of more than 20 units to make 12.5% to 15% of the new units affordable to lower-income households. In exchange for the affordable units, developers are granted a 22% density bonus. An MPDU has a legally enforceable control period of 30 years from the date of settlement and if the unit is sold during the time period the price is determined by the MPDU office. Owners are required to live in the MPDU as their primary residence throughout the 30-year period. Since the inception of the ordinance, more than 11,900 affordable units have been built. Developers reported their profits on projects with inclusionary units were about equal to those of market-rate developments.

2 MPDUs

Townhomes: Market Rate & MPDUs

Minimum Lot Sizes & Setbacks. Reducing minimum lot sizes or setbacks required for new residential development increases project density and decreases the cost of housing development. While technically not an affordable housing program, the cost savings associated with reduced lot sizes and setbacks make the development of affordable units more feasible. Smaller lot size and setback ordinances may be applied to any new development or may be restricted to target areas where a locality wishes to encourage affordable housing development.

In Practice

The City of Fremont, California has developed a multi-family zone with clear incentives to encourage appropriate multi-family developments in low, medium, and high density areas of the city. Proposed developments may qualify for a density bonus if the project includes reduced minimum lot setbacks or reduced parking requirements. Additional incentives such as streamlining the permitting process are bundled within the program to attract diverse types of affordable units within the multi-family zone.

Affordable Housing Districts. Affordable Housing Districts are areas targeted for affordable housing development. Within these areas, special zoning exceptions may be applied, such as relaxing of height restrictions and decreasing parking requirements, to offset developer costs of producing affordable housing. Affordable Housing Districts are often formed in urban neighborhoods where the cost of developing new housing is high, but can be created in any areas where affordable housing is needed.

In Practice

Grand Forks, North Dakota started developing affordable housing districts in 2002. In exchange for special concessions on tax assessments and land standards, developers in these areas agree to build higher density, smaller entry-level homes. In the years prior to these efforts, only 14 affordable units were built in the entire city. However, since 2002, of the 106 homes built in the affordable housing districts, over 57% meet affordable housing target prices.

Infill housing development. Infill housing development is generally used in urbanized areas to encourage the development of vacant land or the redevelopment of blighted properties. It is a valuable land use tool for localities interested in limiting suburban sprawl and implementing smart growth policies. Prime locations for infill development include downtowns, economically depressed neighborhoods ripe for revitalization, transit corridors and any location near employment, shopping, recreational and cultural centers. Infill development can be expensive, so developer incentives are often employed to help reduce the costs of residential development. Incentives such as upgrading the local infrastructure, adding public amenities and lowering impact fees encourage residential infill development and make the inclusion of affordable units more feasible.

In Practice

Clark County already has an infill ordinance in place that provides incentives to develop vacant parcels and which also increases public notice to help ensure neighborhood compatibility. Some of the developer incentives include: reduced roadway widths; exemption from stormwater and erosion control; minimum lot sizes; reduced setback requirements; and allowance of additional types of dwellings.

The Affordable Dwelling Unit Ordinance. The Affordable Dwelling Unit Ordinance is a compulsory law. Under the ordinance, homebuilders are given a density bonus of up to 20% in return for insuring that a certain percent, 12.5% for example, of the total units will be affordable to households earning less than the area median income. The ordinance applies to for-sale and rental developments of 50 units or more and where the density is greater than one unit per acre. Included in the ordinance are guidelines for the location of the affordable units within the development and descriptions of properties not subject to the law.

In Practice

Fairfax County, Virginia adopted the Affordable Dwelling Unit Ordinance (ADU) in 1990 to help ensure a sufficient stock of affordable housing units in the county. The ordinance requires developers of residential projects with 50 or more for-sale or rental units to make 12.5% of the total number of housing units affordable to households earning less than 70% of area median income. For rental projects, developers are generally required to provide 6.25% of the new units to households at this income level. In exchange, developers are granted a density bonus of up to 20%. Units built under the ADU ordinance must retain their affordability for 15 years. However, the County is considering extending the affordability period to 30 years for new developments, and offering incentives to current owners who may be re-selling their units to extend the affordability period to 30 years at transfer. The Fairfax County Redevelopment and Housing Authority has the right to purchase up to one-third of the units.

Developer Incentives

Developer incentives lower the cost of residential construction and make affordable housing development more feasible. Incentives, such as density bonuses and impact fee waivers, can be provided to developers at no cost to local jurisdictions while infrastructure and public amenity improvements require financial investments by localities. The Developer Incentives section of this report will focus on the following programs:

- Density Bonuses
- Impact Fee Waiver & Proportional Impact Fees

Density Bonuses. Density bonuses are granted for projects in which the developer agrees to include a certain number of affordable housing units. Essentially, for every one unit of affordable housing a developer agrees to build, a jurisdiction allows the construction of a greater number of market rate units than would be allowed otherwise. Most often, density bonuses vary from project to project and do not exceed a particular threshold (for instance, 20% of normal density) determined by local officials.

In Practice

The County of San Diego has several density bonus policies. The State Density Bonus Law allows a 25% increase in the number of housing units with the requirement that for the next 30 years, at least 10% of total units be reserved for very low-income households, or 20% of total units be reserved for low-income households, or 50% of total units be reserved for qualifying senior citizens. The Affordable Housing for the Elderly Program targets senior citizens requiring that all units housing elderly persons reserve 35% of total units for very low-income elderly households. Although the increase in the number of allowable units is negotiated on a case-by-case basis, this policy allows up to 45 units per acre within designated areas. The Housing for Lower Income Families Program allows the development of low-income housing with up to 20 units per acre in designated areas, provided that all of the units are affordable to low-income families.

Impact Fee Waiver and Proportional Impact Fees. Impact fees are one-time charges assessed on new developments to help pay for new or expanded infrastructure to serve them.

Revenue collected through impact fees helps fund the expansion of water and sewer lines to the new development, the building of new or improvement of existing roads or sidewalks in the area, and the creation of public amenities such as parks or new schools. Like all the other development costs, impact fees add to the final cost of housing. To make affordable housing projects more attractive to developers, many localities offer to waive the impact fees associated with developments which include affordable housing units.

Alternatively, a "proportional" impact fee program may be developed in which impact fees are adjusted according to the size of the housing unit or the location of the new housing. Larger homes and those located in outlying areas where infrastructure does not currently exist, usually command a higher fee than smaller, in-town units.

In Practice

Santa Fe, New Mexico offers impact fee waivers to private, for-profit, and nonprofit developers creating developments in which at least 25% of the units are affordable to low-income households. Fees are reimbursed or waived for the affordable units only once the developer certifies the sale price, size of unit, size of household, and the household income meet affordable standards.

AFFORDABLE HOUSING PRESERVATION PROGRAMS

As Clark County continues to rapidly grow, one of the greatest risks to the current affordable housing stock is the conversion of existing affordable units to market-rate units. Affordable rental units are lost through condominium conversions and property renovations. Affordable single-family units are lost when property taxes increase. There are a couple of tools that local jurisdictions can use to help preserve affordable housing units.

- Housing Rehabilitation Programs
- Multi-Family Improvement Programs

Housing Rehabilitation Programs. Upkeep of old housing can be costly for low-income homeowners, especially the elderly who often rely on fixed incomes. In some areas, homeowner rehabilitation programs are available to low- and moderate-income households to assist them with indoor plumbing repairs, correcting health and safety issues, increasing energy conservation and preventive home maintenance. Assistance is usually provided as low-interest loans.

In Practice

Clark County's Housing Rehabilitation program is designed to maintain the housing stock and ensure decent and safe living conditions for eligible applicants. Communities and neighborhoods also benefit by increased pride in ownership. The Housing Rehabilitation Program is available to homeowners who live in the Clark County municipal area and in the Woodland city limits. Funding for the program is through the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program under Title 1 of the Housing and Community Development Act of 1974.

Multi-Family Improvement Programs. Older, multi-family structures are a good source of affordable rental housing. However, these buildings are also at great risk of being lost due to aging structural problems and property neglect. Many localities are now offering financial and technical assistance to property owners who cannot afford to upgrade their rental properties. In return, the owners agree to preserve some or all of the rental units for lower-income families. The assistance is generally provided as a low- or no-interest loan. Tax abatement programs, in which tax increases due to property improvements are reduced for a number of years, can also be offered as an incentive to multi-family property owners.

In Practice

The District of Columbia's Department of Housing and Community Development (DHCD) administers a Multi-Family Rehabilitation Program (MFRP) that assists the acquisition and/or rehabilitation of multi-family properties of five or more units in the District of Columbia for both rental and homeownership purposes. The program is funded by federal CDBG and HOME funds along with the local Housing Production Trust Fund (HPTF). Projects for funding are competitively solicited twice a year through a Request for Proposal process. DHCD funds approximately 1,300 multi-family units annually through this process. Projects with units assisted by the MFRP must be occupied by households earning 80% or less of the median income in metropolitan Washington. Affordability requirements vary depending on the specific project funding source.

FINANCIAL TOOLS FOR AFFORDABLE HOUSING PRESERVATION

Residential development can be costly, especially in urban areas. And developers' desires for high returns on their projects only add to the final price for consumers. However, there are ways to reduce the high cost of housing while insuring respectable profits for developers.

This section will highlight and examine the following financial tools used for affordable housing and preservation:

- Housing Trust Funds
- Tax Exempt Bonds
- Low-Income Housing Tax Credits
- Community Development Block Grants
- HOME Funds
- Dedicated Revenue Source
- Credit Enhancement Program

***Housing Trust Funds**.* Housing trust funds are powerful tools for providing locally targeted and managed assistance for affordable housing. The funds can have a variety of revenue sources, but among the most common are some portion of the local real estate transfer tax, penalties on late payments of real estate taxes, and fees on other real estate–related transactions. Each housing trust fund has a governing body that decides how the funds are used. Some support demand-side solutions, such as subsidizing the down payment on a home purchase by low- to moderate-income residents. Housing trust funds often address housing supply by providing financing, such as zero-interest loans or gap financing for affordable housing construction or preservation.

In Practice

The Washington Housing Trust Fund (HTF) is a fund that helps communities meet the housing needs of low-income and special needs populations. HTF supports the construction, acquisition, rehabilitation of 4,500+ units every 2 years. A few more things HTF does are: creates homeownership and rental opportunities for people with incomes below 80% of the area median; assists first time low income homebuyers with down payments; and helps communities preserve investment in housing through rehabilitation of existing structures.

Washington Housing Trust funds were utilized by the Vancouver Housing Authority for the Plum Meadows/Fruit Valley Revitalization project. When the Vancouver School District planned to demolish the Fruit Valley Elementary School and bus its students to other schools, outraged parents and neighbors gathered community stakeholders to help save their school. The Vancouver Housing Authority was a lead partner in this effort. The VHA purchased nearby land upon which the district built a new school. The VHA then built 162 attractive, affordable housing units on the old school site to provide the necessary increase in enrollment. With new affordable housing, additional population, and a new, enhanced elementary school, the area is ripe for further investment.

Plum Meadow Apartments

***Tax-Exempt Bonds**.* Tax-exempt bonds are issued by state and local governments, municipalities and other organizations and governmental units that are qualified by the Internal Revenue Code of 1986. Tax-exempt bond holders are exempt from federal taxation and generally from local taxation if the obligations are issued within the state of residence.

There are two types of bonds that can be used to facilitate affordable housing: affordable multifamily rental housing bonds (a type of private-activity bond) and 501(c)(3) bonds for nonprofit developers. There is a limitation on the total amount of tax-exempt multifamily rental housing bonds. Each state may issue tax-exempt bonds annually at a maximum of $50 per capita or $150 million for smaller states. There is also a cap of $150 million on 501(c)(3) bonds that can be used by not-for profit developers.

In Practice

In Seattle, Washington, HomeStreet Capital, one of the Northwest's oldest multi-family and commercial real estate lenders, has provided $2.6 million in financing to the Pike Place Market Preservation and Development Authority (PDA) for purchase of the Market House Apartments. HomeStreet purchased tax-exempt bonds issued by the PDA, which used the funds to acquire the property. PDA is a nonprofit, public corporation chartered by the City of Seattle in 1973 to manage 80% of the properties in the nine-acre Market Historical District.

Federal/State Low-Income Housing Tax Credits (LIHTC)**.** Created by the Tax Reform Act of 1986, the Low-Income Housing Tax Credits (LIHTC) program has been recently amended to give states the equivalent of nearly $5 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. LIHTC is typically used in multi-family housing developments, and the equity created by the sale of tax credits allows a reduction of the property's mortgage. This, in turn, allows the property owner to lower rents, making the property affordable to low-income households.

Section 42 of the Act stipulates that the credit will be allocated on the state level and requires each state to designate an agency to administer the program. The Washington State Housing Finance Commission is the designated allocating agency for the state of Washington. States can only allocate credits within their state boundaries, and the Commission is the only agency in Washington authorized to issue credits. The laws governing the program impose many requirements on owners which the Commission must administer and monitor. Generally, each state may allocate a specified amount of credit (annual authority) per year to qualified projects in the state. The amount of annual authority is based primarily on the per capita population of the state. This means a state may allocate an amount equal to $1.95 per resident per year. For instance, if the state population for a given year were 5,000,000, the state credit available for that year would be $9,750,000 (5,000,000 X $1.95). In addition to the per capita credit authority amount, the state may gain additional authority from other sources. These sources include credits forfeited by projects which failed to complete and excess credits from a completed project. The state may also receive additional credit from a National Pool composed of the unused credit of other states.

Without LIHTC, it would be economically impossible in most markets for developers to construct or rehabilitate affordable rental housing.

In Practice

Esther Short Commons is an affordable housing project in downtown Vancouver. The project features space for the Vancouver Farmers Market on the ground floor in addition to other retail shops. Four stories of apartments are offered above the ground floor retail. Utilizing Low Income Housing Tax Credits, HOME and CDBG funds, 160 units were constructed. 139 of those units are designated for people who are at 65% of the area's median income.

Esther Short Commons

Federal/State Community Development Block Grant Program (CDBG). Federal CDBG funds provide annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing affordable housing. Eligible grantees for federal CDBG funds include principal cities of Metropolitan Statistical Areas, other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities).

States administer CDBG funds for non-entitlement areas. Non-entitlement areas include general local governments which do not receive CDBG funds directly from HUD as part of the entitlement program. These funds are used to provide housing and economic opportunities for low- and moderate-income persons and to develop and implement comprehensive revitalization plans in low- and moderate income neighborhoods. Non-entitlement areas are cities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas), and counties with populations of less than 200,000.

In Practice

Each year since 1985, Clark County has received over one million dollars in Community Development Block Grant (CDBG) funds. The funds are then distributed to municipalities, organizations and groups through a competitive proposal process. Each October, the Clark County CDBG Program requests proposals from applicants in order to award the next year's CDBG funds. Proposals received are evaluated in several categories to determine which projects will receive the funding. CDBG funds can only be given to cities, non-profits, private companies, but not private individuals.

In order to be eligible for CDBG funding, a project must meet one of the three National Objectives. The principle National Objective is that the project must primarily benefit persons of low and moderate income. The projects must also be an eligible activity.

Projects in Clark County have included community and senior centers, care homes, affordable housing, neighborhood parks, and street/sidewalk improvements.

HOME. HOME is a federal program and provides formula grants to localities that communities use—often in partnership with local nonprofit groups—to fund activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. The program's flexibility allows states and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, rental assistance or security deposits.

In Practice

Utilizing the HOME program, Clark County has provided funds to Share ASPIRE—Achieving Self-sufficiency Personal Improvement and Resource Education. Share ASPIRE provides case management to families and single adults on their way to stability and self-sufficiency. ASPIRE is a coordinated system for providing case management, housing and connection to supportive services in our community for homeless families and individuals. The County was also able to provide funds to the Vancouver Housing Authority for a security deposit assistance program and to Columbia Nonprofit Housing for a down payment and/or principle reduction assistance program. As stated above, HOME funds were also used for the award winning Esther Short Commons' mixed-use project as well as the Mews at Cascadia Village and Plum Meadows Apartments.

Local Dedicated Revenue Source. Governments commonly use a dedicated revenue source to provide continuous funding for affordable housing initiatives in their communities. Dedicated revenue sources are frequently structured to direct funds into a housing trust fund. Generally, housing trust funds serve populations earning no more than 80% of the area median income.

In Practice

Three Washington State House Bills have assisted in allowing the county to provide continuous funding for affordable housing initiatives through document recording surcharges. **House Bill 2163** became law in Washington State on August 1, 2005. The law mandated a goal of reducing homelessness in Washington by 50% by 2015. Local plans to reduce homelessness are to be funded by a document recording surcharge. Administration of the fund is shared between local governments and the State.

House Bill 2060, effective June 13, 2002, enacted a surcharge of $10 per instrument recorded in each county for affordable housing benefiting persons at 50% or less of the median family income (very-low income people). During the first year, (June 2002 - July 2003) Clark County collected $771,400. The County Auditor's office can keep up to 5% of the money to administer the collection of funds. Of the remaining funds, 60% stay in Clark County for low-income housing and 40% is transmitted to the state for use by the Washington State Dept. of Community, Trade, and Economic Development for affordable housing.

House Bill 1359 creates an additional eight dollar document recording fee allowing the County to retain $7.20 from each eight dollars collected. The funds must be used to "directly accomplish the goals" of the county 10-Year Homeless Plan. The new revenues will be used to enhance homelessness prevention programs, create a new program for youth transitioning from foster care, start a new program that moves chronically homeless people off the street and into housing, improve data collection, increase employment training for the homeless and those at risk of homelessness, and to start a program that provides individual development accounts.

Credit Enhancement Program. The King County Credit Enhancement Program is a relatively new initiative to assist in the development of affordable housing. King County will provide a credit enhancement which will reduce financing costs for housing developments -- either market rate or affordable developments. In exchange for project savings, the developer agrees to set aside affordable units within the project.

CONCLUSIONS

Information shows that the Highway 99 Sub-Area compared to the county as a whole does not have a higher concentration of low income people. There is a variety of housing within the planning area with only 180 subsidized units available. The many other apartment, mobile home and single family units that may also provide affordable housing to residents are not administered by a public or non-profit agency. Their location, upkeep and management are provided by the private sector market.

Recent trends in the single-family and multi-family residential markets show different signs. The RMLS Market Action Report for January 2007 shows a slowdown in overall single-family market activity as new listings decreased, pending sales fell, and closed sales dropped. At the month's rate of sales, the active residential listings would last 17 months. However, according to data retrieved from the Washington Center for Real Estate Research and Norris, Beggs & Simpson regarding multi-family units, vacancy rates are dropping, and rental rates are increasing. Overall, the current market conditions indicate multi-family residential demand is increasing.

With this expected strengthening of the rental housing market, providing affordable housing becomes more important. Market rate units are likely to see an increase in rents because of market demand, resulting in a loss of affordable housing. Providing subsidized affordable rental housing in the community managed by the public and non-profit sector can ensure that housing for low income residents is available in the community and immune to shifts in the residential market.

This type of housing has long-term affordability guidelines that require that rents do not increase above a predetermined affordability level. In addition to ensuring long-term affordability, subsidized rental housing often must meet higher standards in terms of construction quality and ongoing maintenance. Most subsidized housing has a range of investors including private banks, tax credit equity investors and public lenders. Each of these investors monitors the condition of the properties over time to guarantee their investment is protected. This ensures that subsidized housing by the Vancouver Housing Authority or non-profit housing developers' properties are maintained by local community based organizations versus absentee landlords and are held at a higher standard.

The *Health Impact Analysis Technical Report* emphasized the need for the creation of affordable and mixed-income housing within the sub-area. The *Health Report* recommends that the county create more affordable housing options which include mixed income, mixed-use family and individual units.

As shown with the Esther Short Commons project, mixed-income housing is an attractive option because, in addition to creating housing units for occupancy by low-income households, it also contributes to the diversity and stability of the community. Mixed-income housing is increasingly becoming the preferred model for providing affordable housing. The concept is to de-concentrate individuals who earn lower incomes and to assist those families in maintaining a residence in a community that serves various income levels. Mixed-income housing is a viable housing strategy that should be explored, for it seeks to fulfill the housing goals set out by the county's Comprehensive plan in providing diversity in the type, density, location, and affordability of housing**.**

As stated in the *Market Opportunities Technical Report,* the increasing difficulty for first time homebuyers to purchase a home and the declining vacancy rates for apartments, there is growing evidence a market for multi-family development in mixed-use projects exists in Clark County and the Highway 99 Sub-Area. However, the development of urban-type housing products is not likely to happen unless the study area transforms itself from its current strip-commercial development pattern. The change is not likely to happen without public/private participation in the creation of urban amenities, and concentrated, rather than dispersed, investment. Participants of the Highway 99 Community Design Forum defined these urban amenities as streetscape designs, traffic calming improvements, parks, and restaurants. Those amenities will be essential in developing a market for mixed-use and/or multi-family housing. To facilitate the transition, the creation of commercial nodes is recommended to act as a catalyst for change.

The intent of this technical report is to provide housing information that will be helpful towards the planning effort of the Highway 99 Sub-Area plan. As stated in the introduction, the hope is to avoid an imbalance of the area's housing supply and demand which can lead to affordability problems, displacement, and unanticipated changes in the character of a neighborhood. By understanding the current conditions and trends of the population and housing market within the sub-area boundaries, decision makers can accurately determine the needs of the community. The variety of tools provided can assist in meeting those needs thereby achieving the housing goals set forth by the community and Clark County's Comprehensive Plan.