

WORKFORCE HOUSING REPORT

Housing Essential Workers in Whatcom County



Courtesy of Kulshan Community Land Trust

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SUMMARY

THE NEED FOR WORKFORCE HOUSING SOLUTIONS IN WHATCOM COUNTY

Whatcom County is faced with an unprecedented housing crisis, and citizen surveys indicate homelessness and affordable housing are the top two concerns. With rising rents and home prices combined with the increase in unemployment due to the COVID-19 pandemic, housing security is becoming more scarce in Whatcom County.

Rising home prices are challenging for everyone in our community, but are particularly challenging for “workforce” households. The Urban Land Institute defines workforce households as those earning between 60-120% of the area median income (AMI); however, we acknowledge that low-income and extremely low-income households are also a vital part of the workforce. Owning or renting home under current market pressures is particularly challenging for workforce households earning 60-120% AMI because they make too much money to qualify for state and federal assistance programs, but they also do not make enough money to rent or buy on the open market. Workforce residents comprise the majority of the labor force within Whatcom County and work in important growth industries such as education, professional services, and the public sector.

However, workforce households struggle to find safe and affordable homes in close proximity to workforce centers and are priced out of homeownership opportunities. Workforce households who cannot afford to rent or buy homes in Bellingham often move farther away to find homes in Ferndale, Lynden, Sudden Valley and other smaller cities in Whatcom County pricing out the workforce families in those communities and leading to longer commute times that require reliance on automobile travel, and other negative effects. **It is imperative that Whatcom County provide housing that is priced at levels workforce households can afford.** To do this, the Whatcom Housing Alliance is exploring workforce housing solutions that can and should be enacted within Whatcom County and all its cities to ensure that working families can afford to live and play in the same community that they work.

UNDERSTANDING THE HOUSING CRISIS

Whatcom County

RENTAL STATISTICS	2020	2021	
AVERAGE APARTMENT RENT UW, WA CENTER FOR REAL ESTATE RESEARCH	\$1,223	\$1,311	+7.2%
VACANCY RATE UW, WA CENTER FOR REAL ESTATE RESEARCH	1.5%	1%	-0.5%
HOMEOWNER STATISTICS	2020	2021	
MEDIAN SALES PRICE RESIDENTIAL HOMES, MLS	\$470,500	\$565,000	+20.1%
MEDIAN SALES PRICE CONDO, MLS	\$271,750	\$355,000	+30.6%

Washington State

RENTAL STATISTICS	2020	2021	
AVERAGE APARTMENT RENT UW, WA CENTER FOR REAL ESTATE RESEARCH	\$1,516	\$1,547	+2%
VACANCY RATE UW, WA CENTER FOR REAL ESTATE RESEARCH	4.2%	3.6%	-0.6%
HOMEOWNER STATISTICS	2020	2021	
MEDIAN SALES PRICE UW, WA CENTER FOR REAL ESTATE RESEARCH	\$415,000	\$491,900	+18.6%

WHAT IS WORKFORCE HOUSING?

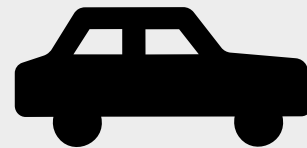
Workforce housing is a term that is increasingly used by industry professionals, public officials, realtors, and housing advocates. **Workforce housing is any type of housing that is affordable to residents who earn 60-120% of the AMI**, and is in close proximity to their jobs. Workforce housing includes both rental and homeownership opportunities that is reasonably affordable for workers in our community of all ages and backgrounds.

Housing that is considered "affordable" is defined as spending no more than 30% of household income on housing related costs. Households who spend more than 30% of their income on housing are considered housing cost burdened, and households who spend more than 50% of their income on housing are considered severely housing cost burdened.

Benefits of Workforce Housing



Provides housing for essential workers close to jobs and services



Reduces commute times and traffic congestion



Reduces sprawl and preserves farm land



Minimizes pressures on smaller cities and rural areas in Whatcom County

Defining the Workforce

In Whatcom County, there is a limited amount of homes for rent or for sale that are affordable for workforce residents. Workforce residents face a unique challenge in that they often make too much money to qualify for assistance offered to low-income residents such as Federally-funded affordable housing and Section 8 vouchers, but they also often do not make enough money to buy or rent on the open market.

Workforce residents earning 60-120% comprise the largest portion of working residents in Whatcom County. These residents work in occupations and industries that are vital to our economy such as **teachers, office administrators, trade workers, public employees, non-profit employees, salespeople, and food service workers**. The ability to house these essential workforce residents is vital to the economic stability of Whatcom County.

Workforce Household Profiles

WHATCOM COUNTY



TRANSIT OPERATOR
Whatcom Transportation
Authority
\$55,500 Annually



HEAD CUSTODIAN
Ferndale School District
\$56,000 Annually



POLICE OFFICER
City of Everson
\$60,000 Annually

Salaries are based on real jobs in Whatcom County

SO, WHAT COULD THEY AFFORD?

Assuming a two-person workforce household could bring in about \$100,000 annually and should pay no more than 30% of their monthly income on housing related costs, they could afford a house worth **\$385,000**. That is \$180,000 less than the median home price in Whatcom County in 2021 of \$565,000 and does not factor in the need for a down-payment.

WORKFORCE HOUSING SOLUTIONS

I. Provide Incentives for Affordability

MULTIFAMILY TAX EXEMPTION

The multifamily tax exemption (MTFE) is a tool that incentivizes dense, diverse, and affordable housing options in urban centers through the exemption of property taxes. MTFE can be applied to rehabilitating existing properties or redeveloping vacant or underused properties particularly in urban areas with insufficient residential opportunities.

- 8-year Exemption: The 8-year MTFE does not require affordable housing to be included in the development of the project and leaves the public benefit requirement in type and size to the city's discretion.
- 12-year Exemption: The 12-year MTFE requires a minimum of 20% of rental units or 100% of owner-occupied units to be affordable for low-income or moderate income households for 12 years to receive exemption from property taxes.
- 20-year Exemption: The 20-year MTFE would be eligible for all permanently affordable housing developments or developments that commit to 20% of permanently affordable rental units.

In Washington, [Senate Bill 5287](#) passed in 2021 introduced the new 20-year MTFE as well as the possibility to extend the exemption period by an additional 12 years if the affordability requirements remain. The 12 and 20-year MTFE's can be used to encourage affordable housing over market-rate housing. Offering other incentives along with the 12 and 20-year MTFE can encourage more affordable housing development.

FEE WAIVERS OR REDUCTIONS

Fees such as impact fees or building permit fees can greatly add to the costs associated with workforce housing development.



Jurisdictions may enact measures to waive or reduce these fees for workforce housing or for projects that include a percentage of affordable homes.

To reduce barriers to affordable housing, [state law](#) grants cities authority to exempt low-income housing from impact fees. The [Growth Management Act](#) also allows jurisdictions to reduce or waive development fees such as permitting, planning, water connection, or sewer connection costs for projects that include affordable homes. The same act provides other incentives to expand the development of affordable homes by increasing development flexibility that make additional units possible or reduces the development costs such as granting density bonuses, parking reductions, expedited permitting, and others.

DENSITY BONUSES

Density bonuses for affordability are a zoning tool that allows developers to build housing that is taller, has more units, or more floor space than what is normally allowed in exchange for designated affordable units in the development or a contribution to a housing fund. The density bonuses are not required, but are offered as an incentive for developers to allow them to build a larger development in exchange for providing a public benefit. Density bonuses are allowed under the Growth Management Act which states that affordable rental units must equal a maximum of 50% AMI and ownership housing must equal a maximum of 80% AMI unless otherwise established by local governments, and they must be affordable for at least 50 years. Density bonuses are a good way to incentivize private developers to contribute to affordable housing.

PARKING REDUCTIONS

Reducing the amount of required parking can drastically reduce the cost of housing as well as provide space for more homes. Parking requirements for housing that is developed close to services, near transit, and/or for households with lower rates of car ownership should be reduced or eliminated. With limited land available for housing within cities, land should be prioritized for housing over cars. Parking reductions can contribute to housing affordability as well encourage walking, biking, and busing which can reduce household expenses related to transportation. Reducing parking requirements for workforce housing is appropriate since ideally the housing would be close to jobs, services, and other amenities.

II. Increase Affordability Through Regulation

ZONING REFORM

- **Allow More Homes in All Neighborhoods**

Allowing medium-density or middle housing forms such as duplexes, triplexes, and clustered housing developments within single-family zones will increase the capacity for housing in

otherwise exclusive neighborhoods. Single-family zones make up the majority residential land uses within cities, leaving little room for medium and high density housing forms. Allowing medium-density housing development within areas previously zones for single-family will boost the supply and range of housing choices in the marketplace.

- **Inclusionary Zoning**

Inclusionary zoning requires that new housing development in certain zones – particularly areas with access to transit and jobs – must include some percentage of affordable homes or otherwise meets an alternative compliance such as an in-lieu fee. Inclusionary zoning requirements can be applied in single-family and multifamily zones and for rental and ownership opportunities. Mandatory inclusionary zoning regulations will require housing developments to provide a minimum number of affordable homes, usually target a specific income range of households to be served by the affordable homes, a minimum time period for which the homes must remain affordable, and limited to areas that are expecting higher levels of growth.

- **Affordable Housing Zoning Overlay**

Affordable housing zoning overlays allow for increased density for affordable housing development as well as a streamlined approval process. The overlay is designed to help affordable housing developers create new, permanently affordable homes more quickly, cost effectively, and in areas of the city where there are currently few affordable housing options. The affordable housing zoning overlay can be used to designate specific income ranges of households which can target the workforce by creating residential developments in which all homes are permanently affordable to households earning 60-120% of the Area Median Income (AMI).

TRANSIT-ORIENTED DEVELOPMENT

Transit-oriented development (TOD) are residential and commercial centers that are designed to maximize access by transit, walking, and biking. TOD's combine mixed uses, affordable housing, compact development, neighborhood center, parking reductions and management, and pedestrian and bicycle friendly design to create vibrant neighborhoods. TOD's increase allowable density that promote dense residential development, and siting homes near transit, jobs, and services can reduce costs associated with transportation which can lead to more affordability. Housing affordability can be further supported in TOD by offering additional incentives for affordable development in these areas such as inclusionary zoning and affordable housing overlays detailed above.

TRANSFER OF DEVELOPMENT RIGHTS FOR AFFORDABILITY

Transfer of development rights (TDR) programs are used to preserve existing affordable housing and can be an important tool to prevent residential displacement for neighborhoods at risk of redevelopment. A TDR program sells the development rights from a "sending site" preserving the

sending site from future development, and then the owner of a site in the “receiving area” will purchase those development rights and will be allowed to build at a higher density or height than the normal zoning allows. These programs can be especially effective at preserving mobile and manufactured homes which are an important source of naturally affordable homes but are typically threatened by redevelopment. TDR programs can also be used to preserve affordable housing in urban areas that also undergo change and redevelopment.

III. Encourage Alternative Homeownership Models

COMMUNITY LAND TRUSTS

Community land trusts (CLTs) are non-profit agencies that create permanently affordable homeownership opportunities by allowing residents to purchase the home but not the land it is sited on. The CLT holds the land in trust and leases it out to the residents. The homeowners earn a modest amount of equity each year and agree to sell their home back to the CLT at an affordable price (below-market) to allow another family to purchase an affordable home. CLT's are income-restricted to target families that would otherwise not be able to purchase a home on the open market. Kulshan Community Land Trust based in Bellingham serves families with a household income of 80% of the area median income (AMI) and below. To serve the workforce residents of Whatcom County, they have considered broadening the range of household incomes they serve to 80-120% AMI; however, it is harder to obtain funding from their traditional sources for the increased income range, and other creative solutions for funding must be explored.

LIMITED EQUITY HOUSING COOPERATIVES

A limited equity cooperative (LEC) is a homeownership model in which residents purchase a share in a development, rather than an individual unit, and commit to resell their share at a determined price that restricts price to maintain affordability. Government assistance, subsidies, and low-interest loans help to create initial affordability for the housing development. LECs are often initiated by a non-profit agency, but unlike other housing models, LECs usually have a self-governing group of residents or members who share stock of the cooperative and pay a monthly fee to cover common expenses and maintenance. The price of a share is usually limited to ensure affordability for workforce households.

MOVABLE TINY HOMES

Movable tiny homes, or tiny homes on wheels, is a manufactured and transportable structure that provides full living facilities and permanent provisions for living, sleeping, eating, cooking, and sanitation. Movable tiny homes offer an affordable, flexible, and sustainable homeownership option to those who would not otherwise be able to buy a home on the open market. A movable tiny home could be sited on its own lot, or sited on a residential lot as an accessory dwelling unit (ADU)

independent of the primary dwelling unit. When sited as an ADU, the owner of the tiny home would be able to share land within existing neighborhoods that are close to jobs and services that would otherwise have been cost-prohibitive to obtain.

IV. Financial Tools and Assistance

LOCAL HOUSING FUND

Local housing funds provides a dedicated source of funding for affordable housing projects through direct loans, grants, or subsidies. Local housing funds are usually preserved for low-income housing development and support. However, a separate fund or flexibility within existing funds can be created to expand the use of housing fund dollars to support the development of homes affordable to the workforce.

TENANT PROTECTIONS

Tenant protection help residents access and retain housing by addressing health and safety concerns, barriers in the rental market, protect tenants from unreasonable acts, and prevent unnecessary evictions. With extremely low rental vacancy rates in Whatcom County and all its cities, it is important to increase protections for tenants to avoid displacement and risk of homelessness.

WEALTH-BUILDING TOOLS FOR RENTERS

For many workforce households, the largest payment they make monthly is rent. However, making on-time rent payments is often missing from a renter's credit history. Encouraging or mandating that property managers report rent payments to credit bureaus can create equitable outcomes for renters by increasing credit scores and opening the doors for homeownership or other financial opportunities.



CONCLUSION



Courtesy of Grow Community Bainbridge

THERE IS NO SILVER BULLET TO CREATING AFFORDABLE WORKFORCE HOUSING IN WHATCOM COUNTY

There are many housing solutions that can be implemented in Whatcom County to increase access to affordable rental and homeownership opportunities for the workforce. Some of the solutions listed above are already being implemented locally to some extent, but could be expanded or improved. Others have been implemented in various cities and states across the US and have proven to be successful, but have yet to be adopted in Whatcom County. There is no silver bullet that will expand access to affordable workforce housing. It will take many, if not all, of the solutions listed above to ensure that working families can afford to live and play in the same community that they work.

LOOKING AHEAD

The purpose of this report is to spark conversations with WHA members, key stakeholders, elected officials, and community members around the importance of implementing workforce housing solutions in Whatcom County. The Whatcom Housing Alliance welcomes feedback on the solutions discussed and encourages participation in upcoming discussions, work sessions, and events on workforce housing. Let's work together to find solutions that uplift our community, provide deeper affordability, address historic injustices, and lead to a vibrant Whatcom County that we are proud to call home.

Research and data from the Urban Land Institute, Puget Sound Regional Council Housing Innovations Program, the NYU Furman Center, the National Association of Realtors, MLS, and the City of Sequim was used to inform this paper and the solutions provided within.

ABOUT WHATCOM HOUSING ALLIANCE

WE CREATE OPPORTUNITIES FOR MORE DIVERSE HOUSING CHOICES IN ALL NEIGHBORHOODS THAT WILL CONTRIBUTE TOWARD EQUITABLE, PROSPEROUS, HEALTHY, AND VIBRANT COMMUNITIES FOR EVERYONE.

Whatcom Housing Alliance is a broad alliance of organizations including; public health proponents, economic development agencies, for-profit and non-profit housing developers, smart growth enthusiasts, private business owners, investors and others all united to build an affordable, healthy, equitable, thriving, and inclusive community.



We are an alliance of organizations, each with its own mission and connection to housing and the built environment. The organizations that comprise Whatcom Housing Alliance may not agree on everything, but we have come together to promote the common goal of this alliance.

Whatcom Housing Alliance's goal is to create opportunities for more diverse housing choices in all neighborhoods that will contribute toward equitable, prosperous, healthy, and vibrant communities for everyone. These housing choices will help us be a more sustainable region by improving our environment, the social fabric and health of our people, and creating a stronger economy.

Sponsors

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