Spokane Housing Affordability 2000

Produced for the Spokane Partnership for Affordable Housing

by Tom Phillips & Associates with Betsy Czark & Associates Revised 4/01/01
by the Spokane Partnership for Affordable Housing

Preface:

In 2000, the Spokane Partnership for Affordable Housing contracted with Tom Phillips and Associates to study the issue of housing affordability in Spokane County, and prepare a report of their findings. The *Spokane Housing Affordability 2000* report provides a "snapshot" of local housing costs, and discusses many of the issues related to housing affordability.

While the project budget did not permit a thorough assessment of local housing needs or study of market conditions for any particular type of housing or proposed project to be conducted, the report does provide recent information on the cost of renting or purchasing a home in the Spokane area.

It is the hope of the Spokane Partnership for Affordable Housing that this report will stimulate discussion about housing affordability within the Spokane area, and that concerned residents will work together to find solutions to this challenging issue.

Executive Summary

Introduction

Describing Spokane's housing affordability problems can seem deceptively simple: there are too many low-income households and too few units that they can afford. However a more in-depth description of the problem is needed. Without a big picture understanding of the problems, strategies to respond will fall far short of the mark. This report presents such a big picture view of the problem.

The overarching affordable housing problem in Spokane is actually two interrelated problems:

1. The very large gap between incomes and housing costs, especially for Spokane's lowest income households, and
2. The increasing concentration of low-income families within fewer areas countywide.

The large gap between incomes and housing costs

The equation for determining housing affordability is based on the price of housing and household income. In many areas of the state it is the escalating price of housing that creates a housing crisis. In Spokane, however, the housing affordability problem stems from the other half of the affordability equation -- low household income.

The depth of the housing affordability problem

- Approximately 28,000 low-income families pay too high a percentage of their income for rental housing. The majority of these families are in the City (17,500) with the balance in the County (10,500). Overall, 16 percent of all County renter households are paying over 30 percent of their income for housing.
- Over 14,500 homeowners are paying too much for their housing. In the County an estimated 8,000 households with incomes at or below the median pay too much of their income to housing. In the City, 6,500 households fall into this category.
- The greatest need for housing is felt by Spokane's lowest income households. The private market serves only 1 percent of Spokane's 12,000 lowest income households. Subsidized units house only 1,437 of these families.

- With home sale prices holding steady and decreasing in some areas, the foreclosure rate continues to climb, and may reach 1,000 units this year.

Spokane' s job market makes it difficult for families to afford housing

- Low incomes in the community are partially a result of the types of jobs prevalent in Spokane. In the health field, Spokane's largest industry, over 33 percent of workers earn less than 50 percent of the County's median income.
- Spokane stands out among urban counties in the state with its high percentage of low-income households: 23 percent of Spokane households earn incomes of less than $10,000 (in 1990 dollars).

Increasingly, Spokane's lowest income families are relegated to fewer and fewer areas countywide

- Countywide not only has the number of poor neighborhoods increased over the last thirty years, but there is also a higher concentration of poverty within these neighborhoods.
- The use of housing assistance vouchers and certificates is more prevalent in lower income neighborhoods now than ten years ago. This is a market-driven dynamic.
- Spokane has two home sale markets. In one market, prices have generally increased over the last three years. In the other, prices have remained stable or even decreased in the last three years.
- School free and reduced lunch program records illustrate the concentration of low-income families in the City and County.

Solutions require a broad-based community consensus

Numerous factors are at play in Spokane's housing affordability issues. Likewise, the solutions require actions and strategies on many fronts including zoning, economic development, changes in governance, and creating a local housing fund source. Most importantly, the solutions to these issues require the consensus of many sectors of the community including those groups and organizations not typically concerned with housing issues. Spokane needs to form such a consensus in order to address its critical housing issues.

Introduction

In early 2000 the Spokane Partnership for Affordable Housing realized the importance of identifying Spokane's principle housing needs. This report is the result of that vision. This report articulates a big picture view of the housing-related issues facing Spokane County today. It is not a standard compilation of all the available housing affordability facts, nor does it explore all the possible methods to facilitate affordable housing nor all of the populations in need. For instance it does not analyze Spokane's tremendous need for special needs housing, its housing conditions, the demographics of its population, the ways to best fight Nimbyism, nor many other potentially fruitful approaches to describe a specific segment of the housing need issue.

The issues explored in this report are overarching ones impacting the affordability, location, and the ability to preserve and build housing in Spokane. The solutions require a broad-based community effort involving strategies and interventions on many fronts: zoning changes, preservation of existing housing, creating a local housing fund source, new housing production, fighting nimbyism, expanding tenant-based subsidies, income enhancement, combating market forces, and other actions.

One of the primary issues this report tackles is the problem of economic segregation in Spokane. The report delves into this issue in detail. However, it might be helpful at this point to mention that there are two basic ways to reduce economic concentration: one, introduce higher income households into lower income areas, and two, introduce lower income households into higher income areas. This report supports both methods, but concentrates on the latter.

The firm of Tom Phillips and Associates with Betsy Czark & Associates was hired through a competitive bidding process to prepare this report. Funding for this report was provided by Spokane County and the City of Spokane Community Development Block Grant (CDBG) funding from their respective Community Development Departments, Farmers & Merchants Bank, U.S. Bank, Washington Trust Bank, and the Wells Fargo Foundation. Andrew Reid, Executive Director of the Spokane Low Income Housing Consortium, coordinated the process of creating this report. The Partnership met throughout the preparation of this report and provided feedback to the consultants. The Partnership is a group of citizens who have come together to identify ways to increase affordable housing opportunities in Spokane.

Housing Partnership members include: Mike Adolfae, Loren Baker, Jim Bamberger, Frank Carpenter, Joe Chrastil, Mari Clack, Tim Crowley, Marj Dahlstrom, Bill deWeber, William Dillon, Mike Edwards, Lonnie Gallo-Pierce, Roberta Greene, Don Higgins, Rob Higgins, Nancy Holmes, Chris Hugo, Michael Hume, Kris Johnson, Suzanne Knapp, Kasey Kramer, Jim Mahoney Louis Meuller, Mary Ann Murphy, Ric Odegard, Art Noll, Dianne Quast, Andy Reid, Sheryldene Rogers, Dick Shand, June Shapiro, Melora Sharts, Doug Smith, Helen Stevenson, Dale Strom, Terri Symbol, John Talbott, Gary Van Assen, and Chuck Van Marter.

The consultants would like to thank the Spokane Associations of Realtors ®, The Washington Center for Real Estate Research, The Spokane Housing Authority, and The Spokane Rental Directory for providing extensive information that made the preparation of this report possible. The consultants would like to especially thank the City of Spokane and Louis Meuller for preparing the maps used in this report.

Table of Contents

List of Tables and Charts

List of Maps

Low Incomes in the City

The large number of low-income families shapes Spokane's housing market

What are the unique income distribution factors in Spokane?

Households with incomes below $10,000 made up 22.5 percent of Spokane County's households in 1990, the highest percentage of households with this income of any urban county in the state. This large number of households (16,900) is a critical demographic factor that permeates the entire Spokane housing market. Most importantly, it is one of the key factors that established Spokane as an especially cost sensitive housing market[i].

In a cost sensitive housing market, a family's housing choices are especially limited by its income. Families live where they can afford to rent or buy. For example, small differences in rent or deposit requirements in apartments effectively keep families in the less expensive areas. Also in such a market, as a result of many factors, housing prices tend to be more uniform within geographic areas. As a consequence of these influences, Spokane has many economically segregated neighborhoods.

The graph on the following page illustrates the economic segregation found in Spokane. This chart compares the household income distribution in the City with the rest of the County, and the State. The distribution in the County mirrors the State's distribution. Thus, as in the State, there is a peak in the lowest income housing range. It appears from the chart that when some households reach a certain income level, about $17,000, they leave the City.

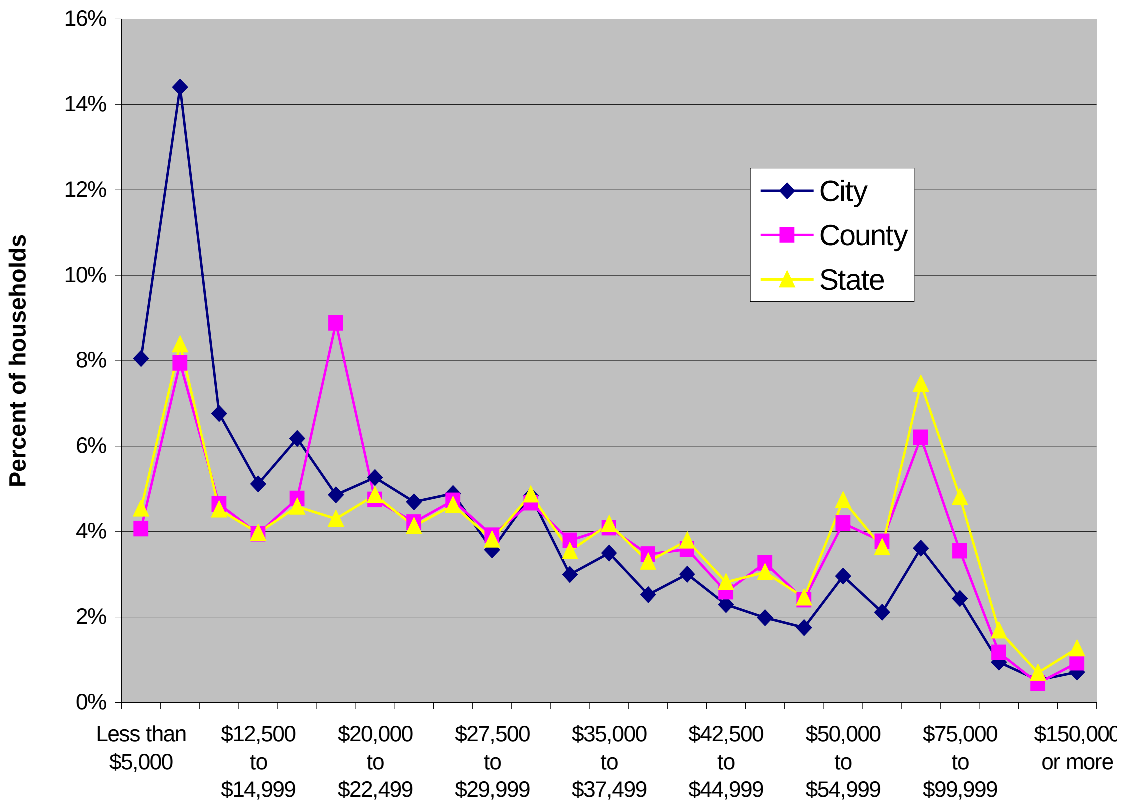
The other significant factor illustrated in the graph is the downward slope of the City's income levels. The City attracts fewer high-income families, as shown by the slope of City's income line compared to the County or the State.

Is Spokane's income distribution unique in the State?

Spokane differs from these other cities in two ways. First, the "spike" in the City's income distribution between $5,000 and $10,000, while not unique, is larger than the pattern found in other similarly sized Washington cities. These are shown in the table below which compares the number of Spokane households in 1990 with incomes below $10,000 with three other cities in the State[ii]. As shown, Vancouver, Washington comes closest to Spokane in the percentage of low-income households. Spokane is different from these other communities in its percentage of higher income families. Both Tacoma and Everett have a larger number of neighborhoods with higher income populations.[iii]

1990 Household Income by Intervals for City of Spokane, the County outside the City, and the State

Source: 1990 US Census



Percent of Households with Incomes Below $10,000 in Selected Washington State Cities

City	Percent of Households in 1990
Spokane	23%
Vancouver	21%
Tacoma	19%
Everett	14%

Source: 1990 US Census

A closer examination of the lower-income population.

The bulk of Spokane's lowest income population, (66%), is made up of non-family households. This is a household with one person or with individuals who are not relatives[iv]. The ages of the head of household of these 16,900 low-income households is spread out over various age groups, with the largest percentage, (35%), made up of households over 65 years old. The next largest group, (11%), is households from 25 to 34 years old.

The 1990 census points to female-headed households as a large low-income group, as these 3,220 households make up 25 percent of households living below poverty in 1990. Households over 65 years old comprise 20 percent of households living below poverty in the same year.

Do low wage jobs account for part of Spokane's large low-income population?

Part of Spokane's low-income population is made up of the working poor. An examination of Spokane's major industries reveals a large number of low paying jobs.

Employment levels in health services (19,901 workers), food preparation and services (12,671 workers) and retail trade/sales (22,318 workers) are very high. A recent Washington State study shows that a very high percentage of workers in these industries earn less than fifty percent of the county median income.[v] (The median income means that half of the households in the area are above this level and half are below.) The health industry, an industry that employs 11 percent of Spokane's 181,000 jobs, "had the highest ratio of workers falling under the working poor income level."[vi] Other Spokane industries such as those listed in the table below have a large percentage of low paid workers.

The Percent of Workers with Income Below 50 Percent of the County Median Income in Spokane County in 2000

Occupation	Percent of Workers Below 50%of the county median	Number of Employees in this industry in Spokane
Health services	33.4%	19, 901
Food Preparation & Services	25.1%	12,671
Retail Trade/Sales	13.10%	22,318

Many low-income working families are finding themselves worse off economically than they have been in the last 30 years. A national study[vii] reported in the Wall Street Journal, shows that "an American holding a full-time job in the late 1990's was still as likely to fall below the official poverty line as a similar worker in the 1980s, and more likely to do so than a full-time worker in the 1970s."

What are the demographics of Spokane's households in greatest need?

Households that make up the Housing Authority's Section 8 and public housing waiting lists reflect the type and extent of housing need in the community. As of November 2000, there were 2,957 households on the Section 8 waiting list. Of those on the waiting list, 40 percent require a studio or one-bedroom unit and 35 percent require a two-bedroom unit. Nearly 60 percent of the list is composed of families with no family member having a disability or who is elderly, another 37 percent of the waiting list is made up of families with a least one person with a disability.

Another 1,520 families make up the public housing waiting lists. The vast majority (84 %) of the families waiting for public housing make below 30 percent of the median income. Families with at least one member with a disability comprise 47 percent of this waiting list.

Spokane's elderly population continues to increase. An estimated 50,764 seniors (over 65 years old) now live in Spokane County. The senior population increased by 16 percent since 1990, slightly faster than the State increase of 14 percent. Spokane's share of elderly has decreased somewhat over the last 20 years. In 1970, 9 percent of the state's seniors lived in Spokane, compared to 8 percent today

Median Income and Wage Levels in the Spokane Area

This section translates HUD[viii] median income figures into actual job listings in Spokane. The following table shows how HUD breaks down and classifies the median income into four categories -- 30 percent, 50 percent, 80 percent and 100 percent of the county median income. This table shows the median income for a family of two. (See the appendix for other family sizes.) Annual income and the equivalent in hourly wages are shown for each income group.

HUD Median Income for a Family of Two

Dominant Characteristic	Very Low Income	Low Income	Moderate Income	Median Income
Percent of median income	30%	50%	80%	100%
Annual income for family of two	$10,600	$17,650	$28,200	$35,350
Hourly wage rate to obtain that income	$5.09	$8.49	$13.56	$16.94

Source: HUD

The following table uses HUD income categories and shows how they relate to the incomes of the typical job seeker in Spokane. As an example, wages in the eating and drinking industry are comparable to the very low income or 30 percent of the median income category. As shown below, this industry employs over 12,500 people in Spokane. Those in the social services industry (4,397 employees) have an average income of $15,001; which is exactly the low-income level (50 percent of median income).

Industries in Spokane,
Average Annual and Hourly Wage and Number of Employees

	Very Low Income	***Low Income***	***Moderate Income***	***Median Income***
Typical Industries in Spokane	**Restaurant**	**Social Services**	**Health Services**	**Manufacturing**
Average Annual Wage in this Industry	$9,666	$15,001	$28,258	$34,992
Average Hourly wage	$4.65	$7.21	$13.59	$16.82
Number of jobs in this Industry in Spokane	12,671	4,397	19,801	21,846

Source: Covered Employment and Wages by Industry, 1998, Washington State Employment Security web site.

The following is a list of job titles and hourly wages in October 2000 that are found in the industries listed in the table above[ix]:

Janitor $6.75
Retail Sales, $6.50
Delivery Driver $7.00
Butcher-fish, $8.00
Certified Nurse Assistant, $8.50
Truck Driver, $10.25
Retail Sales, $6.50
Sheet Metal Operator $7.00
Fast Food Cook, $8.50
Deli Clerk, 6.50
Office Assistant, $7.00;
Telemarketer, $7.25
Day Care Driver $6.50

The cost gap between wages and rents

The table below shows the monthly housing gap faced by lower-income families in Spokane. A family earning 30 percent of the median income can afford to pay, based on federal standards, 30 percent of their income for rent. Thus a very-low income family can afford to spend $241 a month for housing (rent plus utilities). However, the average rent for a Spokane area one-bedroom unit with utilities, is $381, or $140 more than the family can afford. As shown below, a family earning 50 percent of the median income and seeking a two-bedroom unit, faces a similar housing gap of over $150 a month.

The Monthly Housing Gap for Low-Income Families

	Very Low Income	Low Income
Percent of median income	**30%**	**50%**
30% of income monthly available for housing costs	$241	$375
Number of bedrooms	One	Two
Rents plus utilities for:		
4 plex, 2 stories	$381	$533
Apartment	$408	$551
Monthly payment gap:		
4 plex, 2 stories	($140)	($158)
Apartment	($167)	($176)

Source: Rents and utilities from the Rental Directory of Spokane, 1999

Location of Low-Income Families

High concentrations in areas of the City and the County

The price of economic segregation

The issue of economic segregation exists in areas throughout Spokane County. The areas impacted are identified in the next few pages of this report. One of the most dramatic examples of the impacts of such segregation is seen in some areas within the City of Spokane. Higher income households are leaving the City of Spokane to live in the suburbs: leaving those with limited economic means and therefore with fewer options in places to live.

Between 1970 and 1990, the number of poor neighborhoods in the City of Spokane doubled. The percentage of households below the poverty rate in those neighborhoods also increased. [x] Not only has the number of poor neighborhoods increased, but there is also a higher concentration of poverty within those neighborhoods. (A poor neighborhood is one in which more than 20 percent of the households are below the federal poverty rate.)

More recent data indicates that this trend of concentration of poverty continued: the City of Spokane is even more economically segregated now than 10 years ago. (Although, some areas of the City that were “poor neighborhoods” in 1990 have become higher income; for instance, the North Hill neighborhood.) This situation is also occurring in areas of unincorporated Spokane County, as well as within each of Spokane County's small urban cities.

Many issues keep families in low-income areas: transportation costs, access to jobs and services, and Spokane's cost-sensitive housing market are among the most pressing. This kind of geographic concentration exacerbates the consequences of poverty for the low-income family as well as for the region. When poverty rates are high (40 percent or more), neighborhoods have great difficulty sustaining the economic and civic institutions essential for a healthy community. Poor education, joblessness, teen parenthood, and crime all reinforce one another fueling a cycle of poverty that threatens the future of individual families, drains city finances, and polarizes the larger metropolitan community.

The impact on children's education and on the economy

The consequences of economic segregation on children are especially troubling. Studies have shown that there is a high correlation between a family's income and a child's scholastic achievement. However, not only does a child's family income impact his or her test scores, this effect is magnified if a low-income family also lives in an area with many other low-income families. Research shows that low-income children perform much better if they live in higher income neighborhoods and attend schools there. (However, test scores of higher income families living in low-income areas are not negatively influenced.)[xi]

In studies done by David Rusk, a well-known planning strategist, the percentage of children receiving free and reduced price lunches accounts for between 50 and 95 percent of the variation among schools' average test scores. Accordingly, if a poor child in Spokane were moved from the neighborhoods with a high concentrations of low-income children (for instance, 85%) to neighborhoods with low concentrations of low-income children (for example, 5%) such a move could result in a 20 percent improvement in that child's test scores. (See Appendix A for a map showing the percentage of children on the free and reduced lunch program in each elementary school throughout Spokane County.)

Spokane County's economy has and will continue to feel the impacts of concentrations of low-income families. Lower educational achievement will result in lower skilled workers and therefore, lower skill jobs with their corresponding lower wages. Low wages will result in a further concentration of low-income areas. This is especially troubling since in the last 20 years the ability to increase one's earning power has declined for those with little education. A college education is increasingly the ticket to upward income mobility[xii].

Where are the less affluent areas of Spokane?

There are many factors that reveal the less affluent pockets within Spokane County: One can look at the changes in median income over time, the percentage of children participating in the free and reduced lunch program at each elementary school, and the locations of the lowest cost rental housing (including subsidized housing and the number of federal housing choice vouchers used in each area). In the next few pages each of these telling factors are examined.

The first demographic examined is the change in median income over time. This analysis is important since it not only provides evidence of Spokane's current economic segregation, but it also reveals the areas wherein such segregation is worsening. The map, *Median Income by*

Census Tract in Spokane County, in Appendix B shows that many of Spokane County's less affluent families are concentrated in just a few areas: *(See the cross hatched patterns on the median income map)*

This map presents two pertinent data: one, the percentage change in income from 1989 to 1999, which is depicted with differing background patterns; and two, the median income for both 1989 and 1999 in today's (1999) dollars, which is shown with side-by-side columns within each census tract[xiii].

The areas with crosshatched backgrounds experienced a decrease from 1 to 21 percent in income between 1989 and 1999. Tracts with other backgrounds are areas in which incomes rose from 0 to 53 percent in those same 10 years. An evaluation of the columns in each census tract shows that generally those areas with low incomes 10 years ago saw their incomes drop even lower and those with higher incomes enjoyed a rise in their incomes.

Generally, the economically segregated areas in the City of Spokane border the northern edge of the city and are along the 1-90 corridor - especially to the north. The areas in the County with worsening economic segregation problems are located in the central spine of the West Valley, areas of the Central Valley, and parts of the West and South rural areas. Unfortunately, because this data is based on census tracts, it isn't possible to be as specific about the areas in the County that suffer from economic segregation as areas in the City.

Census tracts are designed to have approximately the same number of people. Therefore, census tracts in less densely populated areas, like the County outside the City of Spokane, cover a much larger geographic area than census tracts within the City of Spokane.

The map, *Median Income by Census Tract in Spokane County, in Appendix B* not only provides evidence of Spokane's current economic segregation, but reveals the areas where such segregation is worsening.

City of Spokane

The areas within the City of Spokane with worsening economic segregation are:

- Northeastern part of the Hillyard neighborhood
- The area bordered by Francis Avenue north to the city limits, Crestline Street, and Nevada Street (also somewhat known as the Calkins area).
- Part of the North Hill and part of the Northwest neighborhoods.
- The Garry Park neighborhood
- Most of the East Central neighborhood
- The Logan neighborhood
- The area between Monroe Street and Ash Street of the Emerson Garfield neighborhood
- Most of the West Central neighborhood
- Browne's Addition and Peaceful Valley neighborhoods
- Cannon's Addition

- Vicinity of
- Comstock neighborhood. However, unlike the other neighborhoods with decreasing median incomes, this neighborhood's median income is significantly higher.

Spokane County outside of the City of Spokane

The areas outside the City of Spokane facing a worsening economic segregation problem are:

- Kaiser/Mead area
- Linwood area
- Felts Field, Yardley, Carnahan areas, the central spine of the West Valley area, and the western edge of the East Valley.
- Parts of south rural and west rural areas including neighborhood council area West Terrace.
- Western area of Cheney and Northeast part of Medical Lake.
- In the past 10 years, the median incomes in the small urban cities have not decreased, their median incomes are holding steady at low levels. The exception is the Fairchild AirForce Base, which was the only area with increasing median incomes over the last 10 years.

Other data reiterates this geographic income pattern. For instance, the locations of schools where 40 percent or more of students are on the free or reduced lunch program mimic this pattern[xiv] (see Appendix A). This data is especially troubling since it depicts areas with children living in poverty.

In addition, this data provides a much more geographically accurate indication of areas of poverty than the change in median income data reviewed above. The information on the free and reduced lunch program participation is available for each school in the County which, especially for areas outside the City of Spokane, is a much more geographically precise in revealing economically segregated areas than the median income data which is based on census tracts.

Small Cities

The percentage of children participating in the free or reduced lunch program in schools located within the small cities within Spokane County indicates that all five of these cities and Fairchild Air Force Base suffer from economic segregation problems.

Small cities with a high percentage of their school age children enrolled in the free or reduced lunch program are as follows:

- Deer Park. Participation in the free and reduced lunch program in its four schools range from 44 to 56 percent of the student body.
- Medical Lake.   The difference in enrollment between its high school and lower grades could indicate a worsening problem. Its elementary and middle schools have between 36 and 43 percent enrollment. At this time, its high school has only a 22 percent student participation in the lunch program.

- Cheney. Depending upon the school, from 38 to 57 percent of its school aged children participate in the program.
- Millwood. The Millwood School (K) is at 67 percent participation level, its high school is at 23 percent, and the Orchard Center Elementary (grades 1-4), which is just outside the city borders, has a 60 percent enrollment rate.
- Airway Heights. Its elementary school, Sunset Elementary, has the highest percentage of students enrolled in the free or reduced lunch program countywide: 74 percent.

Fairchild Air Force Base. Its only school, Blair Elementary, has a 46 percent participation rate.

Unincorporated Spokane County

Locations of schools in unincorporated Spokane County with a high percentage of their student body enrolled in the free or reduced lunch program are as follows:

- Along Hwy 2 going north: Farwell Elementary with 46 percent, Meadow Ridge Elementary with 26 percent, Chattaroy Elementary with 28 percent, Riverside Middle School with 28, and Riverside Elementary with 41 percent.
- West Valley. In the West Valley student participation rate by school ranges from 22 to 58 percent. Those schools with over a 40 percent participation rate are: Ness Elementary (1-4) 58 percent, Seth Woodward Elementary (5) 47 percent, Spokane Valley High (9-12) 46 percent, and Centennial Middle (6-8) with 42 percent
- Central Valley. Schools in the Central Valley range from a 14 to 47 percent participation rate. Those schools with over 40 percent participation rate are: Blake Elementary (K-6) 47 percent, Opportunity Elementary (K-6) 47 percent, and North Pines Jr High (7-9) with 43 percent, Green Acres Elementary (K-6) and Key Stone Elementary (K-6) both with 41 percent,
- East Valley. The schools in the East Valley range from 31 to 60 percent of the student body participating in the free and reduced lunch program. The schools with over 40 percent participation are: Trent Elementary (K-5) with 60 percent, Trentwood Elementary (K-5) 47 percent, and East Valley Middle (6-8) with 43 percent.

City of Spokane

Areas in the City of Spokane with a high percentage of public school population enrolled in the free or reduced lunch program are as follows:

- The area North of I-90 has many schools, widely dispersed, with high enrollment in the lunch program.
- Scattered areas south of I-90.

The elementary schools in the City of Spokane range from 14 to 47 percent student participation rate in the free or reduced lunch program. Those schools with a 40 percent participation rate or more are: Garfield Elementary with 52 percent, Franklin Elementary 47 percent, Regal Elementary 46 percent, Stevens Elementary 46 percent, Logan Elementary 45 percent, Linwood Elementary 44 percent, Arlington Elementary with 41 percent, and Bemis Elementary and Whitman Elementary both with 40 percent.

Low cost rental units relegated to already poor neighborhoods

This trend in economic concentration is unlikely to change, because the least expensive rental housing is offered in already poor neighborhoods. Appendix D contains a map, *Percent of Rental Units Affordable to Households at or below 50% of Median Income.* This map shows that the least expensive market rate rental housing is concentrated along the I-90 corridor in the City of Spokane, and in the Valley area of the County – specifically the Central and West Valley.

The map depicts the affordability of the units listed with the Spokane Rental Directory during 1999**.** The data source for the map is the Spokane Rental Directory's extensive database that includes all the known units available for rent. The map depicts available units in 1999 that were affordable to households at or below 50 percent of median income. The 15 geographic areas depicted on the map are the ones used by the Rental Directory in gathering its data. Unfortunately, outside of the City of Spokane and the Valley, these areas are so large that they make identifying pockets of low-cost housing in other parts of the County impossible.

This map shows that in 1999 the majority of the available units affordable to households at or below 50 percent of median income were located in the center of the City of Spokane. (That is, Neighborhood Council areas of West Central, Emerson Garfield, Logan, Chief Garry Park, Riverside, Cliff Cannon, Browne's Addition, Peaceful Valley, and East Central neighborhood north of I-90.) This geographically compact area had 60 percent (1045 units) of all the County's available units affordable to households at or below 50 percent of median income in 1999.

Countywide there were only 53 units for rent which were affordable to households at or below 30 percent of median income. Over 75 percent of those units were located in that same compact area in the heart of the City of Spokane. Market forces are creating this problem. Market forces not only direct the location of lower cost private market housing, but public subsidized housing, and where eligible families can use their federal housing choice vouchers. For instance, the market dictates land costs. Areas with lower land costs are the logical recipients of lower cost market rate housing and subsidized housing (subsidized housing tends to concentrate in these areas since a lower amount of a subsidy is needed to achieve affordable rents in these areas than in areas with higher land costs.).

Limited choices for families with housing vouchers and certificates

The map in Appendix D shows the concentration of low-cost market rate housing. Concentrations are also evident in the locations where eligible families use their federal housing choice vouchers.   Unfortunately, at this time it is not possible to map Spokane's subsidized housing. As demonstrated in the two housing need tables on pages 24 and 25, 70 percent of all the subsidized units in Spokane County affordable to households at or below 50 percent of median income are located within the City of Spokane. Whether these units are further concentrated in specific areas of the City is unknown. However, since market forces also direct the location of subsidized housing, it is likely that the majority of this housing is located in the least affluent areas of the City.

The map in Appendix E depicts the number of federal housing choice vouchers currently in use by zip code area. Before discussing the map, an explanation of vouchers and certificates would be instructive. Housing assistance vouchers and certificates are provided by a number of federal housing programs. The most well known is Housing and Urban Development's (HUD) tenant-based Section 8 program.

The Section 8 voucher program provides income-eligible households with a subsidy to make market rate rental units affordable to these families. Households in this program choose their own market rate units with an upper limit on the rental amount. HUD pays the difference between 30 percent of that household's income and the federal Fair Market Rent (FMR) for the Spokane area.   The tenant has the option of paying more than 30 percent of their income on rent, however it cannot exceed 40 percent of their income. The FMR includes utilities.

Those households with Section 8 certificates, as opposed to vouchers, pay only 30 percent of their income for housing. HUD pays the rest up to a HUD-approved fair market rent. All certificates will automatically become vouchers in 2001. The Section 8 program has changed in the past few years, effectively reducing the maximum rental amount allowed, resulting in concentrating consumers of the vouchers and certificates to areas where the rents are as near to 30 percent of their income as possible.

The Spokane Housing Authority (SHA) administers these vouchers and certificates. Currently, the SHA administers 3,395 vouchers and certificates. This is an increase of 95 percent over the 1,650 administered in 1990. In 2000, the average income served by this assistance is $8,791 or 20 percent of median income. Seventy-five (75) percent of the vouchers and certificates must serve households at or below 30 percent of median income.

In 1999, per the Rental Directory, only 51 units affordable to this lowest income group became available countywide. Most of these units were located in the heart of the City of Spokane; thus, very little mobility is allowed these lowest income renters. Since not all landlords accept housing choice vouchers, families using these vouchers are even further limited in their housing choices and are forced to remain in housing that might not best fit their needs.

The map, *Families Using Housing Assistance vouchers or certificates as of 3/15/2000*, (Appendix D) shows the locations of use in 2000, by zip code. (Since March 2000, SHA received 216 additional vouchers for a total of 3,395. However, where these vouchers are being used has not yet been mapped). The only zip code areas with 200 or more vouchers in use are located in the City of Spokane. Specifically, those areas are as follows:

- The greatest concentration is in zip code 99207 in the northeast sector of the city. It contains the Neighborhood Council areas of Whitman, the southern portion of Nevada Lidgerwood, most of Bemiss and Logan, and the northwest section of Chief Garry Park.
- In the western part of the city, the zip code areas of 99208, 99205, and 99201 have roughly equal numbers of vouchers, although these areas vary greatly in geographic size. Only the southern part of zip code 99208 has significant rentals so most of the vouchers are most likely in use in that section. These impacted areas contain the Neighborhood Council areas of West Central, Emerson Garfield, North Hill, Northwest, Indian Trail, Balboa, and the southern part of Five Mile Prairie.

Generally, this movement continues to concentrate an increasing number of low-income people within sub-areas of the city. In effect, low-income people are robbed of opportunities to live other places by the concentration of low-income units within the city. Federal Housing and Urban Development (HUD) regulations regarding what is considered a fair rent for the use of vouchers and certificates compounds this problem. Unfortunately, it also exacerbates the issue of economic concentrations and related problems.

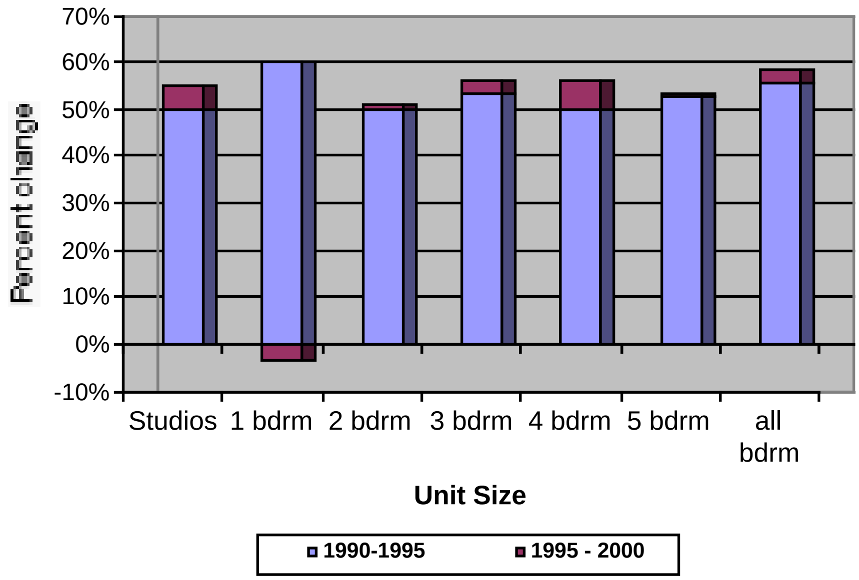
Rents in Spokane

A return to a more stable market

Rents have changed over time. What are they now?

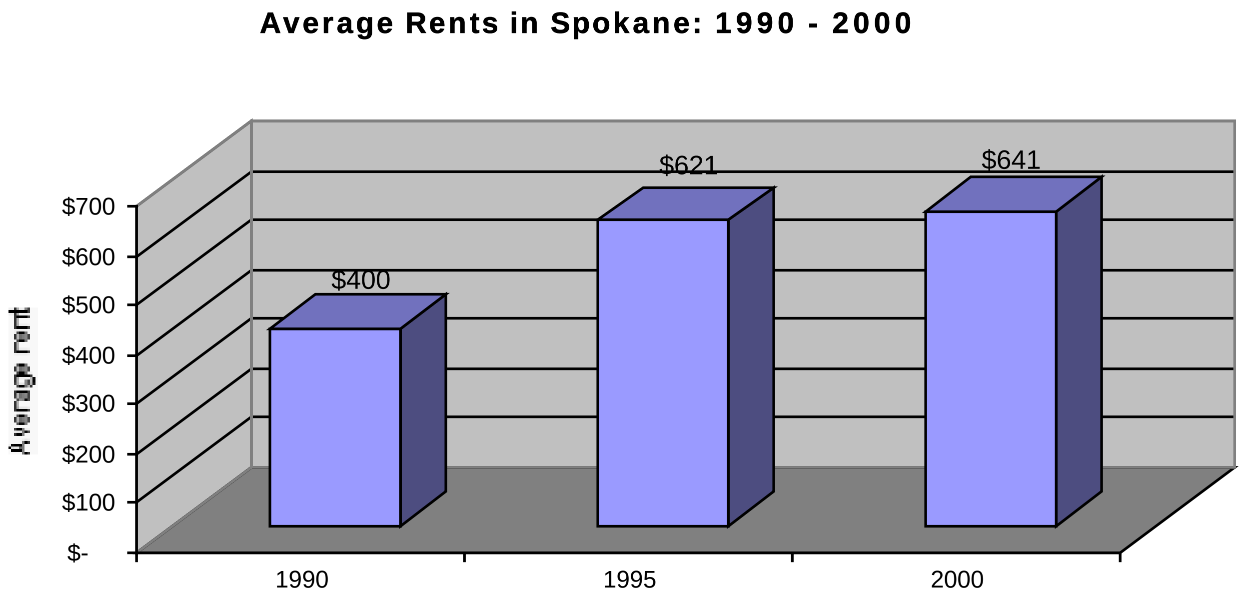
Rents in the Spokane area increased by almost 60 percent during the 1990s: a breathtaking rise in rents. Almost all of the increase (55 percent) occurred in the first half of the decade; during the second half of the 1990s, rents only rose by 5 percent[xv]. This situation is illustrated in the graph on the next page.

Percent Change in Average Rents
Over 10 years in 5 year increments



Source: Rental Directory Annual Report 2000

The lag in the supply of rental units has had a dramatic effect on rents in the rental market in the past decade. Vacancy rates – the percentage of rental units that are unrented – in the early 90s was very low, meaning that too many people were scrambling after too few rental units. Therefore, more rental units were built. So many were built that the situation reversed itself: vacancy rates rose and there were more rental units available than people to rent them. As seen in the graph above, too many one-bedroom units were built such that their average rents actually decreased in the second half of the decade.



Source: Rental Directory Annual Report 2000 and vacancy reports

The rental market is now stabilizing (see above chart). Vacancy rates are continuing to decline from over 8 percent in 1998 to a recent low of 5.66 percent[xvi]. According to *The Real Estate Report*, Spring 2000, the number of residential building permits issued and lot production is below average. This means that fewer than usual buildings will be built. Given this situation, vacancy rates may continue to drop and the rent stability of the later part of the 1990s may soon come to an end.

Need for Affordable Rental Units

Affordable rents unavailable to low- income families

The City and the County outside the City both have great need – the County's need is greater.

All of Spokane County is in dire need of units affordable to its numerous low-wage residents. Approximately 28,000 of Spokane's bank tellers, day care workers, fast food workers pay too much for housing. That is, 16 percent of all its households are struggling to pay for food, health care, and clothing on what is left of their paychecks after rent.

The situation for the County's low-wage residents is much worse than for the City's. Although the City has a relatively higher number of lower income households, it also has a greater number of lower cost housing. Proportionally, the City has twice as many market rate housing units affordable to households at 50 percent of median income than the rest of the County: 26 percent versa 13 percent. Approximately 18 percent (17,500 households) of the balance of the County's households versus about 13 percent (10,500 households) of the City's are paying too much for housing.

Current need: two tables

The two tables below show the gap or surplus of affordable rental housing for each of the lower income groups (0 to 80 percent of median income). The first table shows this for the City of Spokane and the second table shows this for the County outside of the City. Households in these lower income groups are most likely to rent. Many households earning 80 percent of median income soon transition into homeownership.

City of Spokane
Current need for affordable rentals by income group

See Appendix for details on the methodology and data sources used in creating this table

	Median Income		
	30% or below	**50% or below**	**80% or below**
Number of Households	12,181	11,187	14,322
Percent of Market Rate Units Affordable	1%	26%	61%
Market Rate Units Affordable	269	10,252	34,010
Subsidized Units Currently Provided*	1,437	1,689	281
(Gap)/Surplus in Affordable Units Needed	**(10,474)**	**754**	**19,969**

*This is only an estimate of the number of subsidized units, please see the Appendix for a list of sources used in compiling this number. In addition, 3,395 housing assistance vouchers and certificates are provided countywide, the majority of which are being used in the City of Spokane (see maps on previous pages). Please note: 2,270 of the subsidized units are project-based section 8 units, 601 of those units (14 buildings) are at risk of "opting out" of their subsidized status and becoming market rate. (In fact, all 2,270 units could be lost as contracts move to an annual participation agreement).

Please refer to the appendix for the methodology and assumptions used to create these tables. When reviewing the tables, keep in mind that there is some double and triple counting of market rate housing units. This is because units affordable to households at 30 percent of median income are also affordable to households at 50 percent and so on. It is not uncommon for a higher income household to rent one of the few units affordable to the lowest income families; thereby, restricting the lowest income family's supply of affordable housing even further.

Spokane County
(outside the City of Spokane)
Current need for affordable rentals by income group

See Appendix for details on the methodology and data sources used in creating this table

	Median Income		
	30% or below	50% or below	80% or below
Number of Households	11,904	10,676	14,927
Percent of Market Rate Units Affordable	0.3%	13%	59%
Market Rate Units Affordable	86	3,685	20,168
Subsidized Units Currently Provided*	5	1,313	276
(Gap)/Surplus in Affordable Units Needed	**(11,813)**	**(5,678)**	**6,481**

*This is only an estimate of the number of subsidized units, please see the Appendix for a list of sources used in compiling this number. In addition, 3,395 housing assistance vouchers and certificates are provided countywide, the majority of which are being used in the City of Spokane (see maps on previous pages). Please note: 163 of these units are project-based section 8 units, 50 of those units (Pine Manor building) are at risk of "opting out" of their subsidized status and becoming market rate. (In fact, all 2,270 units could be lost as contracts move to an annual participation agreement).

The difference between private and non-profit developers

As the two tables above show, private developers (market rate), non-profit developers, and the Spokane Housing Authority (subsidized) are providing rental units to households earning 80 percent or less of median income. All types of developers are necessary to meet the housing need of all income levels. In Spokane, as in all communities, private developers build most of an area's housing. Their production of affordable units is critical to a healthy market. Non-profit developers and housing authorities, although they build proportionally less, develop housing for populations most in need.

The most telling difference between private for-profit developers and non-profit developers and the Spokane Housing Authority (SHA) is the change in their rents over time. The units built by a private developer will rent for what the market will bear. A private market-rate unit with a rent affordable to a low-income person today could be renovated and rented at a much higher rate tomorrow. Or the rent could simply change due to market-related factors.

Units built by non-profit developers and housing authorities, because they use public funds, must be not only affordable to a designated income group, but usually must also be rented to a household of that income group. Therefore, housing built with public money, for the most part, is considered permanent affordable housing. For example, a unit affordable to a family at 50 percent of median income today will still be affordable to a family in that income group in 20 years.

Housing authorities are unique in that the State provides these organizations with the ability to fund their own housing and to lower their operating costs for that housing. For instance, much like the State's Low-Income Housing Tax Credit program, housing authorities can issue Housing Revenue Bonds for their own use or on behalf of other eligible private or non-profit developers. Many housing authorities, including the Spokane Housing Authority, have used this ability to help themselves and other developers meet their community's housing needs**.** In addition, housing authorities are exempt from real estate taxes thereby allowing lower operating cost and more affordable rents.

However, at this time the Spokane Housing Authority is severely restricted in responding to Spokane's housing needs since, except for administering the Housing Choice Voucher program, it can not act outside of a 5-mile radius outside of the City of Spokane. The SHA cannot work outside of this area without an explicit invitation from a jurisdiction(s).

Neither the private nor the public sector is meeting the need for households at 30 percent of median income. The private sector cannot afford to build new housing to meet this need. The public sector cannot make such housing financially viable without deep subsidies. Such subsidies are almost non-existent. The outlook for increased funding serving this population does not look good at the federal or state level. The subsection below provides a look at the subsidized housing in Spokane and the difficulties in building more units.

Spokane's subsidized housing and the challenge of funding additional units

The table below contains an approximate inventory of Spokane County's permanent affordable housing (i.e., subsidized units). As seen in the table, the majority (60 percent) of the subsidized units are affordable to households at 50 percent of median income. As with the private market's low-cost housing, the predominance (70 percent) of Spokane's subsidized housing is located within the City of Spokane. Approximate Count of Subsidized Rental Housing in Spokane County Affordable to Each Lower Income Group*

See Methodology and Data Sources for a list of sources used to compile this inventory.

Income Level	City of Spokane	Unincorp. County	Cheney	Deer Park	Total Countywide
30%	1437	5	0	0	1442
50%	1689	1093	184	36	3002
65%	4	42	0	20	66
80%	277	141	43	30	491
Total	3330	1281	227	86	4924

*This count does not include all the subsidized housing in Spokane County. It represents most of the units funded, at least in part, by a major public funding source. The Spokane Housing Authority owns 598 of the units listed in this table.

Shelter Plus Care beds are not included in this table nor are the 3,395 housing assistance certificates and vouchers available countywide, but mostly used in the City of Spokane.

Most public funding for the creation or preservation of affordable housing is targeted at non-profit housing developers and housing authorities. Few public funding sources are available to private developers. Although there are numerous state, and federal funding sources available to Spokane's public housing developers, acquiring enough of the necessary funding to develop needed housing is a challenge. Each funding source has different target population, requirements, and application procedures. It takes considerable training and experience to successfully compete for the funding, build the housing, and then, potentially, manage the housing. This challenge is all the greater for Spokane since many funding sources require or favor those proposals with a local funding match. Spokane has no local funding available for housing.

Funding sources also have a habit of disappearing. A prime example is the federal project-based Section 8 program. That program was used by private developers to build most of Spokane's housing affordable to households at or below 30 percent of median income. This program has not granted funds for new construction in many years. The program still provides ongoing subsidies for existing units. However, changes to the program have threatened the existence of units built with those funds.

Spokane County has 2,433 project-based Section 8 rental units. Most are serving households at or below 30 percent of median income. In the last four years due to recent changes in HUD policies, Spokane has lost 81 of its project-based Section 8 units. Currently, 651 of these units – over 25 percent - are considered at risk for opting out of their contract in the next 4 years. With today's flat rental market, it is unlikely that these buildings will become market rate. However, if rents increase again, these units could be lost from the affordable housing stock.

Currently, the major funding source available to private developer, as well as to non-profit developers, is the Low-Income Housing Tax Credit Program (LIHTC). Due to State rules for this program, LIHTC funding awards tend to favor housing developments that serve households at or below 50 percent of median income, not 30 percent of median income favored by the project-based Section 8 program.

The LIHTC program is a primary state funding source available for the production of affordable housing. The Washington State Housing Finance Commission allocates these tax credits as well as bond financing. Both the Finance Commission and the State Housing Trust Fund use point systems in their allocations. Unfortunately, since 1994 many of the rules governing the award of these funds have worked against proposals from the Spokane area**.** In addition, the funding criteria strengthen further economic segregation in Spokane.

Difficulty in providing housing for the lowest incomes

Given the discussion above, it is obvious why the need for units affordable to the lowest income households is not being met. The short answer is money. The Spokane Housing Authority, non-profit housing developers and managers have the same costs as private developers: repair, maintenance, utilities, taxes, etc. The income generated by rents affordable to households at or below 30 percent of median income is not enough to build and to operate such housing. Deep subsidies are needed. When the federal new construction subsidies provided by the project-based Section 8 program and other federal programs ended or were severely reduced, production of the lowest cost housing also plummeted. More funding and innovative ways to meet the need of these lowest income families are needed.

One option, which some non-profit developers and the Spokane Housing Authority are currently doing, is to create mixed-income subdivisions and multi-family developments. This allows the higher rent units to carry the cost burden of the lower rent units. Both private and non-profit developers can build such mixed income housing. This is a slow but steady method, but one that, if vigorously pursued, could not only help fill the affordable housing gap but also ameliorate Spokane County's economic concentration problems.

Home Prices in Spokane:
Major Differences Based on Location

Houses in the City are more affordable than in the County

Is there a pattern to Spokane's price increases?

The countywide median home sale price has increased gradually over the last 4 years. The recent rate of increase, about 2 percent per year, as shown below, was in marked contrast to the double-digit increases in the early 1990's. The 1999 median home price of $107,500 represents an 89 percent increase from 1990.

Median Home Sale Price in Spokane County, 1990-1999

Year	Median Sale Price	Annual Change	% Change
1990	$ 56,800		
1991	$ 65,000	$ 8,200	14.4%
1992	$ 76,500	$ 11,500	17.7%
1993	$ 85,000	$ 8,500	11.1%
1994	$ 95,000	$ 10,000	11.8%
1995	$ 99,500	$ 4,500	4.7%
1996	$ 101,500	$ 2,000	2.0%
1997	$ 103,900	$ 2,400	2.4%
1998	$ 104,950	$ 1,050	1.0%
1999	$ 107,500	$ 2,550	2.4%

Source: Spokane Association of Realtors ®

While the median home price gradually increased, other significant changes occurred. An analysis of sales data over the past three years reveals a variety of trends and emerging sub markets. [xvii] Most importantly new home sales prices are increasing. Even though sales of new homes account for only 15 percent of all sales in the last three years, these sales have pushed up the median sale prices. In 1996, the median sale price for new homes was $142,000, by 1999 it stood at $150,000.[xviii]

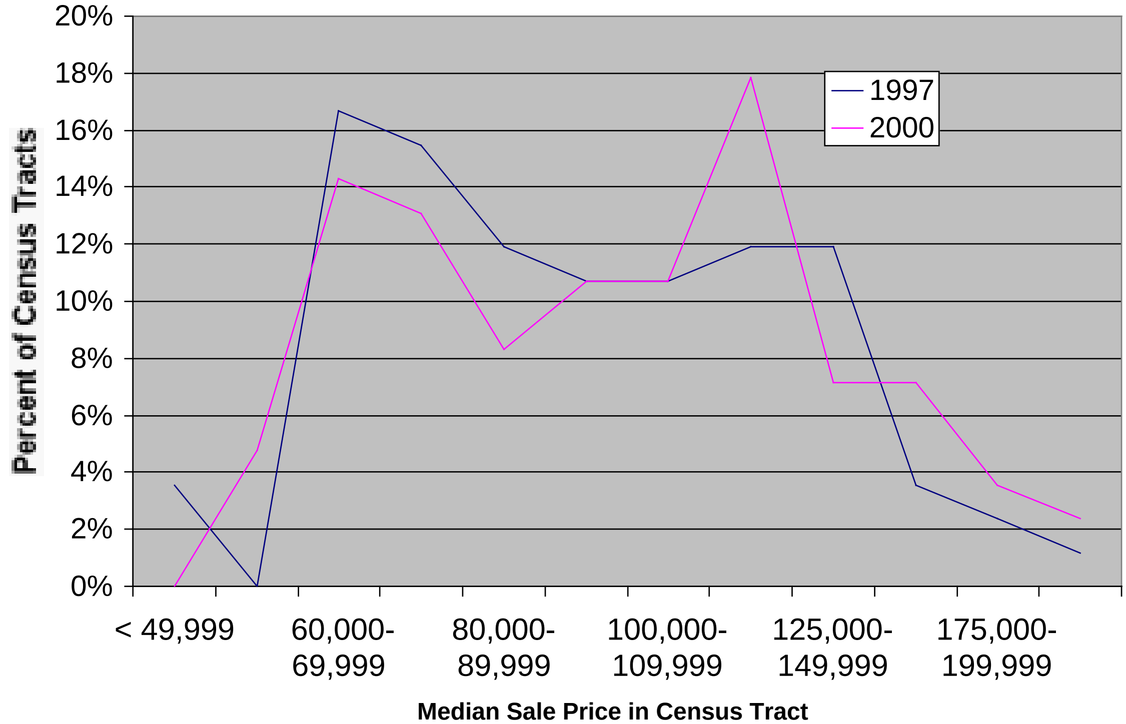
The major trends over the last three years include:

- The median sale price in 62 percent of the City of Spokane's census tracts has remained in the $60,000 to $80,000 range.
- Countywide, more census tracts have median home prices between $100,000 and $124,999 than any other price range.
- In census tracts where the median sale price is over $125,000, the median price increased in the last three years new home sale prices probably account for the increase in median price.
- The median sale price decreased in 35 percent of the 79 census tracts where there at least 10 sales.

Changes occurring with sub markets

The chart on the next page shows important changes in the home sale market in the past three years.
The shape of the line in 2000 illustrates the existence of two housing markets. These two markets become clearer in the time period. The two peaks show one housing market with census tracts with houses selling for around $75,000 and the other market has sales clustered around $120,000. The lower peak is less pronounced in 2000, but it still exists. Just the opposite occurred in the higher priced market. By 2000 the higher priced market was more consolidated into fewer census tracts. For example in 1997, 12 percent of the tracts had a median sale price between $110,000 and $125,000. By 2000, 16% of the tracts had a median sale price in this range.

Median Home Sale Price by Census Tract, 1997 and 2000



Source: Spokane Association of Realtors ®

Sale price increases occurred in the majority of census tracts but not all. As shown below, the only consistent price increases in the past three years were in tracts with median home sale prices of over $125,000. The picture is very mixed in other areas of the County. In 31 tracts the sale price increased but in 37 other tracts the price decreased.

Changes in Home Median Sale Price, 1997-2000

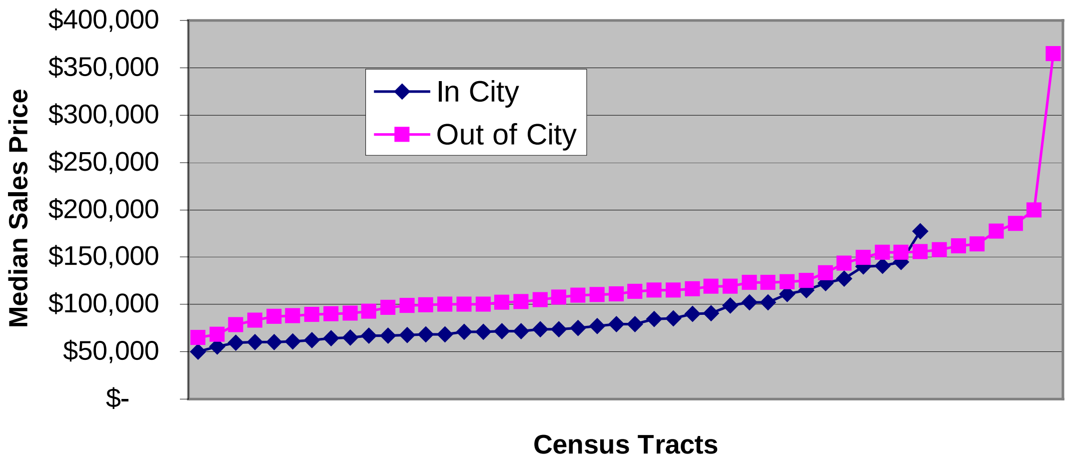
Median Sale Price	Number of Census Tracts where median price increased	Number of Census Tracts where median price decreased
Less than $99,999	21	22
$100,000 to $124,000	10	15
Greater than $125,000	18	0

Source: Spokane Association of Realtors ®

The two different housing markets

The chart below compares the median home sale price pattern in the City with the prices in the balance of the County. Prices start lower in the City where three-fourths (74 percent) of the tracts, have a median price below $100,000. In the County, thirty percent of the census tracts have a median sale price of less than $100,000. However, prices are higher in some City tracts than is found in the County. An examination of the maps shows the geographic pattern of the different housing markets. Refer to Maps in Appendices F and G.

Median Sale Price by Census Tract
May 1999 – June 2000



Spokane's lower end housing market (below $80,000) is in an area that straddles I-90 from beyond the western edge of the City to an area in the West Valley adjacent to the City. Included in this area are the neighborhood council areas of Riverside, East Central and Cliff Cannon. This area also includes the north part of the City between I-90 and Frances Avenue, which encompass the neighborhood council areas of Logan, Chief Garry Park, Bemiss, and Whitman.

Houses selling for between $80,000 and $90,000 are found in census tracts adjacent to the lower tracts, both inside and outside the City and in the Deer Park area. An example of these neighborhood council areas is the Northwest Neighborhood Council. Spokane's higher-end market is located in the southwest and the northeast sections of the City, in areas of the County north and south of the City. City neighborhood councils include parts of the Northwest, Rockwood and Lincoln Heights territory.

Where are the biggest changes in the sale price, in the last three years?

There is a mixed pattern of home sale prices over the last three years. There were decreases of 5 percent or more throughout the region. Some areas in the southwest area of the county experienced price decreases, as did areas along both sides of I-90 in the City. Other less severe decreases (0 to minus 5 percent) occurred in the West Valley. (Parts of neighborhood council area of Pasadena Park.) The two-year strike at the Kaiser Plant may account for the price decreases in areas of the West Valley. A few neighborhoods in Spokane (south of I-90 and in the northwest) had price increases from 5 to 10 percent. (This includes parts of the Lincoln Heights neighborhood council area and Manito.) The areas with the largest price increases were in the southern, northern and northeast sections of the County where many of the new houses are being built. The neighborhood council areas in the northwest include Indian Trail, Balboa, and Five-Mile Prairie. In the southeast, the areas of Moran Prairie also experienced price increases.

Home Ownership Affordability

Housing remains affordable within the City

The housing affordability gap for very low-income households

Generally, housing is affordable if it costs no more than 30 percent of household income. Comparing the median income with the median sales price for all home sales in Spokane County shows that ownership is just “affordable” for families with incomes at 80 percent of the County median income ($39,300 for a family of three). The term, home purchase price surplus/gap, is used to measure affordability. Lenders follow basic rules to qualify families to purchase homes. They use a family’s income and overall debt to determine the size of the loan they are willing to make. The surplus or gap is a measure of how sufficient or insufficient a family’s income is in order to qualify to purchase a house.

As shown below, for a family earning 80 percent of the median income there is a home purchase price surplus of $4,000, and an even larger surplus for households earning the median income.

A household earning 50 percent of the median, or about $20,000 for a family of three, can still afford to buy a home. However at this income level, purchasing a house outside the City is nearly impossible. A family earning around $20,000 a year cannot afford to buy a home at the median sale price. The price gap would be over $38,000. However, that family could afford a home priced at $70,000. Unfortunately, those homes are few and far between. Only two tracts in the County have a median sale price of less than $70,000. This is in contrast to the City in which 30 percent of its census tracts have a median price less than $70,000.

While housing is more affordable in the City, in most cases it is not an affordable housing solution. Nearly all of this housing is older and in need of expensive systems upgrades, such as a new roof, new plumbing, or electrical systems. The size of housing units in the City may also not match the needs of larger families, and the layout is often obsolete. The cost of maintaining and heating an older house can also be very expensive.

Housing Affordability Gap for Different Income Levels

Household Income	Median Income family of three	Affordable House Price	1999 median single-family sale price	Home price surplus/ (gap)
100% of Median	$39,680	$139,384	$107,500	$31,884
80% of Median	$31,750	$111,528	$107,500	$4,028
50% of Median	$19,800	$69,551	$107,500	($37,948)

Assumes a 28 percent income to loan ratio, 5 percent down payment, and 7.5 percent interest rate on a 30-year loan. *Source: HUD, Spokane Association of Realtors ®*

Estimated Owner Households in Need of Assistance

The 1990 census determined the number of owner households paying more than 30 percent of their income for housing. The table below updates these 1990 numbers[xix]. More households short of sufficient income are outside of the City than inside. Countywide, over 14,600 households with incomes less than the median income are paying more than 30 percent of their income for housing expenses.

Households Paying More Than 30% of Their Income for Housing Expenses

Estimated Households in Need	0 - 30% of Median Income	31% - 50% of Median Income	51% - 80% of Median Income	81% - 100% of Median Income	Total
City of Spokane	2,130	1,816	1,935	702	6,583
Spokane County (outside of Spokane)	2,041	1,759	2,883	1,357	8,041
Countywide	4,171	3,575	4,818	2,059	14,624

Source: HUD, updated by Tom Phillips & Associates

The increasing number of foreclosures

Moderate economic growth and the flat or decreasing housing prices found in some neighborhoods are factors in increased housing foreclosures. In over half of the census tracts with home values of less than $100,000, the values decreased over the last three years. While no reliable data is available, it appears as if families who are unable to make mortgage payments in these neighborhoods are choosing to walk away from their houses rather then lose money by selling their houses. The table below shows the increasing rate of home foreclosures found in Spokane County in the last eight years. A similar pattern of foreclosures occurred in the mid-1980’s before the price increases of the early 1990s.

There have been nearly 3,000 foreclosures over the last seven years with a dramatic increase over the last two years. The table above shows that there are 14,500 households who are vulnerable to foreclosure because too much of their income is going toward house payments and/or because these households have a burdensome amount of consumer debt.

Deed Foreclosures in Spokane 1993-2000

Year	Number
1993	70
1994	102
1995	102
1996	220
1997	474
1998	658
1999	955
Through August 2000	691

Source: Spokane- Kootenai Real Estate Research Committee, The Real Estate Report

Unincorporated County and Small Cities

Housing concerns facing these areas

Spokane County has both rural and urban areas

Spokane County, outside of the City of Spokane, is both urban and rural. It contains five urban cities within 5 to 22 miles from the City of Spokane: Millwood to the east, Deer Park to the north, Airway Heights, and Medical Lake to the west, and Cheney to the southwest. These small cities range in size from 1,665 to 8,500 residents. The urban areas of unincorporated Spokane County are in proximity to the City of Spokane and extend into the East Valley area.

However, almost half (45 percent) of unincorporated Spokane County is rural. Just over half of that land is in agricultural production, mostly in the areas west of Airway Heights and in the southeastern region of the county. The southeast also contains five small rural towns: Spangle, Rockford, Fairfield, Waverly, and Latah, These farm towns have from 130 to 605 residents and are approximately 100 to 120 years old. These towns grew up around processing plants and the railroad, which are mostly gone now.

Differing issues within the County

The urban areas of unincorporated Spokane County have grown significantly during the past decade. These unincorporated areas have been the recipient of many of the higher income people leaving Spokane, as well as the location of a number of new jobs (e.g., in the Liberty Lake area). Two of its cities have also experienced strong growth. Over the last decade Airway Height's population increased by an astounding 130 percent (note, this figure includes the incarcerated population of the new prison) and Deer Park's by 30 percent. The other urban cities' (including Spokane's) populations increased at a slower rate of between 5 to 17 percent. Although each of the urban areas and cities has its own unique housing issues, they share many of the same issues facing all bedroom communities and growing suburban areas.

As described in the *Location of Low-income Families* section of this report, unincorporated Spokane County and Spokane's small urban cities are not immune to the problem of economic segregation. In addition to the many areas described in that section, the 1990 US Census poverty figures reveal that this is not a new problem and it seems to be spreading. In 1990, outside of the City of Spokane, only two small cities (Cheney and Airway Heights) and parts of the West Valley had pockets of high and moderate concentrations of poverty[xx]. The current data available today shows that such concentrations have spread to each of the urban cities and many more areas of unincorporated Spokane County. This countywide problem requires strong interventions to ensure a prosperous economy and health communities.

The problems of economic segregation are countywide, but in, general, rural areas have very different housing issues than urban areas. While the urban areas are experiencing growth in population and housing, the rural area's older housing stock is rarely supplemented by new construction. Of the five farm towns in the south, Fairfield is the largest. It is also has the healthiest economy and largest growth rate for a small town. In the past decade, its housing stock increased by 41 units for a total of 245 units. Compared to the rest of the county, the rural areas have more single family and mobile homes. One of the biggest housing issues in the urban area is the preservation and rehabilitation of existing structures.

While the urban areas are grappling with the issues of growth, the rural areas are facing the opposite problem: how to attract growth and preserve its aging housing stock. The challenge for the County is to meet the diverse needs of these areas.

Other Issues

The Asset of Spokane's Older Housing Stock

Spokane's old housing stock stands as both an asset and a liability. Most housing units over 40 years old (60% of the City of Spokane's stock and 23% of the County outside the City) need major system upgrades such as new plumbing and electrical system. Housing units more than 60 years old (29% of the City's housing stock and 6% of the County's outside the City), if they have not been adequately maintained, may need to be demolished.

New lead base paint regulations may also affect the continued availability for participation in the Section 8 program as landlords may opt out of the program rather than complete the required testing and abatement for older homes with households that include children under the age of 6.

However, older housing was often well built and designed, and is a community asset. The City's extensive and ongoing program to financially assist homeowners in the home rehabilitation efforts recognizes the value of this older housing stock. At this time, the County only has an emergency home repair service.

The chart below shows the age of the Spokane's housing stock both in and outside the City.

Age of the Housing Stock, as of 1999

	Balance of County		City	
Year Built	Units	Percent	Units	Percent
1990 to 1999	23,232	25%	7,793	9%
1980 to 1989	13,587	15%	7,796	9%
1970 to 1979	25,140	27%	13,084	15%
1960 to 1969	9,718	10%	6,459	7%
1950 to 1959	10,704	11%	15,691	18%
1940 to 1949	5,178	6%	11,006	13%
Before 1940	5,939	6%	25,839	29%

Source: 1990 Census and Washington State Office of Financial Management as of April 1, 2000.

The Housing Market in the Future

Housing markets tend to equalize over time

Housing prices will probably begin to increase some time in the next several years. This is the conclusion based on interviews with real estate agents, builders, appraisers, and others in the housing industry. In part, this will happen because Spokane's economy tends to be counter-cyclical. Spokane's economy tends to be weaker when the economy of the rest of the country is strong, and Spokane's economy is stronger when the rest of the economy is weaker. The thinking is that the extended national growth period will run its course within the next few years.

The other reason houses prices will increase is that housing markets tend to equalize over time and today there is too large of a gap between housing prices in Spokane and other areas. Home prices in the early 1990's increased substantially in Spokane. The increases cannot be entirely attributed to traditional forces such as in-migration driven by job growth. Rather they appear to have been based, in part, on price differences in the Spokane area housing market and housing markets in Western Washington and numerous areas of California[xxi].

This evolving theory used to explain home price increases, holds that when the price difference between attractive living areas becomes substantial, families and retired couples living in higher priced areas take advantage of the price difference. They sell their relatively higher priced home and buy the same or a larger house at far-reduced price. This activity causes the house prices to rise in the originally less expensive area.

The Spokane housing market in 2000 appears to be substantially lower in cost than other the areas that traditionally supply new residents to Spokane. These other cities have experienced substantial price increases over the last five years as seen in the table below. The price differential, between a variety of cities, for a 2,000 square foot house, as shown below, far exceeds $100,000.[xxii] In the future, housing prices can be expected to increase in Spokane.

Comparison of House Price for a Two-Bedroom House in Spokane with Other West Coast Cities

City	Typical two-bedroom House Price	Price Differential
Spokane	$ 163,962	--
Bellevue	$ 395,912	$ 231,950
Eugene	$ 208,625	$ 44,663
Portland	$ 249,125	$ 85,163
Sacramento	$ 294,833	$ 130,871
San Diego	$ 390,500	$ 226,538
Seattle	$ 303,633	$ 139,671
Tacoma	$ 169,462	$ 5,500

Source: Coldwell Banker Home Price Comparison Index, April 2000[xxiii]

Supply and demand is still the driving force in establishing rental rates. Thus rent increases occur only after there is a shortage of units on the market, as reflected in low (below 5 percent) vacancy rates. However, antidotal evidence indicates that some of the same phenomena occurring with home sale prices may also apply to apartments[xxiv]. Rental property owners, taking advantage of real estate property increases in hot rental markets, sell their apartment buildings. They then look for areas such as Spokane where rents are lower and thus apartment buildings cost less. When new owners take over rental properties, the cost of the purchase and new financing eventually is passed on to renters.

Growth Management and Housing

A summary of the requirements

In 1990, Washington State passed the Growth Management Act (GMA) which requires all cities and counties of a designated size to adopt comprehensive plans and zoning to comply with the 13 goals of the GMA. Spokane County, in compliance with GMA, adopted its Countywide Planning Policies in 1994. Currently, both the City's and the County's Comprehensive Plans are in the process of review and adoption.

Specifically, the GMA requires cites and counties to create an urban growth boundary (UGB), to concentrate growth within the UGB, and to protect environmentally sensitive areas from development. The area within the UGB must contain enough buildable land to accommodate the region's projected growth for the next 20 years.

The impact of growth management on housing prices

There is a popularly held belief that growth management controls, by restricting the supply of land, will drive up the price of housing. While this basic free market principle might hold true if nothing were done to accommodate it, an unlimited land supply does not assure affordable housing either. Before Spokane imposed growth controls, rents had increased by 55 percent in only 5 years (1990-1995). Many other cities without growth controls have witnessed stratospheric rises in home prices (e.g., Los Angles, Denver, Salt Lake City).

Even in cities and regions with growth controls in effect, availability of land generally has had little to do with rising housing costs. In Salem, Oregon, which has had a UGB in place for about 20 years, land costs have been only a fraction of the total rise in house prices. Specifically, its increase in the price of land accounted for less than 5 percent of the total rise in housing costs (i.e., the price of land, hard and soft land costs (e.g., installing water and sewer line, utilities, architecture fees, and the cost of building.)[xxv]

While land restrictions don't necessarily impact housing prices, they may unless counteractive measures are taken. All jurisdictions benefit from ensuring not only sufficient land, but also a diversity of housing to serve the broad spectrum of its household types and income levels. In Spokane, effective growth management is especially necessary to reduce economic inequities in the region.

Methodology and Data Sources

Current Need for Affordable Rental Housing by Income Group – both tables

Number of Households (in each income group): Applied the 1990 U.S. Census's percentage of households in each income group to the 1999 Office of Financial Management's (OFM) population estimates for the City of Spokane and for the balance of County. Per OFM, assumed a household size of 2.39 for purpose of calculating the number of households.

Percent of Market Rate Units Affordable: Analyzed the rental data in *the Rental Directory Annual Report (January 2000)* to determine what percentage of the units available for rent were affordable to each income group. The rental data is categorized by housing type and number of bedrooms. The Rental Directory's database is estimated to contain, conservatively, over 40 percent of the total rental stock in Spokane County.

Assumed:

- An affordable rent, including utilities paid by tenant, equals 30 percent of a household's income.
- That a 1-person household would rent a studio unit, 2-person household would rent a one-bedroom unit, 3-person household would rent a two-bedroom unit, and so on.

Market Rate Units Affordable: Obtained the number of existing units *The Real Estate Report's* Spring 2000 by type of units, by City of Spokane, and by Spokane County. Applied the renter and owner-occupied unit ratio, by type, from the 1990 U.S. Census to *The Real Estate Report's* data to discover how many of the existing units are also rental units. Assumed the percentage of affordable units described in the paragraph above were applicable to all of Spokane's housing stock. Applied those percentages to the number of existing rental units to determine the number of rental units affordable to each income group.

The number of market rate units affordable to households at 80 percent or below is a cumulative count of all the units affordable to households in the three income groups. That is, the units affordable to households at 30 percent of median income are also included in the units affordable to households at 50 percent and so on. This cumulative count of the units is done only for the market rate units, not the subsidized units.

Subsided Units Currently Provided: This is an approximate inventory of these units. See the next entry in this Appendix for the sources of this information. Please note that the number of subsidized units affordable to each income group is a discreet number. That is, the subsidized units affordable to households at 50 percent of median income do not include any of the subsidized units affordable to households at 30 percent of median income, and so on. This is because, normally, subsidized units are only available to specific income groups.

Gap or Surplus in Affordable Rental Units Needed: For each income group, the Market Rate and Subsided Units Affordable were added to arrive at the total number of affordable rental units. That number was subtracted from the Number of Households in each income group to discover either the gap or surplus of affordable units.

City of Spokane vs. Spokane County outside of the City of Spokane
Per the Spokane Rental Directory, its areas 1-10 represent the City of Spokane and its areas 11-15 represent areas of the County outside the City.

Sources for the Subsidized Housing Inventory

- Projects funded, at least in part, by City of Spokane. List and exceptional guidance provided by Melora Sharts, Housing Program Finance Officer, Multifamily Housing Programs, City of Spokane Community Development Department.
- Projects funded, at least in part, by Spokane County. List provided by Tim Crowley, Manager, Spokane County Housing and Community Development Department.
- Spokane Housing Authority Programs. List and related-information provided by Lonnie Gallo-Pierce, Development Director, Spokane Housing Authority.
- Washington State's Low-Income Housing Tax Credit projects. Provided via their web page. Income levels served verified by the rental agencies that manage most of these units (i.e., Kiemle & Hagood, Goodale, & Barbieri and McVicars & Associates).
- Project-based Section 8 units. List and risk assessment provided by the Washington Low Income Housing Network. Income levels served verified by the rental agencies that manage most of these units (i.e., Kiemle & Hagood, Goodale, & Barbieri and McVicars & Associates).

Spokane County's Income Groups

	Family size					
HUD Income Definitions	**1**	**2**	**3**	**4**	**5**	**6**
For Year 2000 Spokane County:						
Median Income	$30,900	$35,300	$39,700	$44,100	$47,600	$51,200
30% of median income	$9,250	$10,600	$11,900	$13,250	$14,300	$15,350
50% of median income	$15,450	$17,650	$19,850	$22,050	$23,800	$25,600
80% of median income	$24,700	$28,200	$31,750	$35,300	$38,100	$40,900

Endnotes

[i] Interview with Jim Frank, President of Greenstone Corporation.

[ii] Census data from 1990 is the most reliable source of this income information.

[iii] Source: 1990 census

[iv] The census defines a relative as person related by birth, marriage, or adoption.

[v] This study used the 175 percent of the Federal Poverty Level in 2000, which are comparable to 50 percent of the 1999 HUD median income figures. With small families the HUD figures are slightly higher than the Poverty Level figure but with larger families the numbers are higher. Federal Poverty Level figures are available at the following web site: http://www.census.gov/hhes/poverty/threshld.html

[vi] "Low income and the Working Poor: A Profile", LMI Review, May 2000.

[vii]Working Full time Is No Longer Enough" a study by the Conference Board, as reported in the June 29,2000 Wall Street Journal.

[viii] The U. S. Department of Housing and Urban Development

[ix] Jobs posted on the Washington State Employment Security web site in October 2000.

[x] Rusk, David, written summary of his remarks at the 1999 Housing Washington Conference, November 3, 1999. Between 1970 and 1990, the number of census tracts with greater than 20% poverty rate increased from 13 to 26 and the number of census tracts with greater than 40% of poverty rate rose from 4 to 7.

[xi] Rusk, David, written summary of his remarks at the 1999 Housing Washington Conference, November 3, 1999.

[xii] Stephen Rose, "Declining Family Incomes in the 1980s: New Evidence from Longitudinal Data, " *Challenge* (November-December 1993, 29-36).

[xiii] This comparative income information is supplied by Claritas, a private company which tracts which provides updates to census information.

[xiv] The State Office of Superintendent of Public Instruction's web page: www.k12.wa.us-child nutrition provided the number and percentage students eligible for free and reduced price meals for each school within Spokane County as of October 30, 1999. For purposes of analysis, all schools with less than 100 students were eliminated.

[xv] Rental Directory of Spokane, *Annual Report, year 2000*.

[xvi] Spokane- Kootenai Real Estate Research Committee, *The Real Estate Report, Regional Research on Spokane and Kootenai Counties*, Volume 24, Number 1, Spring 2000, pp. 142, 145.

[xvii] For this study the Association of Realtors ® provided median home sale prices by census tract for the two twelve month periods, June to May 1997 and June to May 2000.

[xviii] Multiple Listing Service Comparable Statistics, 1990-1999, Spokane Association of Realtors®

[xix] This estimate was made updating 1990 HUD tables of households in the City and County, with OFM population estimates. This estimate maintains the percentage of households in needs of assistance. Specific income estimates are not available; therefore a more accurate number of households in needs will not be available until the release of the 2000 census.

[xx] According to the 1990 US Census, the City of Cheney has areas of both high and moderate poverty concentrations. The City of Airway Heights and portions of the West Valley are also struggling with pockets of poverty concentrations.

[xxi] Based on an interview with Glenn Crellin, Washington Center of Real Estate Research, June 2000

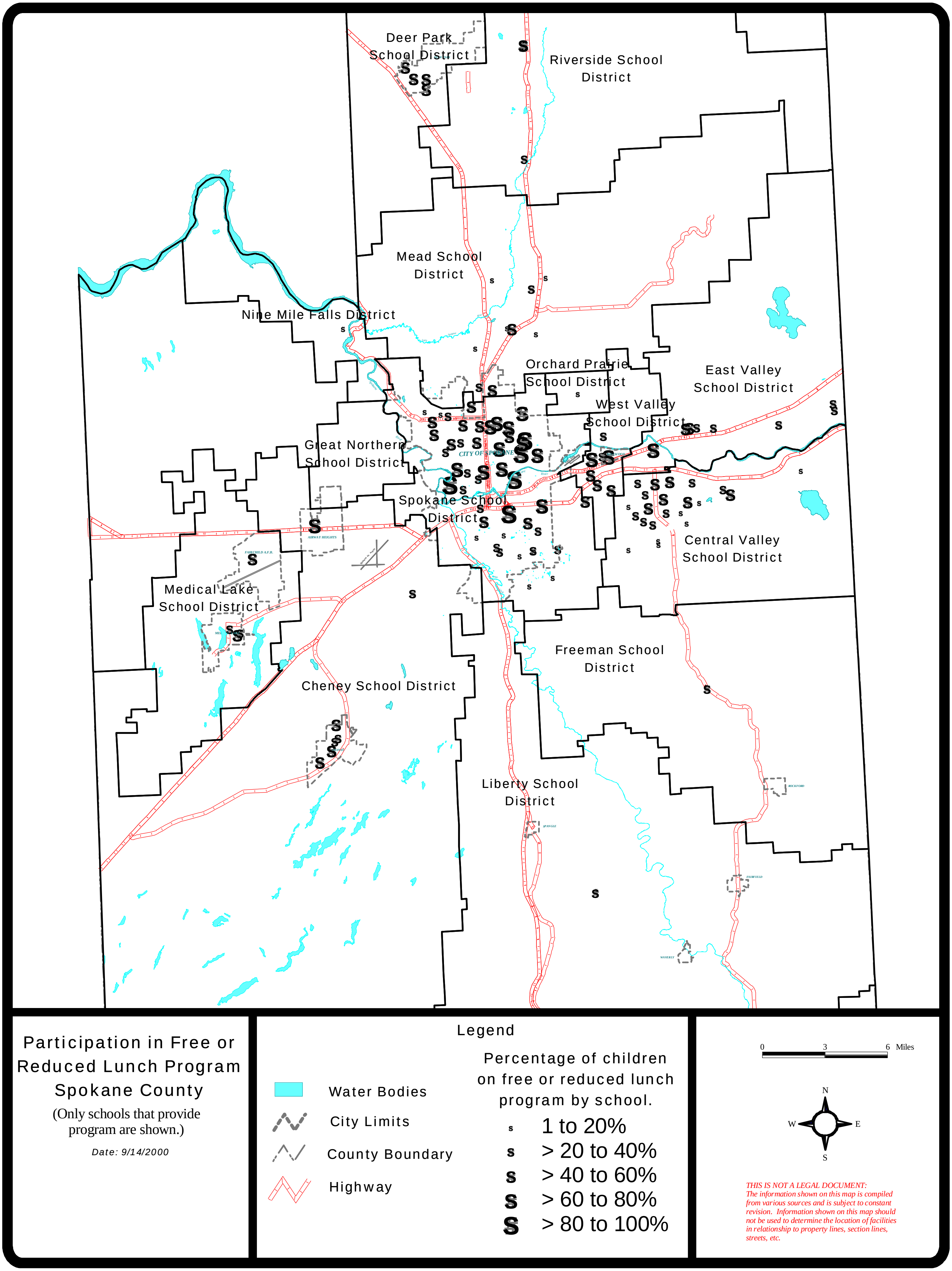
[xxii] This price differs from the median price house in Spokane as it refers to a specific house type and the median house price is for all single family houses.

[xxiii] A comparison in 2000 of what it costs to buy a 2,200-square-foot, four-bedroom, 2 ½-bath house with a family room and two-car garage.

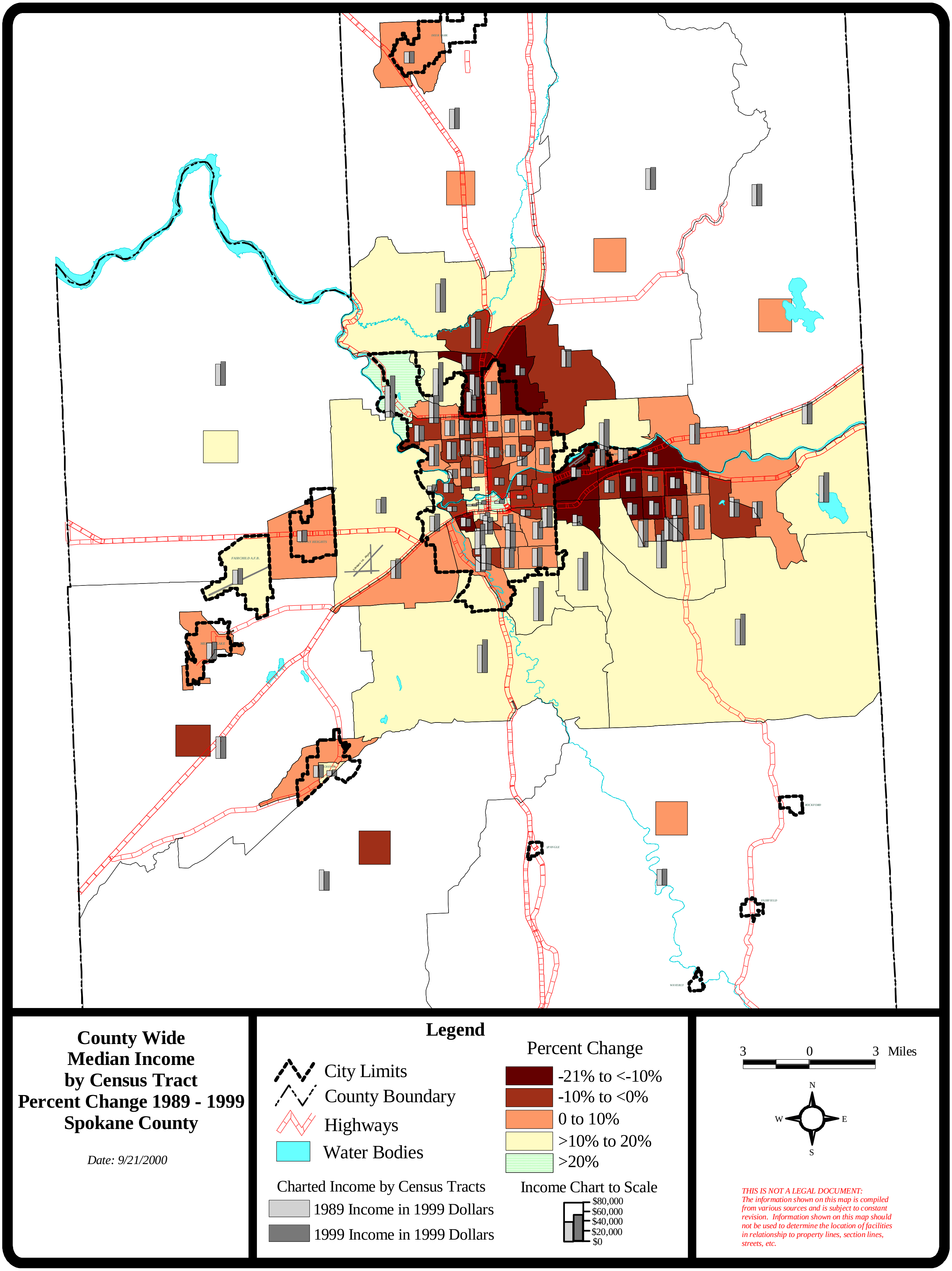
[xxiv] Interview with Bruce Jolicoeur, Principal with Auble, Jolicoeur & Gentry

[xxv] Oregon Building Industry Association, Marion-Polk Building Industry Association, the Oregon Association of Realtors, et al, *1999 Oregon Housing Cost Study*, p. 67.

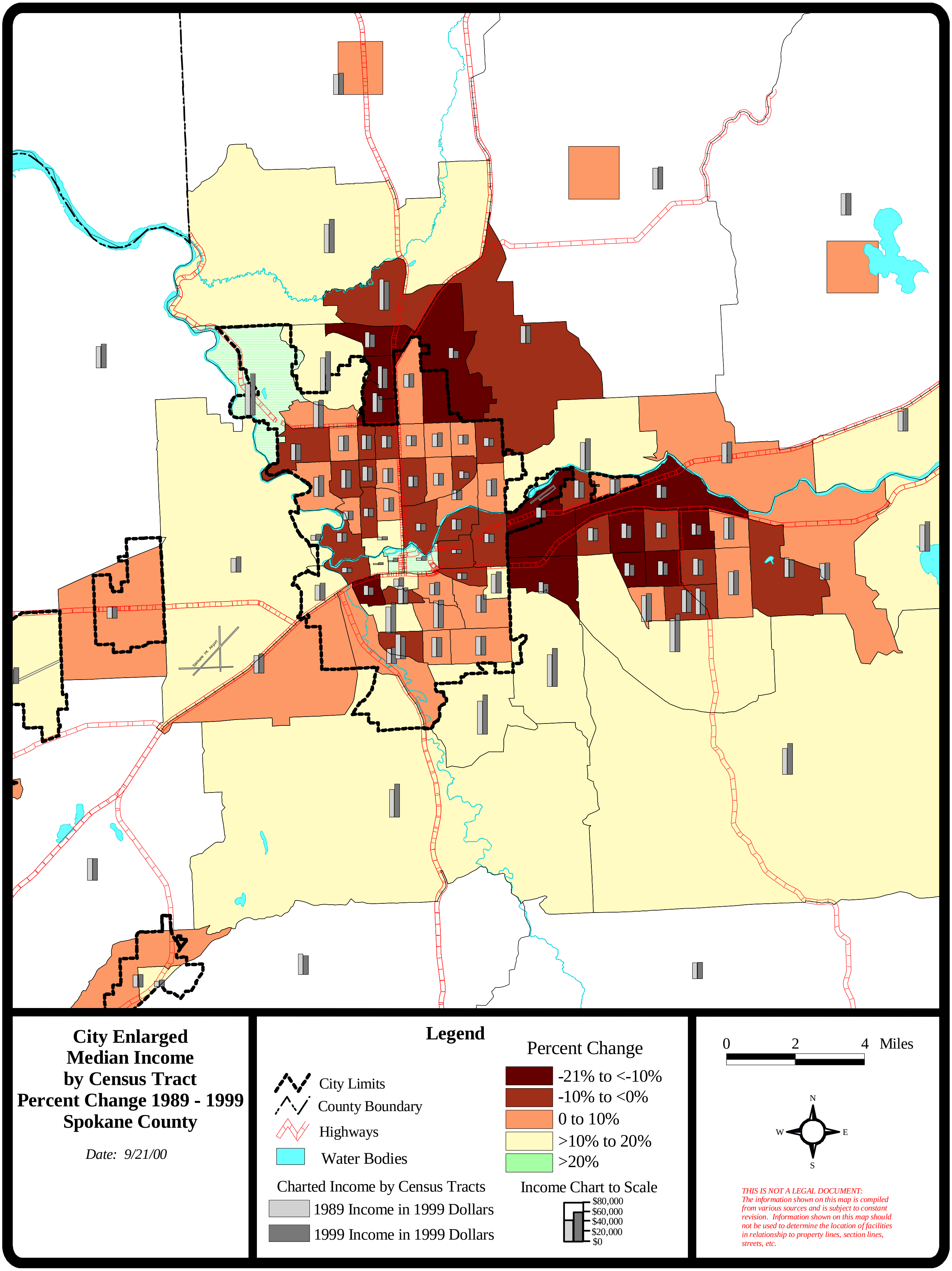
Appendix A: Participation in Free or
Reduced School Lunch Program



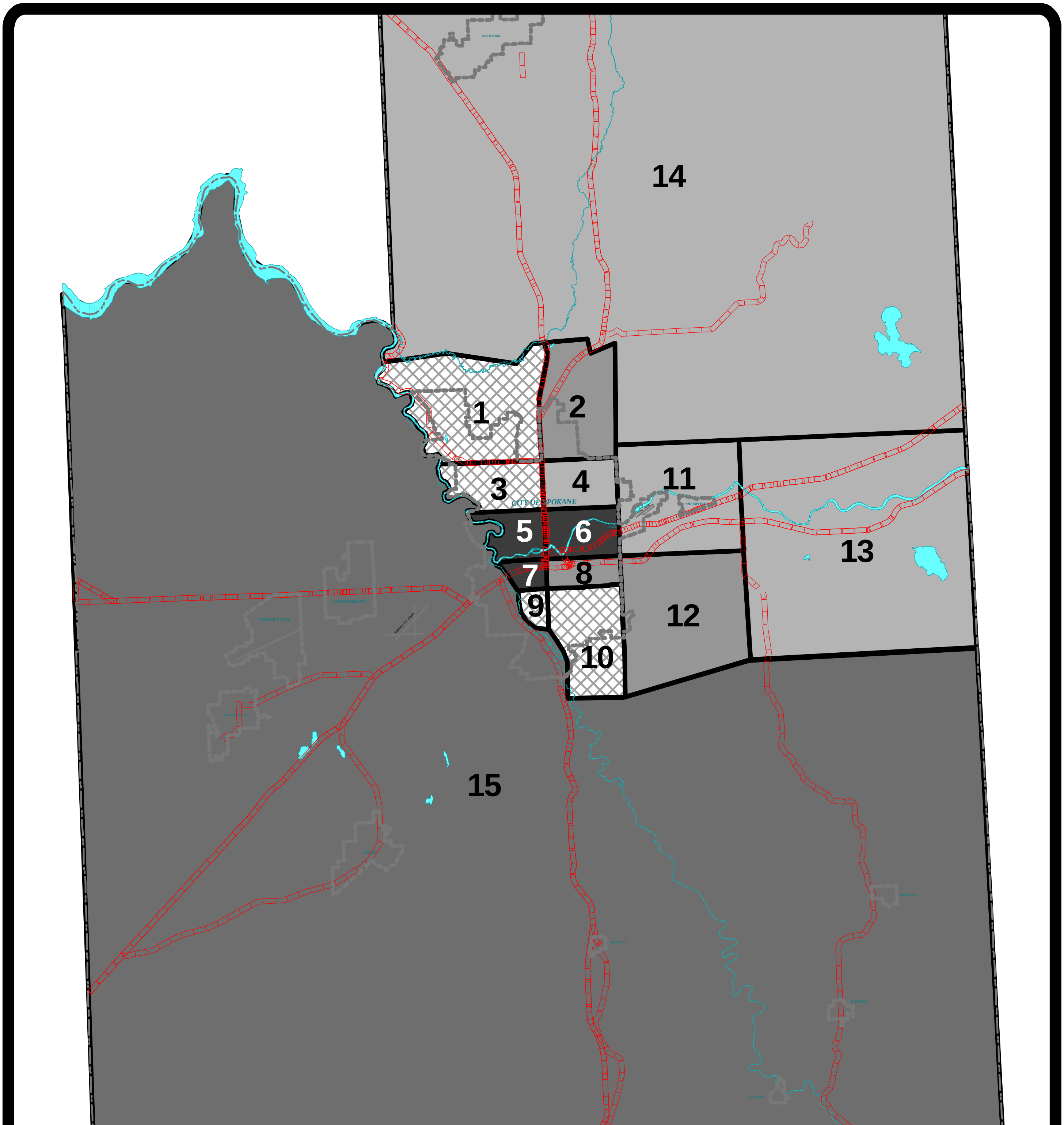
Appendix B: Median Income By Census Tract - Countywide



Appendix C: Median Income by Census Tract - City of Spokane



Appendix D: 1999 % of Rentals
Affordable to 50% Median Income



Percent of Available Rental Units Affordable to Households at 50% of Median Income

Date: 10/03/2000

Source: Spokane Rental Directory: Units for rent during 1999.

Area # :	Number of Units Affordable at or Below 50%
1:	17
2:	66
3:	38
4:	125
5:	412
6:	234
7:	399
8:	18
9:	3
10:	21
11:	65
12:	76
13:	67
14:	9
15:	83

Legend

City Limits
County Boundary
Highways
Water Body

Rental Units Affordable to Households with up to 50% of Median Income

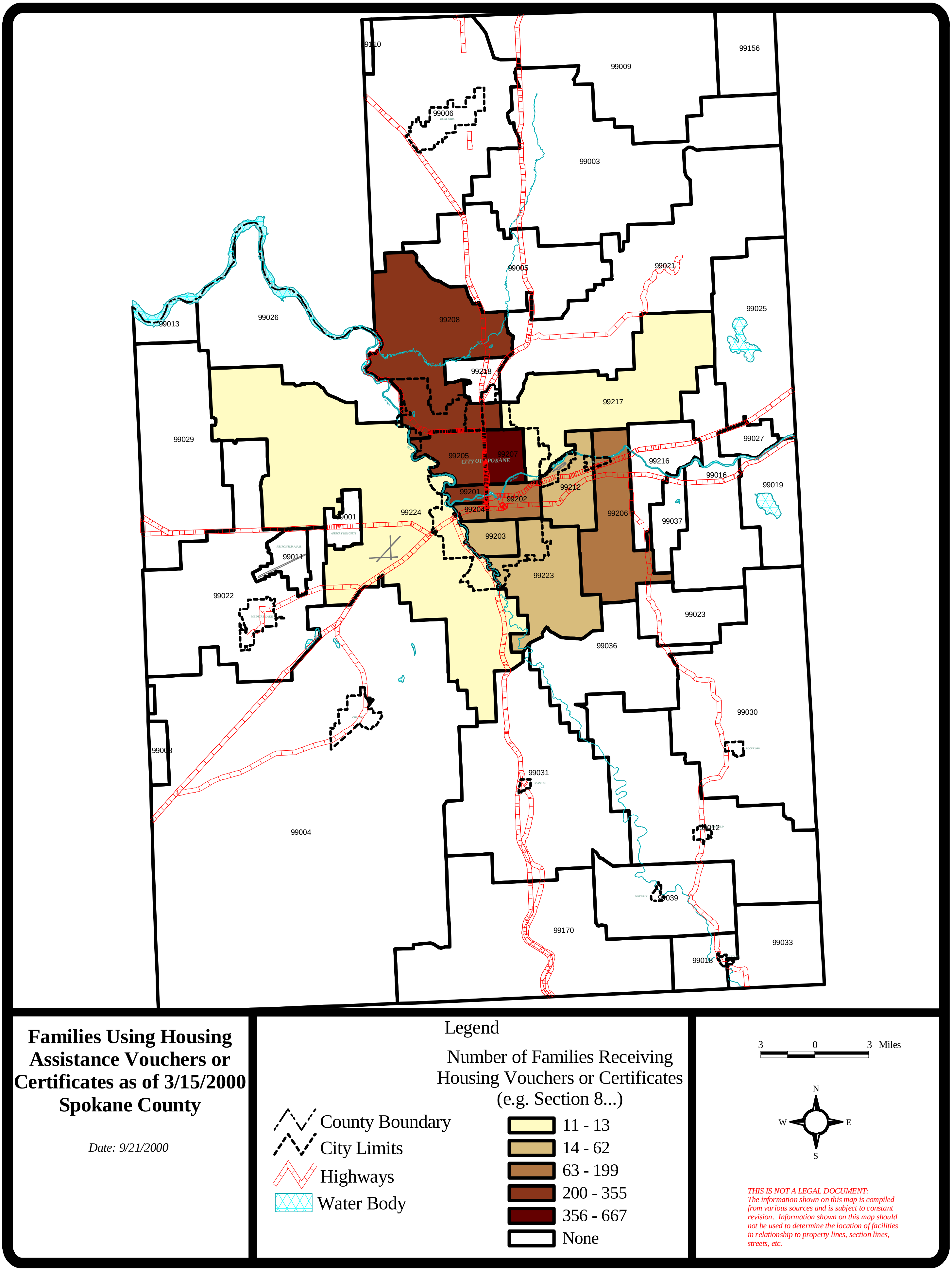
- 4 - 7%
- 8 - 15%
- 16 - 25%
- 26 - 35%
- 36 - 60%

0 3 6 Miles

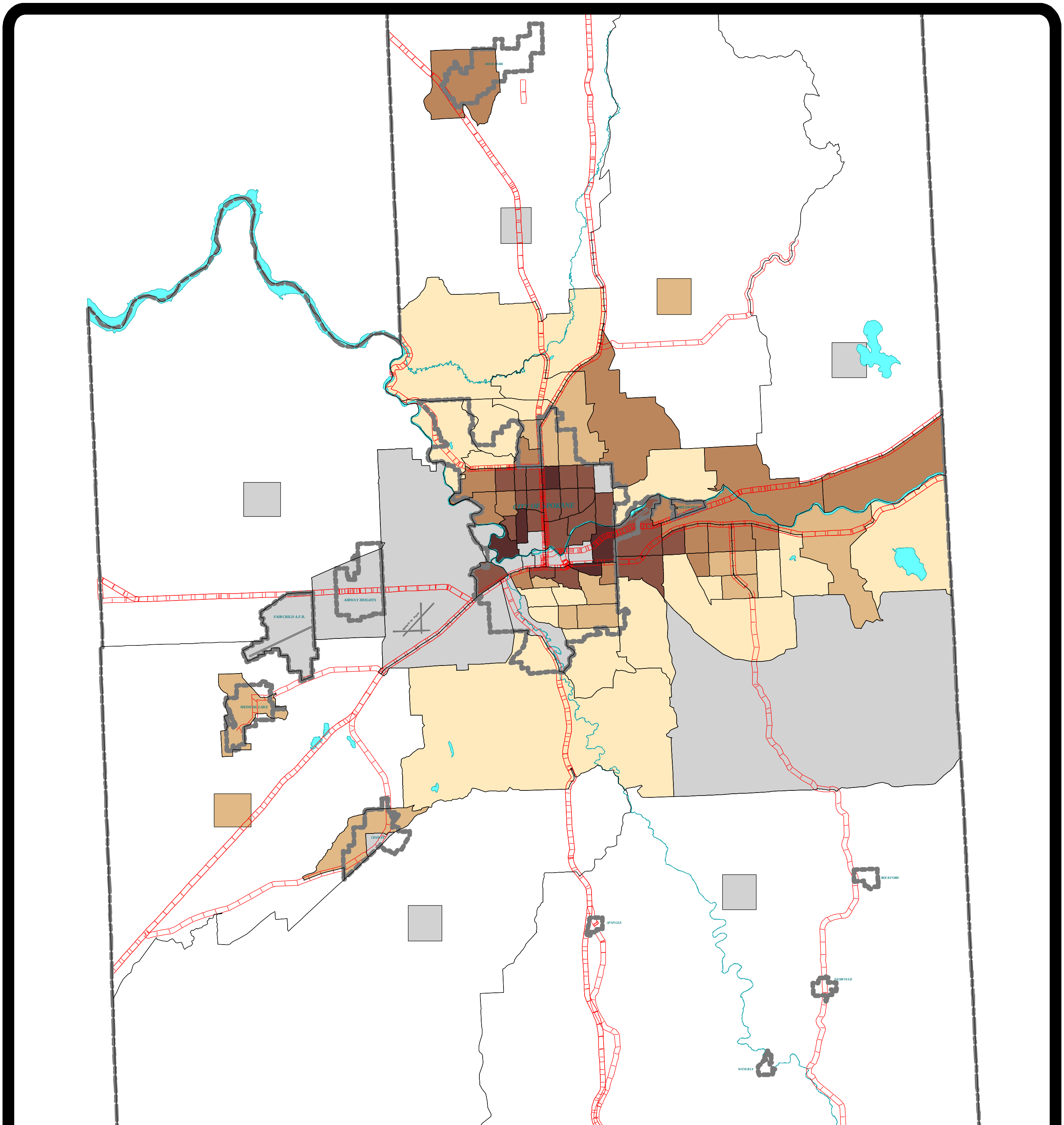
N
W E
S

THIS IS NOT A LEGAL DOCUMENT: The information shown on this map is compiled from various sources and is subject to constant revision. Information shown on this map should not be used to determine the location of facilities in relationship to property lines, section lines, streets, etc.

Appendix E: Number of Vouchers and
Certificates in Use by Zip As of 3/15/2000



Appendix F: Median Sales Price for
Census Tract 5/31/1999 - 6/1/2000



Median Sale Price
5/31/1999 to 6/1/2000
By Census Tract
Spokane County

Date: 9/21/2000

Legend

City Limits
Water Body
County Boundary
Highway

Median Home Sale
Price Range

$50,000 - $60,000
$60,001 - $80,000
$80,001 - $100,000
$100,001 - $120,000
$120,001 - $200,000
Less Than 10 Sales

2 0 2 4 Miles

N
W E
S

THIS IS NOT A LEGAL DOCUMENT:
The information shown on this map is compiled from various sources and is subject to constant revision. Information shown on this map should not be used to determine the location of facilities in relationship to property lines, section lines, streets, etc.

Appendix G: % Change in Median Home Sale Price From 5\31\96 - 6\1\97 To 5/31/98 - 6/1/00