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City of Tacoma

Home in Tacoma: Housing Action Plan

PREPARED FOR:

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FINALIZED

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SECTION 1.

HOUSING ACTION PLAN BACKGROUND AND
PROJECT GOALS

Housing Action Plan Background and Project Goals

This Housing Action Plan (HAP) is a supplement to the **Home in Tacoma** project, a multifaceted effort to expand housing choices in the City of Tacoma. **Home in Tacoma** unifies the city's growth strategy, zoning and land use regulations, and affordable housing development incentives into a concerted, effective effort to address increase housing supply, create more affordable housing options, and expand the choice of housing types throughout Tacoma's neighborhoods.

This report begins with a discussion of the HAP project goals and discusses how the plan intersects with the city's Affordable Housing Action Strategy (AHAS). It then presents a summary of existing conditions in the city, based on data analysis updated from the 2016 AHAS work. The full Existing Conditions analysis is appended to this report.

Building upon the policy guidance and direction provided by the Planning Commission (PC) as this project has developed, the balance of this report presents recommendations, including modifications of current policy. It is important to note that Tacoma has invested in expanding housing choice through many policy and program initiatives. Yet the market has continued to lose affordability—calling on the city to harness the opportunity to do more.

Those recommendations are structured around:

- Housing Policy Actions
- Land Use/Zoning Actions; and
- Administrative and Supportive Actions.

Where possible, the actions incorporate projected outcomes in terms of unit numbers, unit types, affordability, access to opportunity areas, and facilitation of walkable neighborhoods.

Project Goals

Based on applicable policy direction, community input, and Planning Commission direction, the Home In Tacoma project will bring forward actions and strategies to promote:

- Housing supply to meet community needs and preferences throughout the City's neighborhoods
- Housing affordability reflecting the financial means of Tacoma residents, and considering secondary household costs

Housing choice reflecting community preferences and household needs, including a diversity of housing types as well as equitable access to opportunity for people of all races, socio-economic groups, ages and abilities.

The Housing Action Plan delivers:

- A package of near-term legislative and administrative actions implementing existing policy direction; and
- A package of medium-term planning, zoning and regulatory actions reflecting changes to the City's housing growth strategy for future City Council consideration.

Development of the Housing Action Plan assessed the potential actions and strategies in terms of the following, which were considered as part of the recommendations. Those considerations are documented in this plan:

- Consistency with Tacoma's growth goals;
- Market feasibility and cost-effectiveness for homeowners, non-profit and for-profit housing sectors;
- Mitigating risk of displacement or other unintended consequences;
- Urban design and fit with existing neighborhood patterns; and
- An ongoing commitment to be responsive to community input.

Intersection with the AHAS. The AHAS includes four categories of strategic objectives, and includes actions intended to serve the full range of household income levels in Tacoma. The City Council has indicated that *Action 1.2: Inclusionary Zoning* and *Action 1.8: Diverse Housing Types* are high implementation priorities—and, therefore, are an integral part of the Housing Action Plan.

AHAS* Strategic Objective 1: Create More Homes for More People

Actions	Timing	Income Levels Served
1.1 Seed the Tacoma Housing Trust Fund with local sources of funding.	Immediate (1-2 years)	120% AMI and below
1.2 Modify inclusionary housing provisions to target unmet need and align with market realities.	Immediate (1-2 years)	50% AMI and below
1.3 Update the Multifamily Tax Exemption Program to increase its impact.	Immediate (1-2 years)	50% AMI and below
1.4 Leverage publicly and partner-owned land for affordable housing.	Immediate (1-2 years)	80% AMI and below
1.5 Create consistent standards for fee waiver eligibility and resources to offset waived fees.	Immediate (1-2 years)	80% AMI and below
1.6 Create a process to coordinate public investments, like capital improvements, with affordable housing activities to reduce the overall cost of development.	Immediate (1-2 years)	80% AMI and below
1.7 Increase participation in first-time homebuyer programs and resources for new homebuyers.	Immediate (1-2 years)	120% AMI and below
1.8 Encourage more diverse types of housing development through relaxed land use standards, technical assistance, and financial incentives.	Immediate (1-2 years) Short-term (3-4 years)	All
1.9 Establish a dedicated source of funding for the Tacoma Housing Trust Fund.	Short-term (3-4 years)	120% AMI and below
1.10 Use value capture to generate and reinvest in neighborhoods experiencing increased private investment (with a focus on areas with planned or existing transit).	Short-term (3-4 years)	80% AMI and below
1.11 Explore innovative, low-cost housing solutions to serve persons experiencing homelessness.	Short-term (3-4 years)	30% AMI and below
1.12 Explore opportunities for increased staff support during the development review process.	Short-term (3-4 years) Medium-term (4-6 years)	All

Summary of Existing Conditions

In the three years since the city's housing needs were identified as part of the Affordable Housing Action Strategy (AHAS), the City of Tacoma has experienced significant changes in its demographic and housing market conditions:¹

- **Households are getting smaller as the population ages.** Households with a householder 65 years and over increased by nearly 2,900 from 2016 to 2019. Seniors aging in Tacoma will create demand for smaller units (one- to two-bedroom) and accessible, visitable housing due to the correlation of age and disability.
- **Incomes have not kept up with housing costs.** From 2016 to 2019, median rent increased by 21 percent while median renter income increased by only 12 percent. Similarly, the median home value of owner occupied housing increased by 44 percent compared to a 22 percent increase in median income for owner households. It is becoming increasingly difficult for renters to afford to rent or buy in Tacoma as wages fail to keep up with rising housing costs.
- **Renters are higher income—and lower income households have declined.** There are now about 2,800 fewer households with incomes of less than \$25,000 in Tacoma than in 2016. This is likely due to a combination of low income households being priced out of the market and renter income increasing. High income renter households (>\$100,000) increased by 2,300 since 2016.
- **Special populations are disproportionately affected by poverty and are especially vulnerable to the changing housing market.** Residents with a disability, seniors, single mothers, and people of color have above average poverty rates and are particularly vulnerable to shifting housing costs. Additionally, populations on a fixed income—mainly residents with a disability and seniors—are especially at risk.
- **The shortage of affordable rental units persists.** In 2019, there was an estimated shortage of 4,897 units for renters with incomes of less than 30 percent of the Area Median Income or AMI—approximately \$20,000 per year for a 2-person household. This shortage declined from 2016 mostly due to a decline in extremely low income renters that was greater than the loss of affordable units. A rental shortage also exists for low income households: Altogether, 7,159 households with incomes of less than 50 percent AMI—with incomes of \$35,000 and less per year—cannot find rental units they can afford. This affordable rental shortage is comparable to the wait list for public housing maintained by the Tacoma Housing Authority, which

¹ Please see Appendix A for the full Existing Conditions report.

approximates 6,500 households. Households typically wait for several years (as many as five years) on the wait lists.²

- Racial and ethnic diversity has increased while disparate trends in homeownership and poverty remain.** The City of Tacoma is becoming more racially and ethnically diverse. However, Black/African American residents, Asian residents, Latino/Latinx/Hispanic residents, and residents of two or more races all have poverty rates higher than the individual poverty rate. Black/African American (30%) and Latino/Latinx/Hispanic residents (47%) have much lower rates of homeownership compared to White/Caucasian residents (61%).
- The city’s highest opportunity areas are the most challenging to access for low and moderate income households.** Generally, opportunity is highest in the north areas of the city and lowest in the south and central areas of the city. Areas of high opportunity have higher median home values.

Key Housing Market Change Indicators, City of Tacoma, 2016-2019

	2016	2019	2016-2019	
			Change	% change
Rental Market				
Median rent	\$1,054	\$1,273	\$219	21%
Median renter income	\$40,009	\$44,809	\$4,800	12%
Ownership Market				
Median home value	\$239,100	\$344,500	\$105,400	44%
Median owner income	\$76,544	\$93,765	\$17,221	22%
Rental Gaps				
Rental gap <30% AMI	-6,055	-4,897	1,159	-19%
Renter households <30% AMI	9,077	7,769	-1,308	-14%
Rental units <30% AMI	3,022	2,872	-150	-5%
Cost burden				
Owners	32%	27%	-5%	
Renters	47%	49%	2%	
Homelessness (Pierce County)	627	544	-83	-13%

Source: 2016 and 2019 1-year ACS; Pierce County Point-in-Time County 2016 and 2019; Root Policy Research.

² City of Tacoma 5-year Consolidated Plan Draft (2020).

Initiatives to facilitate development of affordable and missing middle housing. The AHAS calls for steps to promote more diverse types of housing development through changes to land use standards, technical assistance and financial incentives. This supports Housing Element policies which call for Missing Middle Housing (infill) approaches as a method to promote housing affordability and choice, as well as other goals. Multiple mid-range infill housing types will be evaluated.

Diverse housing types can function as “naturally occurring” affordable housing (NOAH). While they are not specifically restricted as affordable, NOAH tends to be relatively affordable by virtue of its smaller size and use of already developed land. Allowing diverse housing types can also increase housing choice in existing neighborhoods.

Over recent years, the city has implemented a range of infill strategies, some of which are ongoing at this time, and others which need further vetting prior to implementation. The figure below provides an overview of zoning and policy changes to date aimed at expanding housing choice.

Missing Middle Timeline: Zoning and Policy Changes for Expanding Housing Choice

	< 2012	2015	2016	2017	2018	2019	2020	2021
Policy and Strategy								
Housing Element Update								
Affordable Housing Policy Advisory Group infill strategy								
Affordable Housing Action Strategy (AHAS)								
AHAS incorporation into One Tacoma Plan								
Code and Program Updates								
Downtown reduced parking area								
Microunit parking reduction								
Reduced parking in Tacoma Mall								
Affordable Housing Incentives Code (administrative standards)								
Lot size flexibility								
ADU expansions								
Duplex/Cottage/Small Multifamily infill pilots								
Area-Wide Upzones								
FLUM Proactive Rezones								
Mall/Madison District Upzones								
Growth Strategy Upzones								

Source: City of Tacoma and Root Policy Research.

Guiding Principles

Planning Commission has provided policy direction through a course of meetings dedicated to the Home in Tacoma project.

On the outset of this project, Planning Commission agreed on **Guiding Principles** through which to evaluate policies and outcomes for the Housing Growth Strategy. These were used in the evaluation of the recommendations, and include:

1. Tacoma's growth strategy should accommodate new demand and existing residents with a full range of housing choices to serve the spectrum of needs while minimizing the displacement of residents who are not served by the private market.
2. Dense development should be concentrated in centers and corridors with mid-scale transition zones into lower-scale neighborhoods.
3. A range of Missing Middle infill housing types should be allowed in existing neighborhoods.
4. Missing middle infill should be compatible in design and scale to minimize disruption in existing neighborhoods while providing opportunities for increased density through a form-based approach
5. Tacoma should use a range of tools, including affordability incentives/requirements, to produce housing that is affordable for lower income households not served by the housing market.

SECTION 2.

GROWTH TARGETS AND HOUSING GOALS

Growth Targets

The Puget Sound Regional Council (PSRC) 2040 Land Use Vision model forecasts Tacoma will need to accommodate 44,770 new housing units from 2020 to 2040. This equates to an annual average of 2,239 housing units—a 28 percent increase from the city’s recent annual average household growth.³

The 2050 Land Use Vision was under development when this HAP was prepared. A draft vision allocates 137,000 of the region’s population to metropolitan cities, of which Tacoma is the largest. If Tacoma was able to absorb that growth, an average of 1,930 housing units would be required. This is a lower target than the 2040 Land Use Vision.

At the time this report was prepared, Tacoma’s growth target called for the addition of 54,741 new housing units between 2010 and 2040, based on the Pierce County Buildable Lands report from 2014—this equates to an average of 1,824 units annually. If that annual goal were accomplished moving forward, total new housing units between 2020 and 2040 would be 36,494.

Between 2016 and 2019, the city’s average annual growth was 1,755 households—below the official target, although significantly increased from past growth. Over the past 20 years, average annual household growth has been much lower than that experienced recently, averaging just 539 households per year. At that rate, total new housing units between 2020 and 2040 would be 10,800.

The housing goals that inform this Housing Action Plan are based on these unit projections and a range of growth scenarios:

- A **low growth** model is based on housing development in the past 20 years and assumes no more than 20,000 units are built. This is roughly **twice the rate of growth of the past 20 years** and assumes that demand to live in the city is much stronger now as evidenced by growth in recent years and rising housing prices.
- A **moderate growth** model based on the assumed growth in the **Vision 2050 report**. At a household size of 2.28 and a 6 percent vacancy rate, this translates into 38,600 new units between now and 2040.
- A **high growth** model based on the **PSRC Land Use Vision**, which assumes a total of 44,770 new units.

All growth scenarios keep the homeownership rate in the city, currently 54 percent, constant.

³ Housing unit targets assume a healthy number of vacant units to allow households to move in and out of the market as needed.

Total unit and average annual unit projections for 2040 are shown below.

New Unit Projections, Total and Average Annual, 2020-2040

	Low Growth		Moderate Growth		High Growth	
	Total New Units	Annual Average New Units	Total New Units	Annual Average New Units	Total New Units	Annual Average New Units
Total new units	20,000	1,000	38,602	1,930	44,770	2,239
New rental units	9,200	460	17,757	888	20,594	1,030
New ownership units	10,800	540	20,845	1,042	24,176	1,208

Source: Root Policy Research.

Housing Affordability Goals

Currently, 19 percent of Tacoma’s renters—nearly 8,000 renters—have incomes of less than 30 percent of the AMI for a 2 person-household—approximately equivalent to below poverty level. These renters require deeply subsidized housing provided by nonprofit organizations or tenant-based rental assistance (TBRA) such as Section 8. The private sector typically does not serve renters in this income range.

Another 7,000 renters have incomes in the 31 to 50 percent AMI income range. These renters usually require some type of housing subsidies. In most markets, this consists of public housing, Low Income Housing Tax Credit developments (LIHTC), and TBRA. In 2010, it was more common to find privately-provided, non-subsidized units serving these renters due to a relatively soft rental market. According to the gaps analysis conducted for this study, Tacoma has lost nearly 10 percent of its affordable housing stock for low income renters due to rent increases.

Renters in the 51 to 80 percent income category, totaling nearly 9,000, are typically served through a combination of subsidized rentals (public housing, LIHTC for those at the lower end of the income range) and privately-provided rentals.

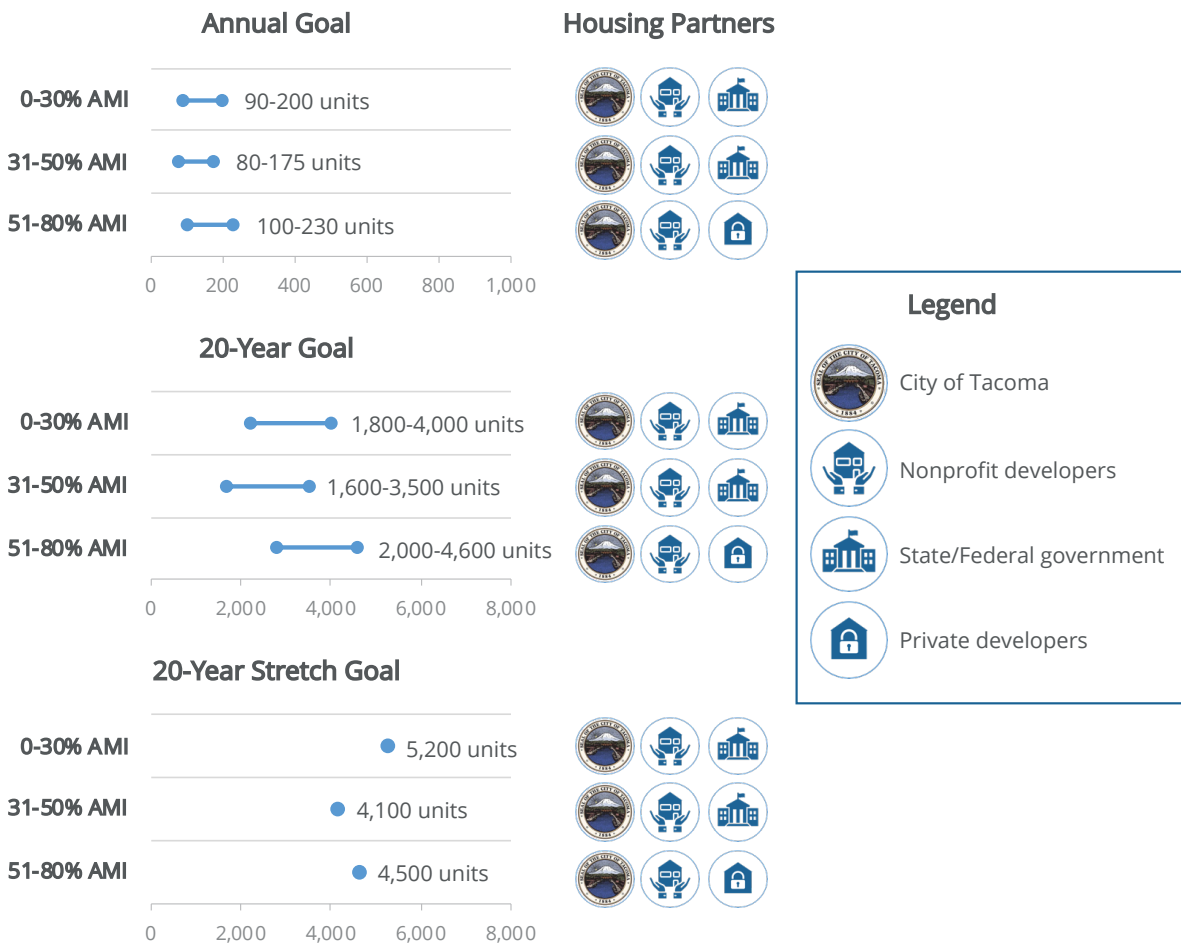
Those in higher income brackets are served by the private market.

If the distribution of renter incomes remains the same during the next 20 years new rental units needed to accommodate growth will range between 500 and 1,000 per year, as shown below.

It is important to note that because these goals hold the current income distribution in Tacoma constant, they assume that displacement of low income renters is mitigated and that funding is available to construct new publicly-assisted housing.

Renter unit projections by AMI

	Current Renters (2-person household)	Annual Units Needed		
		Low Growth Scenario	Moderate Growth Scenario	High Growth Scenario
0-30% AMI	7,769	89	172	199
31-50% AMI	6,924	79	153	178
51-80% AMI	8,878	102	196	228
81-100% AMI	4,129	47	91	106
101-120% AMI	3,163	36	70	81
121% AMI+	9,269	106	205	238
Total	40,132	460	888	1,030



Source: Root Policy Research.

Rental production goals. Based on these scenarios, the range of affordable rental housing targets, by AMI include:⁴

- Rental units affordable at very low incomes (30% AMI and less) = production of 90 to 200 units annually, or 1,800 to 4,000 over 20 years;
- Rental units affordable at low incomes (31-50% AMI) = 80 to 175 units annually or 1,600 to 3,500 over 20 years; and
- Rental units affordable at moderately low incomes (51-80% AMI) = 100 to 230 units annually or 2,000 to 4,600 over 20 years.

“Stretch” rental goal. It is important to note that the projections and goals above do not address the existing rental unit gap of 7,159 units for renters with incomes of 50 percent of AMI and less. Addressing this gap will require a combination of increased tenant-based rental assistance (TBRA) and construction of new, publicly-assisted units and will be heavily dependent on a significant increase in federal support to address such need. A “stretch” goal that would be attainable with a significant infusion of resources and assuming a moderate growth scenario is shown below. It assumes that the existing need is reduced by 25 percent through construction of new units that help address the need of less than 50 percent AMI renters and free up units in low to moderate income ranges that these cost-burdened renters are currently occupying.

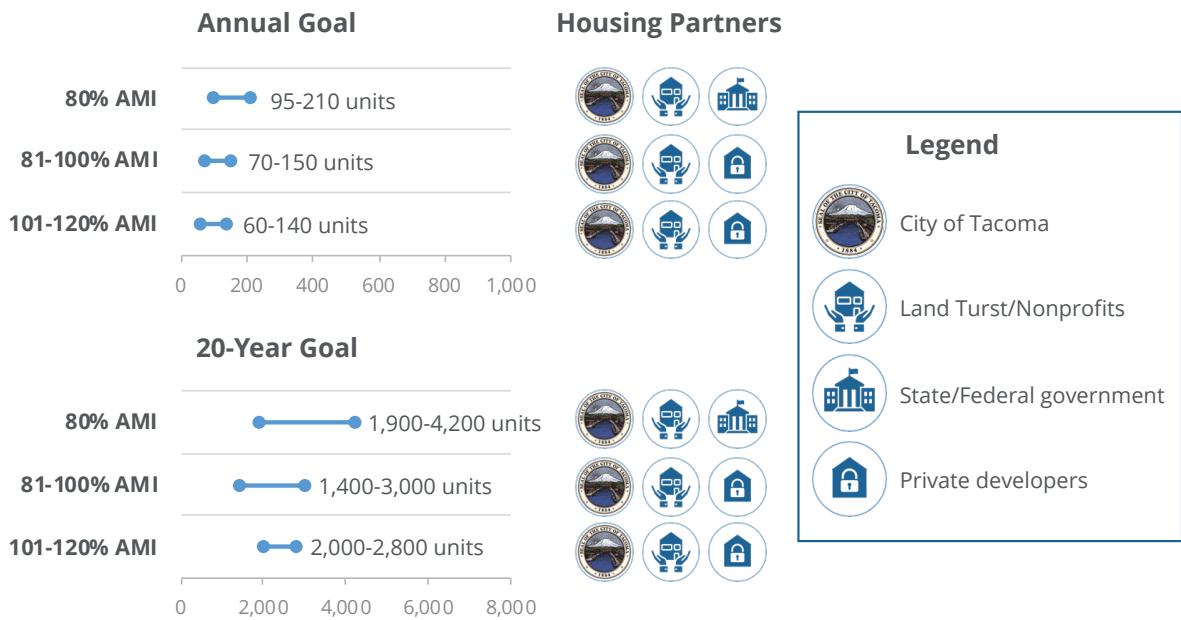
- Additional rental units for very low incomes (30% AMI and less) = 1,200 units over 20 years, and
- Additional rental units for low incomes (31-50% AMI) = 600 units over 20 years.

Ownership production goals. If the ownership rate in Tacoma holds and owners continue to comprise a similar distribution across AMIs, new units needed to accommodate owners will range from:

⁴ Numbers are rounded for ease of implementation.

Owner unit projections by AMI

	Current Owners (2-person household)	Annual Units Needed		
		Low Growth Scenario	Moderate Growth Scenario	High Growth Scenario
0-80% AMI	10,553	94	181	210
81-100% AMI	4,599	67	129	149
101-120% AMI	4,596	62	120	139
121% AMI+	27,136	317	612	711
Total	46,884	540	1,042	1,209



Source: Root Policy Research.

About one in four of Tacoma’s owners have incomes of less than 80 percent of AMI and more than half have incomes of 120 percent AMI and more. A comparatively small proportion falls into the 81 to 120 percent range.

Unit projections assume that many of the 0-80 percent AMI owners will consist of older residents who have aged in place, are living on fixed incomes, and have rehabilitation and maintenance needs rather than new housing units. As of 2019, 62 percent of Tacoma’s owners are age 45 and older. The affordability targets assume that these owners will be comprised of existing owners who are aging in place and that ownership for new owners with less than 80 percent AMI will be very limited.

Based on these scenarios, **owner housing targets** by AMI include:

- Owner units affordable at moderately low incomes (80% AMI) = 95 to 210 units annually or 1,900 to 4,200 over 20 years;

- Owner units affordable at moderate incomes (81-100% AMI) = 70 to 150 units annually or 1,400 to 3,000 over 20 years; and
- Owner units affordable at missing middle incomes (101-120% AMI) = production of 60 to 140 units annually, or 2,000 to 2,800 over 20 years.

“Stretch” ownership goal. A stretch goal for ownership would provide affordable homes for < 80 percent AMI households—homes priced at \$200,000 and less. Units at this price point are generally found in land trust developments or through sweat equity models and should be pursued and prioritized when opportunities arise.

Comprehensive Plan affordability targets. These affordability targets would enable the city to exceed the **Comprehensive Plan Policy H-4.2 goal** to ensure that at least [25 percent of the 2040 housing targets are affordable to households at or below 80 percent of Pierce County AMI](#). These projections also meet the Pierce County forecasted goal for household distribution by AMI.

As noted above, these goals assume that funding is available to construct new publicly-assisted housing to reach new households earning less than 50 percent AMI. If that is the case, then the city could reach:

- [50 percent of rental unit targets are affordable to households at or below 80 percent of Pierce County AMI; and](#)
- [25 percent of rental unit targets are affordable to households at or below 80 percent of Pierce County AMI.](#)

The Role of Unit Production in Affordability

Housing policies serve a range of needs, and it is important to examine the role of unit production, by unit type, and affordability (or AMI) levels that are possible. The graphic below demonstrates how unit production—and city land use and zoning policies that influence housing types—can influence affordability. The graphic uses a 2-person household, which is closest to the average-sized household in Tacoma: as of 2019, 67 percent of Tacoma households had 2 persons and less.

As the graphic demonstrates:

- Publicly-subsidized and nonprofit housing is critical to meet the needs of households earning less than 50 percent of AMI. Most privately-provided, market-rate housing does not meet this AMI level, including missing middle housing products.
- Newly built multifamily housing, as well older multifamily housing, can serve moderate- to low-AMI levels, particularly when incentives are attached.
- Missing middle products are good solutions for moderately-low income renters and owners who need relatively affordable housing and value these product types.

IF YOUR HOUSEHOLD EARNS...

\$32,580 < 30% AMI	\$35,000 31-50% AMI	\$55,000 51-80% AMI	\$70,000 81-100% AMI	\$85,000 101-120% AMI	\$100,000 121-150% AMI	\$100,000+ 151%+ AMI
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THE MAXIMUM RENT YOU CAN AFFORD IS...

\$520	\$870	\$1,390	\$1,730	\$2,080	\$2,500	\$2,500+
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THE MAXIMUM HOME PRICE YOU CAN AFFORD IS...

\$90,000	\$150,000	\$240,000	\$300,000	\$350,000	\$450,000	\$450,000+
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HOUSING TYPES AFFORDABLE TO RENTERS

Publicly subsidized	ADU/Duplex		All products		
	New multifamily <i>with incentives</i>	New multifamily			
	Older non-subsidized multifamily				

HOUSING TYPES AFFORDABLE TO OWNERS

	Nonprofit/land trust	Duplex	Townhome	All products
		ADU	Cottage	
		Multi-plex/ Townhome <i>with incentives</i>	Multi-plex/ Townhome	Newer SFD
			Older SFD	

CITY POLICY OPTIONS: RENTERS

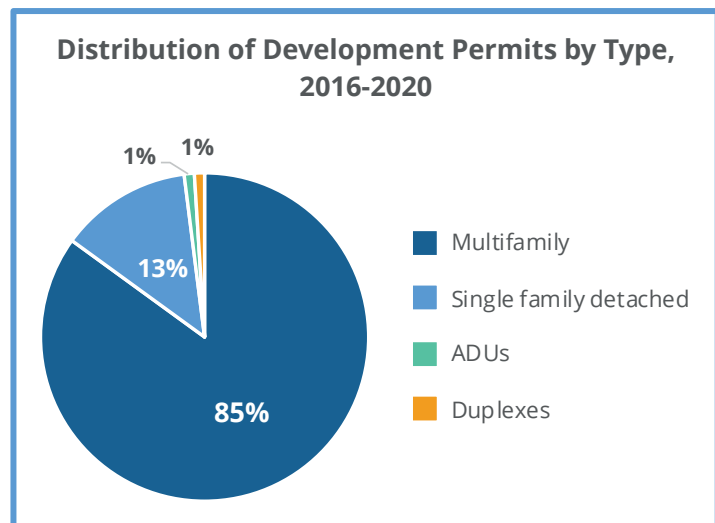
	ADU/Infill/Small multifamily			
	Parking reductions			
	Moderate density bonus			
	Expedited review			
	Inclusionary zoning/fee-in-lieu			
	MFTE			

CITY POLICY OPTIONS: OWNERS

	Infill			
	ADU			
	Expedited review			
	Inclusionary zoning/fee-in-lieu			
	MFTE			

Historical unit production. An analysis of city permit data by unit type between 2016 and 2020 indicate that a shift in development type will be needed to facilitate missing middle housing and provide a wider range of affordable housing options to Tacomans.

Eighty-five percent of the units permitted between 2016 and 2020 were multifamily developments; this is an increase from the 70 percent of growth multifamily comprised since 2010. Data are not available to determine the occupancy of these developments; however, it is likely that the vast majority of multifamily units are rentals based on the strength of the rental market.



The next highest unit type permitted were “single family”, or single unit, detached homes at 13 percent. One percent, respectively, were for the construction of duplexes and ADUs.

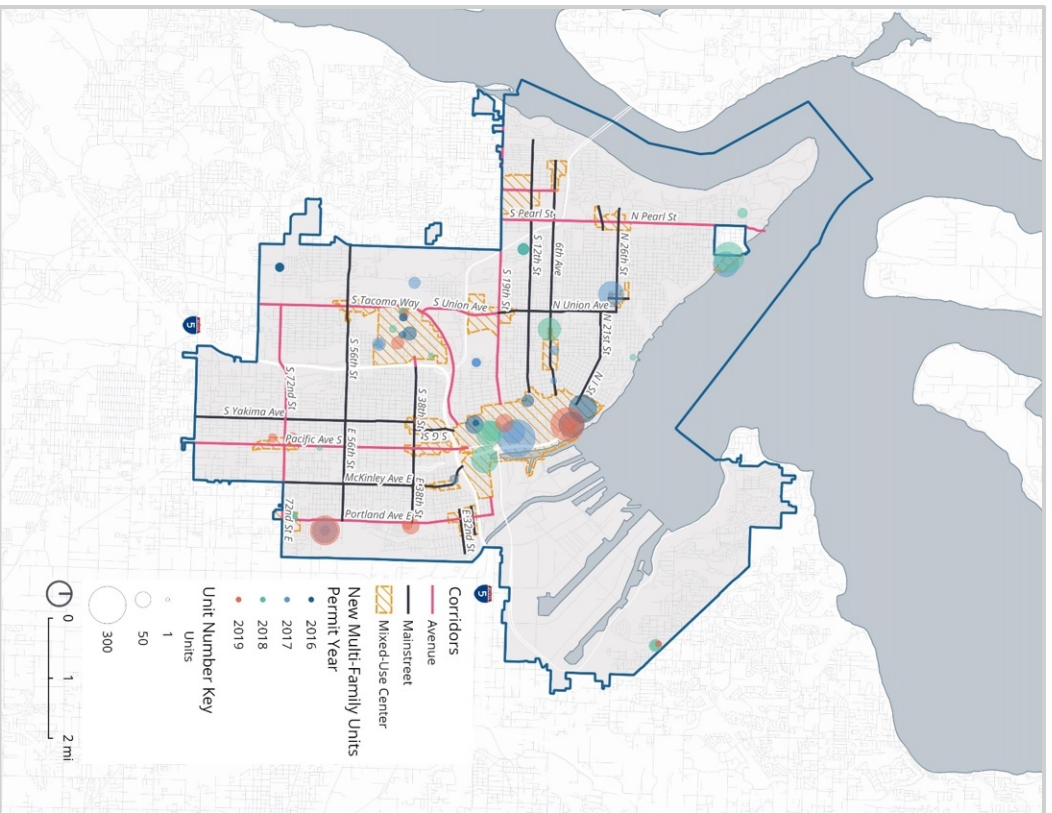
In sum, without a shift in housing policy priorities, the city’s future growth is likely to be bifurcated into multifamily housing—some of which will be affordable to moderately-low income households—and single unit housing—much of which is not affordable to moderate or low income households. Missing middle products are needed to “bridge” this product type and affordability gap.

Unit production by location. The City of Tacoma’s growth strategy targets 80 percent of new residential development in centers and corridors and 20 percent in the remaining medium and low density areas of the city. Since 2016, nearly 4,000 new housing units have been constructed in the city. The majority of units—63 percent—were located in mixed use centers or along corridors, and the remaining 37 percent of new units were located in medium and low density areas throughout the city.

The maps on the following pages show new residential permits by housing type between 2016 and 2019, with the exception of the second ADU map, which shows permits between May 2019 and August 2020, to isolate the effect of the recent code change to permit ADUs citywide by right. The ADU comparative maps suggest that these code changes could have a big impact: permits grew significantly after the code change.

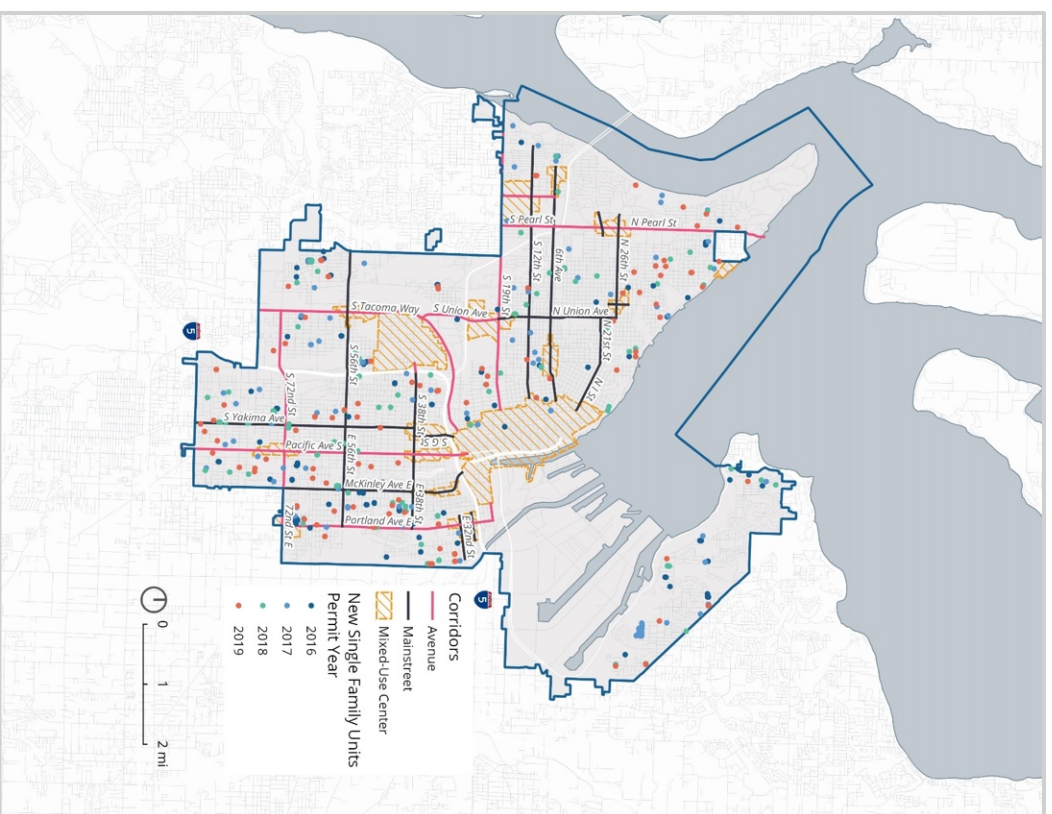
Most multifamily development occurred in centers and along corridors. All other residential housing types were more prevalent in low and moderate density areas of the city. These development patterns suggest that expanding the areas where missing middle products are allowed would conform with development patterns already underway and broaden choice in a variety of areas in the city.

New Multifamily Units by Year Permitted, 2016-2019

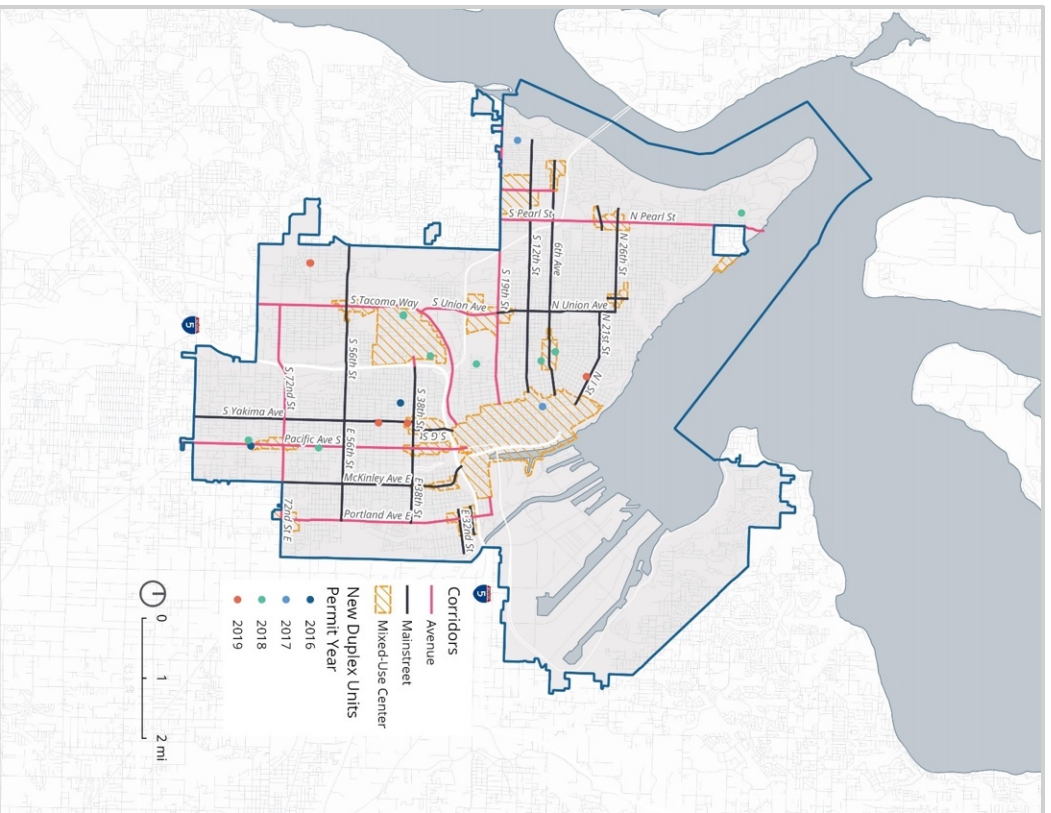


Source: City of Tacoma and Root Policy Research.

New Single Family Units by Year Permitted, 2016-2019

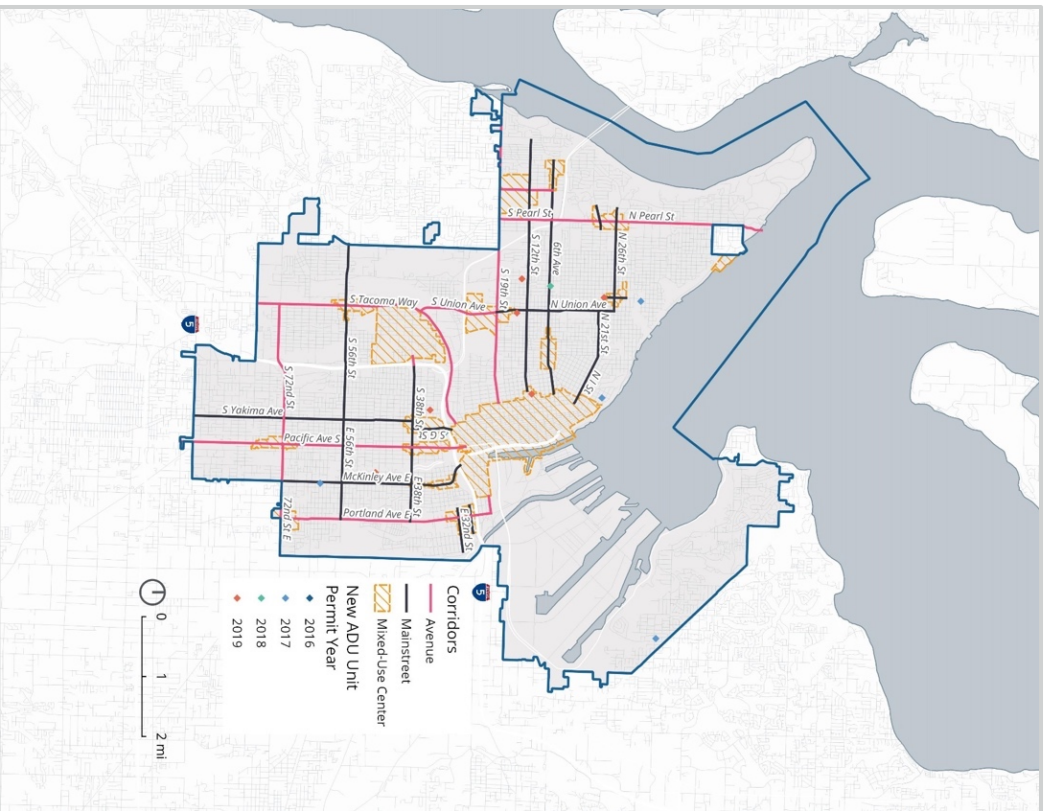


New Duplex Units by Year Permitted, 2016-2019



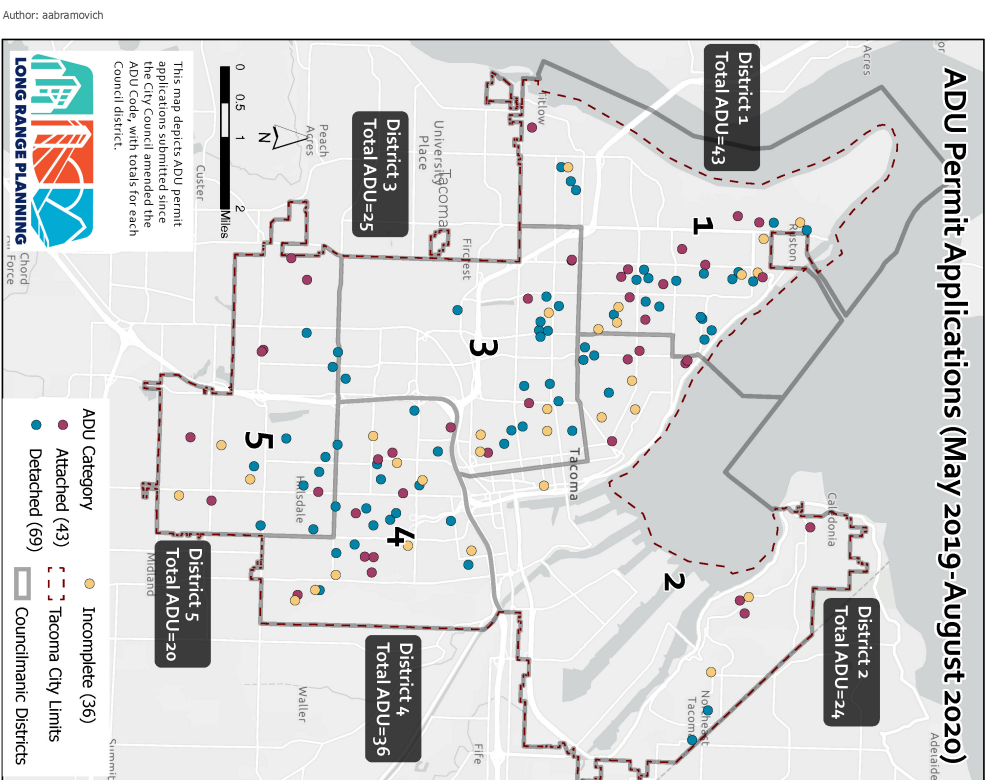
Source: City of Tacoma and Root Policy Research.

New ADUs by Year Permitted, 2016-2019



Source: City of Tacoma and Root Policy Research.

New ADUs by Year Permitted, May 2019 – August 2020



Author: aabramovich

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SECTION 3.

HOUSING POLICY ANALYSIS

Affordability Needs and Economic Feasibility

In Tacoma, as in many markets, residential development has been split between single unit detached units and multifamily development—largely driven by past land use regulations. As land and development costs have risen, ownership in the form of single unit detached housing has become out-of-reach for many.

The average sales price of a home listed or sold in Tacoma in 2020 ranged from \$311,000 to \$633,000, depending on the zip code. Between 2016 and 2019, the median home value in Tacoma rose by \$105,000—a 44 percent increase in three years. At this rate of growth, the median single unit detached home in Tacoma could sell for nearly \$900,000 in 15 years.

At the same time, changes in household composition, employment patterns, and lifestyle choices have increased demand for renting, lengthened the period of rentership, and introduced the need for a greater variety of rental products. Flexibility in zoning is important to broaden both ownership and rental options.

The State Guidance for a HAP recommends that jurisdictions “conduct pro forma analyses of sample projects to estimate a developer’s expected return on investment under different scenarios. This can be helpful to calibrate requirements such as the amount of affordable units and affordability levels to maximize the benefits without discouraging use of the incentive by developers.”

The HAP economic feasibility analysis examined the AMI levels at several development prototypes would reach given current development costs and expected returns.

Feasibility analyses were conducted for nine development prototypes:

- Owned duplexes (2 units) and townhomes (10 units);
- Small scale (32 units) and moderate-scale (55 units) 3-story rentals;
- 4-, 5-, and 7-story rentals (70, 105, and 207 units, respectively);
- 12- and 16-story rentals (207, 290, and 320 units, respectively).

The economic feasibility analysis used the current costs of development and land, operating expenses (for rentals), and industry



expectations for return on investment to determine the equivalent AMI levels these developments can reach without any incentives that the city could provide—through, for example, density bonuses, fee waivers, the Multifamily Property Tax Exemption (PTE), and expedited application review and permitting.

AMI levels served without requirements or incentives. As the table below demonstrates, except for studios in moderate-scale multifamily, newly constructed housing is and will be priced in the 90 to 135 percent AMI range in most of Tacoma. In high rent areas like downtown, AMI levels cluster in the 120 to 140 percent AMI range. This compares to the 120 percent to 175 percent AMI range currently required to afford an existing single unit home (with 120% AMI single unit affordability homes needing significant improvements).

The table also demonstrates that missing middle ownership models struggle to meet target sales prices. Developments costs are currently too high to allow those missing middle prototypes to be developed profitably with current development costs without some flexibility in land use code.

Development Prototypes, Rents and Sales Prices, and AMI Levels

DEVELOPMENT ASSUMPTIONS	MISSING MIDDLE RESIDENTIAL PROTOTYPES					MULTIFAMILY RESIDENTIAL PROTOTYPES			
	Owner Duplex	Owner Townhomes	Small-Scale 3-Story Rental Residential	3-Story Rental Residential	4-Story Rental Residential	5-Story Rental Residential	7-Story Rental Residential	12-Story Rental Residential	16-Story Rental Residential
RENTS									
Low-Moderate Rent Area									
Market rent	1,670	2,338	1,754	1,587	1,629	1,629	996	1,727	1,761
Unit Size	2 bed	2 bed + Den	2 bed	2 bed	2 bed	2 bed	Studio	1 bed	1 bed
Equivalent AMI, rents (2 person hh)	96%	135%	101%	92%	94%	94%	57%	100%	102%
Market sales price	285,000	305,000							
Equivalent AMI, sales (2 person hh)	98%	105%							
Profitability measure	Negative	Negative	Moderate	Strong	Moderate	Moderate	Strong	Weak	Weak
High Rent Area									
Market rent	2,360	3,304	2,478	2,242	2,232	2,232	1,364	2,366	2,413
Unit Size	2 bed	2 bed + Den	2 bed	2 bed	2 bed	2 bed	Studio	1 bed	1 bed
Equivalent AMI, rents (2 person hh)	136%	191%	143%	129%	129%	129%	79%	136%	139%
Market sales price	325,000	365,000							
Equivalent AMI, sales (2 person hh)	111%	125%							
Profitability measure	Negative	Negative	Strong	Strong	Strong	Strong	Strong	Strong	Strong

Source: Root Policy Research.

Effect of Multifamily Property Tax Exemption (PTE)

Under Washington state law, cities may establish a Multifamily Property Tax Exemption (PTE) program to stimulate the construction of new, rehabilitated, or converted multifamily housing within designated areas, including affordable housing. Only the value of eligible

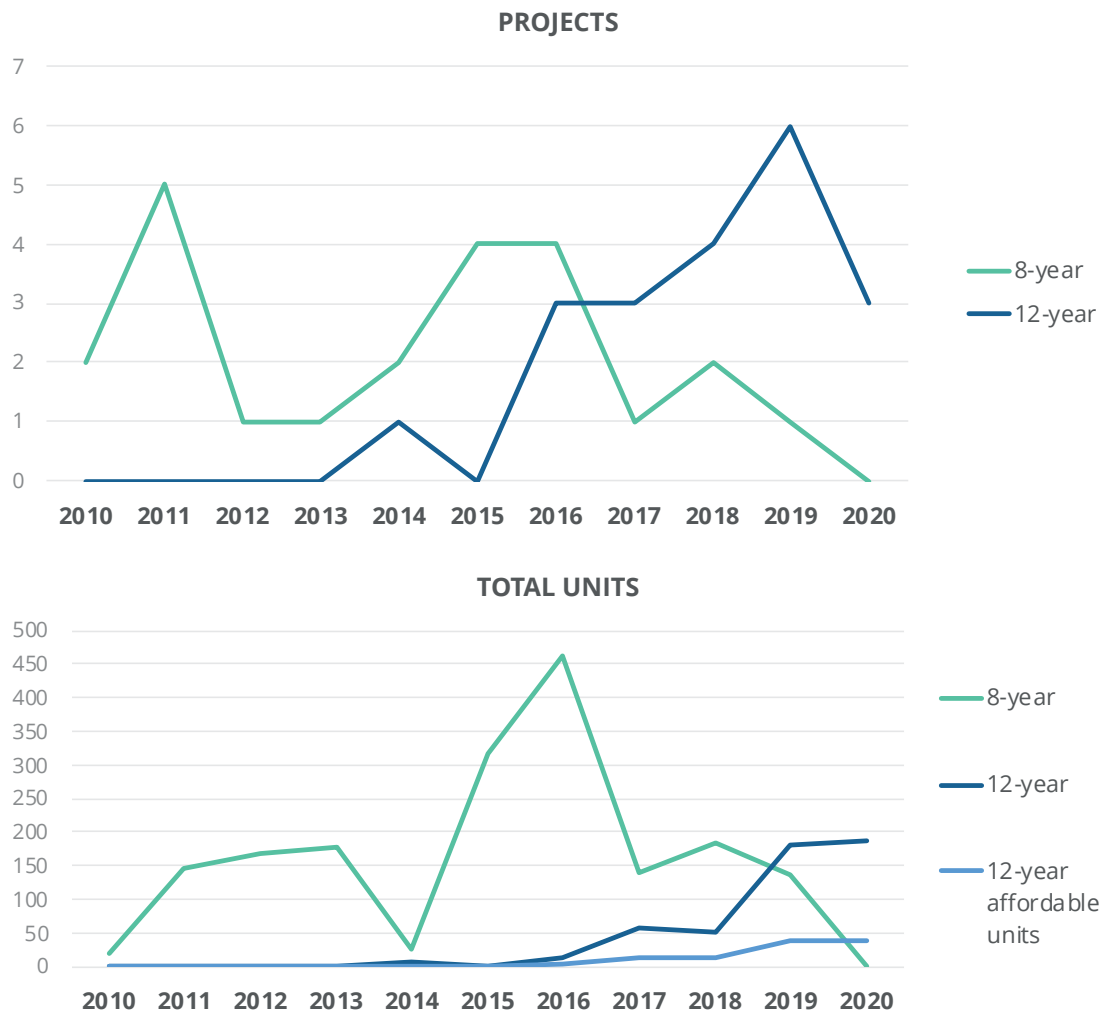
housing improvements is exempted from property taxes; land, existing improvements, and nonresidential improvements are nonexempt.⁵

Two options for property tax exemption exist: an 8 year option or a 12 year option, and these can only be applied to multifamily developments with 4 or more units. The 12 year option requires that developers rent or sell at least 20 percent of the units to low and moderate income households through the course of the exemption. Tacoma has defined this as 80 percent of AMI for renter households and 115 percent for homebuyer households. If property use changes in a manner inconsistent with program requirements before the 8- or 12-year exemption ends, back taxes are recovered based on the difference between actual taxes paid and those that would have been paid without the tax exemption.

Since 2010, the PTE program has produced 109 affordable units out of 496 total units included in PTE 12-year projects. The 8-year PTE has generated 1,777 market rate units since 2010. Although these units do not carry an affordability commitment, production does help to expand housing supply and choice in the city.

⁵ <https://app.leg.wa.gov/RCW/default.aspx?cite=84.14.020>

8-Year v. 12-Year PTE Projects



Note: Year is determined by when the project received a certificate of occupancy.

Source: City of Tacoma and Root Policy Research.

The value of the PTE to developers varies depending on the value of the property. On a per-unit basis, the exemption lowers rents slightly; collectively, however, the PTE allows developers to offset operating costs significantly. The rising demand for the 12-year PTE in recent years suggest that expanding the incentive to apply to more geographic areas in Tacoma would increase the supply and broaden the geographic location of affordable units.

Inclusionary Zoning—and the PTE

Inclusionary zoning refers to local ordinances that require that a share of newly developed residential units are affordable to low and moderate income households. The objective of inclusionary policies is to utilize the efficiencies of the private sector to create new affordable housing and mixed-income communities. Washington state law (RCW

36.70A.540) encourages the use of incentives for affordable housing, including increases in residential capacity through zoning changes, bonus densities, height and bulk increases, parking reductions or other regulatory changes or incentives. The policy objective should be to partially or totally offset the costs to developers of including affordable units with the potential increase in returns from additional height and density.

Tacoma currently has a range of inclusionary zoning approaches in place:

Voluntary IZ

- Downtown Regional Center, adopted 1999, modified 2015
- Mixed-Use Centers, adopted 2009, modified 2015 and 2018
- Planned Residential Districts, adopted 2015

Mandatory IZ

- Private Upzones, adopted 2015
- Tacoma Mall Regional Center IZ Pilot, adopted 2018

The AHAS calls for revisions to the city ordinance to better target unmet need and align with market realities. To date, the output in affordable housing has been limited. Only one project has been proposed for the mall area, and the incentives offered in voluntary areas have not been attractive enough to produce affordable units. The PTE has a much better record of incentivizing affordable units. The AHAS recommended that the city consider an inclusionary housing requirement of 10 percent of rental units affordable at 50 percent AMI.

Economic feasibility with inclusionary zoning. Economic feasibility modeling was built to test inclusionary zoning requirements under a variety of scenarios:

- Low to moderate rent submarkets—representing much of Tacoma excluding North Tacoma and downtown;
- High rent submarkets—representing highly-desirable submarkets like North Tacoma and downtown;
- Affordable rental unit set asides of 10 percent of units with rents at 50 percent of the AMI and 80 percent of the AMI;
- Affordable rental unit set asides of 20 percent of units with rents at 50 percent of the AMI and 80 percent of the AMI;
- The affordable rental set asides above paired with the PTE.

These feasibility tests found the following:

- Mandatory inclusionary zoning requirements are not feasible in low to moderate rent areas without the PTE—but are feasible in high rent areas like downtown. High rent areas can absorb this requirement without compromising financial feasibility.
- In low to moderate rent markets, the value of the PTE allows developments to reach deeper levels of affordability with a 10 percent unit contribution—including the AHAS goal of 10 percent of units at 50 percent AMI. However, state law requires a 20 percent unit contribution, which is not feasible in low to moderate rent areas.
- Use of the PTE in downtown Tacoma—and other high rent markets as they develop—provides the ability to take AMI levels lower to 20 percent of units affordable at 50 percent AMI.

These findings are summarized below.

Potential for Inclusionary Requirements

DEVELOPMENT ASSUMPTIONS	MISSING MIDDLE RESIDENTIAL PROTOTYPES				MULTIFAMILY PROTOTYPES		
	Small-Scale 3-Story Rental Residential	3-Story Rental Residential	4-Story Rental Residential	5-Story Rental Residential	7-Story Rental Residential	12-Story Rental Residential	16-Story Rental Residential
RENTS							
Low-Moderate Rent Area							
10% of units @ 50% AMI	Weak	Weak	Weak	Weak	Weak	Weak	Weak
10% of units @ 80% AMI	Weak	Weak	Weak	Weak	Weak	Weak	Weak
10% of units @ 50% AMI with PTE	Strong	Strong	Moderate	Strong	Strong	Moderate	Moderate
20% of units @ 50% AMI	Negative	Negative	Negative	Negative	Negative	Negative	Negative
20% of units @ 80% AMI	Weak	Weak	Weak	Weak	Strong	Weak	Weak
20% of units @ 50% AMI with PTE	Weak	Weak	Weak	Weak	Weak	Weak	Weak
High Rent Area							
10% of units @ 50% AMI	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
10% of units @ 80% AMI	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
10% of units @ 50% AMI with PTE	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
20% of units @ 50% AMI	Strong	Strong	Moderate	Strong	Strong	Strong	Strong
20% of units @ 80% AMI	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
20% of units @ 50% AMI with PTE	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong

Source: Root Policy Research.

SECTION 4.

RECOMMENDATIONS

Recommendations

The remaining section of the HAP outlines recommendations to adjust housing policies to address current and projected housing needs. It is important to note that the HAP focuses on what the city can control—namely, zoning and standards. The city’s ability to utilize housing policy to result in increased housing affordability is dependent on numerous conditions, ranging from development site challenges to federal funding to assist households with very low incomes to investor and developer interest in Tacoma’s market.

These recommendations were measured against the following framework:

- **Affordability impact:** Would the policy change increase housing affordability?
- **Growth impact:** Is the policy change consistent with the city’s growth vision?
- **Community impact:** Does the policy change treat communities equitably?

Recommendations to Improve Housing Options in Tacoma: Housing Policy Guidance

Update Tacoma’s Housing Growth Vision

Tacoma’s new housing growth vision goes beyond base housing unit creation. It builds upon the unit growth goals set by the Puget Sound Regional Council’s *VISION 2050*—underway as the HAP was developed—to prioritize a diversity of housing choices and costs. It leverages housing unit creation to create more inclusive, resilient, and sustainable neighborhoods.

Housing Growth Vision

Utilize housing growth to create neighborhoods that are inclusive, welcoming to our diverse community, resilient, thriving, distinctive and walkable, and include robust community amenities and a range of housing choices and costs.

The current effort to facilitate housing affordability and diverse housing options through land use modifications builds on Tacoma’s robust housing growth vision, as shown on the prior page. That growth vision developed over decades of community dialogue. Growing housing needs and aspirations have evolved over time, calling for an updated housing vision that includes the additional insights:

- The city needs to move quickly to address the housing crisis, in balance with other goals.
- The city should move away from exclusive single family zoning on a citywide basis, rather only in certain areas.
- The city should commit that implementation of this new housing growth vision when growth can be supported with appropriate standards, infrastructure and services, and impacts can be managed appropriately.

Set housing targets by income range.

- **Affordability impact:** Leverage private development to contribute to affordable housing goals.
- **Growth impact:** Capture affordability in growth that is already occurring.
- **Community impact:** Produce mixed-income housing and add affordable housing to high opportunity areas.

The One Tacoma Plan currently has only one housing growth target tied to affordability—that 25 percent of new housing should be affordable to households earning 80 percent of AMI. Although this is a strong goal, it does not reflect different levels of needs among low income households. Goals by income range allow the city to prioritize housing investments and adjust housing policies to better align with housing needs.

The city should strive for the following ranges of housing unit production by AMI; evaluate outcomes in 5-year increments and adjust goals accordingly; and prioritize housing funding to work toward these goals.

20 year rental goals that enable the city to address housing needs across the income spectrum are likely to range from:

- Rental units affordable at very low incomes (30% AMI and less) = production of 90 to 200 units annually, or 1,800 to 4,000 over 20 years;
- Rental units affordable at low incomes (31-50% AMI) = 80 to 175 units annually or 1,600 to 3,500 over 20 years; and
- Rental units affordable at moderately low incomes (51-80% AMI) = 100 to 230 units annually or 2,000 to 4,600 over 20 years.

Ownership goals will also depend on overall household growth, in addition to interest rates. If the city's ownership holds at 54 percent, 20 year ownership goals are likely to range from:

- Owner units affordable at moderately low incomes (80% AMI) = 95 to 210 units annually or 1,900 to 4,200 over 20 years;
- Owner units affordable at moderate incomes (81-100% AMI) = 70 to 150 units annually or 1,400 to 3,000 over 20 years; and
- Owner units affordable at missing middle incomes (101-120% AMI) = production of 60 to 140 units annually, or 2,000 to 2,800 over 20 years.

Refine policy guidance for affordability incentives and requirements: The feasibility analysis conducted for this HAP indicates that the city could impose a mandatory inclusionary requirement in high rent submarkets and deepen the affordability requirement of the PTE in low and moderate submarkets. We recommend implementing a mandatory affordable housing contribution in high cost market areas of 20 percent of units at 50 percent AMI. We also recommend providing low and moderate rent areas an option of 10 percent of units at 50 percent AMI or 20 percent of units at 80 percent AMI when the PTE is used if state law were to allow this option.

- **Affordability impact:** Leverage private development to contribute to affordable housing goals. Under current market conditions and in high rent areas like downtown, private multifamily development has the ability to contribute a significant share of 50 percent AMI affordable rentals.
- **Growth impact:** Capture affordability in growth that is already occurring.
- **Community impact:** Produce mixed-income housing and add affordable housing to high opportunity areas.

Refine policy guidance for affordability incentives and requirements: Expand the Multifamily Property Tax Exemption (PTE) to mid-scale residential areas and missing middle products with 4+ units developed in low density residential areas.

- **Affordability impact:** Based on recent trends, the affordable units developed through the PTE could account for between 25 and 45 percent of annual housing goals for 50 percent AMI units.
- **Growth impact:** Distribute affordable housing throughout the city.
- **Community impact:** Leverage growth that is already occurring to integrate affordable units.

Refine policy guidance for affordability incentives and requirements: Calibrate supplemental housing policies, including surplus land donations, to reflect the housing

goals and define Affordable Housing consistently with the needs identified in the Existing Conditions report.

Enact an anti-displacement policy and supporting programs to minimize the effect of land use changes on low income renters and owners.

- **Affordability impact:** Target affordable housing to those who most need it.
- **Growth impact:** Ensure that housing units meet employment growth in low wage industries and allow workers in Tacoma to reside in Tacoma.
- **Community impact:** Preserve Tacoma’s socioeconomic and demographic diversity.

The Existing Conditions analysis demonstrated that displacement is occurring in Tacoma for very low income households who do not receive housing subsidies: Between 2016 and 2019, rental units priced between \$625 and \$875 per month, serving households with incomes between \$20,000 and \$35,000, declined by 5,300 units.

The analyses in this Housing Action Plan, and a best practices review of actions in peer communities, informed the following recommended action items tailored to land use interventions that facilitate missing middle and affordable housing opportunities:

1. As the Home in Tacoma project moves forward, strengthen the emphasis on anti-displacement as a primary goal.
2. Use the full spectrum of housing tools to address needs, including:
 - a. Creating new sources of funding for affordable housing
 - b. Expanding the PTE affordability option
 - c. Coordinating affordable housing and economic development strategies (e.g., within Opportunity Zones)
 - d. Increasing city staffing to support housing growth and affordability
 - e. Reviewing and streamlining regulatory processes
 - f. Evaluating potential impacts and actions related to property taxes
3. Implement code changes to encourage missing middle product citywide to ensure that no neighborhoods are excluded from expanding missing middle and affordable housing opportunities.
4. Implement inclusionary zoning in submarkets where it is economically feasible and strive for the most affordability as possible. Tailor affordability tools based on specific affordability needs and market conditions in Tacoma’s neighborhoods.

5. Require that developers benefitting from additional density through expanding medium-scale residential neighborhoods, the Multifamily Property Tax Exemption (PTE), fee waivers, expedited processing, and city-funding (through the Housing Division) adopt affirmative marketing practices—e.g., using multicultural models in advertisements, placing ads in culturally-targeted newspapers and radio stations, using a variety of languages, using accessible formats—when advertising available units.
6. Implement a resident preference policy that applies to both households at risk of displacement and residents living in neighborhoods with high-displacement risk. This policy would apply to developers who receive the PTE, fee waivers, expedited processing, and city-funding.⁶
7. Promote ownership opportunities as a pathway for building wealth. For example, ensure that low income homeowners faced with rising property taxes, and seniors and persons with disabilities, are aware of the property tax exemptions and deferrals available through the Pierce County Assessor’s office. Market the programs through trusted community organizations (<https://www.co.pierce.wa.us/682/Property-Tax-Exemptions-Deferrals>)
8. Promote family-sized units: Seek methods to incentivize creation of affordable housing units suitable for larger households in areas where these are in short supply.
9. Working with local architects and lenders, create a set of affordable ADU designs and a financing package to facilitate construction of ADUs by lower and moderate income owners to add affordable housing and/or create income-building.⁷
10. Require redevelopment of large sites with city investment (e.g., infrastructure expansion, land donation) to include deeply affordable ownership products such as land trust and sweat equity developed communities, as well as publicly-assisted rentals, and affirmatively market these products to households displaced and at-risk.
11. Coordinate with the Tacoma Housing Division to ensure that residents at risk of displacement have the resources they need to mitigate eviction (e.g., tenant based rental assistance, access to landlord mediation services, relocation assistance, financial literacy programs) and other forms of displacement. Target information campaigns in neighborhoods when private sector development is active.

⁶ Seattle’s recent implementation of a community preference policy: <https://www.seattle.gov/housing/programs-and-initiatives/community-preference#:~:text=Community%20preference%20allows%20housing%20developments,%2C%5B1%5D%20and%20redlining>.

⁷ A model program can be found here: <https://www.mywdrc.org/adu-pilot-program>.

12. Support anchor institutions and businesses at risk of displacement due to redevelopment by encouraging redeveloped property owners to continue current leases through city subsidies and/or implementing first rights of refusal for newly created and affordable space created through public investments.
13. Empower people of color and others who have historically been under-represented in policymaking to take a stronger role in shaping policy.

Establish policies to achieve antiracism goals in housing.

This recommendation calls for development of a plan through which housing policy implementation will be evaluated to ensure that policies help undo structural barriers to housing choice caused by historical discriminatory actions. An Antiracism plan for housing is being developed in consultation with the Housing Equity Taskforce (HET).

Recommendations to Improve Housing Options in Tacoma: Land Use/Zoning Actions

Update Code to allow a broader mix of housing types.

- **Affordability impact:** Increase the inventory of affordable homeownership products, tilting the affordability levels closer to 120 percent AMI, from 150 percent+ AMI.
- **Growth impact:** Diversify the supply of unit types for owners and renters.
- **Community impact:** Expand affordable housing options citywide in areas of opportunity, where land is limited to absorb significant amounts of growth.

Low-scale Residential Areas

- Intent: Support diverse housing types in structures that are compatible in scale with houses.
- Allow the following housing types:
 - Detached homes
 - 2-unit and 3-unit dwellings (townhouses, a duplex + an ADU, or a triplex)
 - Townhouses
 - Cottage housing
 - Shared/cohousingIn some circumstances:
 - Fourplex
 - Small multifamily (5-12 units)
 - Tiny homes/mobile homes

Mid-scale residential

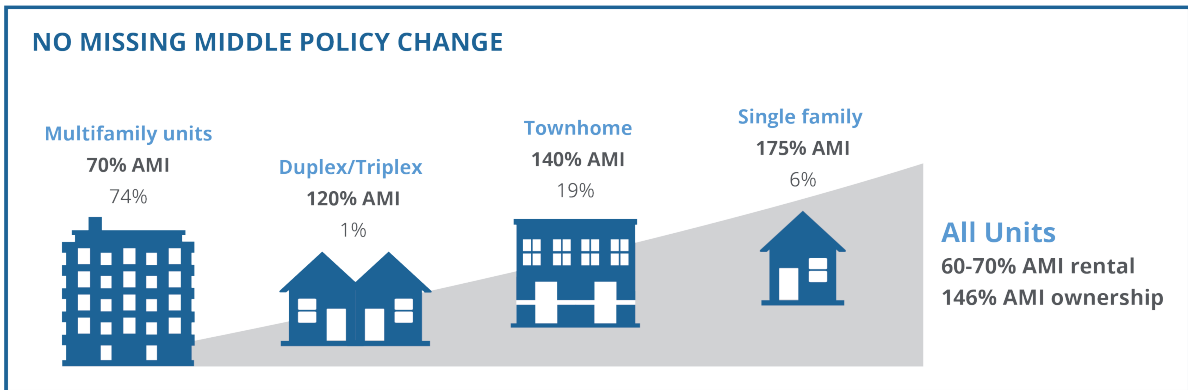
- **Affordability impact:** Increase the supply of a variety of missing middle housing types developments and affordability levels.
- **Growth impact:** Broaden affordable rental products to meet affordability targets; expand land available to repurpose into missing middle products.
- **Community impact:** Expand housing options in walkable areas and near transit, promoting sustainability and community health.

Allow mid-scale multi-family housing, in addition to those allowed in low-scale neighborhoods. with the potential to increase in appropriate areas.

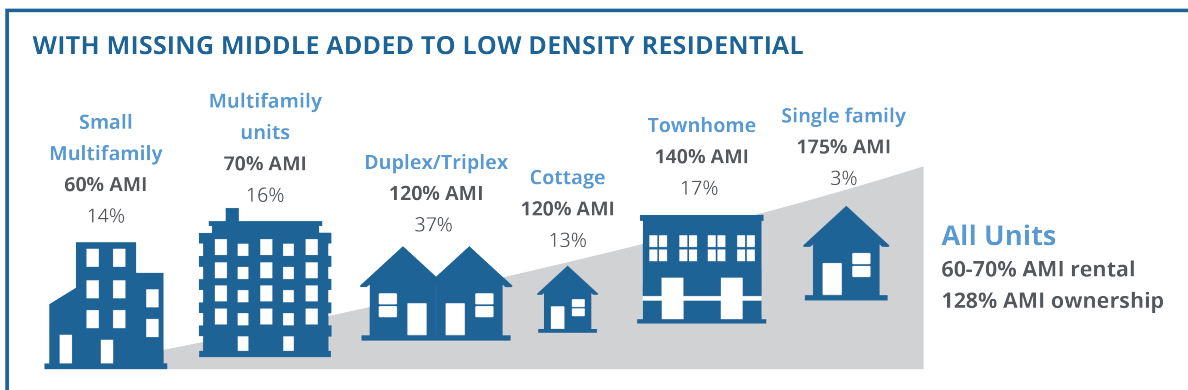
- Intent: Support mid-scale multifamily housing in areas close to shopping and transit.

- In addition to the above, allow the following housing types:
 - Mid-scale multifamily
 - Live-work
 - Limited retail/office

Growth with land use changes compared to past trends. As discussed earlier in this report, 85 percent of the units permitted between 2016 and 2020 were multifamily developments; 13 percent were single family detached homes. The land available for single family detached homes is increasingly limited and, without land use changes, future development is likely to be concentrated in larger multifamily developments in areas like downtown. If past unit development trends continue and development tilts toward the highest value products and sites within Tacoma, this will yield the projected unit distribution shown below. By AMI, this distribution would average 70 percent AMI for rental and 146 percent AMI for ownership.



An increase in the opportunity to develop missing middle unit types—facilitated through land use changes—could result in the following. This would produce the same affordability for multifamily rentals—but a deeper level of affordability for ownership.



If growth is stronger than it has been in the past—and if land use changes are made to allow a wider variety of housing types throughout Tacoma—unit distribution is likely to be more concentrated in small multifamily developments, moderate multifamily developments, and duplexes to fourplexes, as well as ADUs and cottage homes. This would allow an even broader distribution of AMI levels, particularly through small and moderate multifamily developments, in which the inclusion of affordable units is economically feasible.

Modify lot, parking, and access standards to remove barriers to infill.

- **Affordability impact:** Allow moderately-sized rental developments to reach < 60 percent AMIs (parking reductions). Increase the inventory of affordable rentals by up to 40 percent per development (building code changes).
- **Growth impact:** Incentivize the development of multifamily rentals.
- **Community impact:** Facilitate transit-dependent developments.

Constructing structured or underground parking adds a significant cost, generally between \$35,000 to \$50,000 per space, depending on the structure. Surface parking is much less expensive—around \$3,000 per space, yet is an efficient use of increasingly valuable land.

Reducing parking requirements in areas well-served by transit and easing requirements in exchange for affordable units helps rental developments reach 60 to 80 percent AMI rent levels without public subsidies and still achieve returns that remain competitive to investors.

The city should also allow flexibility in building code for wood frame construction, up to 7 stories, for rental developments that are 100 percent affordable in the 60-80 percent AMI range. This is allowed in more recent versions of the International Building Code (IBC). If all new moderately-sized rental developments added two stories using this option, 40 percent more 60-80 percent AMI units could be added to the city's stock, ensuring that the city could reach its 60-80 percent housing goal in less than 20 years.

Recommendations to Improve Housing Options in Tacoma: Administrative and Supportive Actions

Update the Development Regulatory Agreement Code to allow flexible permitting for affordable housing developments.

- **Affordability impact:** Reduce the time it takes for housing to be developed and occupied by low and moderate income households; lower development costs; incentivize the development of affordable units by private sector developers.
- **Growth impact:** Incentivize the development of missing middle and affordable housing products.
- **Community impact:** Improve transparency.

Expedited processing and fee waivers, which Tacoma's original inclusionary zoning ordinance contemplated, have not been fully implemented by the city. The city is currently working toward adopting preapproved plans for ADUs and hiring an affordable housing project coordinator, both expected in 2021.

Expedited review is currently being piloted for a fully subsidized affordable project; the impact of expedited review on other development projects will be evaluated and potentially extended to other mixed-income projects.

The AHAS calls for a project coordinator to assist with permitted processing for affordable development and infill development, as well as an expansion of staff with subject matter expertise and on-call labor to assist with development review as needed.

The city should update the city's Development Regulatory Agreement (DRA) code to establish a flexible permitting pathway for projects that provide substantial affordable housing. This would include flexibility in meeting specific zoning standards for larger sites with a substantial proportion of affordable units.

Developer outreach for the HAP also identified a need for consistency in review of missing middle product types. As the city expands the land available for missing middle development it should avoid slowing down the development process and discouraging these housing types by treating each as a new concept.

Land Use Scenario Analysis

A predictive model was used to estimate the effect of the proposed missing middle code change scenarios. This analysis differs from the 2014 Buildable Lands report, although it does incorporate unit growth targets. This analysis uses a custom model to determine the likelihood that lots will convert to missing middle development types as more flexible land use options are made available. It applies a more nuanced analysis to inform growth scenario development.

The model examined all parcels in Tacoma for development potential. The development potential considered:

- Vacant parcels—vacant parcels are more likely to redevelop;
- Location within a center or corridor—more likely to redevelop;
- Proximity to open space—more likely to redevelop;;
- Re- or development activity in close proximity—more activity indicates a better likelihood of redeveloping; and
- Parcel size—larger parcels are more likely to redevelop.

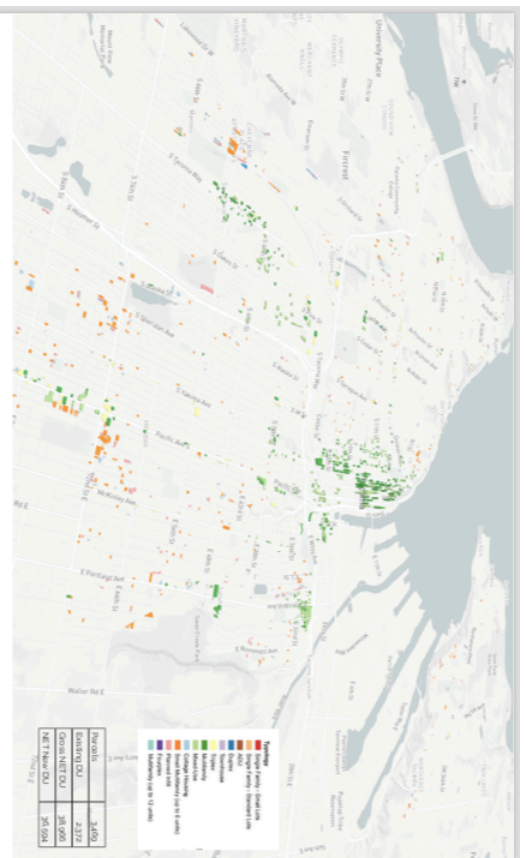
The model considered the moderate growth scenario used to for the housing growth targets. Preliminary modeling has found:

- Tacoma has limited capacity for future development of small and standard single unit detached lots;
- ADU capacity is strong, has the potential to occur throughout the city in low density residential areas;
- New development will be largely multifamily and occur throughout Tacoma with concentrations downtown, along corridors, and in the mall area;
- Without code changes, duplex/triplex/cottage development will be limited. Cottage housing development is possible and likely under all land use scenarios. Land use changes facilitate broader and more uniform product types across the city; and
- Missing middle infill programs increase housing unit capacity significantly throughout the city.

The following maps compare likely growth based on the predictive model without code changes that incentivize missing middle development—and the possibility of development if missing middle products are made more widely available. The first shows a low growth scenario, where units are concentrated in large multifamily developments, and, to a lesser extent, small multifamily products.

The second shows an expansion of small multifamily, townhomes, and cottage housing—and how those intersect with single unit detached home areas.

**Growth Form and Potential without Missing Middle
Product Opportunities, 2020-2040**



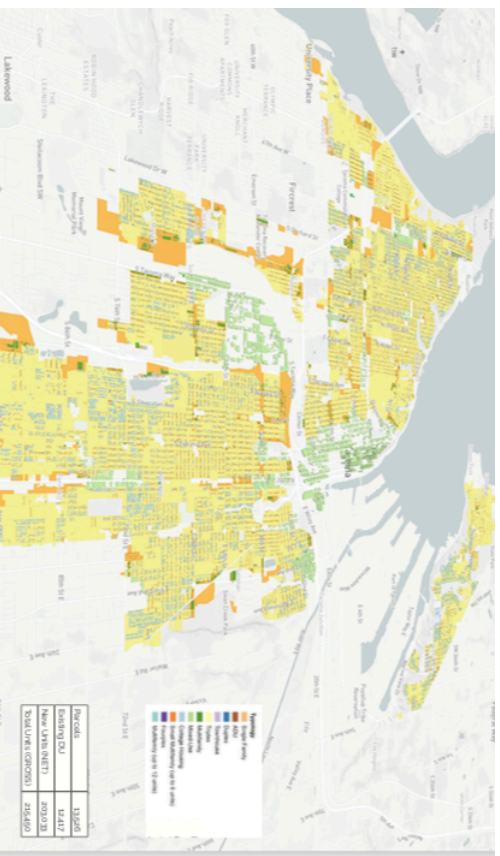
**Growth Form and Potential with Missing Middle
Product Opportunities, 2020-2040**



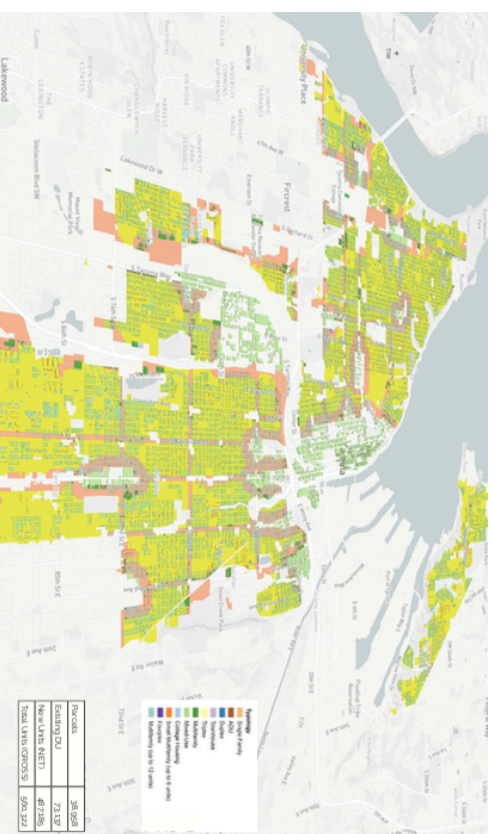
Source: Gridrics and Root Policy Research.

The final maps below show full build out scenarios. The map on the left shows full capacity without land use changes, resulting in a unit distribution of mixed-use multifamily (commercial and residential) downtown, along major corridors, and in the mall area. The second map shows more integrated development patterns of lower density products (aqua colored parcels).

Growth Form and Potential without Missing Middle Product Opportunities, full Build Out, 2020-2040



Growth Form and Potential with Missing Middle Product Opportunities, full Build Out, 2020-2040



Source: Gridics and Root Policy Research.



Root Policy Research

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970.880.1415

APPENDIX A.

City of Tacoma

Home In Tacoma Existing Conditions

PREPARED FOR:

City of Tacoma
747 Market Street, Tacoma, WA 98402
cityoftacoma.org
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CREATED

06/08/2021

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Appendix A.

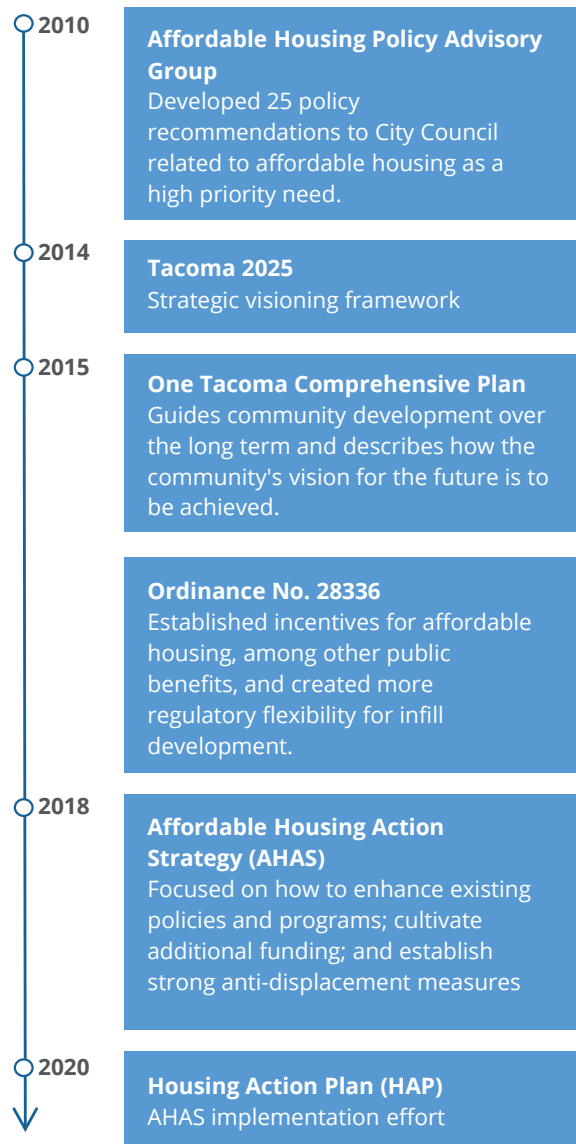
Existing Conditions

As stated in the Tacoma 2025 plan, “Diversity is Tacoma’s greatest asset.” Part of the city’s success in supporting diversity has been its relative housing affordability. As housing prices rise more rapidly than incomes, the city’s foundation—as well as potential for economic development—is increasingly threatened.

The City of Tacoma has already taken steps toward addressing housing affordability challenges in the community, as shown in the timeline on the right. In 2010, the Affordable Housing Policy Advisory Group brought forward policy recommendations to address affordable housing. In 2015, Tacoma adopted regulatory reform and incentives for affordable housing.

Finally, in 2018 the Affordable Housing Action Strategy (AHAS) was built on earlier efforts including strategic documents like Tacoma 2025 and One Tacoma Comprehensive Plan. The implementation of the AHAS has the potential to produce 6,000 new affordable units; preserve 2,300 existing affordable units; and serve an additional 2,200 households by 2028. In total, it will reach 10,500 households living in the City of Tacoma.

This Housing Action Plan aims to implement several actions identified in the AHAS to create more homes for more people. In particular, this study will investigate market-based incentives for affordable housing, land use regulations to promote affordability, and policy reform to encourage development in the city.



This section of the report includes an overview of existing conditions in the City of Tacoma to provide context for the Housing Action Plan (HAP). The city last updated housing needs and addressed affordable housing challenges in the Affordable Housing Action Strategy, produced in 2018 and based on 2016 data. Therefore, this existing conditions analysis focuses on market shifts since 2016—the latest year of data available at the time the AHAS was produced—and highlights changes in key housing market indicators.

While the City of Tacoma has seen a recent increase in the rate of new housing production, the City's overall housing growth remains well behind adopted planning targets. Furthermore, despite the adoption of new affordable housing targets, the City continues to see an expanding gap between incomes and housing prices, resulting in a worsening affordability crisis, as well as persistent inequity in residents' access to opportunity and health outcomes. These challenges are likely to be exacerbated by the economic impacts of the COVID-19 pandemic.

Indicators of housing needs. For the purposes of this analysis, housing needs are analyzed and measured using the following indicators:

- Household cost burden and severe cost burden;¹
- Trends in housing supply and cost;
- Location of affordable housing;
- How supply of housing compares with demand by price points and income levels;²
- Home ownership rates; and
- Opportunity areas.

Why addressing housing needs is important. Addressing housing needs has become an increasing priority among local and state governments. This is related, in part, to the federal government's reduced investment and role in providing publicly subsidized housing. In addition,

- Academic studies have consistently demonstrated that stabilizing the housing costs of low income households, especially those with children, facilitates upward mobility and reduces long term public sector human services costs.
- Housing investments that allow workers to live closer to their places of employment can reduce the impacts of commuting on local jurisdictions—e.g., wear-and-tear on roads, and responses to vehicular accidents.

¹ Cost burden occurs when households pay more than 30 percent of their gross income toward housing costs. This is the industry standard for affordability. Severe cost burden occurs when households pay more than 50 percent of their gross income toward housing costs and also indicates risk of eviction, foreclosure, and/or homelessness.

² This is measured by a "gaps analysis" modeling exercise.

- Households in stable housing environments are more likely to spend money in the local economy, through direct spending on goods and services. The negative impact of retracted spending on local economies has, unfortunately, been dramatically exposed with the outbreak of the COVID-19 virus.

Sources of data for this section. This section utilizes current data on the demographics of Tacoma residents from the U.S. Census' American Community Survey (ACS); for sale home pricing from Pierce County Real Estate and Zillow; rental pricing from Rainmaker Insights; and income limits from the U.S. Department of Housing and Urban Development (HUD). The most current data reflects conditions in 2019 and 2020. Historical data from 2010 and 2016 are used to benchmark trends.

This data analysis presents a “baseline” of needs leading up to COVID-19. It is likely, at least in the short-term, that housing needs are more acute than identified in the available data, particularly as the pandemic continues.

Primary Findings

In the three years since the city's housing needs were identified as part of the Affordable Housing Action Strategy (AHAS), the City of Tacoma has experienced significant changes in its demographic and housing market conditions:

- **Households are getting smaller as the population ages.** Households with a householder 65 years and over increased by nearly 2,900 from 2016 to 2019. Seniors aging in Tacoma will create demand for smaller units (one- to two-bedroom) and accessible, visitable housing due to the correlation of age and disability.
- **Incomes have not kept up with housing costs.** From 2016 to 2019, median rent increased by 21 percent while median renter income increased by only 12 percent. Similarly, the median home value of owner occupied housing increased by 44 percent compared to a 22 percent increase in median income for owner households. It is becoming increasingly difficult for renters to afford to rent or buy in Tacoma as wages fail to keep up with rising housing costs.
- **Renters are higher income—and lower income households have declined.** There are now about 2,800 fewer households with incomes of less than \$25,000 in Tacoma than in 2016. This is likely due to a combination of low income households being priced out of the market and renter income increasing. High income renter households (>\$100,000) increased by 2,300 since 2016.
- **Special populations are disproportionately affected by poverty and are especially vulnerable to the changing housing market.** Residents with a disability, seniors, single mothers, and people of color have above average poverty rates and are particularly vulnerable to shifting housing costs. Additionally, populations on a fixed income—mainly residents with a disability and seniors—are especially at risk.
- **The shortage of affordable rental units persists.** In 2019, there was an estimated shortage of 4,897 units for renters with incomes of less than 30 percent of the Area Median Income or AMI—approximately \$20,000 per year for a 2-person household. This shortage declined from 2016 mostly due to a decline in extremely low income renters that was greater than the loss of affordable units. A rental shortage also exists for low income households: Altogether, 7,159 households with incomes of less than 50 percent AMI—with incomes of \$35,000 and less per year—cannot find rental units they can afford. This affordable rental shortage is comparable to the wait list for public housing maintained by the Tacoma Housing Authority, which

approximates 6,500 households. Households typically wait for several years (as many as five years) on the wait lists.³

- Racial and ethnic diversity has increased while disparate trends in homeownership and poverty remain.** The City of Tacoma is becoming more racially and ethnically diverse. However, Black/African American residents, Asian residents, Latino/Latinx/Hispanic residents, and residents of two or more races all have poverty rates higher than the individual poverty rate. Black/African American (30%) and Latino/Latinx/Hispanic residents (47%) have much lower rates of homeownership compared to White/Caucasian residents (61%).
- The city’s highest opportunity areas are the most challenging to access for low and moderate income households.** Generally, opportunity is highest in the north areas of the city and lowest in the south and central areas of the city. Areas of high opportunity have higher median home values.

Figure A-1.
Key Housing Market Change Indicators, City of Tacoma, 2016-2019

	2016	2019	2016-2019	
			Change	% change
Rental Market				
Median rent	\$1,054	\$1,273	\$219	21%
Median renter income	\$40,009	\$44,809	\$4,800	12%
Ownership Market				
Median home value	\$239,100	\$344,500	\$105,400	44%
Median owner income	\$76,544	\$93,765	\$17,221	22%
Rental Gaps				
Rental gap <30% AMI	-6,055	-4,897	1,159	-19%
Renter households <30% AMI	9,077	7,769	-1,308	-14%
Rental units <30% AMI	3,022	2,872	-150	-5%
Cost burden				
Owners	32%	27%	-5%	
Renters	47%	49%	2%	
Homelessness (Pierce County)	627	544	-83	-13%

Source: 2016 and 2019 1-year ACS; Pierce County Point-in-Time County 2016 and 2019; Root Policy Research.

³ City of Tacoma 5-year Consolidated Plan Draft (2020)

Demographic Framework

This section presents demographic trends that impact housing needs for the City of Tacoma and the counties that comprise the Puget Sound Region—King, Kitsap, Pierce, and Snohomish Counties. Trends are benchmarked to 2010 and 2016.⁴

Population and households. Figure A-2 shows population growth from 2010 to 2019 for the City of Tacoma and the counties that comprise the Puget Sound Region. Since 2016, the City of Tacoma grew by more than 6,500 residents (3%) for an estimated total population of 217,834 in 2019. From 2010 to 2019, the City of Tacoma grew by roughly 2,000 residents annually, which is average for the region. King and Snohomish Counties experienced the highest percent growth over the same time.

Figure A-2.
Population, 2010-2019

Jurisdiction	2010	2016	2019	2010-2016		2016-2019	
				Total	% change	Total	% change
Tacoma	198,506	211,304	217,834	12,798	6%	6,530	3%
King County	1,937,961	2,149,970	2,252,782	212,009	11%	102,812	5%
Kitsap County	251,809	264,811	271,473	13,002	5%	6,662	3%
Pierce County	795,628	861,312	904,980	65,684	8%	43,668	5%
Snohomish County	715,470	787,620	822,083	72,150	10%	34,463	4%

Source: 2010, 2016, and 2019 1-year ACS

Household growth from 2010 to 2016 was similar to population growth. However, in recent years—since 2016—the City of Tacoma added roughly 5,200 new households (6%) for a total of 87,016 households in 2019. A higher percent change in the number of households compared to the population indicates a trend toward smaller household sizes in the city. Smaller households in the City of Tacoma are most likely seniors aging in place.

⁴ 2016 American Community Survey Data was used in the Affordable Housing Action Strategy.

Figure A-3.
Households, 2010-2019

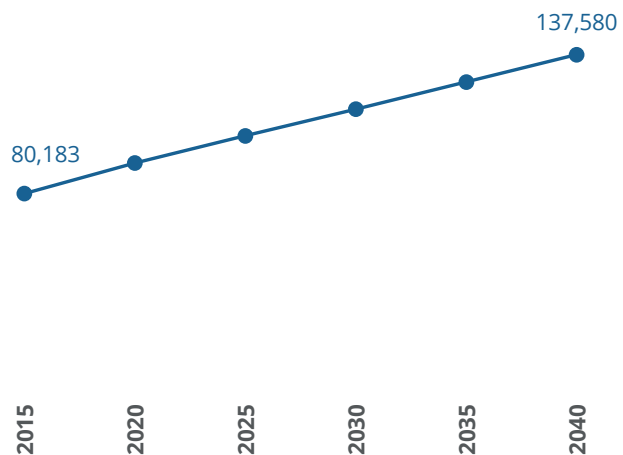
Jurisdiction	2010	2016	2019	2010-2016		2016-2019	
				Total	% change	Total	% change
Tacoma	79,316	81,811	87,016	2,495	3%	5,205	6%
King County	787,809	861,154	907,761	73,345	9%	46,607	5%
Kitsap County	99,150	101,995	107,525	2,845	3%	5,530	5%
Pierce County	299,876	317,671	333,657	17,795	6%	15,986	5%
Snohomish County	266,080	286,116	299,827	20,036	8%	13,711	5%

Source: 2010, 2016, and 2019 1-year ACS

Future growth. Puget Sound Regional Council (PSRC) Land Use Vision model provides population, household, and employment forecasts for the region. According to PSRC’s model, the City of Tacoma is forecasted to add 44,770 new households from 2020 to 2040—an increase of nearly 50 percent (48%). However, since the model’s base year in 2015, citywide growth has not kept pace with the forecast. In 2019, the city is home to an estimated 87,016 households—yet the PSRC forecast estimates the City of Tacoma to have as many as 92,800 households by 2020.

Actual growth is more uneven than forecasts would suggest, and it is likely that the City of Tacoma will need to accommodate more of the region’s projected growth in future years as housing in King and Snohomish Counties becomes increasingly less affordable. Additionally, demographic shifts in the city’s households will necessitate a recalibration of the types and price of housing needed by residents—particularly if the city continues to lose units priced to serve workers in low-wage industries like home health care and basic services.

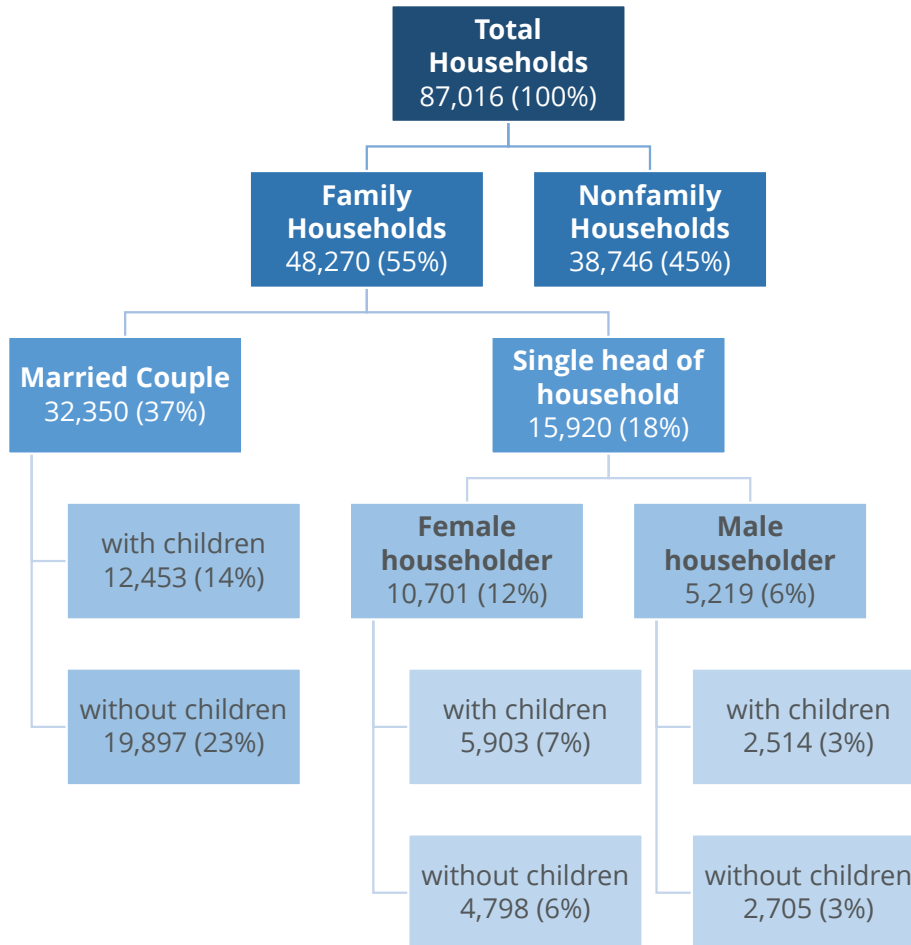
Figure A-4.
Household Projections,
City of Tacoma, 2015-2040



Source:
Puget Sound Regional Council Land Use Vision

Household composition. Most households in the City of Tacoma in 2019 are families (55%), as shown in Figure A-5. The majority of families are married couples (37%) and the remainder are single parents or unmarried partners (18%). One in four households have children under the age of 18 years old. Another 45 percent of households are nonfamily households, most are made up of individuals.

Figure A-5.
Household Composition, City of Tacoma, 2019

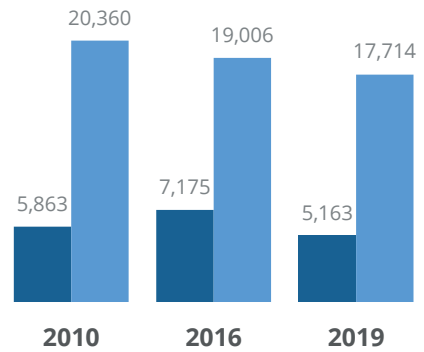


Source: 2019 1-year ACS

Figure 6 shows the total population in the City of Tacoma and Pierce County living in group quarters. Tacoma residents living in group quarters has decreased since 2016—consistent with the countywide decrease. Residents in group quarters represent 2 percent of the population in 2019 in the city and county.

Figure A-6.
Population in Group Quarters, City of Tacoma and Pierce County, 2010-2019

Source:
 2010, 2016, and 2019 1-year ACS



Age. Figure A-7 shows the number of households in the City of Tacoma by the age of the householder. Much like other cities and regions in the country, the population is aging, and young adults and families are not offsetting this change. Since 2010, the number of young adults and families with a householder under the age of 35 in Tacoma has remained largely unchanged, while households with a householder 65 to 74 years old—Baby Boomers entering retirement—increased from 7,200 in 2010 to nearly 12,100 in 2019. The number of young children under five decreased by 23 percent from 2016 to 2019.

Figure A-7.
Households by Age of Householder, City of Tacoma, 2010-2019

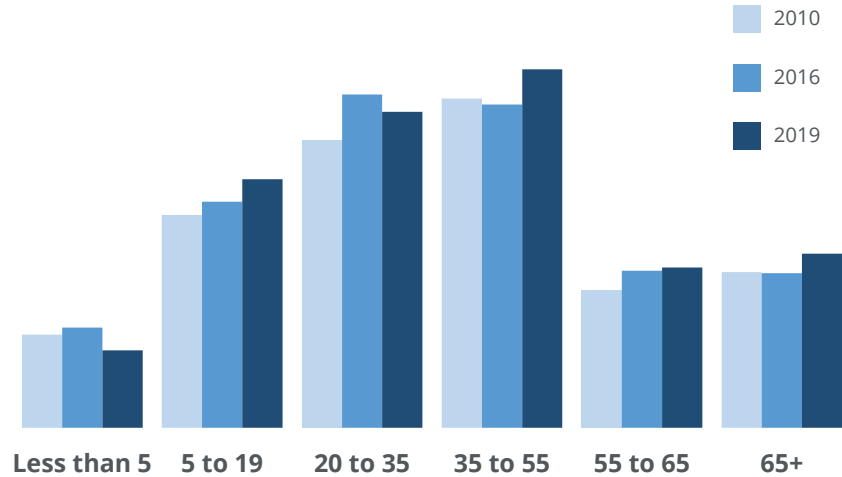
Age of Householder	2010	2016	2019	2010-2016		2016-2019	
				Total	% change	Total	% change
Under 35 years	19,988	21,353	21,381	1,365	7%	28	0%
35 to 44 years	13,960	13,172	19,679	-788	-6%	6,507	49%
45 to 54 years	16,577	16,035	11,737	-542	-3%	-4,298	-27%
55 to 64 years	13,722	15,135	15,216	1,413	10%	81	1%
65 to 74 years	7,218	8,836	12,080	1,618	22%	3,244	37%
75 to 84 years	4,283	4,418	4,139	135	3%	-279	-6%
85 years and over	3,490	2,863	2,784	-627	-18%	-79	-3%

Source: 2010, 2016, and 2019 1-year ACS

Shifting age demographics and the increase in smaller sized households is likely to increase demand for “downsizing” options and one- and two-bedroom units. These changes will also increase demand for services and amenities demanded by seniors and younger adults with smaller household sizes. This will include in-home care for seniors, public transportation, and, once the pandemic is over, restaurants, retail, and basic household services.

Figure A-8.
Age Distribution,
City of Tacoma,
2010-2019

Source:
 2010, 2016, and 2019 1-year
 ACS



Race and ethnicity. The City of Tacoma is becoming slightly more racially and ethnically diverse. The share of the population that identifies as White/Caucasian decreased from 89 percent of the total population in 2010 to 87 percent in 2019. Over the same time, the number of Latino/Latinx/Hispanic and Black residents in the community increased.

Figure A-9.
Share of Population by Race and Ethnicity, City of Tacoma, 2010-2019

Race and Ethnicity	2010	2016	2019	2010-2016 change	2016-2019 change
Latino/Latinx/Hispanic	11%	12%	13%	2%	1%
White/Caucasian	61%	57%	58%	-4%	1%
Black/African American	10%	10%	11%	0%	1%
Asian	8%	10%	6%	2%	-4%
Other	10%	11%	12%	1%	1%

Source: 2010, 2016, and 2019 1-year ACS

Disability. Residents living with a disability over the age of 65 make up 36 percent of Tacoma’s total population with a disability. As the population continues to age, the incidence of disability will likely increase, specifically for residents with ambulatory and independent living difficulties. Again, shifting demographics will result in a shift in housing needs, in this case for accessible and visitable housing units for residents living with a disability.

**Figure A-10.
Incidence of Disability
by Age, City of Tacoma,
2019**

Source:
2019 1-year ACS.

	Residents with a disability	Percent
Total residents with a disability	28,775	100%
Under 18 years old	3,202	11%
With a hearing difficulty	546	2%
With a vision difficulty	614	2%
With a cognitive difficulty	2,406	8%
With an ambulatory difficulty	577	2%
With a self-care difficulty	704	2%
18 to 64 years old	15,159	53%
With a hearing difficulty	3,294	11%
With a vision difficulty	1,502	5%
With a cognitive difficulty	7,281	25%
With an ambulatory difficulty	5,997	21%
With a self-care difficulty	3,096	11%
With an independent living difficulty	5,061	18%
Over 65 years old	10,414	36%
With a hearing difficulty	4,228	15%
With a vision difficulty	1,625	6%
With a cognitive difficulty	2,661	9%
With an ambulatory difficulty	6,942	24%
With a self-care difficulty	2,632	9%
With an independent living difficulty	3,976	14%

Income and poverty. Figure A-11 shows median household income by tenure in 2010, 2016, and 2019. Following the Great Recession—from 2010 to 2016—median renter income increased by 26 percent compared to the 16 percent increase among owner households. Since 2016, however, the trend has reversed and owner median income increased by 22 percent, while renter median income increased by 12 percent.

A note about inflation. When incomes are adjusted for inflation, real incomes have declined since 2000. However, inflation rates are heavily influenced by the housing market, and for the purposes of this comparison between median income and housing costs, inflation is less impactful than the change in income relative to the change in housing costs.

Figure A-11.
Median Household Income by Tenure, City of Tacoma, 2010-2019

Tenure	2010	2016	2019	2010-2016		2016-2019	
				Total	% change	Total	% change
All households	\$47,465	\$55,996	\$70,411	\$8,531	18%	\$14,415	26%
Owner households	\$65,975	\$76,544	\$93,765	\$10,569	16%	\$17,221	22%
Renter households	\$31,736	\$40,009	\$44,809	\$8,273	26%	\$4,800	12%

Source: 2010, 2016, and 2019 1-year ACS

Figure A-12 shows the change in household income distribution by tenure from 2010 to 2019. Among owners, the number of households earning more than \$75,000 increased while households earning less decreased. This trend may be a result of households earning higher incomes or lower income households being priced out of the market and replaced by households with higher incomes. The latter is more likely the case for renters in Tacoma.

Shifts in renter household income are more isolated at the highest and lowest income groups. Renter households earning more than \$100,000 doubled from 3,043 in 2010 to 6,246 in 2019. Over the same time, more than 4,750 extremely low income renters earning less than \$25,000 left the City of Tacoma.⁵

⁵ It is possible that some of these households had increases in earnings. However, the change in \$25,000 to \$50,000 households is very small, suggesting that the lowest income households left the city.

Figure A-12.
Income Shifts by Tenure, City of Tacoma, 2010-2019

Tenure	2010	2016	2019	2010-2016		2016-2019	
				Total	% change	Total	% change
Total households	79,316	81,811	87,016	2,495	3%	5,205	6%
Owner households	41,780	40,185	46,884	-1,595	-4%	6,699	17%
Less than \$25,000	5,479	4,420	3,543	-1,058	-19%	-877	-20%
\$25,000 to \$50,000	9,201	7,434	5,197	-1,767	-19%	-2,237	-30%
\$50,000 to \$75,000	9,870	7,474	8,291	-2,396	-24%	817	11%
\$75,000 to \$100,000	6,901	7,314	8,282	413	6%	968	13%
\$100,000 or more	10,330	13,542	21,571	3,212	31%	8,029	59%
Renter households	37,536	41,626	40,132	4,090	11%	-1,494	-4%
Less than \$25,000	14,992	13,029	10,239	-1,963	-13%	-2,790	-21%
\$25,000 to \$50,000	12,061	12,155	11,704	94	1%	-451	-4%
\$50,000 to \$75,000	5,373	7,992	7,444	2,619	49%	-548	-7%
\$75,000 to \$100,000	2,067	4,537	4,499	2,471	120%	-38	-1%
\$100,000 or more	3,043	3,954	6,246	911	30%	2,292	58%

Source: 2010, 2016, and 2019 1-year ACS.

Figure A-13 highlights the trend toward higher income households from 2010 to 2019, particularly for renter households.

Figure A-13.
Income Shifts by
Tenure, City of
Tacoma, 2010-2019

Source:
 2010, 2016, and 2019 1-year ACS



Figure A-14 shows poverty rate by age cohort in 2016 and 2019. Over this time, poverty rates decreased by 4 percentage points for residents in Tacoma. Similar cities experienced comparable reductions in poverty. From 2016 to 2019 poverty rates in Minneapolis decreased by 3 percentage points, Portland by 2.4 percentage points, and Seattle by 2 percentage points.

Poverty rates decreased from 2016 to 2019 for all age cohorts except seniors 65 years and over. Poverty among seniors increased from 10 percent in 2016 to 13 percent in 2019. Seniors are particularly vulnerable to increased housing costs as many seniors live on fixed or limited incomes (e.g. social security payments).

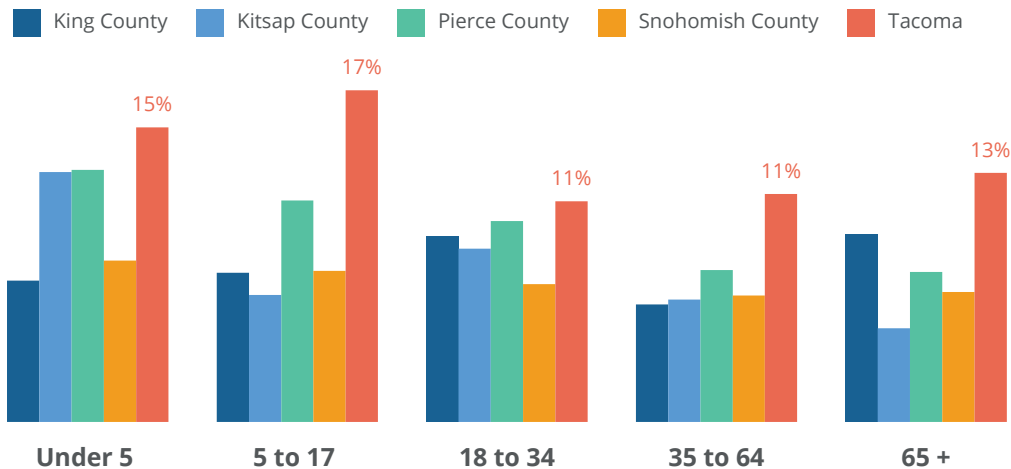
Figure A-14.
Poverty Rate by Age,
City of Tacoma, 2016-
2019

Source:
 2016 and 2019 1-year ACS.

Age	2016	2019	2016-2019
			Rate Change
Total Population	16%	13%	-4%
Under 5 years	21%	15%	-6%
5 to 17 years	21%	17%	-5%
18 to 34 years	19%	11%	-8%
35 to 64 years	13%	11%	-2%
65 year and over	10%	13%	3%

Figure 15 shows poverty rate by age for the City of Tacoma compared to counties in the larger Puget Sound Region. Poverty rates are highest in Pierce County in every age group except for residents 65 years and older.

Figure A-15.
Poverty Rate by Age, 2019

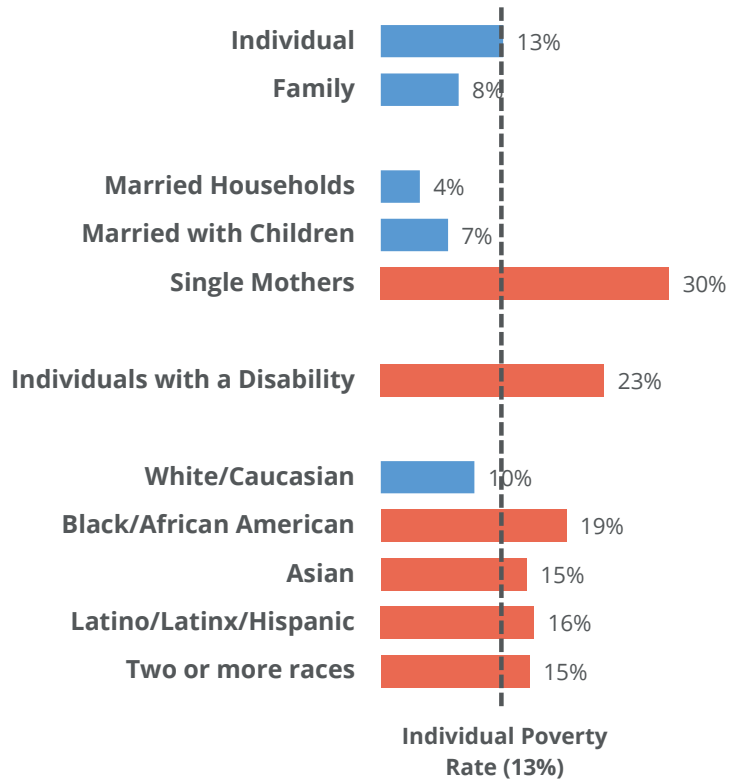


Source: 2019 1-year ACS

Economic recovery from the Great Recession has not been shared equally by all residents in Tacoma. Single mothers, individuals with a disability, Black/African American residents, Asian residents, Latino/Latinx/Hispanic residents, and residents of two or more races all have poverty rates higher than the individual poverty rate. Conversely, families and married family households have lower rates of poverty.

Figure A-16.
Poverty Levels by
Characteristic, City of
Tacoma, 2019

Source:
 2019 1-year ACS.



Employment. Figure 17 shows employment by industry in Pierce County from 2010 to 2019. Employment increased in Pierce County from 270,733 jobs in 2010 to 327,108 in 2019. Industries that added the most jobs during this time include professional and business services, leisure and hospitality, and education and health services. Jobs decreased in the information industry, and government and manufacturing sectors experienced modest growth.

Figure A-17.
Employment by Industry, Pierce County, 2010-2019

Industry	2010	2016	2019	2010-2019	
				Change	% change
Washington State Total	2,836,133	3,242,808	3,468,300	632,167	22%
Pierce County Total	270,733	306,217	327,108	56,375	21%
Mining and Logging	300	300	300	0	0%
Construction	17,183	21,558	25,125	7,942	46%
Manufacturing	16,308	17,150	17,725	1,417	9%
Wholesale Trade	10,858	12,450	13,400	2,542	23%
Retail Trade	31,233	35,525	36,142	4,909	16%
Transportation and Utilities	11,258	17,967	18,542	7,284	65%
Information	2,950	2,692	2,208	-742	-25%
Financial Activities	12,000	14,067	14,733	2,733	23%
Professional and Business Services	23,475	29,650	33,883	10,408	44%
Education and Health Services	48,900	52,617	56,892	7,992	16%
Leisure and Hospitality	25,267	30,725	34,017	8,750	35%
Other Services	12,567	13,883	14,667	2,100	17%
Government	58,433	57,633	59,475	1,042	2%

Source: WA Employment Security Department

Figure 18 shows the Washington State Employment Security Department's employment projections by industry for Pierce County from 2018 to 2028. Pierce County is projected to add 39,700 new jobs by 2028. The majority of new jobs are in education and health services, government, leisure and hospitality, professional and business services, and other services.

**Figure A-18.
Employment
Projections by
Industry,
Pierce
County, 2018-
2028**

Source:
WA Employment Security
Department

Industry	2018	2028	2018-2028	
			Change	% change
Washington State Total	3,402,200	3,896,900	494,700	15%
Pierce County Total	323,200	362,900	39,700	12%
Mining and Logging	400	400	0	0%
Construction	24,400	26,200	1,800	7%
Manufacturing	17,400	17,900	500	3%
Wholesale Trade	13,100	14,300	1,200	9%
Retail Trade	36,100	37,200	1,100	3%
Transportation and Utilities	18,700	19,700	1,000	5%
Information	2,500	2,300	-200	-8%
Financial Activities	14,600	15,700	1,100	8%
Professional and Business Services	35,000	40,700	5,700	16%
Education and Health Services	54,600	65,500	10,900	20%
Leisure and Hospitality	33,000	39,900	6,900	21%
Other Services	14,300	16,300	2,000	14%
Government	59,100	66,800	7,700	13%

Housing Needs Analysis

This section applies the demographics of the City of Tacoma and the greater region to determine current and future housing needs for residents.

Area median income. Eligibility for housing programs is generally based on how a household's income falls within HUD-determined income categories. The categories are based on the regional Area Median Income of AMI. In Tacoma, the AMI used for a family of four is \$87,300, which is the AMI for the City of Tacoma Fair Market Rent (FMR) based on Pierce County.

Although AMI categories can vary by specific housing program, in general, they include:

- Households earning 30 percent of AMI are considered "extremely" low income. These households can also be thought of as those living under the federal poverty threshold.⁶
- Households earning between 31 and 50 percent of AMI are "very" low income.
- Households earning between 51 and 80 percent of AMI are "low" income.
- Those earning more than 80 percent are considered "moderate" income and, in most high cost markets, are eligible for housing programs.

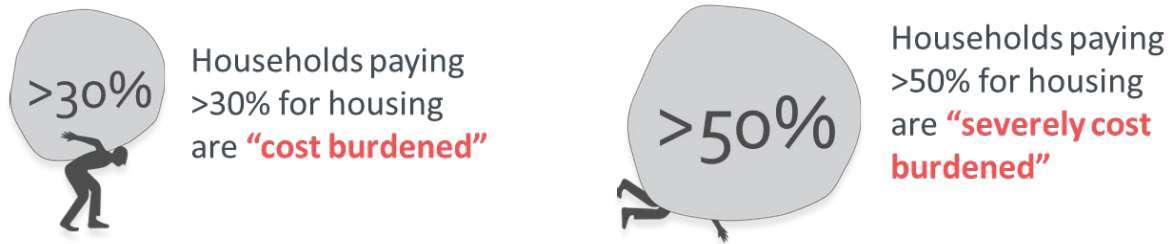
HUD Income Thresholds and Target Housing, 2020



⁶ The federal poverty threshold is not based on the AMI and, as such, does not vary by city and state except for Alaska and Hawaii. For that reason, poverty and 30 percent AMI are generally similar.

Housing cost burden. Cost burden exists when households pay more than 30 percent of their gross household income for housing costs. Housing costs include the rent or mortgage payment, homeowners' association (HOA) fees, utilities, mortgage insurance, renter or homeowner insurance, and property taxes.

Severe cost burden—paying more than 50 percent of monthly gross income on a household rent or mortgage—is an indicator of critical housing needs. Severe cost burden is also linked to a high risk of eviction or foreclosure, and homelessness.



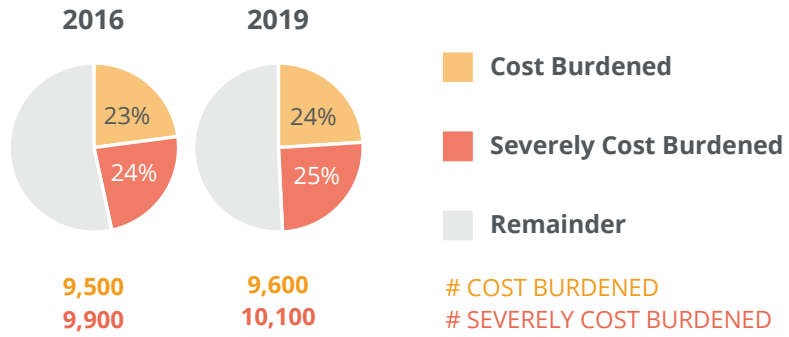
Cost burden does not take into account transportation, education, and childcare costs. When other household costs are included, housing affordability is further beyond many Tacoma households' reach.

Figure A-19 shows the percent of households experiencing cost burden and severe cost burden by tenure in 2016 and 2019. In 2019, nearly half of all renter households (49%) experience cost burden and one in four renters experience severe cost burden and are considered at risk for homelessness, a slight increase from 2016. Owner household cost burden has decreased since 2016. One in four owner households are cost burdened in 2019 and 8 percent of owners are severely cost burdened.

Figure A-19.
Cost Burden and
Severe Cost Burden,
City of Tacoma,
2016-2019

Source:
 2016 and 2019 1-year ACS.

RENTERS (NUMBER AND PERCENT)



OWNERS (NUMBER AND PERCENT)

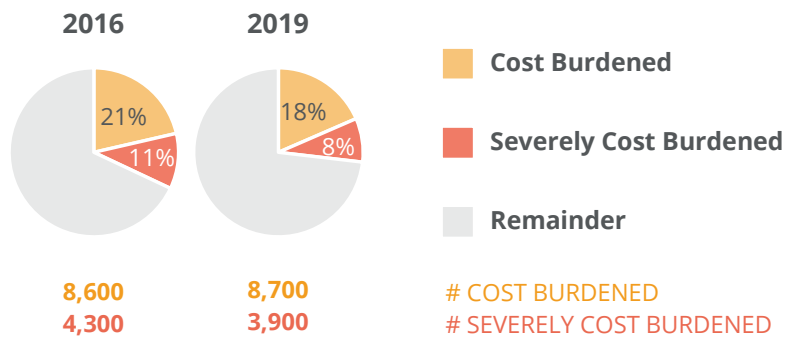


Figure A-20 shows cost burden by household income and tenure in 2016 and 2019. Since 2016, the share of cost burdened households decreased for owner households earning below \$75,000 and renter households earning less than \$25,000. This trend is largely due to income shifts in the city and larger region during this time from low to high income households. At the same time, the instances of cost burden among owners earning more than \$75,000 and renters earning more than \$50,000 increased.

Figure A-20.
Cost Burden by Income and Tenure, City of Tacoma, 2016-2019

Tenure	2016		2019		2016-2019	
	Owner	Renter	Owner	Renter	Owner	Renter
Households						
Less than \$20,000	2,692	8,117	2,543	6,890	-149	-1,227
\$20,000 to \$34,999	3,416	8,242	2,116	6,924	-1,300	-1,318
\$35,000 to \$49,999	5,425	6,619	3,725	6,435	-1,700	-184
\$50,000 to \$74,999	7,474	7,867	8,291	7,213	817	-654
\$75,000 or more	20,856	8,408	29,853	10,532	8,997	2,124
Cost burdened						
Less than \$20,000	2,612	7,160	2,074	5,829	-538	-1,331
\$20,000 to \$34,999	2,572	7,326	1,404	6,445	-1,168	-881
\$35,000 to \$49,999	3,094	3,122	1,802	3,916	-1,292	794
\$50,000 to \$74,999	2,652	1,748	3,981	2,989	1,329	1,241
\$75,000 or more	1,969	0	3,330	573	1,361	573
Percent cost burdened						
Less than \$25,000	97%	88%	82%	85%	-15%	-4%
\$25,000 to \$50,000	75%	89%	66%	93%	-9%	4%
\$50,000 to \$75,000	57%	47%	48%	61%	-9%	14%
\$75,000 to \$100,000	35%	22%	48%	41%	13%	19%
\$100,000 or more	9%	0%	11%	5%	2%	5%

Note: Total household columns do not add to total because some households did not disclose income or have zero income.
Source: 2016 and 2019 1-year ACS.

A note about COVID-19. While cost burden has improved in recent years for low- and moderate-income households, the share of households experiencing cost burden remain high for these groups—more than half. Data are not yet available to accurately reflect the economic outcomes of the COVID-19 pandemic on owner and renter cost burden. However, household stability is expected to become more volatile with the fallout of the pandemic.

Profile of renters and owners. Figure A-21 summarizes characteristics of renters and owners in Tacoma. The figure displays the number and distribution of renter and owner households by demographic characteristic and provides the homeownership rate by age group, household type, education level and race/ethnicity.

Some of the key differences between Tacoma renters and owners include:

- **Owner households have median income more than 2x greater than renter households.** In 2019, the median income for owner households in Tacoma is estimated at \$93,765—compared to renters at \$44,809.
- **Renters tend to be younger than owners.** In 2019, 58 percent of renters were younger than 44 years old, compared to only 37 percent of owners. One in four owner households are seniors 65 years and older.
- **Owner households are more likely to be families.** Two in three owner households are families while most renter households are non-family households (58%).
- **Owner households have higher educational attainment.** In 2019, one in four renter households have a bachelor's degree or higher compared to 42 percent of owner householders.
- **Owner households lack diversity in race and ethnicity compared to renter households.** Nearly three out of four owner householders are White/Caucasian residents. Conversely, 56 percent of renter households are headed by White/Caucasian residents and the remainder are people of color.

Figure A-21.
Profile of Renters and Owners, City of Tacoma, 2019

Tenure	Renters		Owners		Ownership Rate
	Number	Percent	Number	Percent	
Total Households	40,132	100%	46,884	100%	54%
Median Income	\$44,809		\$93,765		
Age of Householder					
Millennials (under 35)	13,707	34%	7,674	16%	36%
Ages 35-44	9,754	24%	9,925	21%	50%
Ages 45-64	9,446	24%	17,507	37%	65%
Seniors (65 and older)	7,225	18%	11,778	25%	62%
Household Type					
Non-family households	23,364	58%	15,382	33%	40%
Married families	8,282	21%	24,068	51%	74%
Other family	8,490	21%	7,430	16%	47%
Householder Educational Attainment					
Less than high school graduate	3,819	10%	2,234	5%	37%
High school graduate (or equivalent)	10,840	27%	8,701	19%	45%
Some college or associate's degree	14,993	37%	16,293	35%	52%
Bachelor's degree or higher	10,480	26%	19,656	42%	65%
Race/Ethnicity of Householder					
White/Caucasian	22,518	56%	34,647	74%	61%
Latino/Latinx/Hispanic	3,890	10%	3,426	7%	47%
Other	13,724	34%	8,811	19%	39%

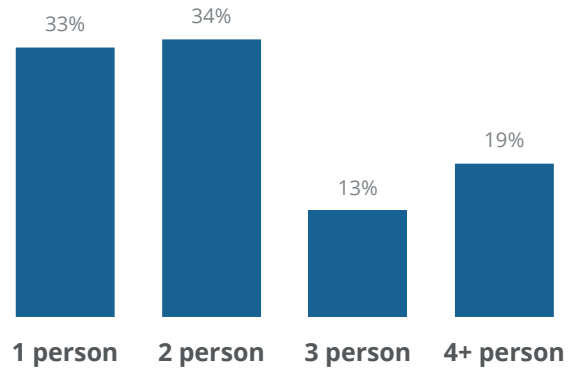
Source: 2019 1-year ACS

Housing units. Figure 22 shows the share of households by size and the share of housing units by number of bedrooms in the City of Tacoma. These two indicators show the demand (households) and supply (units) for housing units by size. For example, while 67 percent of households have two persons or less, only 48 percent of units have two bedrooms or less. With the growing demand for smaller housing units—due to smaller household sizes and aging seniors—the mismatch between household and unit sizes will become starker.

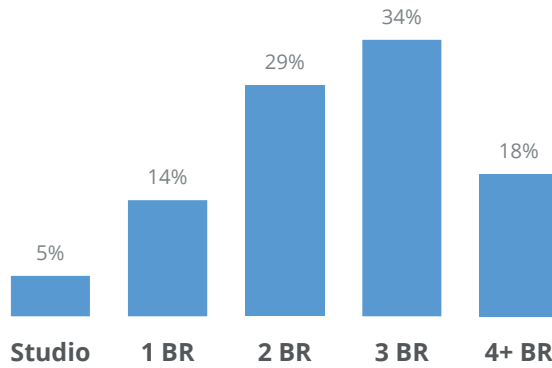
Figure A-22.
Households by Size and Units
by Number of Bedrooms, City
of Tacoma, 2019

Source:
 2019 1-year ACS.

Share of Households by Household Size



Share of Units by Number of Bedrooms



Tacoma lost housing inventory between 2016 and 2019 with a decrease of 1,943 housing units over three years. Most housing units in the city are detached single family homes (62%) followed by units in structures with five or more units (27%). Medium density housing is not as common as low and high density housing in the city.

Figure A-23.
Units by Units in Structure, City of Tacoma, 2016-2019

Unit type	2016		2019		2016-2019	
	Units	% of units	Units	% of units	Units	% of units
All units	87,549	100%	85,606	100%	-1,943	0%
1-unit, detached	53,685	61%	52,675	62%	-1,010	0%
1-unit, attached	3,202	4%	1,690	2%	-1,512	-2%
2 units	2,557	3%	2,637	3%	80	0%
3 or 4 units	3,997	5%	4,856	6%	859	1%
5 or more units	23,659	27%	23,372	27%	-287	0%
Mobile home	449	1%	302	0%	-147	0%
Other	0	0%	74	0%	74	0%

Source: 2019 1-year ACS

Figure A-24 shows residential building permits by the number of units in structure from 2010 to 2019. High density multifamily development—with five of more units—has become increasingly common in Tacoma with 665 units permitted in 2019 and 834 units permitted in 2018. Single family residential makes up the majority of remaining units permitted annually. However, in recent years, the number of middle density housing permits—duplexes, triplexes, and fourplexes—have increased to around 30 to 40 units annually.

Figure A-24.
Residential Building Permits by Type, 2010-2019

	Single family	Duplex	3-4 units	5+ units	Other	Total units
2010	110	48	52	336	0	546
2011	119	6	3	75	0	203
2012	161	64	0	530	0	755
2013	162	6	9	233	1	411
2014	216	4	0	31	0	251
2015	243	24	7	840	0	1,114
2016	204	14	6	293	1	518
2017	245	28	8	921	0	1,202
2018*	132	22	11	834	8	1,007
2019*	75	12	7	665	4	763

Note:

Other includes mobile homes permitted 2010 to 2017 and accessory dwelling units permitted in 2018 and 2019.

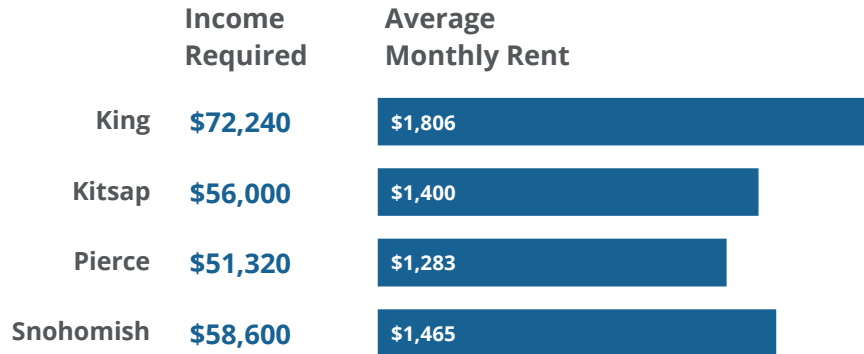
* permit data for 2018 and 2019 were provided by the City of Tacoma and are April to April

Source:

City of Tacoma and Washington State Office of Financial Management

Rental market. Pierce County rental units are relatively affordable compared to other counties in the region. In the Spring of 2020, the average monthly rent in Pierce County was \$1,283 which requires a household income of \$51,320. Comparatively, monthly rents were higher in Kitsap (\$1,400), Snohomish (\$1,465), and King Counties (\$1,806).

Figure A-25.
Average Rent and Required Income, Spring 2020



Source:
Washington State Apartment Market Report Spring 2020 and Root Policy Research

The average rent in Tacoma in 2020 is estimated at \$1,419 for all units, \$1,267 for one-bedroom units, and \$1,516 for two-bedroom units. Since 2016, rents have increased by 22 percent, or between \$250 to \$275 per month. Two-bedroom units saw the largest surge with a 30 percent increase—equal to a \$365 per month increase in average rent.

Figure A-26.
Average Rent by Number of Bedrooms, City of Tacoma, 2011-2020



Source:
Rainmaker Insights

With rising rents, the household income required to afford the average rental unit increased by \$11,000 annually. According to ACS data, renter household median income only increased by \$4,800 annually from 2016 to 2019, placing more units out of reach for the average renter—and increasing the amount of household income that is required to cover rent.

Figure A-27.
Rental Affordability, City of Tacoma, August, 2016-2020

Unit type	2016		2020		2016-2020	
	Average Rent	Income Required	Average Rent	Income Required	Average Rent	Income Required
All units	\$1,246	\$49,840	\$1,419	\$56,760	\$275	\$11,000
1 bedroom	\$1,116	\$44,640	\$1,267	\$50,680	\$247	\$9,880
2 bedroom	\$1,251	\$50,040	\$1,516	\$60,640	\$366	\$14,640

Source: Rainmaker Insights and Root Policy Research.

Subsidized rental housing. For low-and moderate-income households priced out of the increasingly expensive rental market, subsidized housing units are needed to keep residents housed in the city. For households earning less than 30 percent, AMI publicly supported housing is needed in all markets, whereas, for households earning between 30 and 50 percent AMI, subsidies are needed in most markets—particularly as rents continue to outpace income increases.

According to the Tacoma/Pierce County Affordable Housing Consortium,⁷ the City of Tacoma has 6,963 subsidized or assisted housing units. However, among Tacoma’s existing privately owned, federally subsidized supply, 326 units at 9 properties have subsidies that expire as early as 2021.⁸

In 2020 the waitlist for the Tacoma Housing Authority for public housing totaled 6,460 residents, and residents typically wait for several years (as many as five years) on the wait lists.⁹

Rental gap. The rental gaps analysis displayed in Figures A-28 to A-30 compares the number of renter households in Tacoma, their income levels, the maximum monthly housing payment they could afford, and the number of units in the market that were affordable to them. The “Rental Gap” columns show the difference between the number of renter households and the number of rental units affordable to them. Negative numbers (in parentheses) indicate a shortage of units at the specific income level; positive units indicate an excess of units. Two gaps models are shown: The first shows income ranges in dollars; the second shows income ranges by Area Median Income, or AMI.

⁷ The Consortium is made up of the Cities of Tacoma and Lakewood, the Puyallup Tribe of Indians, the Tacoma Housing Authority, Pierce County Housing Authority, and other partners in housing choice development

⁸ City of Tacoma 5-year Consolidated Plan Draft (2020)

⁹ City of Tacoma 5-year Consolidated Plan Draft (2020)

By income range, in 2019, there were 7,159 units for renters with incomes of less than \$35,000. This represents 18 percent of the city's occupied rental units (as a point of comparison, Seattle's gap is 13% of total rental units).

By AMI, there was an estimated shortage of 4,897 units for residents earning less than 30 percent AMI (\$17,400). This shortage decreased from 2016 to 2019 due to low income renters leaving the city—perhaps due to a decline in affordable units. During this time, the number of units affordable to extremely low income renters decreased by 150 units (units priced at less than \$435 per month) while the number of low-income renter households in Tacoma decreased by 1,308 households.

A note about students. In many cities with a college presence, the student population can influence the rental gap, especially when students reside off campus. If all of the students attending colleges in Tacoma lived off campus, had an average household size of 2.5, reported their place of residence as Tacoma, and earned less than \$25,000 per year, the non-student rental gap would be 25 percent smaller.

Figure A-28.
Rental Gaps by Income Range, City of Tacoma, 2016-2020

Income Range	Maximum Affordable Gross Rent	2016				2019				2016-2019	
		Renter Households	Rental Units	Gap	Cummulative Gap	Renter Households	Rental Units	Gap	Cummulative Gap	Renter Households	Rental Units
Less than \$5,000	\$125	2,756	253	(2,503)	(2,503)	1,339	0	(1,339)	(1,339)	(1,417)	(253)
\$5,000 to \$9,999	\$250	2,653	1,337	(1,316)	(3,819)	1,646	1,447	(199)	(1,538)	(1,007)	110
\$10,000 to \$14,999	\$375	2,828	1,171	(1,657)	(5,476)	2,626	1,036	(1,590)	(3,128)	(202)	(135)
\$15,000 to \$19,999	\$500	1,750	752	(998)	(6,474)	2,158	278	(1,880)	(5,008)	408	(474)
\$20,000 to \$24,999	\$625	3,048	2,100	(948)	(7,422)	2,470	658	(1,812)	(6,820)	(578)	(1,442)
\$25,000 to \$34,999	\$875	5,523	7,994	2,471	(4,951)	4,454	4,115	(339)	(7,159)	(1,069)	(3,879)
\$35,000 to \$49,999	\$1,250	6,610	13,981	7,371	2,420	7,250	12,724	5,474	(1,685)	640	(1,257)
\$50,000 to \$74,999	\$1,875	7,985	11,508	3,523	5,944	7,444	15,888	8,444	6,759	(541)	4,380
\$75,000 to \$99,999	\$2,500	4,519	2,726	(5,095)	849	4,499	4,994	(4,814)	1,945	(20)	2,268
\$100,000 or more	\$3,750	3,954	652			6,246	937			2,292	285
Total/ Low Income Gap (<\$25,000/year)		41,626	42,475	(7,422)		40,132	42,077	(6,820)		(1,494)	(398)

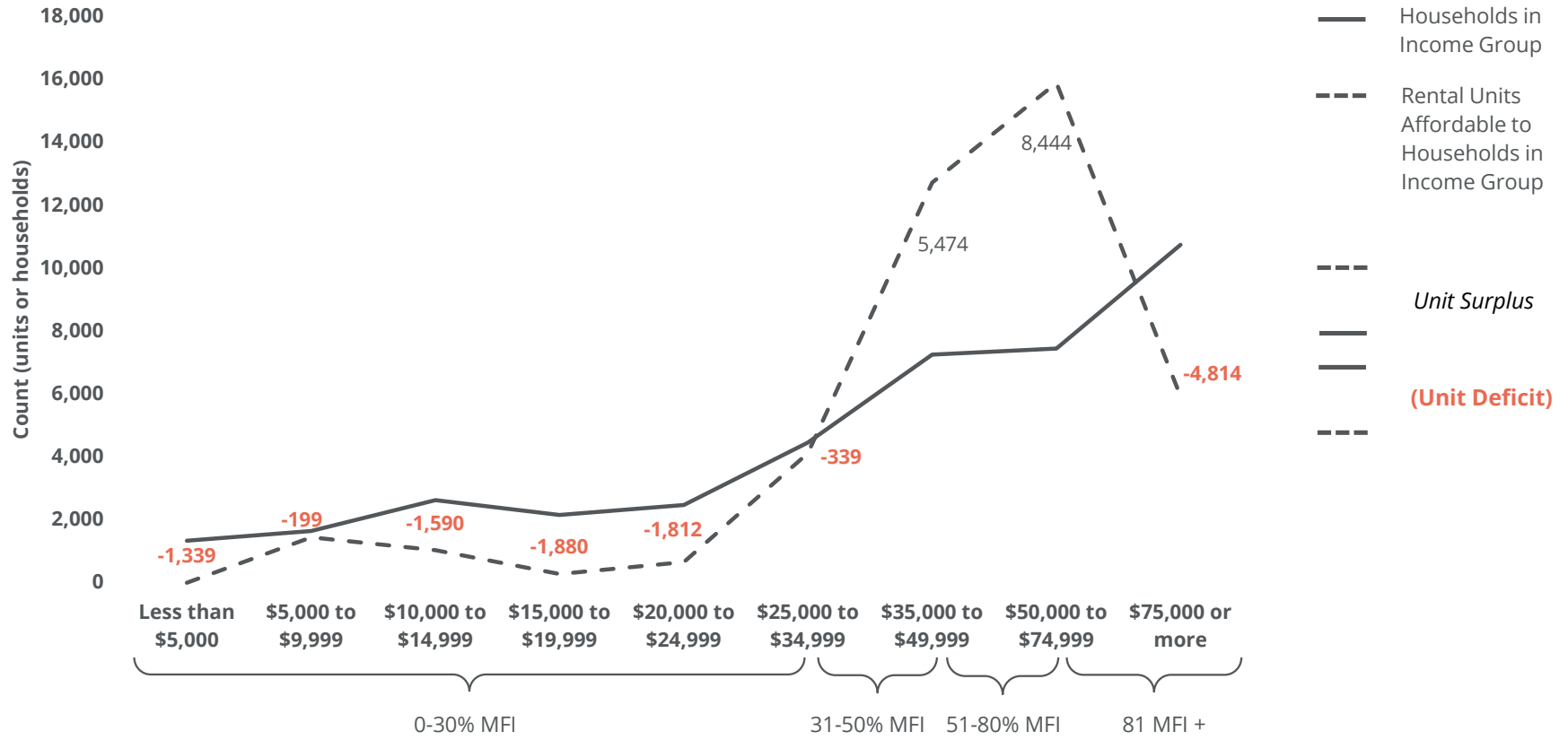
Source: 2016 and 2019 1 year ACS, 2018 and 2020 HUD Income Limits, and Root Policy Research.

Figure A-29.
Rental Gaps by AMI Range, City of Tacoma, 2016-2020

AMI Range	2016				2019				2016-2019	
	Renter Households	Rental Units	Gap	Cummulative Gap	Renter Households	Rental Units	Gap	Cummulative Gap	Renter Households	Rental Units
0-30% of AMI	9,077	3,022	(6,055)	(6,055)	7,769	2,872	(4,897)	(4,897)	(1,308)	(150)
31-50% of AMI	6,140	5,433	(706)	(6,762)	6,924	4,483	(2,441)	(7,338)	784	(951)
51-80% of AMI	8,321	16,152	7,831	1,069	8,878	17,519	8,641	1,303	557	1,367
81-100% of AMI	4,185	8,199	4,013	5,083	4,129	8,457	4,327	5,631	(56)	258
101-120% of AMI	3,705	4,493	788	5,870	3,163	5,709	2,547	8,177	(542)	1,217
121% of AMI or more	10,198	5,176	(5,021)	849	9,269	3,037	(6,232)	1,945	(928)	(2,139)
Total/Low Income Gap (<30% AMI)	41,626	42,475	(6,762)		40,132	42,077	(7,338)		(1,494)	(398)

Source: 2016 and 2019 1 year ACS, 2018 and 2020 HUD Income Limits, and Root Policy Research.

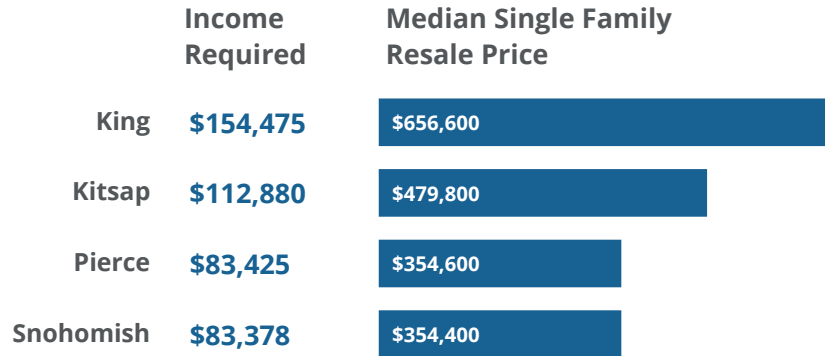
Figure A-30.
Rental Gaps, City of Tacoma, 2016-2020



Source: 2016 and 2019 1 year ACS, 2018 and 2020 HUD Income Limits, and Root Policy Research.

Ownership market. Pierce and Snohomish Counties are relatively affordable for homebuyers compared to Kitsap and King Counties. In the Spring of 2020, the median priced single family home sold for \$354,600 in Pierce County, which requires an income of \$83,425 annually.

**Figure A-31.
Median Resale
Price and Income
Required, Spring
2020**

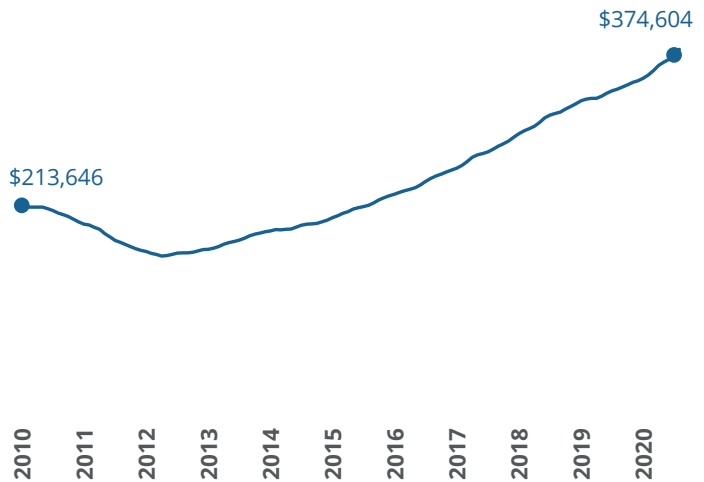


Source:
Washington Center for Real Estate Research and Root Policy Research

Figure A-32 shows the Zillow Home Value Index for the City of Tacoma from 2010 to 2020. The ownership housing market in Tacoma has been on the rise since 2012 as the economy recovered from the Great Recession. The home value reported by Zillow increased from \$213,646 in August of 2010 to \$374,604 in August of 2020—an increase of \$160,958 or more than 75 percent.

**Figure A-32.
Home Value, City of Tacoma,
2010-2020**

Source:
Zillow Home Value Index



Since 2000, the median home value in the City of Tacoma nearly tripled—from \$123,300 in 2000 to \$344,500 in 2019. Over the same time, the income required to purchase the median value home only doubled—due to decreased mortgage interest rates. In recent years, home value experienced a large increase of \$105,000 (44% increase) over three years from 2016 to 2019.

Figure A-33.
Home Value and Required Income,
City of Tacoma, 2000-2019

Source:
 2000, 2010, 2016, 2019 1-year ACS, and Root Policy Research

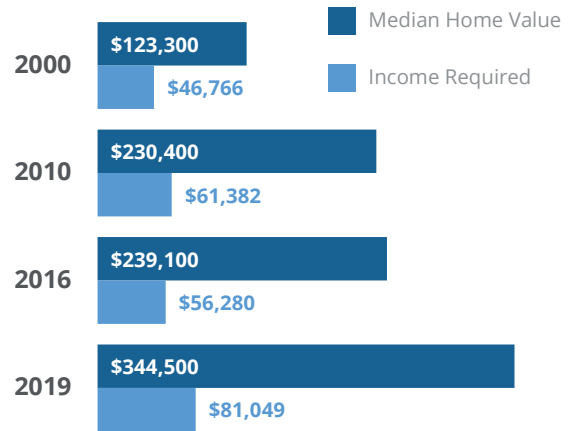


Figure 34 shows affordable housing costs for the middle market in the City of Tacoma. For the purposes of this analysis, the middle market includes households earning between 80 and 120 percent of AMI. As shown, a 3-person middle market household can afford rents between \$1,558 and \$2,334 or to purchase a home priced between \$262,160 and \$392,861. Single middle market households have more constrained affordability.

Figure A-34.
Middle Market Income and
Affordable Housing Costs,
City of Tacoma, 2019

Source:
 2019 1-year ACS and Root Policy Research

	1-Person Middle Market	3-Person Middle Market
Income Range (80-120% AMI)	\$48,450 - \$72,720	\$62,300 - \$93,360
Affordable Rent	\$1,211 - \$1,818	\$1,558 - \$2,334
Affordable Home Price	\$203,879 - \$306,007	\$262,160 - \$392,861

According to data from the American Community Survey, 16 percent of renters could afford to purchase the median priced home in 2016, whereas 21 percent of renters could afford the median priced home in 2019. The increased share of renters able to purchase the median priced home in the city is a result of the shift to higher income renter households and dropping mortgage interest rates.

The for sale market for residents looking to buy a home varies greatly depending on location and amenities such as waterfront properties or areas of high opportunity. Figure 35 shows the average listed and sold price by zip code for single family homes sold in 2016 and 2020—from January to June. Generally, zip codes in the northern areas of the city are priced higher while neighborhoods in the south and east are lower.

Waterfront areas—including zip codes 98403, 98421, and 98422—have the highest average sale prices; whereas, in some cases, zip codes in south Tacoma are half as expensive as waterfront properties with average prices much lower in zip codes like 98408 and 98409. Geographic trends in prices are consistent with the for sale market in 2016—homes for sale in north Tacoma are priced higher than homes in other areas in the city.

Figure A-35.
Average Sold Price of
Single Family Homes by
Zip Code, 2016 and 2020

Note:
 Zip code 98402 has very few properties listed
 and sold in the data sample.

Source:
 MLS January to June 2016 and 2020

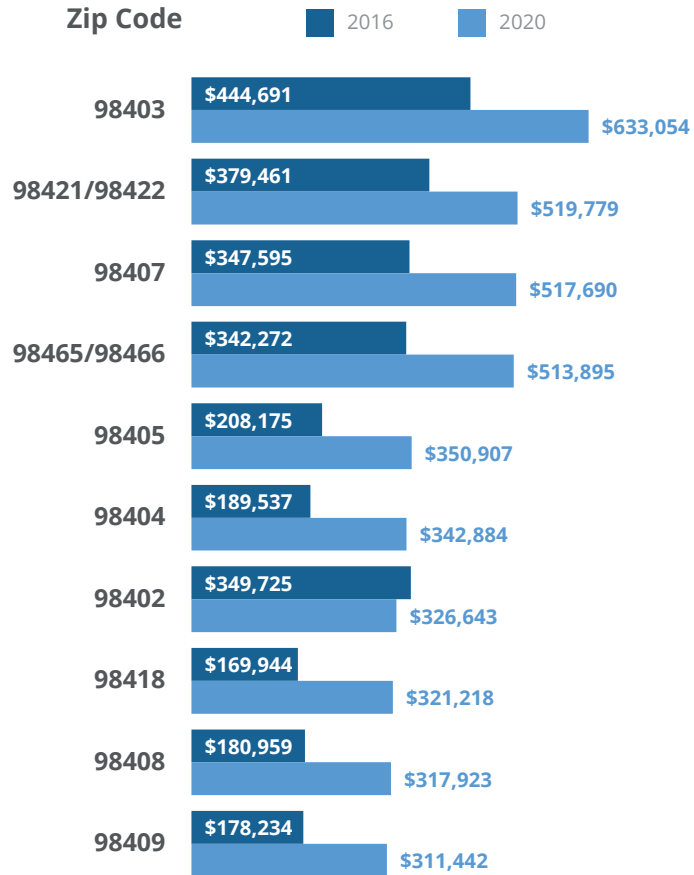
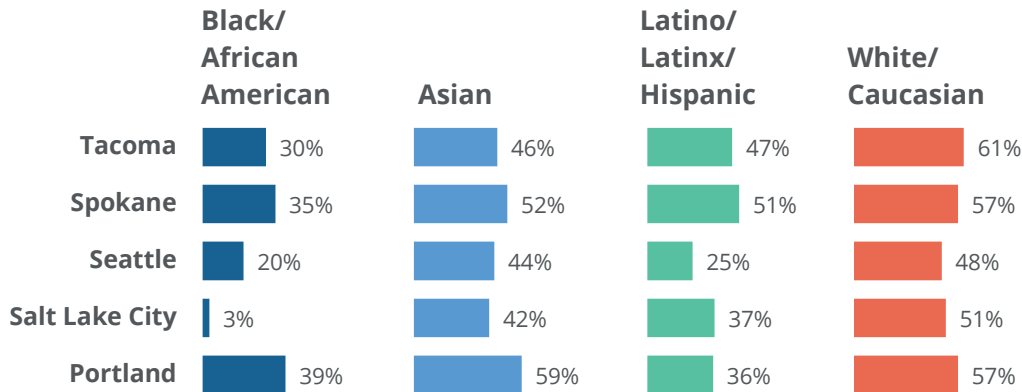


Figure A-36 shows home ownership rates by race and ethnicity for the City of Tacoma and other cities in the region or of a similar size. Generally, White/Caucasian and Asian households have the highest rates of home ownership—consistent with national trends. Black/African American and Latino/Latinx/Hispanic residents have lower rates of homeownership with 30 percent and 47 percent respectively in the City of Tacoma.

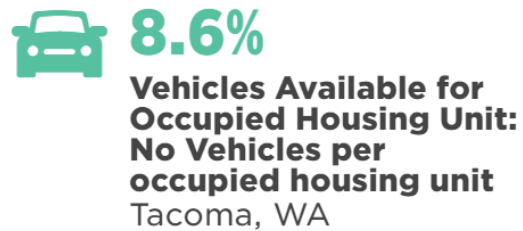
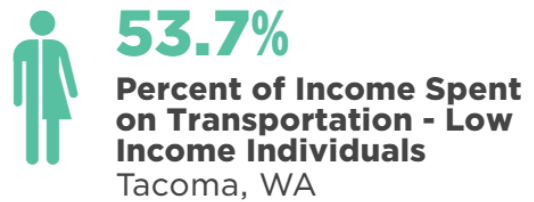
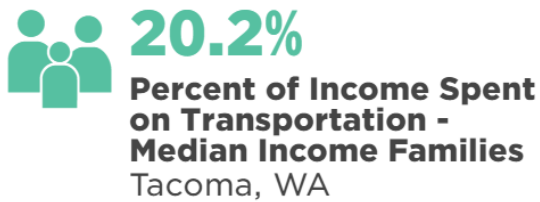
Figure A-36.
Homeownership by Race and Ethnicity, 2019



Source: 2019 1-year ACS.

Transportation. For the median income family in Tacoma, transportation costs make up 20 percent of household income. With most households spending around 30 percent of their income on housing, the costs of transportation and housing make up approximately half of the income for the average household. Low income individuals in Tacoma spend more than half of their income on transportation alone.

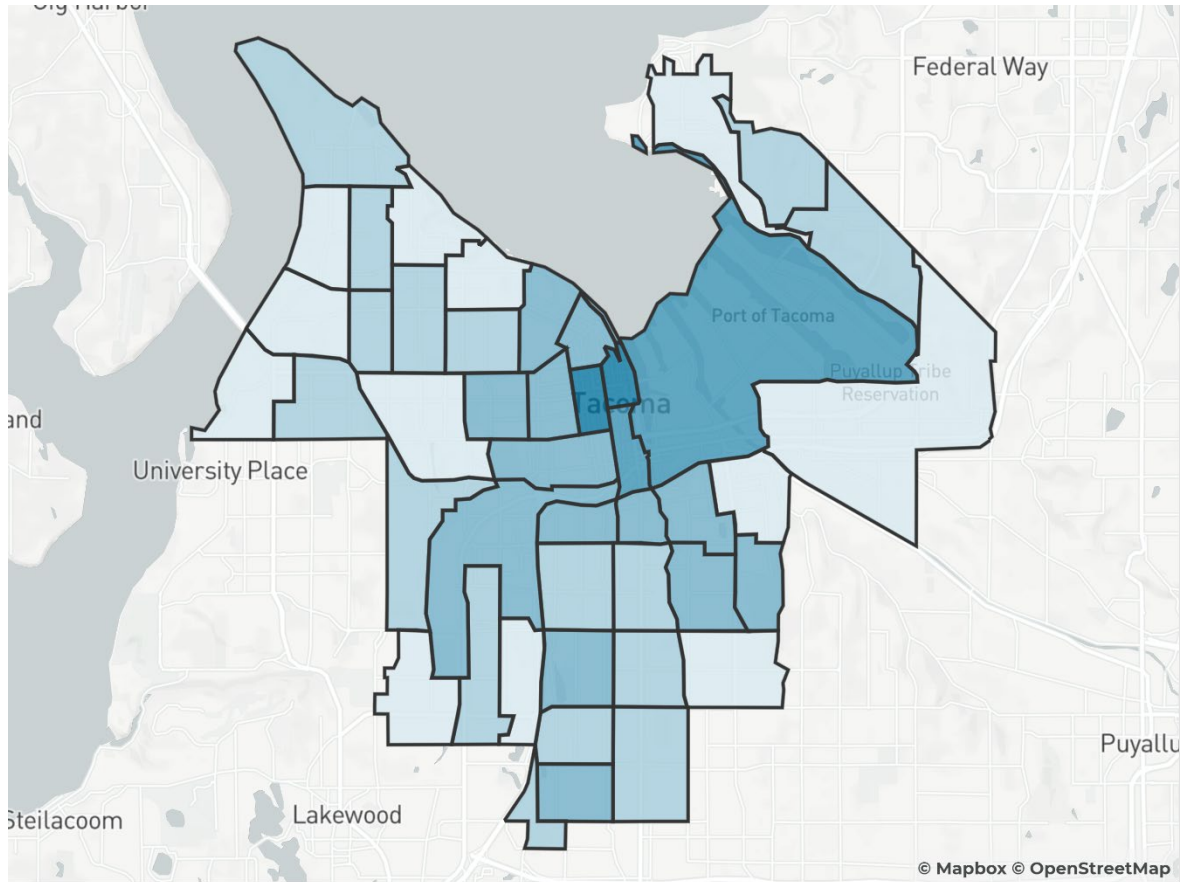
According to AAA, the average annual cost of owning a new car is \$9,561 per year—including depreciation, finance, fuel, insurance, license, registration, taxes, and maintenance—which breaks down to around \$795 per month. The cost to own and maintain a car are out of reach for some households and approximately 9 percent of occupied housing units in Tacoma have no car available. These households must rely on public transportation, ridesharing, and walking.



Sources: US Census ACS 5-year 2015-2019; US HUD & DOT LAI V3.0 2016

Similarly, Figure A-38 shows the percent of the workforce that uses public transportation as a means to commute to work. The areas of Tacoma with a high percentage of people who use transit to commute are concentrated in downtown and south Tacoma.

Figure A-38.
Percent of Workforce Using Public Transit for Commute by Census Tract



Commute Means of Transportation: Public Transit per working capita 16 and Over

- 1% - 4.6%
- 4.6% - 8%
- 8% - 13.2%
- 13.2% - 19.8%
- 19.8% - 20.4%

Source: MySidewalk

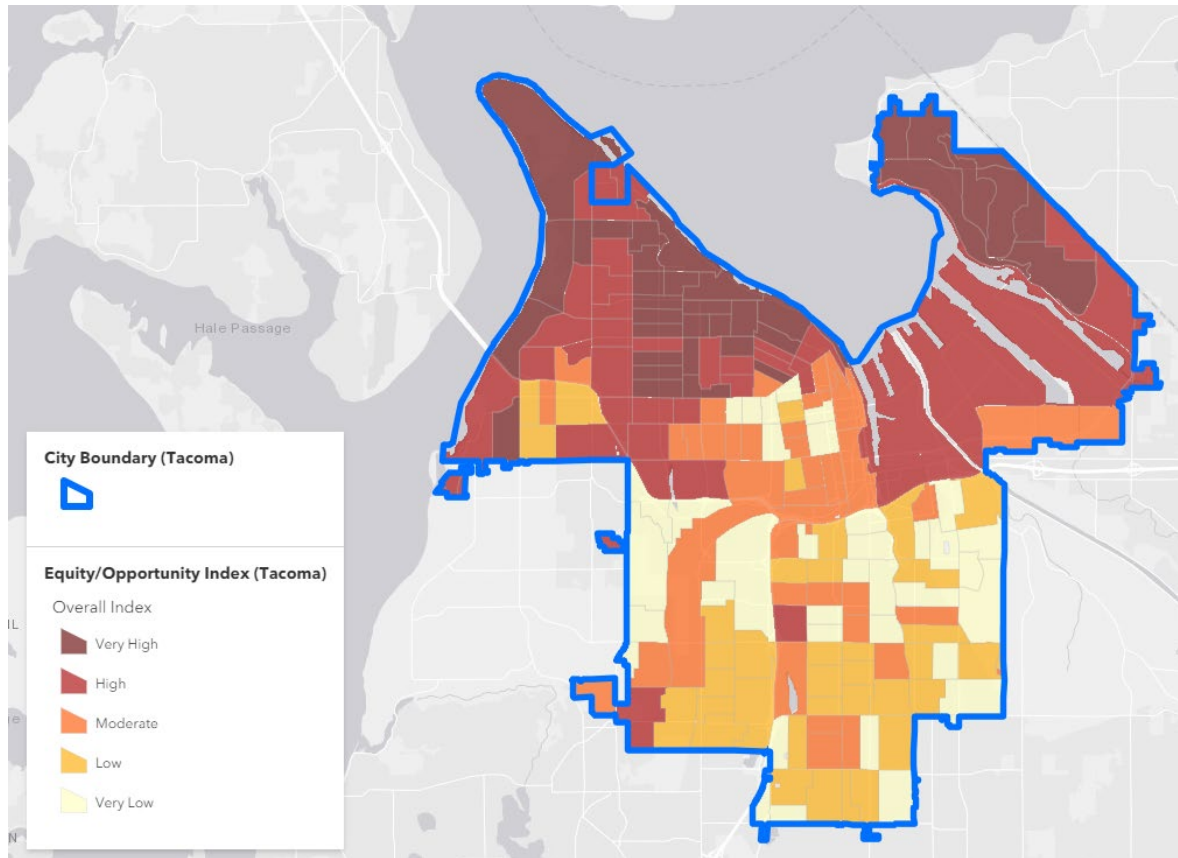
Access to opportunity. The Puget Sound Regional Council (PSRC) developed an opportunity mapping tool to identify areas of opportunity and areas that are vulnerable to displacement. The opportunity map is based on the opportunity index which includes five elements of neighborhood opportunity including:

- Education,
- Economic health,
- Housing and neighborhood quality,
- Mobility and transportation, and
- Health and environment.

Census tracts are given an opportunity score on a scale from very low to very high.¹⁰ Figure A-39 shows the opportunity index for census tracts in the City of Tacoma. Generally, opportunity is highest in the north areas of the city and lowest in the south and central areas of the city.

¹⁰ The level of opportunity score (very low, low, moderate, high, very high) is determined by sorting all census tracts into quintiles based on their index scores. Areas of opportunity that experience greater proportions of growth may experience an increased risk of displacement. (<https://www.psrc.org/opportunity-mapping>)

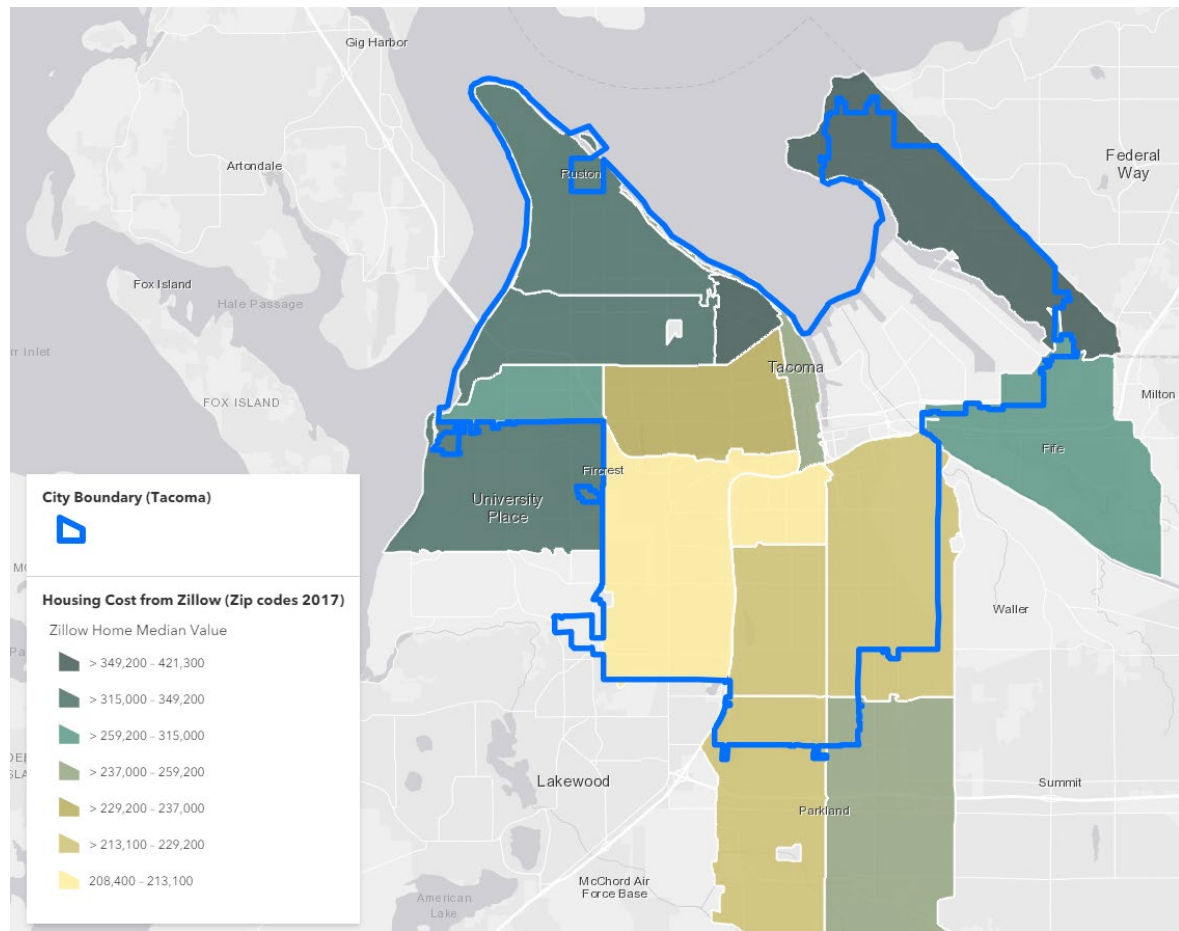
Figure A-39.
Equity and Opportunity Index, City of Tacoma



Source: Esri, HERE, NPS | The Kirwan Institute for the Study of Race & Ethnicity, City of Tacoma | City of Tacoma

Figure A-40 shows the median home value by zip code in the City of Tacoma. Areas of high opportunity, as indicated in the previous figure, also have higher median home values. North Tacoma's housing stock is valued higher than areas in the south and central parts of the city and is the area with the highest opportunity score according to PSRC.

Figure A-40.
Median Home Value by Zip Code, 2017



Source: Esri, HERE, NPS | City of Tacoma