

City of Vancouver Planning Commission

Housing Affordability and Availability in
Vancouver: A Policy Framework

Michael Wilkerson, Ph.D.

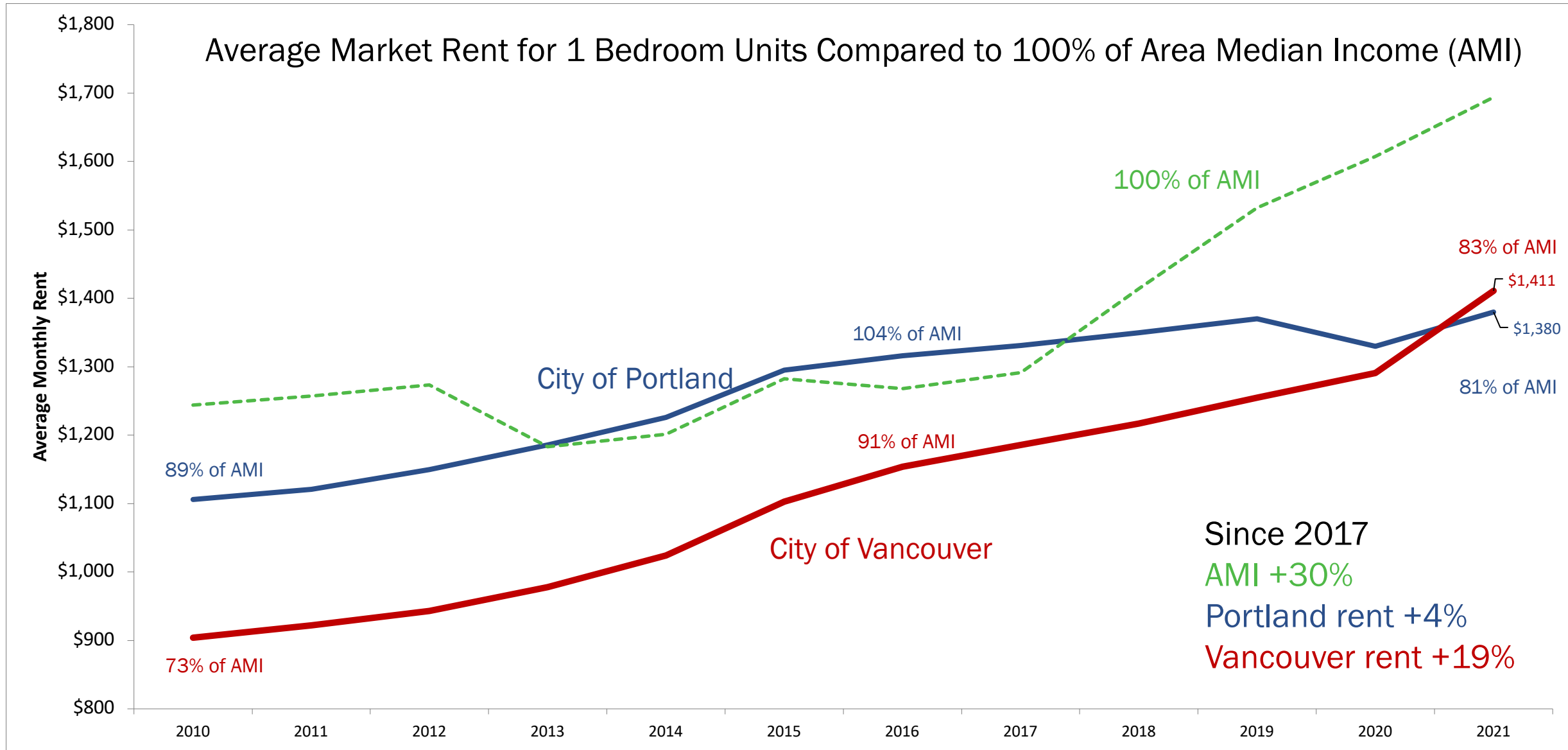
April 26, 2022

- Housing Market Today
- Demand Drivers
- Supply Drivers
- Housing Market Economics 101
- Homeownership Impacts
- Local Policy Levers

Housing sits at the intersection of several complex systems



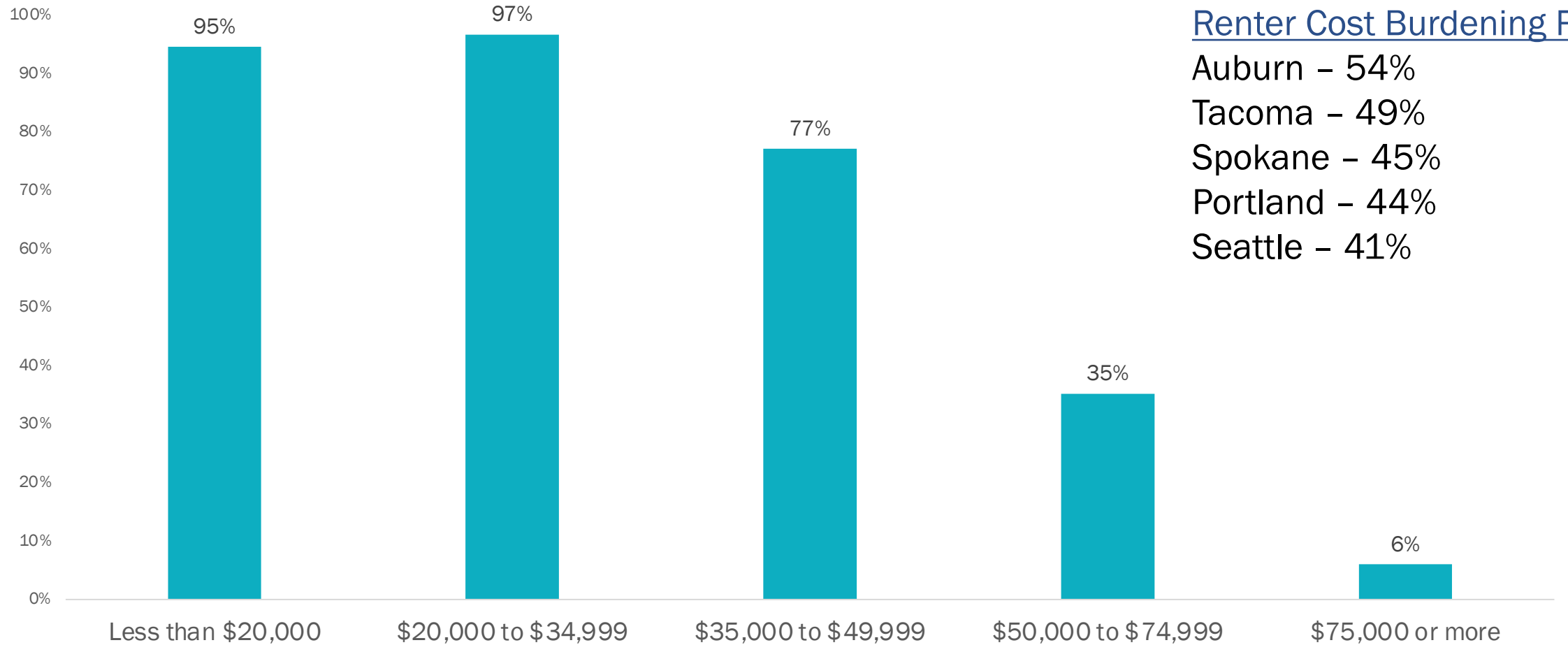
Average market rent for 1 bedroom units higher in Vancouver than Portland



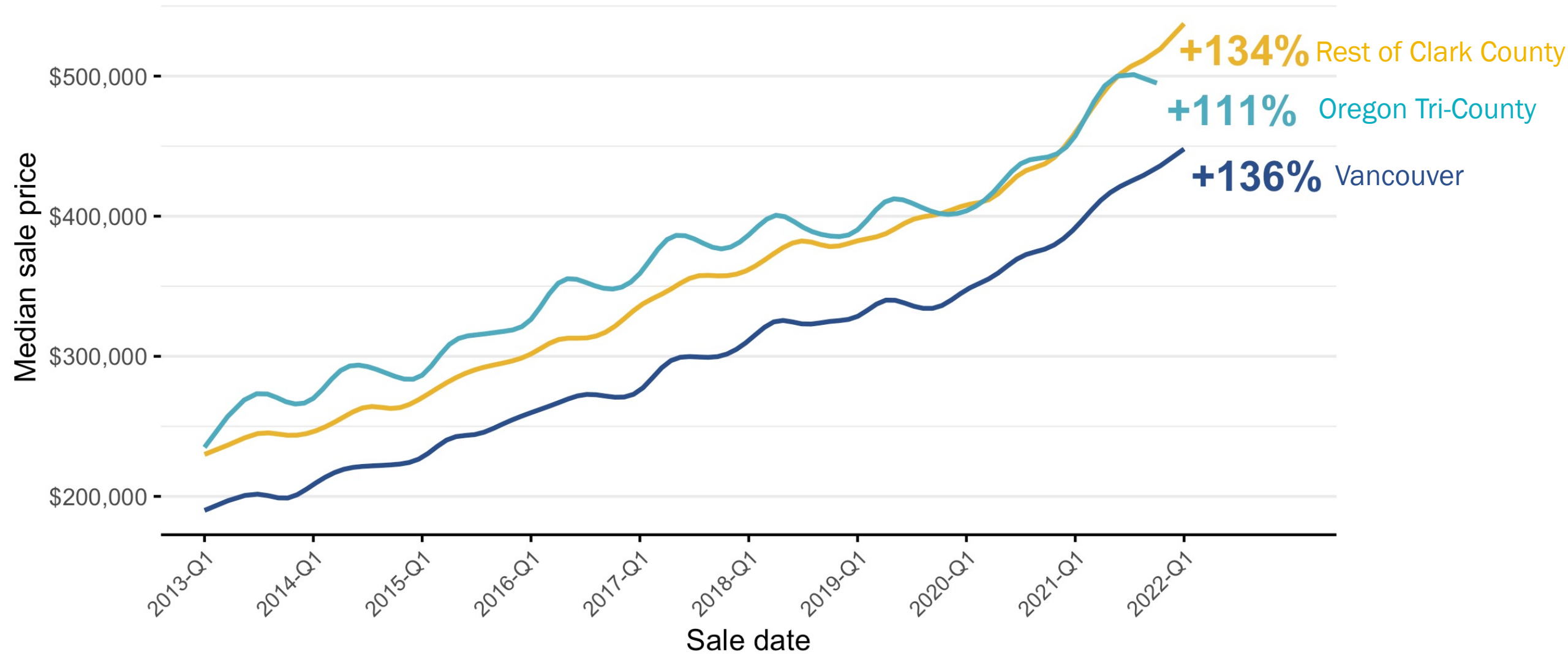
51% of renter households are cost burdened in Vancouver

Cost burdened households spend more than 30% of their gross income on rent

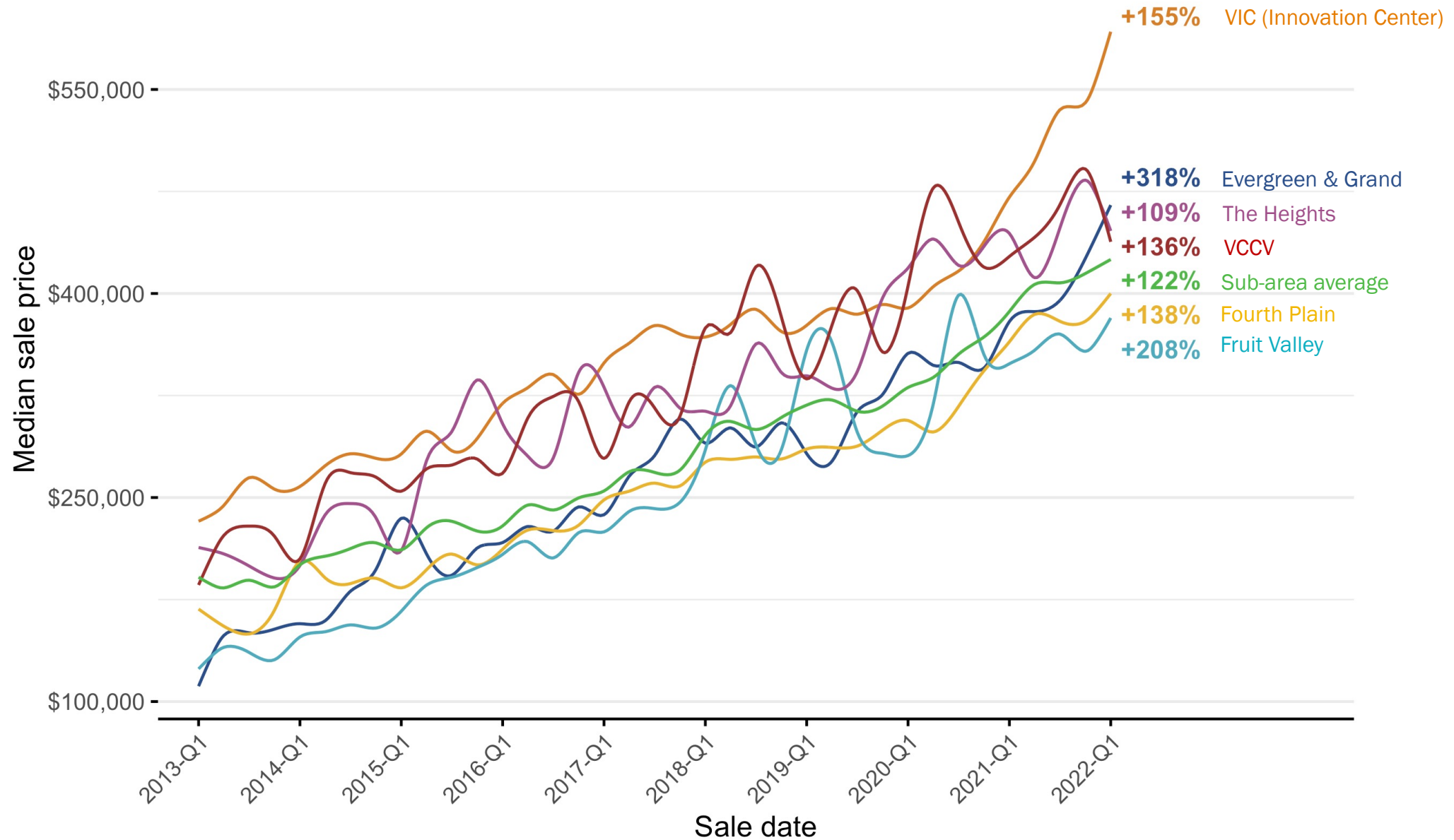
Percent of Renter Households that are Cost Burdened
City of Vancouver, 2019



Sales prices in the rest of Clark County have caught up to region



Median sales prices have more than doubled in all submarkets since 2013



Note: prices sampled from homes within ¼ mile of subarea boundaries

High rent strongest predictor of rates of homelessness



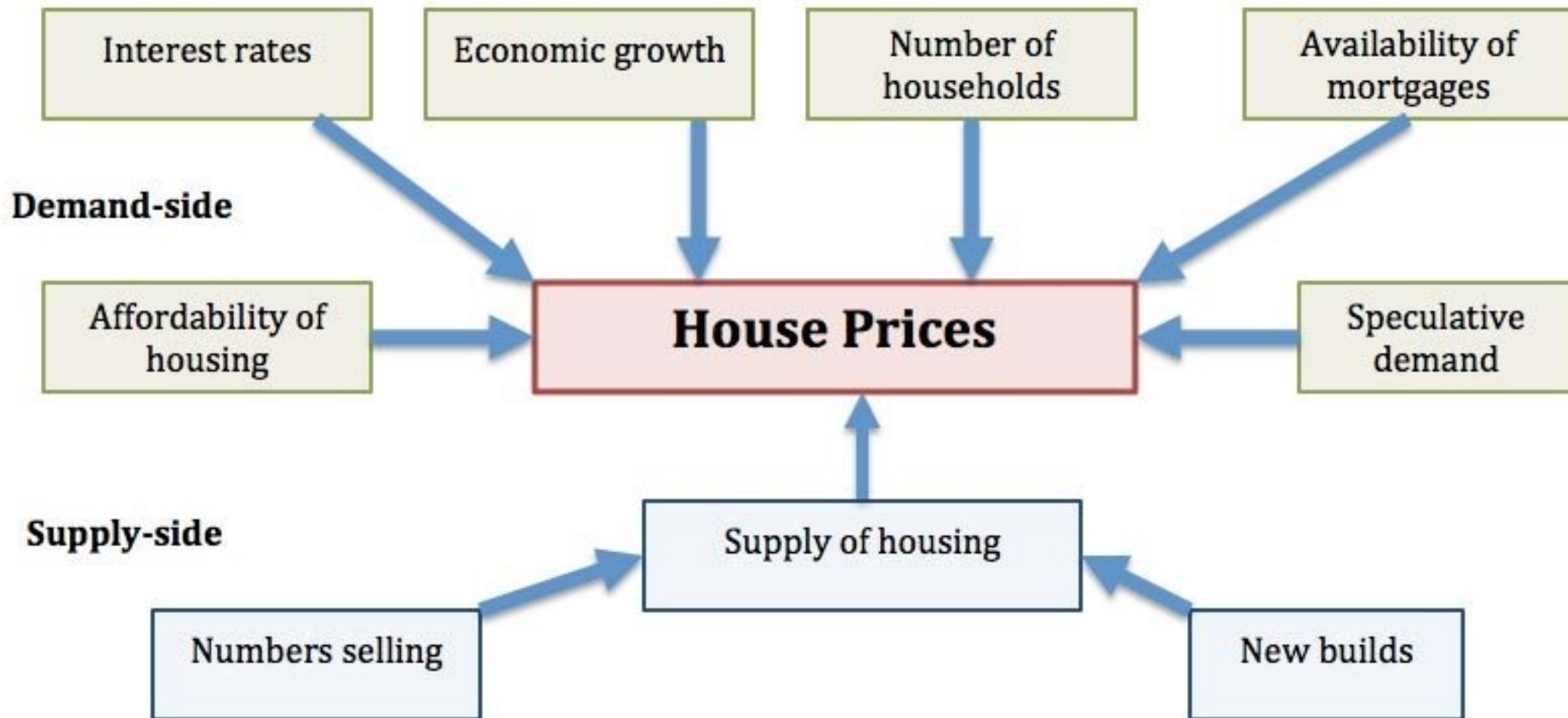
A U.S. GAO analysis found that a \$100 increase in the median rent resulted in a 9 percent increase in the incidence of homelessness

Increasing the housing stock decreases the rate of homelessness.

(The study controlled for a variety of housing, demographic, and economic variables)

What determine the prices of housing?

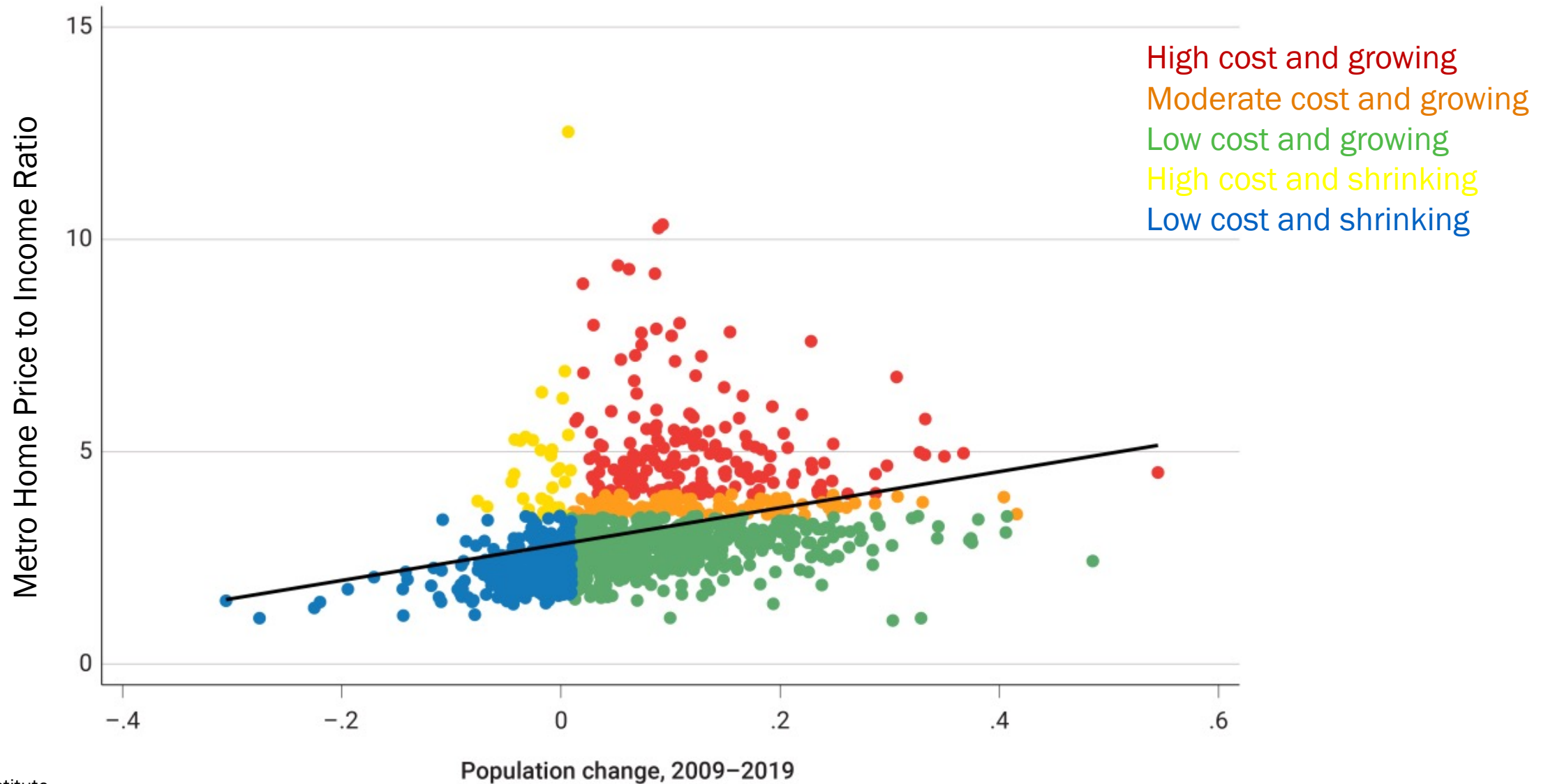
Supply vs. Demand



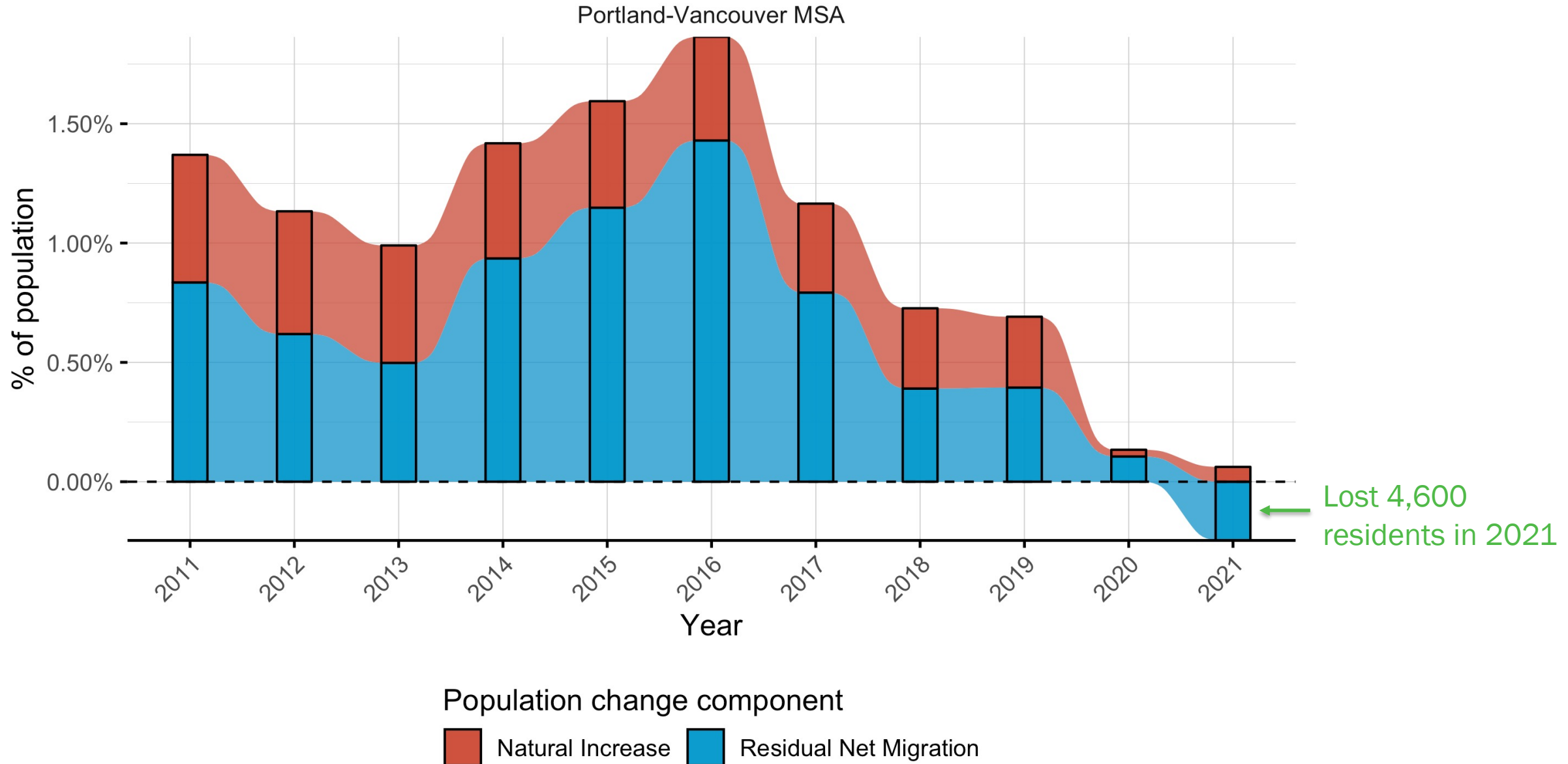
Housing Demand

Population growth and housing affordability are positively related

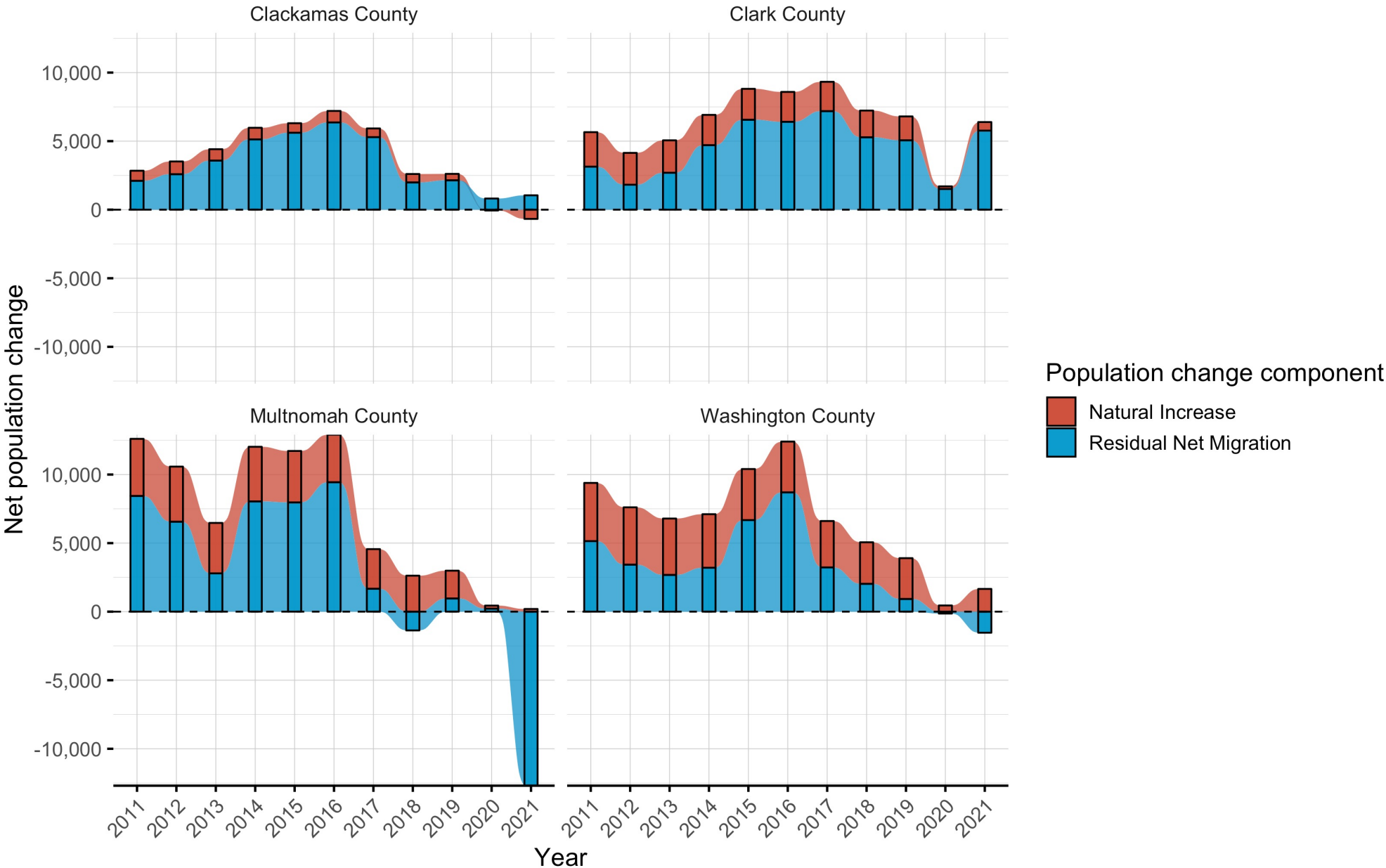
Counties Nationally – Population growth vs. Housing Affordability



Portland Metro population growth rate has been steadily declining since 2016



Clark population grew most of any County in Washington State in 2021



Source: U.S. Census

How do incomes in Vancouver compare to the rest of the Metro

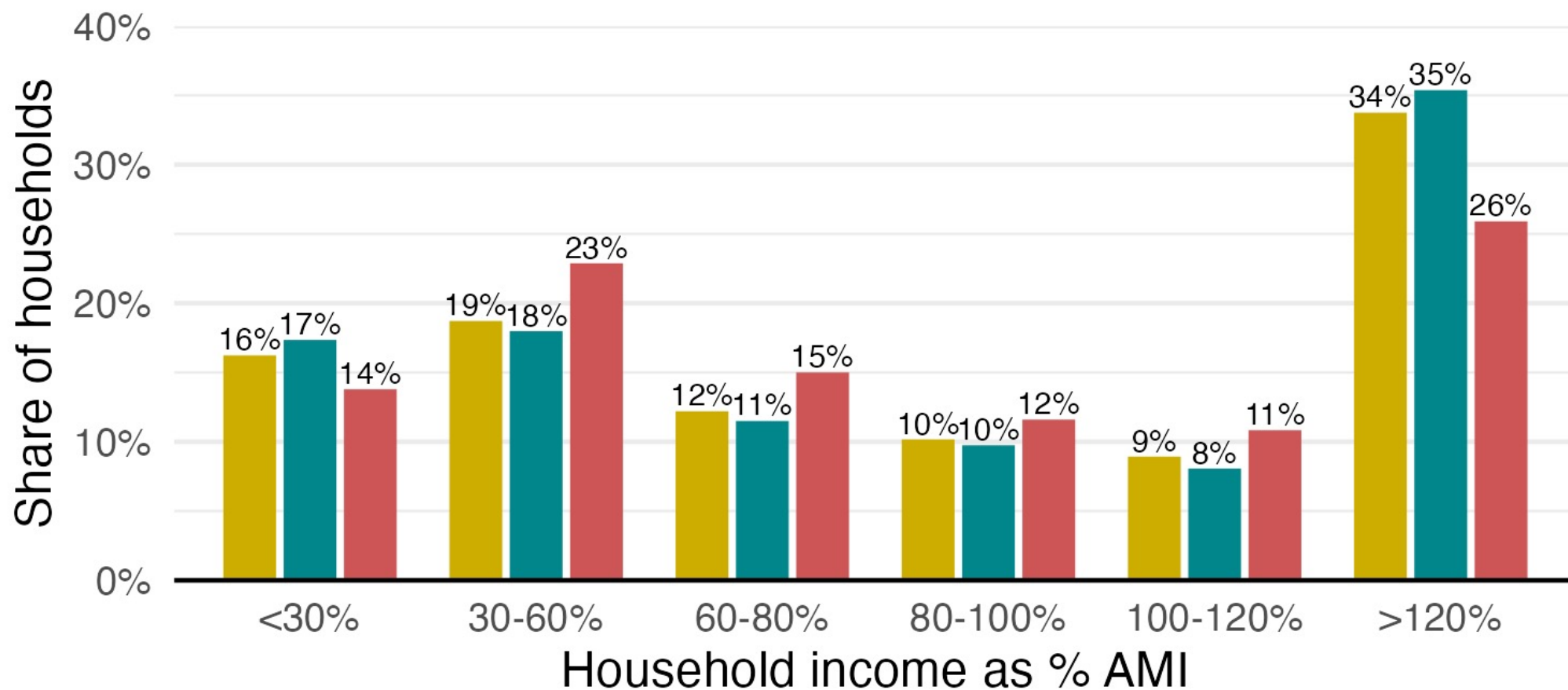
1. Are incomes lower in Vancouver?

- At the median
- Distribution at high and low incomes

2. How do incomes in Vancouver compare to the regional Area Median Income

- Threshold used for Federal, State, and Local policies
- Determined by HUD at the Metro level
- Multifamily Tax Exemption (MFTE)

Vancouver has higher concentration of 30-120% AMI households



Area



Four-county region

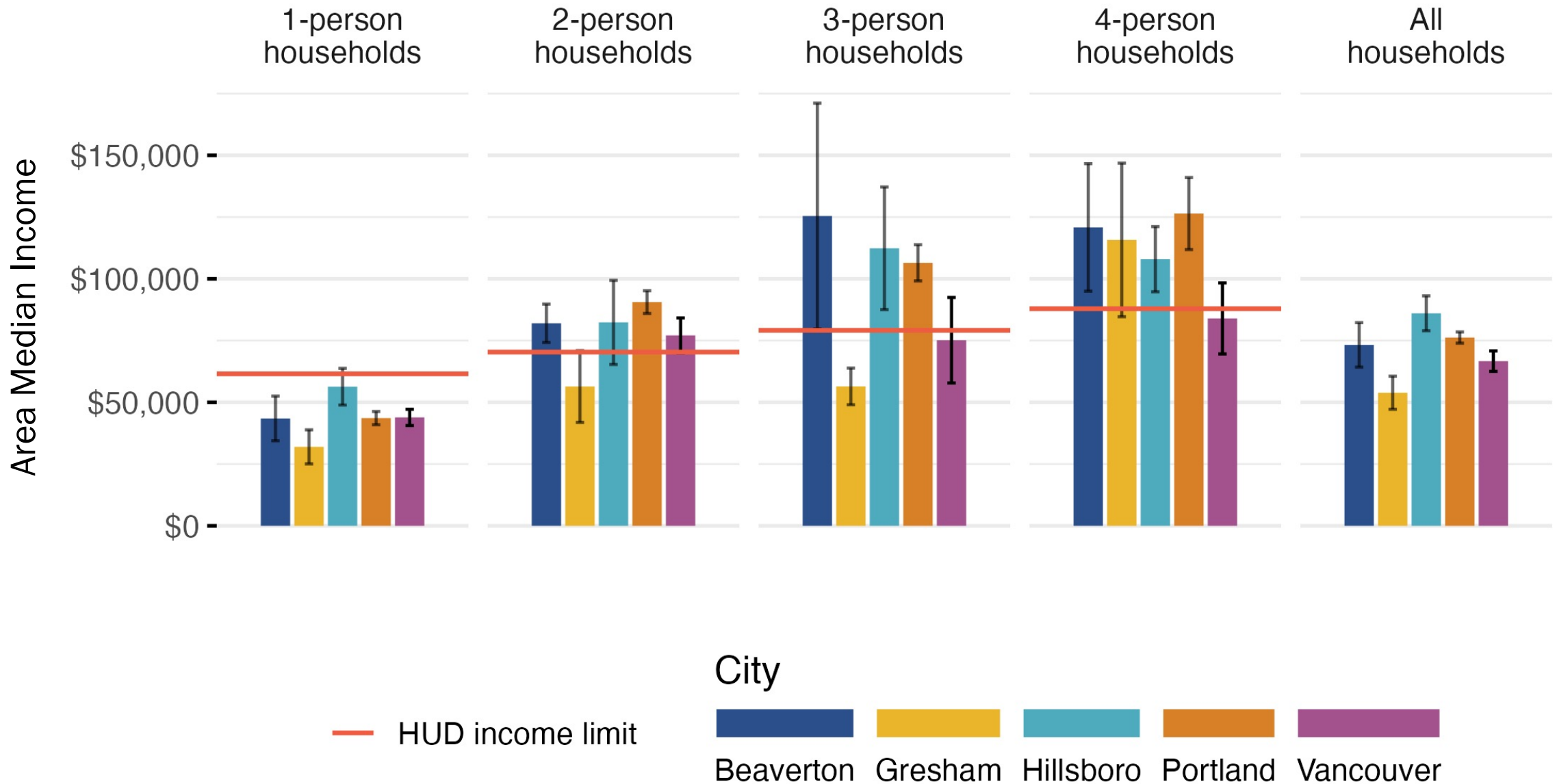


Portland



Vancouver

Vancouver incomes align with HUD Portland Metro AMI



Vancouver has more than twice the share of renters than rest of County

42% of housing units in Clark County are in Vancouver

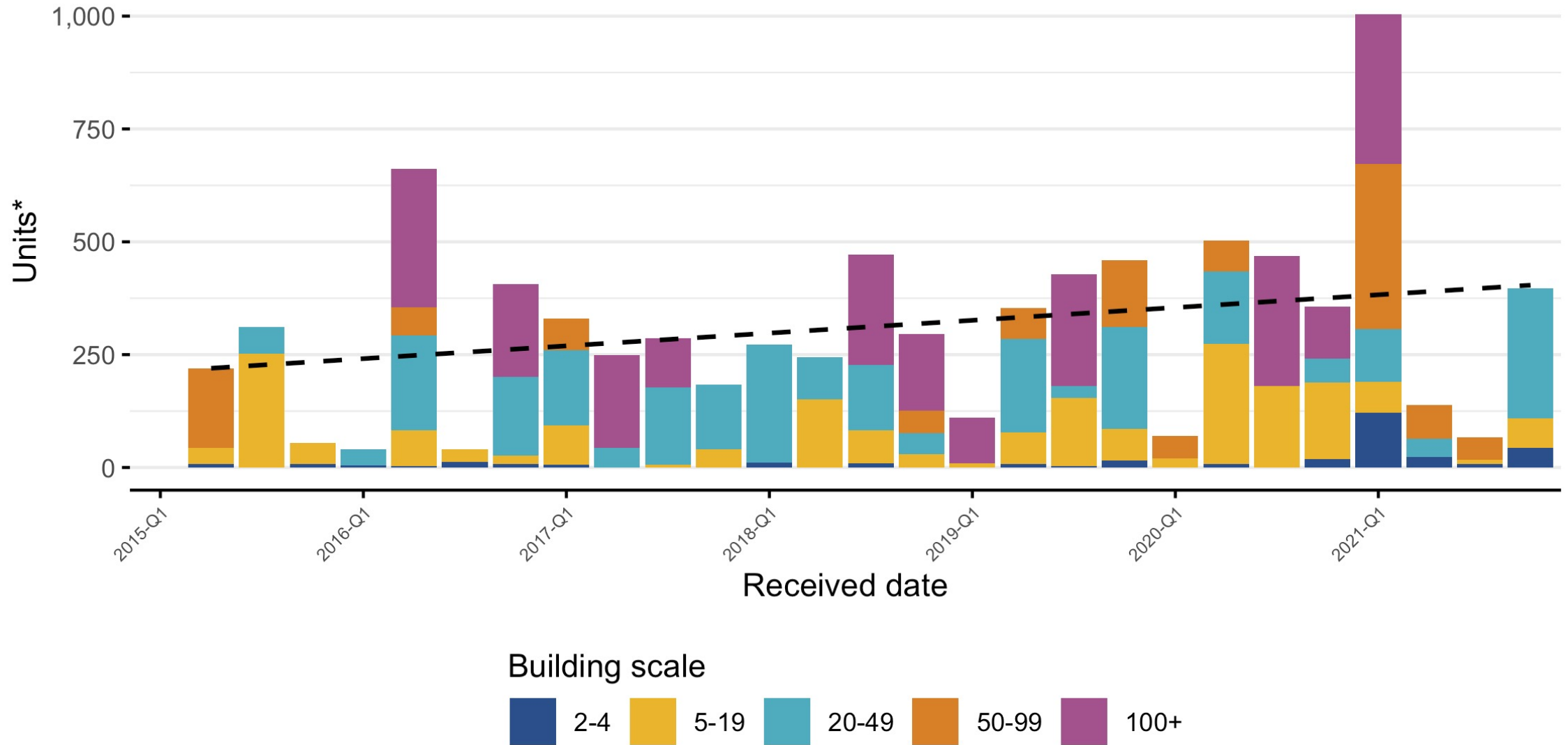
52% of households in Vancouver are renters

- Seattle – 56%
- Tacoma – 46%
- Portland – 46%
- Spokane – 43%

22% of households in rest of Clark County are renters (excluding Vancouver)

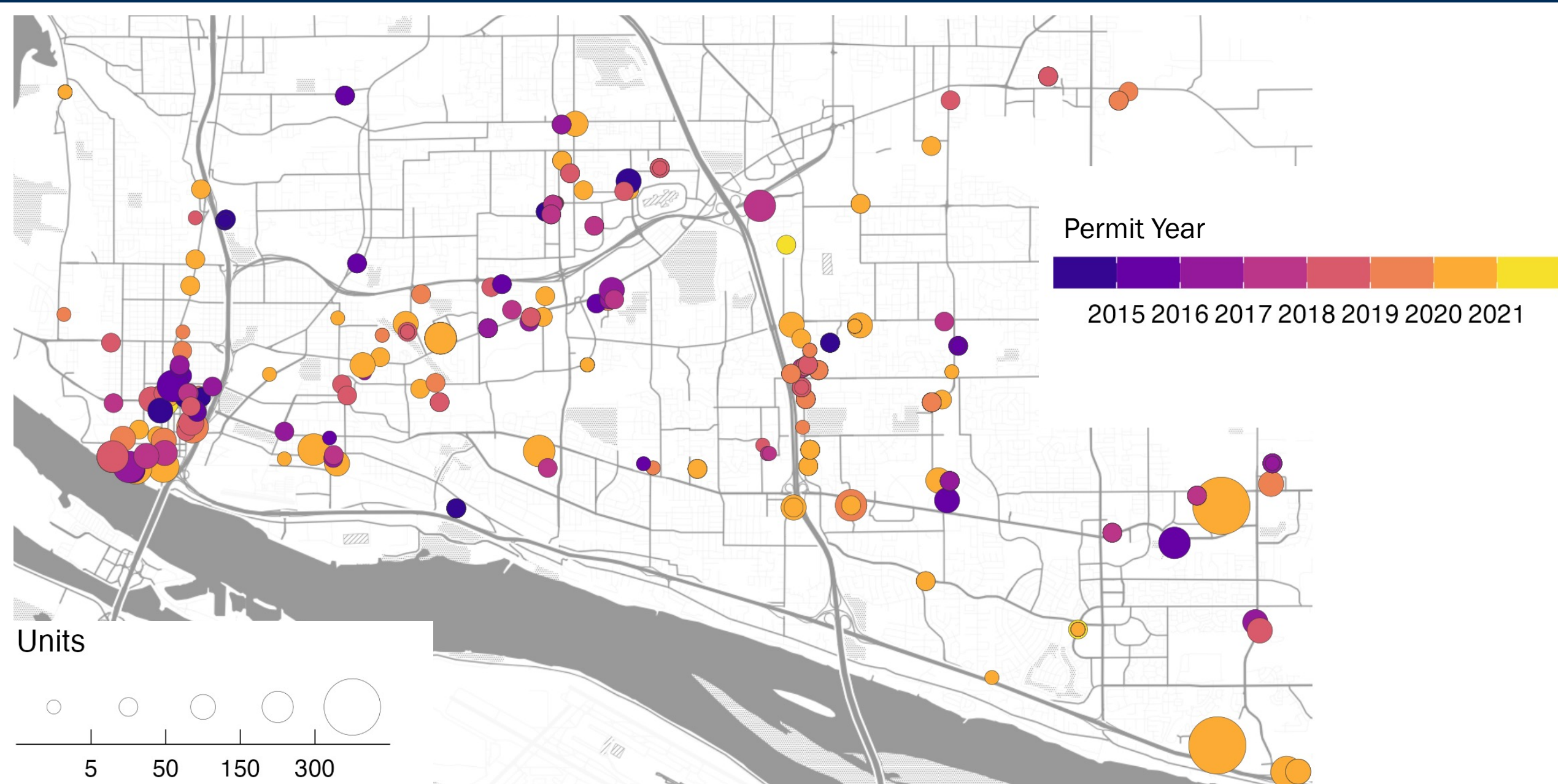
Housing Supply

Vancouver multifamily permitting trend - leading indicator



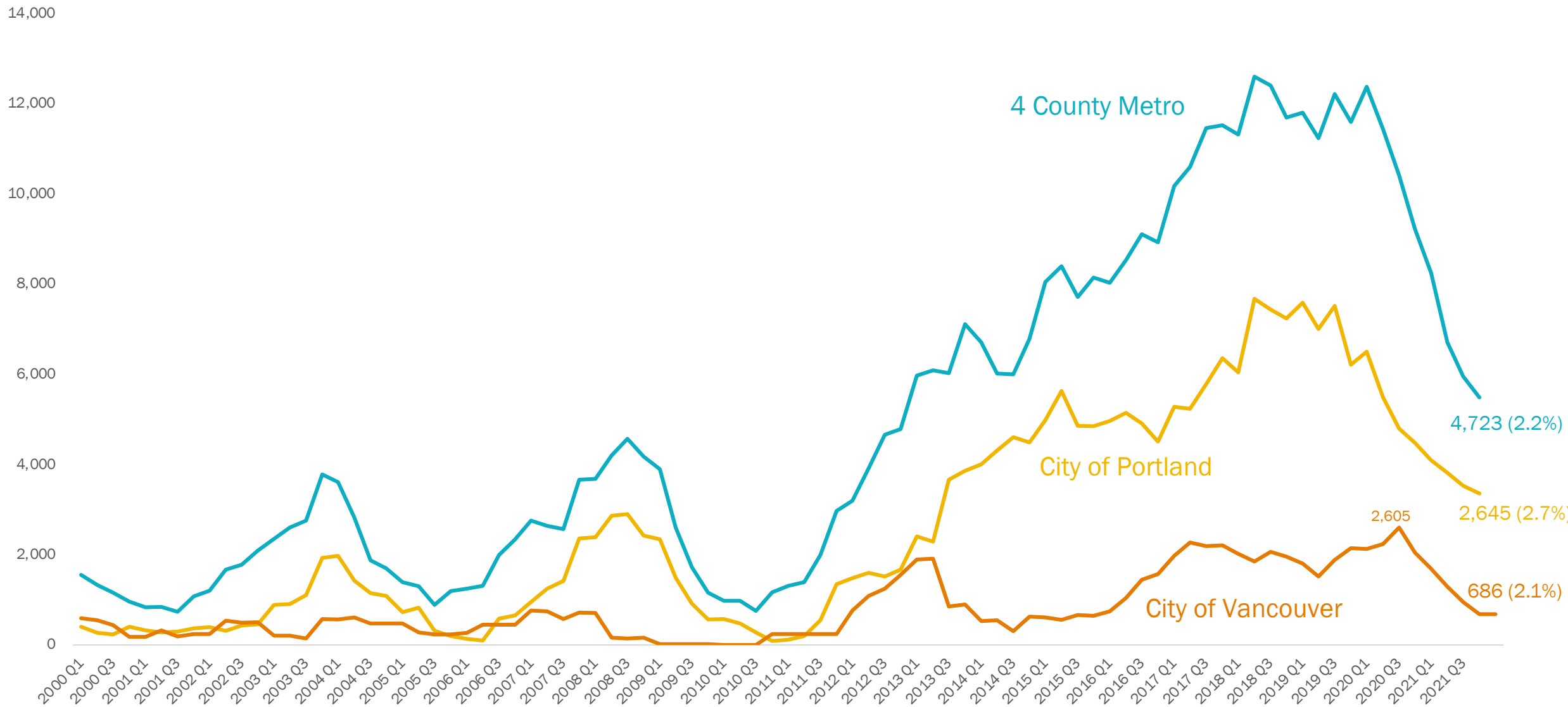
*Only completed permits or those in building plan review/construction phase

Recent apartment permitting activity by size and location



Decline in apartment production in Vancouver has bottomed

Market Rate Apartments Under Construction



80% of new construction in the City has been Multifamily over past 3 years

Year	Multifamily	Single Family	Total
2019	1,432	228	1,660
2020	715	353	1,068
2021	1,690	468	2,158
3-year average	1,279	349	1,628

79%

20%

Housing identified as top barrier to economic growth in the state



3 big Ideas - BEaR

Build

more housing of all types that is affordable to all residents

Equip

the workforce for success, and close the skills gap
and

Revitalize

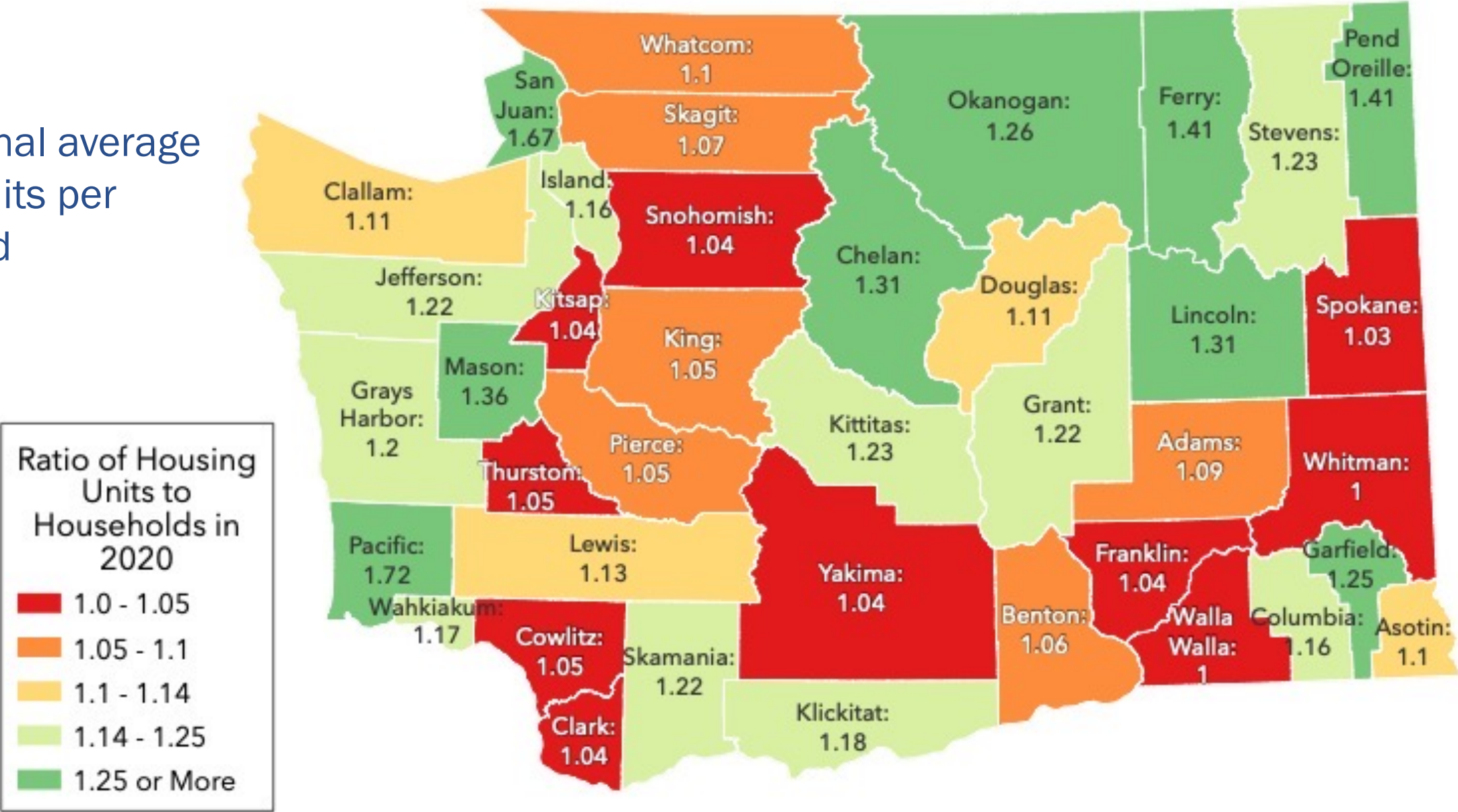
entrepreneurship and make it easier to do business

Washington State has the fewest number of housing units per household of any state in the country

190K units underproduced through 2019

Clark County has fewer units per household than King or Pierce County

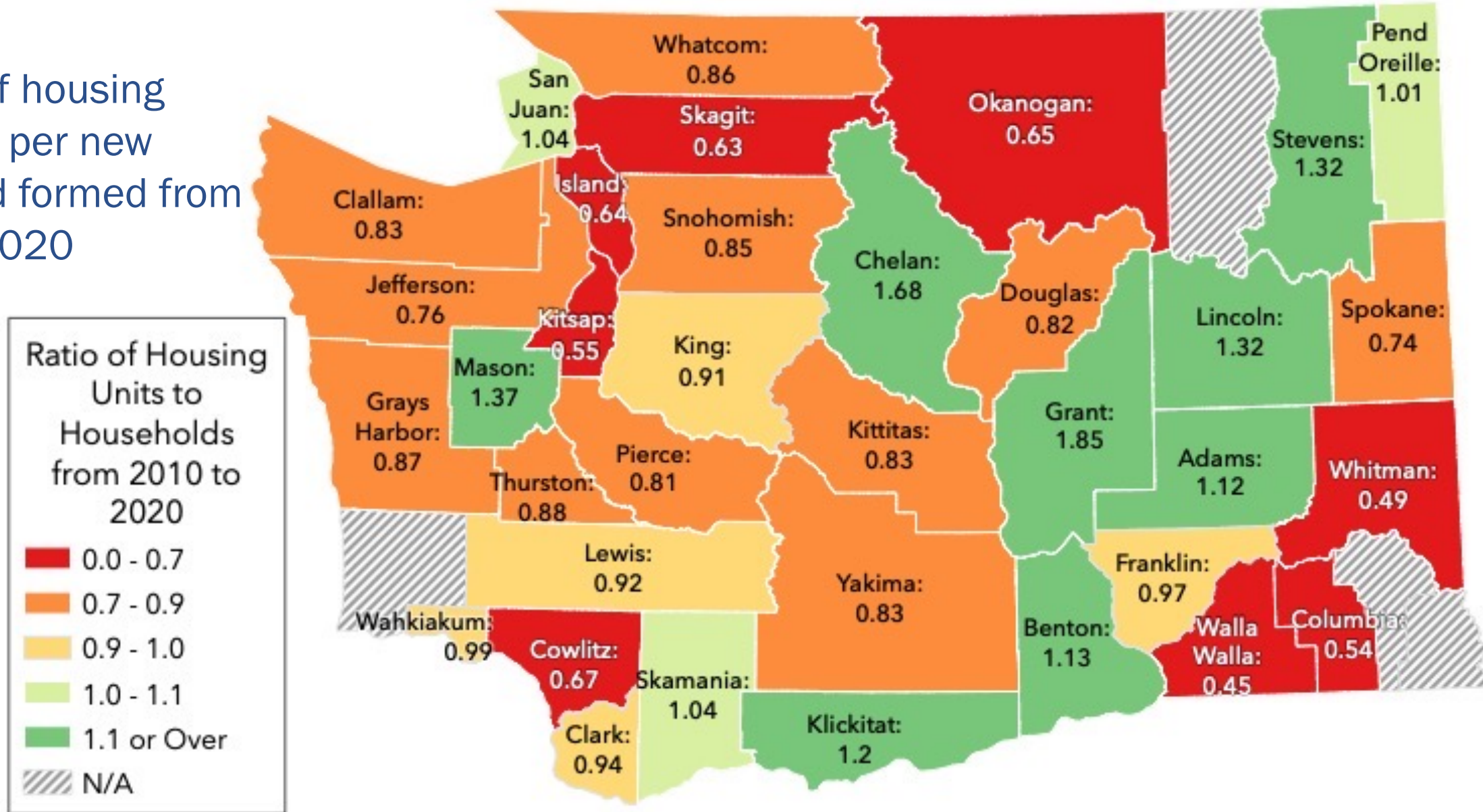
The national average is 1.14 units per household



Source: OFM, Census ACS

Since 2010, Clark County produced fewer than 1 unit per new household formed

Number of housing units built per new household formed from 2010 to 2020



What is housing underproduction?

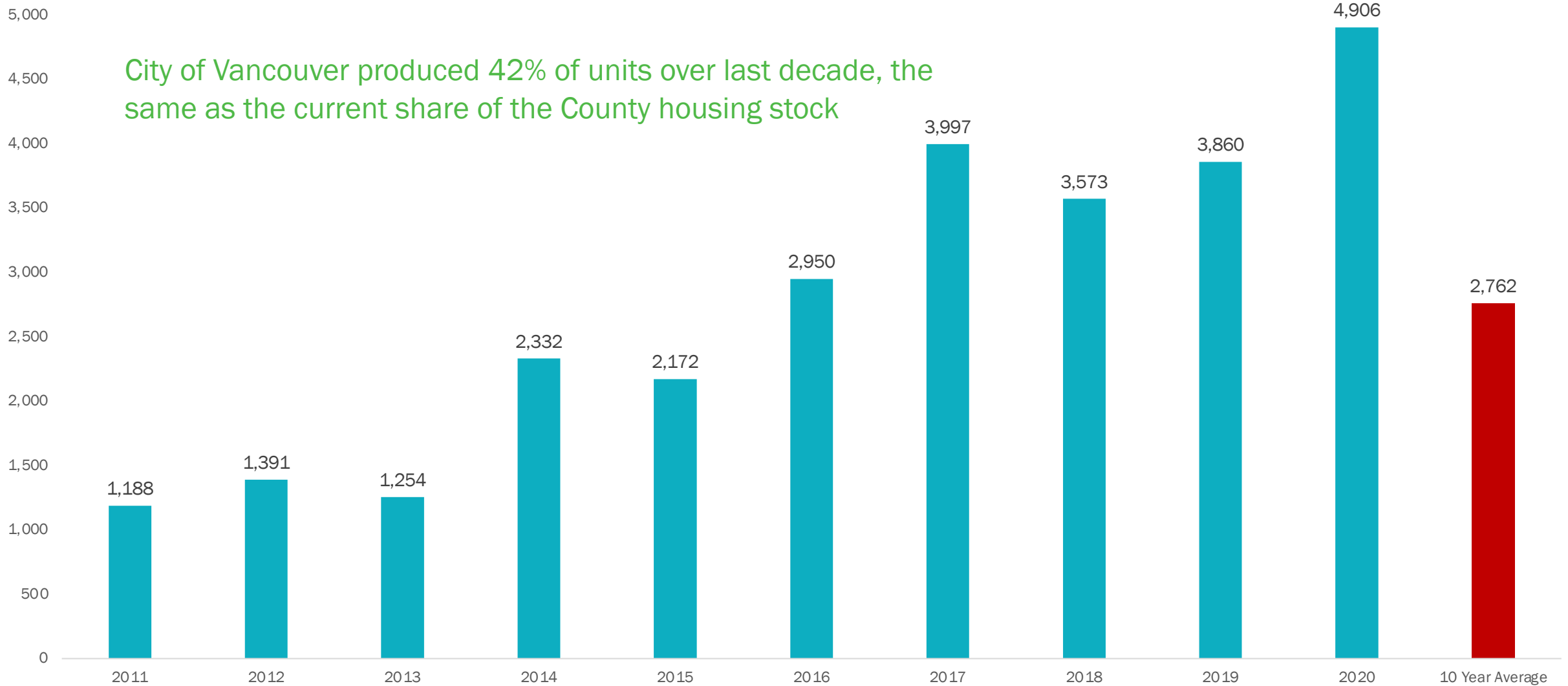
- When there are fewer units of housing built than market demand
- The underproduction of housing directly leads to increased rents and housing prices
- To measure underproduction:
 - Target vacancy rate of 5%
 - Removes uninhabitable units from the supply
 - Account for missing households that didn't form

Housing underproduction occurs at the regional level

13,500 units underproduced in Clark County
7% of the current stock of housing

Clark County underproduction equal to about 4 years of building

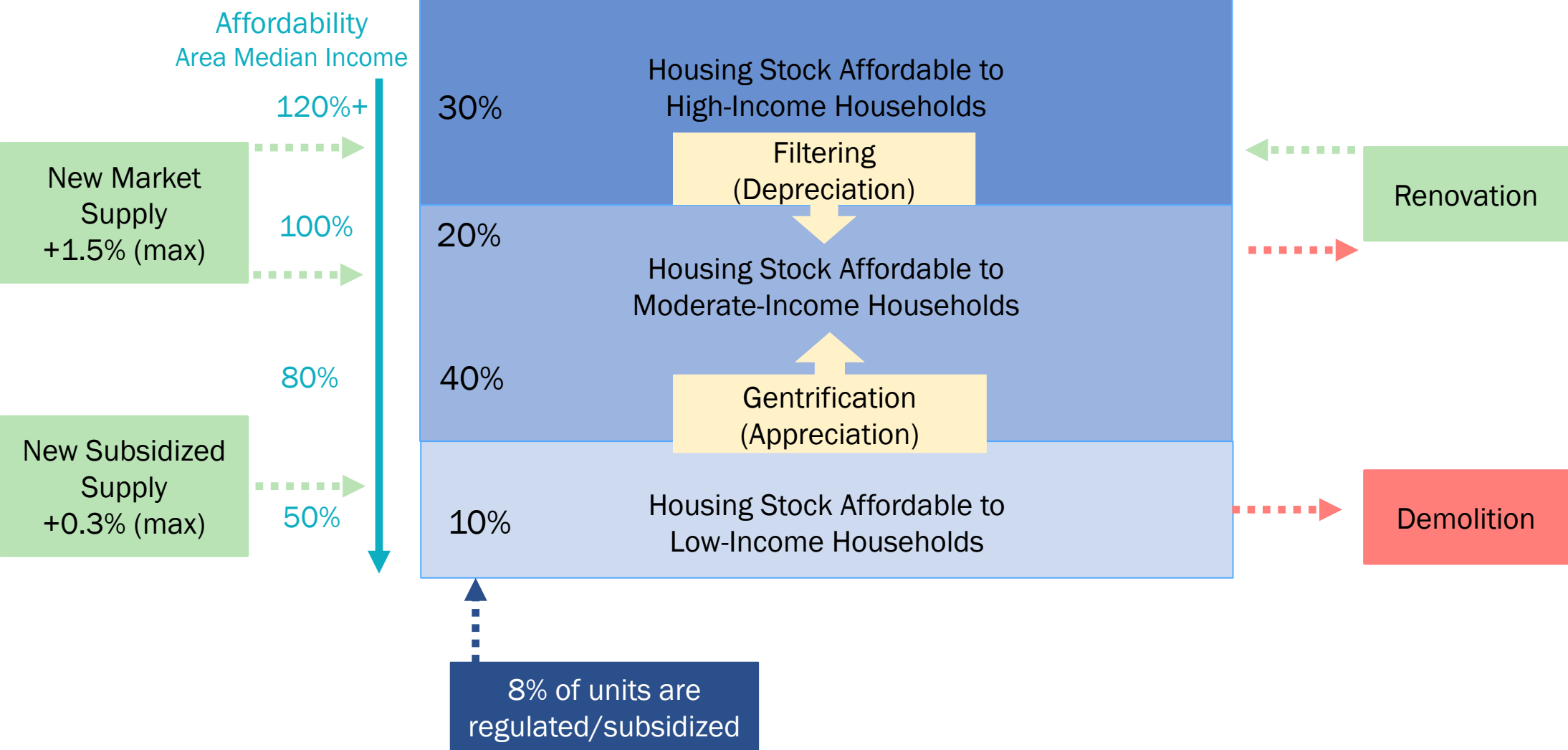
Clark County - Annual Housing Production



Questions

Housing Market Economics

Housing Markets, Affordability, and Neighborhood Change



Source: Approximate values based on ECONorthwest data analysis

What is income sorting? How does it impact housing availability

City of Vancouver 2019

Household Income (% of MFI)	Rental Unit Affordability (% of MFI)						
	0-50%	50-80%	80-100%	100-120%	120%+		
0-50%	28%	51 % of renters are Cost Burdened (spending more than 30% of income)					
50-80%	50%						
80-100%	45%						
100-120%	Renting Down (spending less than 30% of income)					12%	
120%+						13%	

Renting down removes unit availability for lower income HHs

City of Vancouver 2019

		Rental Unit Affordability (% of MFI)				
		0-50%	50-80%	80-100%	100-120%	120%+
Household Income (% of MFI)	0-50%	28%				
	50-80%	16%	50%			
	80-100%	3%	42%	45%		
	100-120%	11%	45%	31%	12%	
	120%+	3%	42%	23%	19%	13%

There are more units affordable at 80% and less of MFI than renter HHs


City of Vancouver 2019

	0-50%	50-80%	80-100%	100-120%	120%+	
Household Income (% of MFI)						
0-50%	3,493	6,959	1,487	81	369	} 22k Households
50-80%	1,595	5,055	2,396	404	607	
80-100%	187	2,497	2,724	505	94	
100-120%	504	2,152	1,454	565	85	
120%+	262	3,680	2,072	1,636	1,172	
	} 26k Units					

Renting down results in fewer units available to HHs earning less than 80% of MFI

City of Vancouver 2019

	0-50%	50-80%	80-100%	100-120%	120%+
Household Income (% of MFI)					
0-50%	3,493	6,959	1,487	81	369
50-80%	1,595	5,055	2,396	404	607
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100-120%	504	2,152	1,454	565	85
120%+	262	3,680	2,072	1,636	1,172



9,282
Units

Shortage for renter households earning less than 80% of MFI

26,384 units – 22,446 households = 3,938 units surplus

3,938 unit surplus – 9,282 units not available = **5,344 unit shortage**

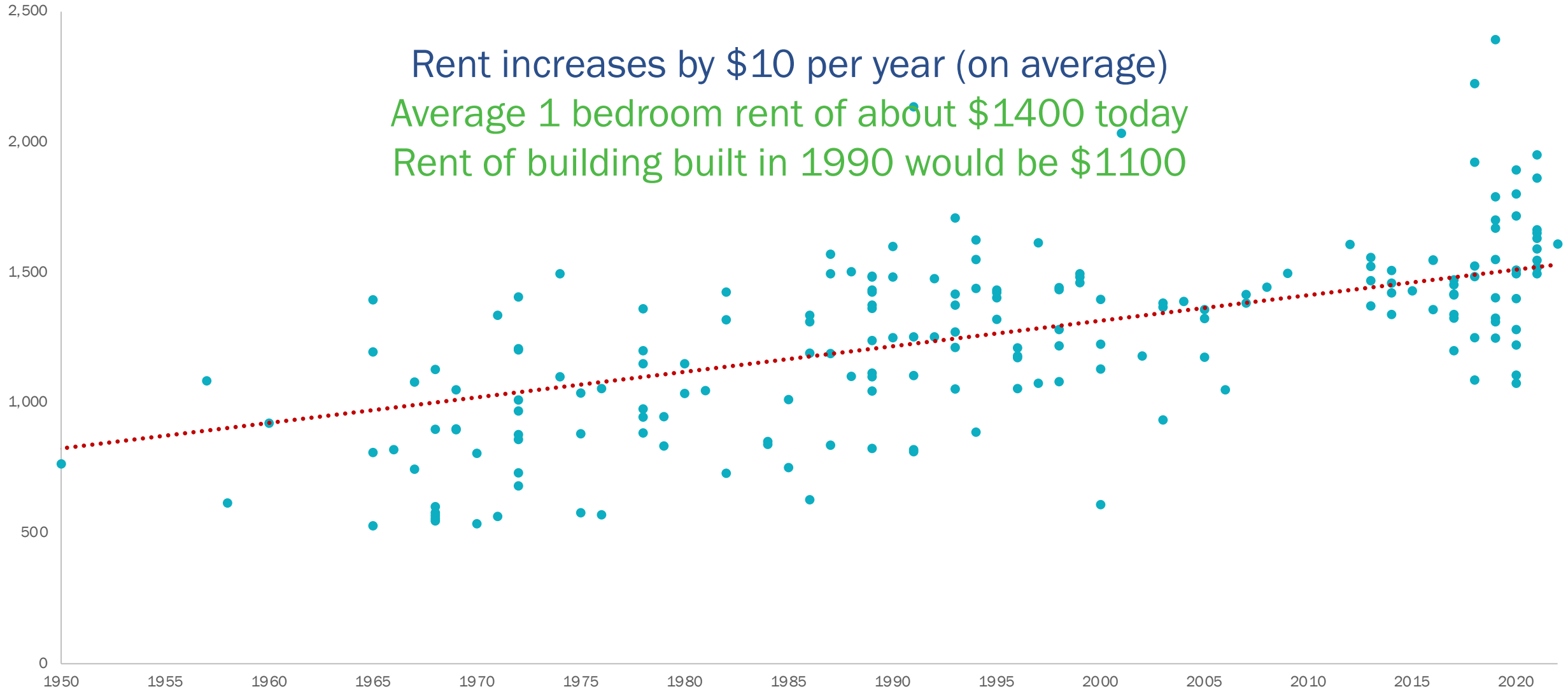
New apartments construction produces workforce housing



What is the rate of filtering in Vancouver?

1 bedroom average rent by building – City of Vancouver – March 2022

$R^2 = 0.4053$

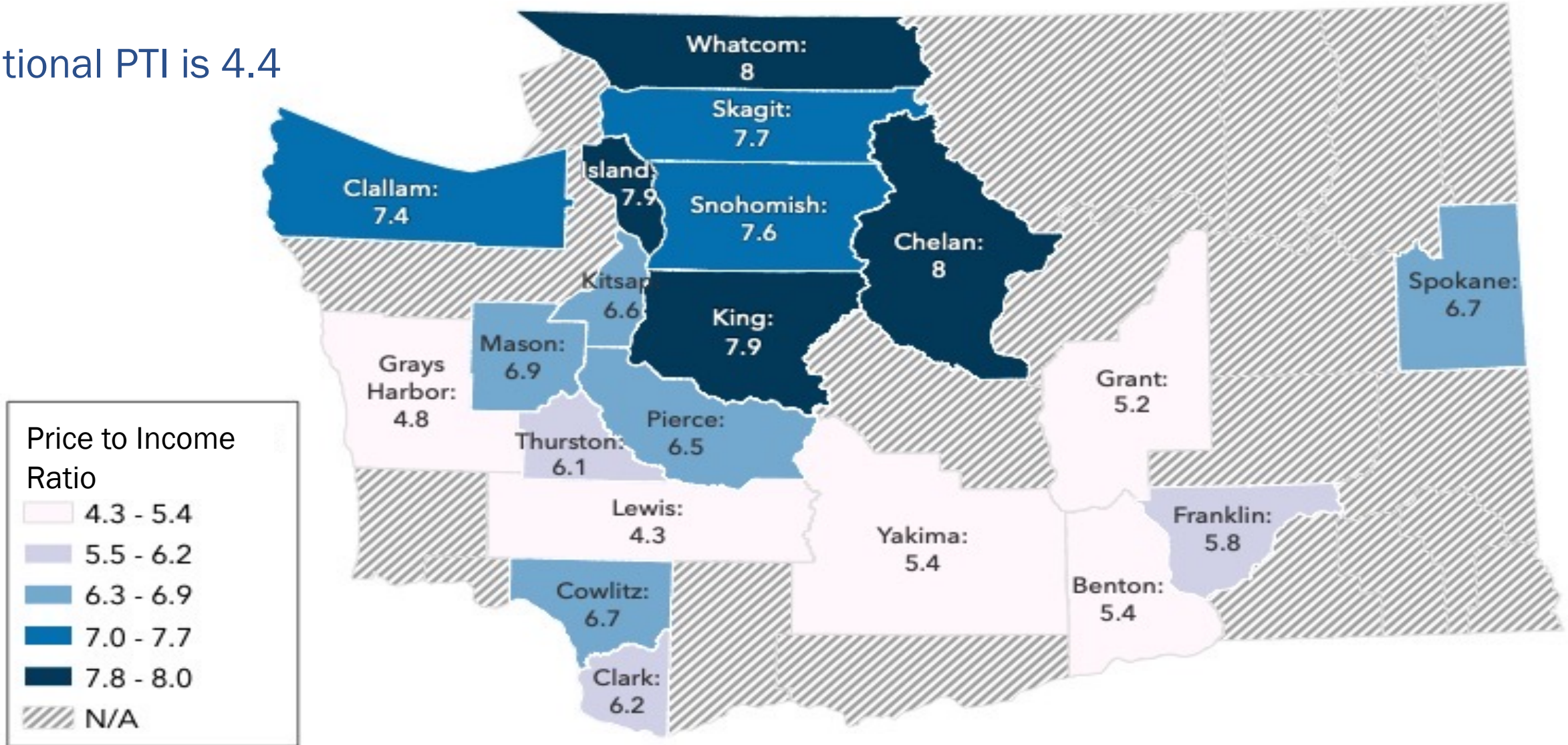


Homeownership Impacts

Price to income ratios higher across WA than the national 4.4 ratio

Price to Income Ratio = Median Household Income / Median Home Value (ZHVI)

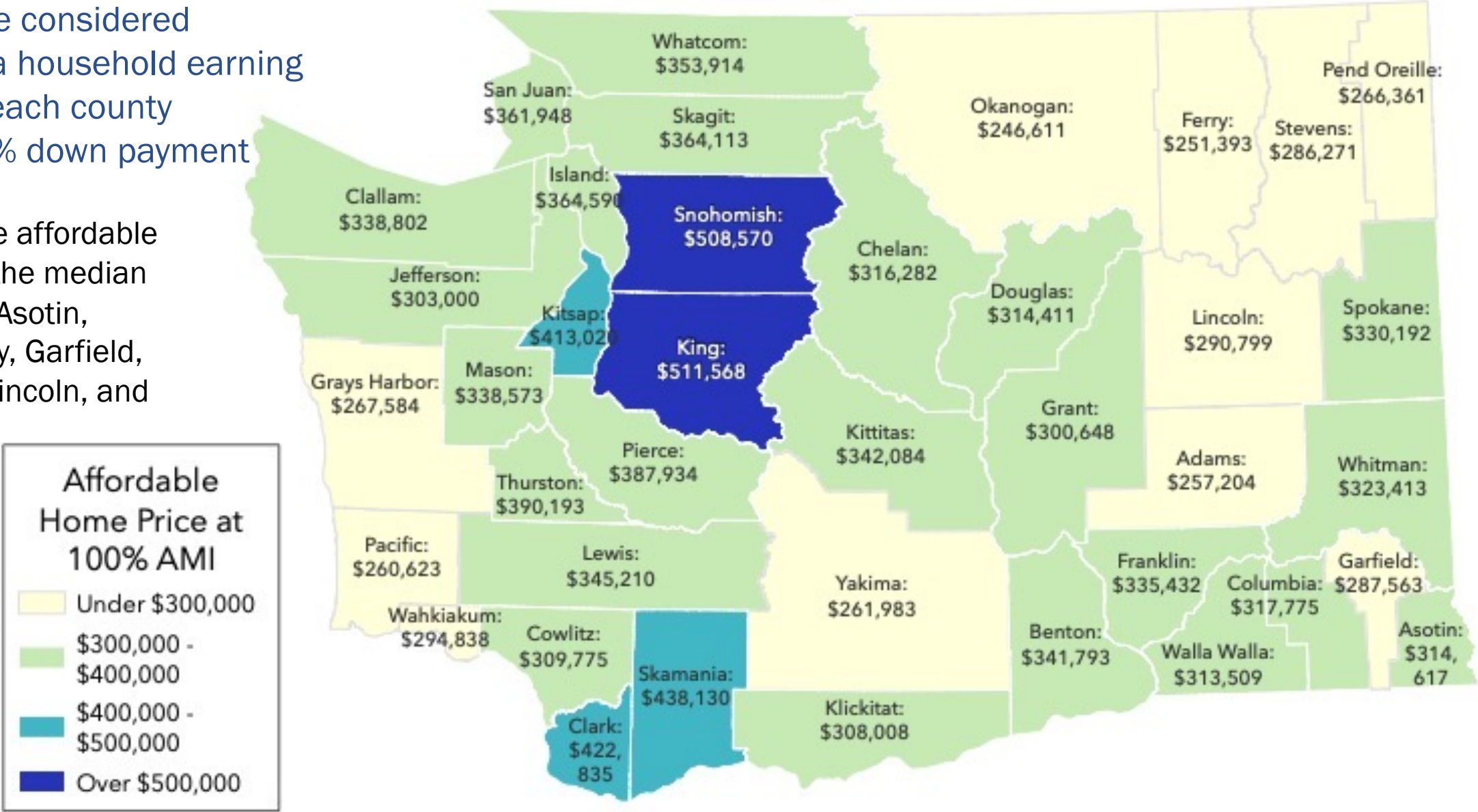
National PTI is 4.4



HHs earning 100% of AMI can only afford the median home in 9 counties

Purchase price considered affordable to a household earning 100% AMI in each county assuming a 5% down payment

Counties where affordable price is below the median value: Adams, Asotin, Columbia, Ferry, Garfield, Grant, Lewis, Lincoln, and Pacific



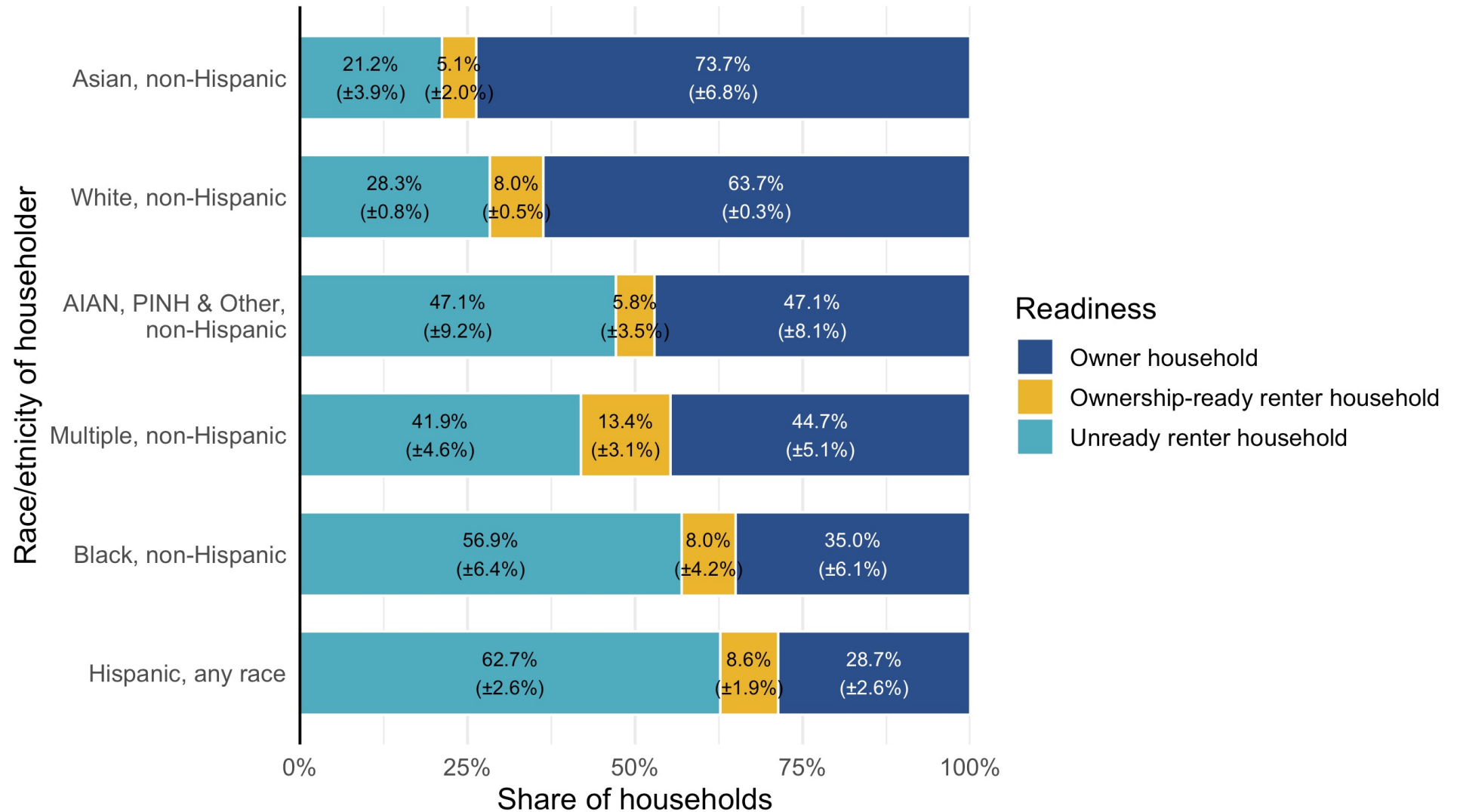
Source: Zillow, HUD, Freddie Mac, ECONorthwest Calculations

High rent and cost of housing a barrier for BIPOC communities

Homeownership Readiness



- 1) households that are not cost burdened
- 2) total household income > 100% AMI in 2019 (\$87,900)



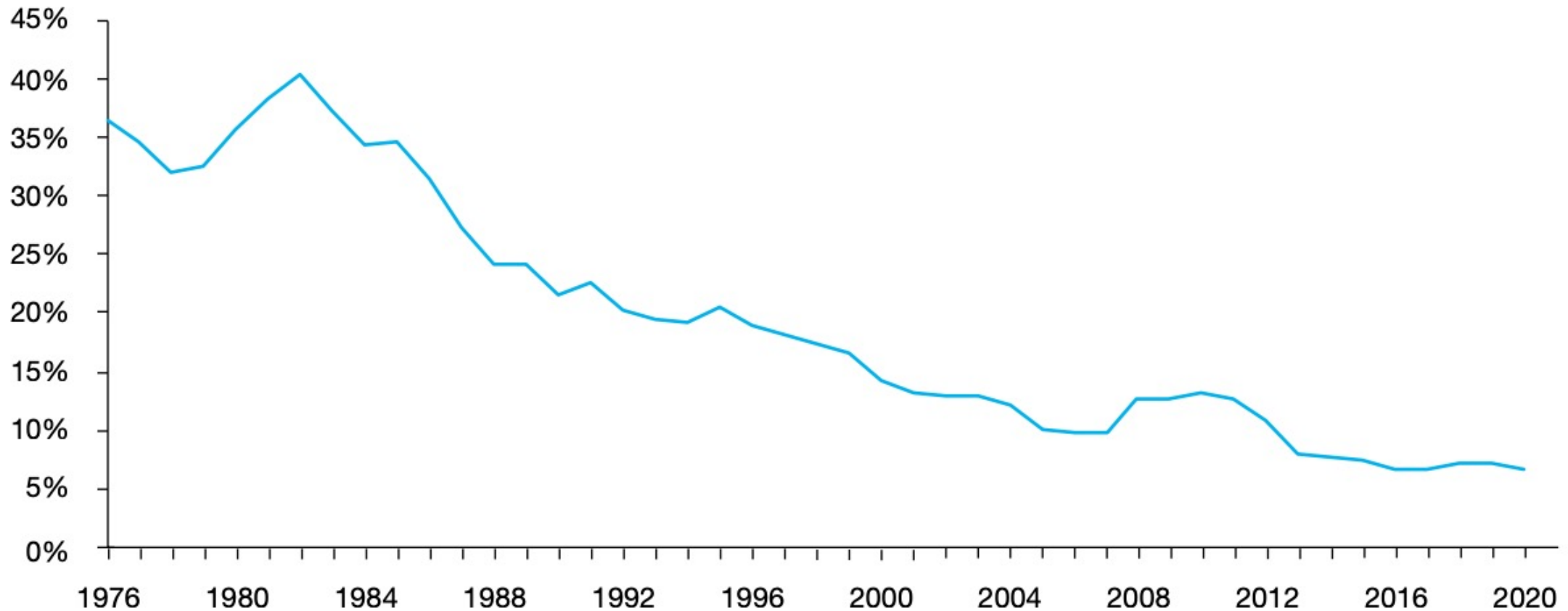
Readiness

- Owner household
- Ownership-ready renter household
- Unready renter household

National decline in production of naturally affordable homes

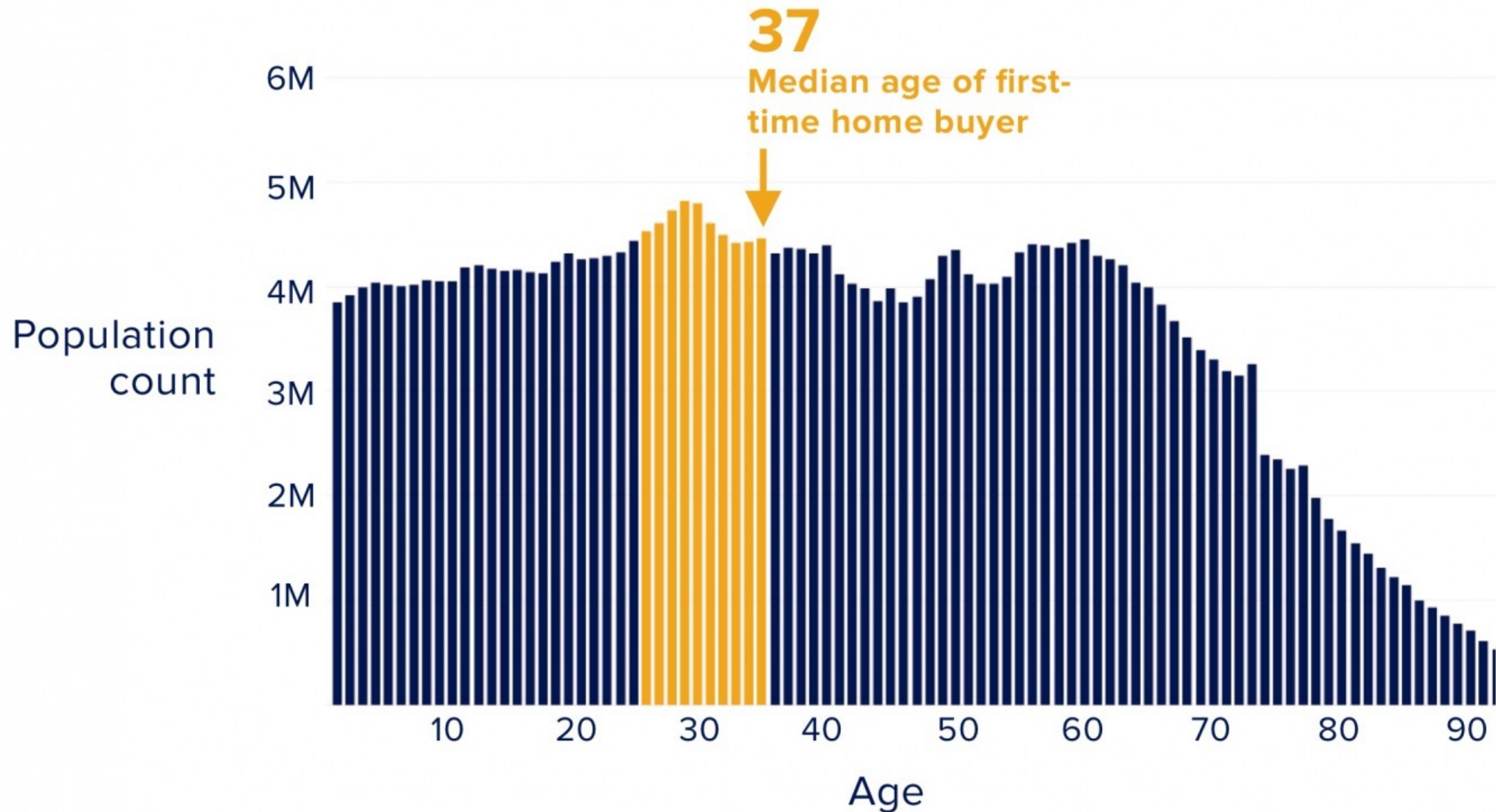
Percent of new homes below 1,400 square feet

Entry-Level home construction consistently declined as a share of new construction and is at near a 50-Year Low



Source: U.S. Census Bureau.

Homeownership ladder - heading into peak homeowner demand



Middle housing provides naturally affordable options



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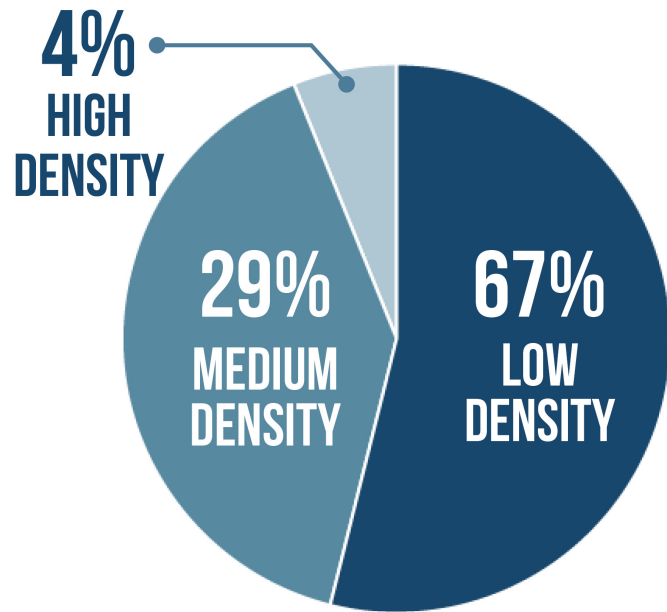


Questions

Policy Options

More of the same leads to known outcomes

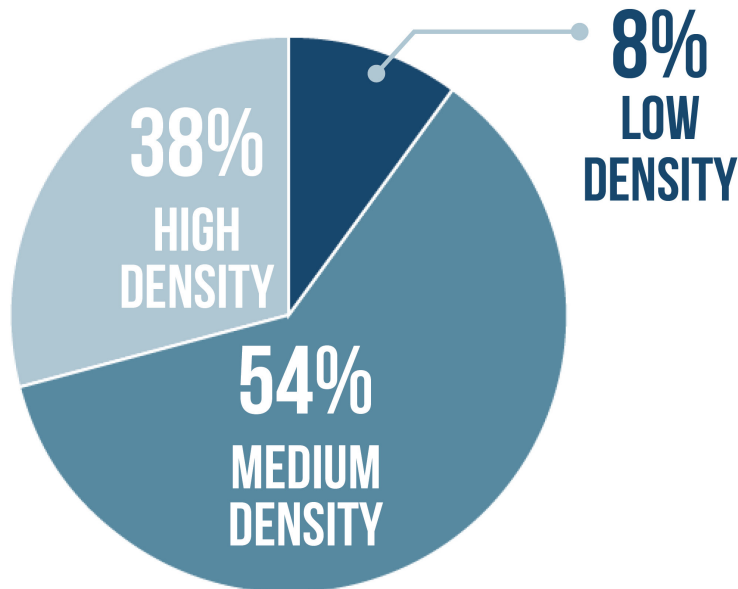
Existing Approach



- Limits housing production
- New growth is pushed outside of the city
- New housing production concentrated in expensive SF housing
- Strain public infrastructure investment and maintenance
- Limited affordable middle housing production

Transition to balanced growth development pattern

Balanced Approach



- Maximizes development in high density corridors
- Makes better use of available land within UGB and existing public infrastructure
- Encourages naturally affordable middle housing production

What are achievable density targets?

Recent projects in the City that are high density – Above 150 Units per Acre



The Uptown
Main & McLoughlin
185 Units per acre
5 over 1 Podium



The Hamilton
20th & Broadway
157 units per acre
4 Story wood construction

What are achievable density targets?

Recent projects in the City that are middle density – Between 20 and 150 UPA



Esther Short Commons
8th and Esther
82 Units per acre
4 over 1 Podium



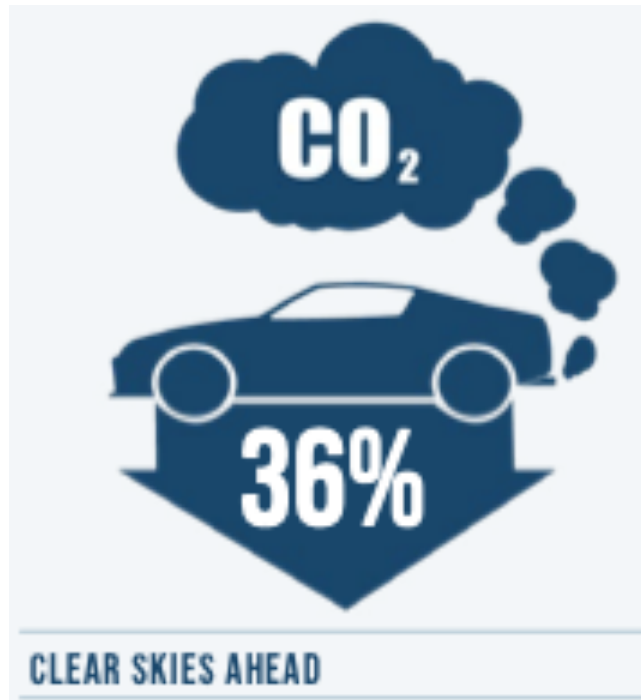
K West Apartments
4th Plain & 57th Ave
35 Units per acre
3 Story Wood Walk Up



Evergreen Townhomes
Evergreen and S Street
21 Units per acre
Townhome

Balanced approach also produces environmental and economic benefits

Modeled statewide incremental housing production of 225k units over 20 years



Used 12% of the land compared to more of the same



Increased Gross State Product by \$25 billion over 20 years



Produced an additional \$660 million in state revenue over 20 years

Local Levers for Balanced Growth

Use all policy levers to promote supply and affordability



- **Comp Plan**
- **Zoning**
- **Parking minimums**
- **Ground floor requirements**
- **Growth Management**

- **Subsidy for affordable projects**
- **Acquisition/Site Control**

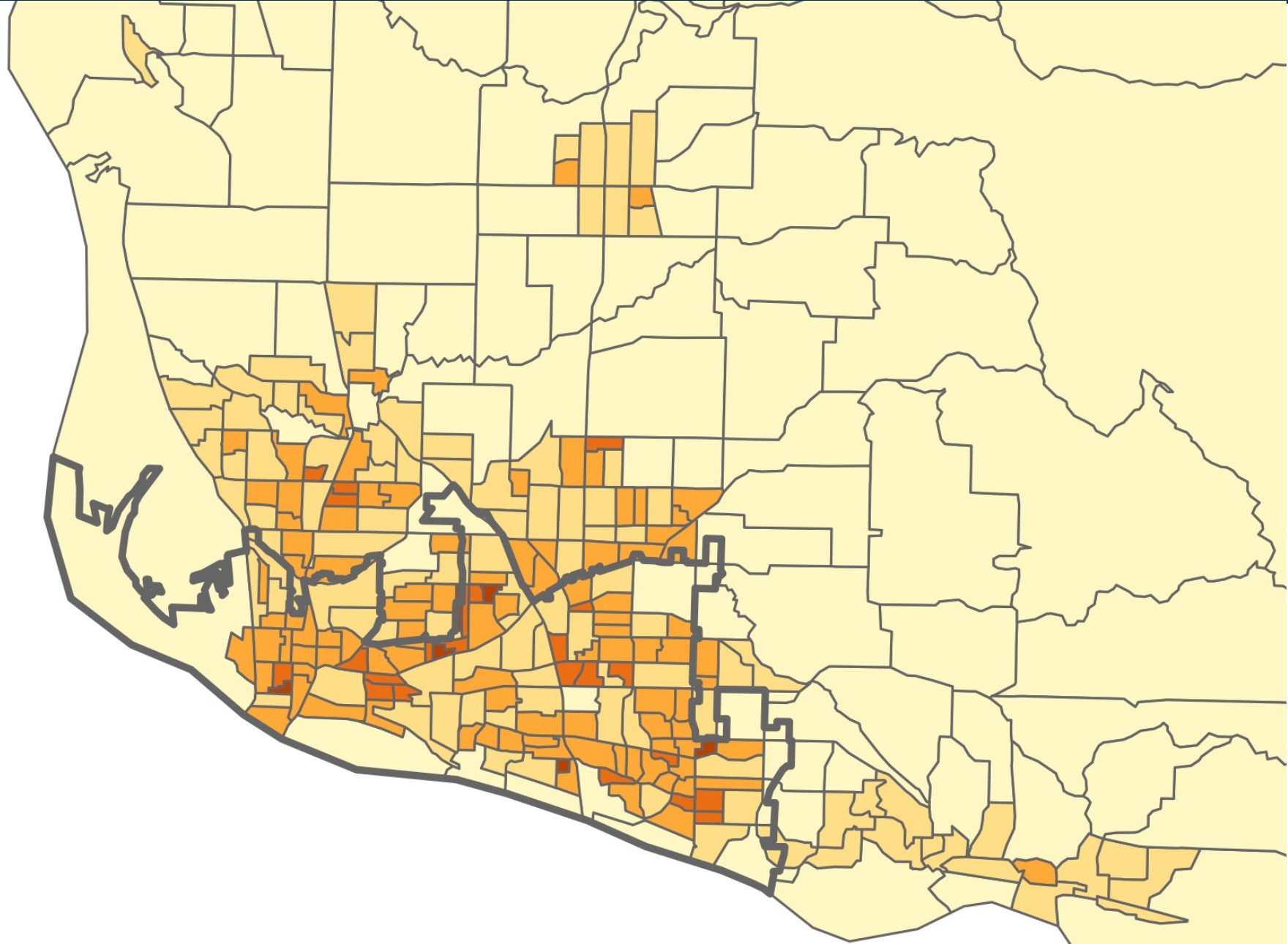
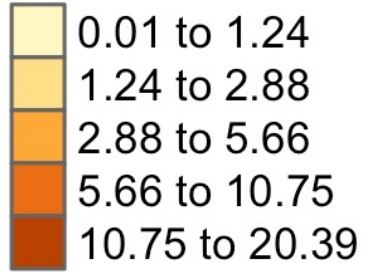
- **Tax abatement**
- **Infrastructure investments**

- **Permitting Timeline**
- **Design Review**

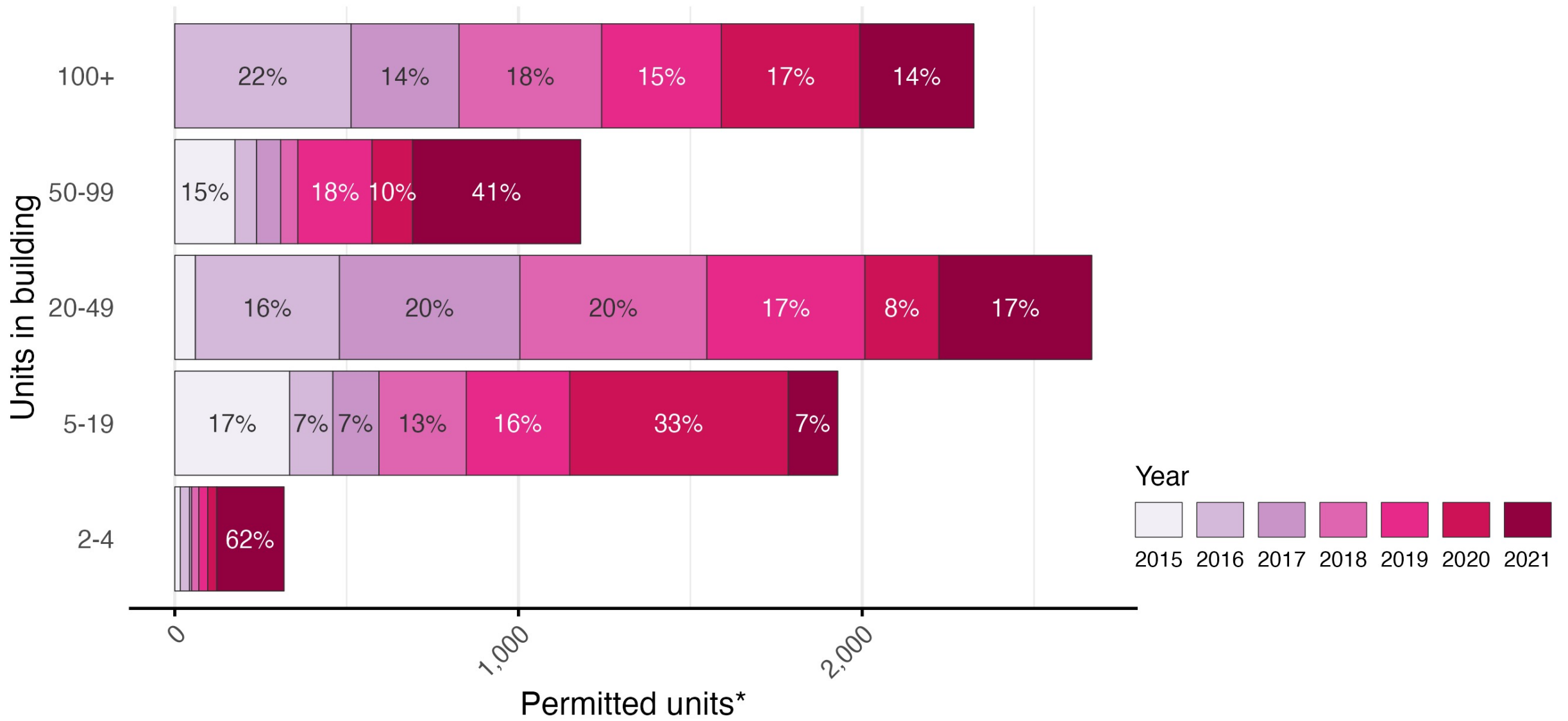
Land Use

Islands of density -- room to grow up rather than out

Units / Acre



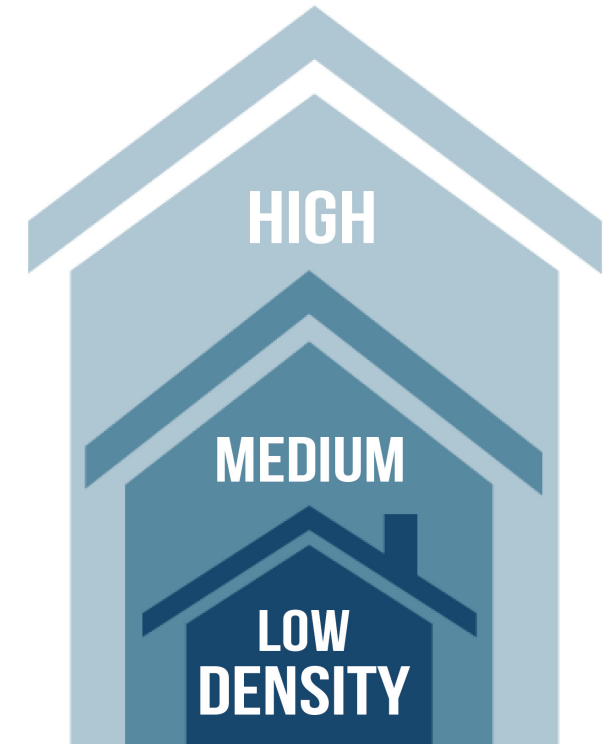
Missing middle opportunity in the City of Vancouver



Source: City of Vancouver

Land use policies are primary tool to promote density

- Comprehensive Plan establishes housing and density goals throughout city
- Code updates required to remove artificial barriers to density and additional housing types
 - Parking minimums
 - Active ground floor use requirements
 - Height limits
- Update single family zoning to achieve naturally affordable housing, especially for first time homeowners



Investment

Direct investment required to achieve affordability

- Market will not produce <80% AMI housing
 - Tradeoffs of more units vs. lower depth of affordability
 - Market conditions determine amount of subsidy
- Local investments should be flexible given constraints of State and Federal funding
- Land is a powerful tool in building affordable housing as a form of site control and direct investment

Incentives and Feasibility Toolkit

Leverage the market to achieve density

- Development economics often work against density – change in type of construction for taller buildings is expensive
- Incentives can lower the cost of development and encourage greater density:
 - MFTE
 - Public infrastructure
- Incentives are best suited to achieve density and not deep affordability

Process

The development process thrives on predictability

- Vancouver is known for a being a predictable city for development
 - this is an asset in addressing housing crisis
- Developers are repeat customers - want to benefit from local knowledge and economies of scale
- Developers are seeking best value not lowest cost place to build
 - Streamlined development review
 - Predictable fees and requirements
 - Staff development review
- Investors are not only local – investors seek returns globally

Questions

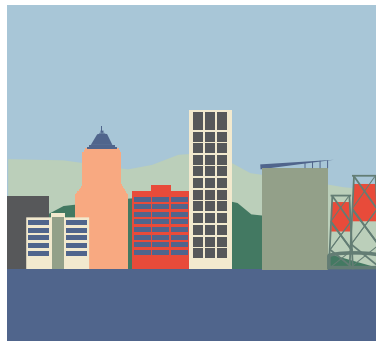
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