

City of Federal Way

HOUSING NEEDS ASSESSMENT



DECEMBER 2020

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City of Federal Way

Housing Needs Assessment

Contents

- Introduction 1**
 - Summary of Findings 1
 - Housing Terminology 4

- Community Profile 7**
 - Population 7
 - Households 10

- Employment Profile 20**
 - Employment and Wages 20
 - Travel to Work 22

- Housing Inventory 24**
 - Housing Supply Characteristics 24
 - Homeownership 27
 - Rental Housing 32
 - Housing Production 34
 - Subsidized Housing 36

- Gap Analysis 37**
 - Housing Needed to Accommodate Further Growth 37

Introduction

Introduction

This housing needs assessment presents an evaluation of current housing needs and supply in Federal Way, across the full spectrum of household types and income levels. This assessment will help evaluate potential options and guide implementation so that the Housing Action Plan (HAP) plan strategies are based on data and connect to the needs of residents. The assessment helps to answer the following kinds of questions:

- Who lives and works in Federal Way and what are their socioeconomic characteristics?
- What types of housing are available in Federal Way?
- Are there any groups of people who are not able to find housing that is safe, inclusive, and meets their household needs?
- How much housing, and what types of housing, are needed to meet current and future housing needs of Federal Way residents?

This housing needs assessment is organized into four main sections: a community profile, an employment profile, a housing inventory, and a gap analysis. Below is a summary of overall findings.

SUMMARY OF FINDINGS

For many years Federal Way has been a place where people could live affordably in the Puget Sound region. The community offers lower- and moderate-income housing within a short commute of both Seattle and Tacoma. It also offers higher income housing with sweeping views and easy access to the Puget Sound. Regional growth pressures resulted in greater demand for housing and higher prices for housing in and around Seattle. Growth did not occur evenly throughout the region, resulting in a unique pattern of housing needs and demands for Federal Way.

Federal Way's demographics highlight that the community needs a range of housing types to accommodate its population. Housing is needed for families with children, larger households, and smaller one- and two-person households. Like most of the region, Federal Way also has a growing number of older adults. Variety in Federal Way's housing is necessary to meet the needs of changing needs of community members throughout their lifecycle.

- Children and youth make up a larger portion of the population in Federal Way than in King County as a whole: 27% of Federal Way residents are age 19 or under, compared with 22% of King County residents.
- Nearly 20% of Federal Way's population is over age 60 and an additional 13% of the population will reach that age within the next 10 years.
- Whereas the King County overall has 8% of households with five or more members, 13% of Federal

Way households are in this category.

- About a quarter of all households have only one or two members in Federal Way. This is slightly below the King County trend but speaks to a continued need for smaller unit housing.

Since Federal Way historically provided an affordable option for people seeking housing in the region, it was an attractive community for households with low and moderate incomes. However, rising regional prices have increased housing costs in Federal Way, resulting in high levels of household cost burden. Cost burden occurs when households spend more than 30% of their income on housing costs. Households experiencing cost burden have less money available for other essential expenses such as childcare, food, healthcare, transportation, and education. Rising rents also increase the rate of eviction and are the primary driver of homelessness in Washington State.¹ As a result, cost burden increases the need for a variety of community supports and social services.

- Nearly 40% of all households in Federal Way are cost-burdened (over 13,000 households in total). Cost burden is most common among both owner and renter households with incomes below 50% of area median income (AMI).
- Housing costs are rising faster than incomes. The median annual wages in the four largest employment sectors in Federal Way—health care and social assistance, retail trade, accommodation and food services, and educational services—range between approximately \$32,000 and \$51,500. Affordable monthly housing costs for such incomes range from \$798 to \$1,289.
- On average, over 2% of renter households in Federal Way experience an eviction filing each year between 2004 and 2017. This rate is nearly double for Black households, echoing similar patterns in other South King County communities. Eviction is extremely traumatic and disruptive. It often results in homelessness and/or prolonged housing insecurity.

In addition, rising housing costs and cost burden are barriers to homeownership. Homeownership is an important mechanism for building and securing household wealth and for creating investment in the community. The barriers to homeownership are multi-faceted and not unique to Federal Way, but they still profoundly affect the community. Homeownership requires financial means, including a stable income and savings for a down payment, that put it out of reach for many households based on income limitations or existing cost-burden. Even when households may have the means, homeownership requires a knowledge base that is not shared by all. This includes knowing about building and repairing credit, application processes and procedures, and banking. BIPOC (Black, Indigenous, People of Color) households disproportionately lack access to this knowledge base, particularly those households who do not come from a tradition of homeownership due to immigration status or systemic inequities. Addressing the barriers to homeownership is an important need for supporting equity and community-building in Federal Way.

New housing production has been far slower than is necessary to meet both existing and expected future demand for housing in Federal Way. Housing production shortages increase competition for available units and drive up rents and housing prices. New housing is needed at all affordability levels in the community and to meet a variety of household needs. This includes both smaller and larger unit types, rental and ownership units, and housing for households with moderate and low incomes. This may include

¹ Washington State Department of Commerce, 2018, *Drivers of Homelessness in Washington State*.

single-family housing, multifamily housing, and a variety of “missing middle” housing types that offer attached single-family or smaller-sized multifamily housing such as duplexes, townhomes, or cottages.

- Federal Way needs to add about 6,800 new units before 2040 to accommodate population growth and account for past underproduction. This equates to an average production of 339 additional units each year, a 68% increase over recent housing production trends.
- Federal Way has seen no new multifamily housing permit activity since mid-2017 following a moratorium on multifamily housing permits and an increased impact fee to support the Federal Way School District.
- At least a third of the existing housing gap is for Lower-income households (making 50% of AMI or less). Most residents in this income range would require a housing subsidy to afford housing without being cost-burdened.
- Federal Way has seen little production of “missing middle” housing, such as duplex or multiplex (3-4 unit) units. Only about 9% of Federal Way’s housing stock consists of these types.
- For some in the development community, Federal Way is seen as “built out” based on its existing zoning. Zoning changes that allow additional density or development types could support new development.

There is increased awareness of the need to address systemic inequities that have affected BIPOC for generations in the United States. In Federal Way, like other places, the results of these inequities can be seen in disparities in income, homeownership, and evictions. While this an issue that Federal Way will not solve alone, improving equity for BIPOC residents can start with a commitment to addressing housing disparities. Reducing cost burden, which disproportionately affects BIPOC households, provides families with opportunities to invest in their future. It is particularly important to increase the supply of housing affordable to households with income below 50% AMI, for whom cost burden is particularly impactful. Programs that support pathways to ownership for BIPOC households would increase BIPOC’s share of investment and wealth-building in the community and begin to reverse historical trends of exclusion and systemic racism.

Federal Way can address housing needs and challenges and improve conditions for existing residents through its Housing Action Plan. New investments in housing are also an opportunity for community-building that will enhance quality of life and support smart, equitable, and healthy growth in Federal Way. Regional investments in light rail provide the opportunity for new housing choices and transit-oriented development (TOD) around Federal Way’s new light rail stations. Building new housing around community assets such as transportation, social services, employment, education, and childcare supports growing families and older adults aging in place. New housing provides the opportunity to integrate such assets in parts of the community where they are less available.

HOUSING TERMINOLOGY

Below are definitions of terms, data sources, and acronyms used in this needs assessment.

Housing Types

- **Affordable Housing.** The U.S. Department of Housing and Urban Development (HUD) considers housing to be affordable if a household spends no more than 30 percent of its income on housing costs. A healthy housing market includes a variety of housing types that are affordable to a range of different household income levels. However, the term “affordable housing” is often used to describe subsidized and income-restricted housing available only to qualifying low-income households. Income-restricted housing can be located in public, nonprofit, or for-profit housing developments. It can also include households using vouchers to help pay for market-rate housing.
- **Inclusionary Housing.** In this study, “inclusionary housing” refers to the vision of supporting a local housing market that provides a diversity of housing types at different affordability levels and meets the diverse **social, geographical, and design** needs of individuals and families. The goal is to make sure there are housing options are attainable to anyone who wishes to live in Federal Way, inclusive of their level of income.

Income Measures

- **Area Median Income (AMI)** refers to HUD Area Median Family Household Income. HUD calculates AMI for counties or metropolitan regions.² Federal Way is in the Seattle-Bellevue Metro Area, which includes all of King and Snohomish counties. In 2020, the Seattle-Bellevue Metro AMI was \$113,300 for a 4-person household. HUD sets income limits to qualify for affordable housing relative to AMI. When classifying households by income level, HUD adjusts these income limit thresholds based on household size. This reflects the fact that housing and living costs are higher for larger households than they are for smaller households.
- **Cost Burden.** Households that spend more than 30 percent of their gross income on housing, including utilities are considered “cost-burdened.” Cost-burdened households have less money available for other essentials, like food, clothing, transportation, and medical care.
- **Income-Restricted Housing.** This term refers to housing units that are only available to households with incomes at or below a set income limit and are offered for rent or sale at a below-market rates. Some income-restricted rental housing is owned by a city or housing authority, while others may be privately owned. In the latter case, the owners typically receive a subsidy in the form of a tax credit or property tax exemption. As a condition of their subsidy, these owners must offer a set percentage of all units as income-restricted and affordable to households at a designated income level.
- **Low-Income.** Households that are designated as “low-income” may qualify for income-subsidized housing units. HUD categorizes households as “low-income,” “very low-income,” or “extremely low-income” relative to area median income (AMI), with adjustments for number of household members.

² Note that HUD sometimes refers to HUD Area Median Family Income as just Median Family Income, or MFI. See <https://www.huduser.gov/portal/datasets/il.html>

Exhibit 1 summarizes these categories and income limits by household size for the Seattle-Bellevue Metro area, which includes Federal Way.

- **Median family income** is calculated based only on the incomes of family households (those with two or more related persons living together). Median family income is typically higher than median household income (which is based on all households, including one-person households).
- **Severe Cost Burden.** Households spending more than 50 percent of their gross income on housing, including utilities, are “severely cost-burdened.” Severely cost-burdened households have less money available for other essentials, like food, clothing, transportation, and medical care.

Exhibit 1. Income Limits for Grouping Households by Income Level in Seattle-Bellevue Metro Area

INCOME CATEGORY	% OF AMI	ANNUAL INCOME LIMITS BY HOUSEHOLD SIZE (2020)					
		1-person	2-person	3-person	4-person	5-person	6-person
Extremely Low-Income	30%	\$25,080	\$28,680	\$32,250	\$35,820	\$38,700	\$41,580
Very Low-Income	50%	\$41,800	\$47,800	\$53,750	\$59,700	\$64,500	\$69,300
Low-Income	80%	\$66,880	\$76,480	\$86,000	\$95,520	\$103,200	\$110,880
Middle-Income	100%	\$79,310	\$90,640	\$101,970	\$113,300	\$122,360	\$131,430

Sources: HUD, 2020; BERK, 2020.

Data Sources

- The **American Community Survey (ACS)** is an ongoing nationwide survey conducted by the U.S. Census Bureau. It is designed to provide communities with current data about how they are changing. The ACS collects information such as age, race, income, commute time to work, home value, veteran status, and other important data from US households.
- The **Comprehensive Housing Affordability Strategy (CHAS)** is a dataset published by HUD. Based on custom data tabulations from the ACS, the CHAS provides insight into current housing circumstances, needs, and problems, with an emphasis on the needs of low-income families.
- **Qualitative Data.** BERK and MAKERS collected qualitative information from community and housing industry stakeholders to better understand housing Federal Way. Information was collected through interviews, small group discussions, and the Stakeholder Advisory Group.

Households and Individuals

- **Household.** A household is a group of people living within the same housing unit.³ Such individuals may be related. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit, is also counted as a household. People living in college dormitories, military barracks, nursing homes, or other “group quarters” are not considered to be living in households.
- **Householder.** This is an adult resident who answered the Census survey on their household’s behalf. Summaries of households by race or ethnicity typically focus on the race or ethnicity of the householder, and other members of the household may identify with other racial or ethnic groups.
- **Household Income.** The U.S. Census Bureau defines household income as the sum of the income of all people 15 years and older living together in a household.
- **Black, Indigenous, and People of Color (BIPOC).** In this report, we use “Black, Indigenous, and people of color” to refer to people who identify as any race other than White alone, as well as Hispanic and Latino persons of any race.

³ The Census Bureau sometimes refers to “occupied housing units” and considers all persons living in an occupied housing unit to be a single household. So, Census estimates of occupied housing units and households should be equivalent.

Community Profile

Community Profile

POPULATION

As of 2020, the estimated population of Federal Way is 98,340. Since 2010, the City of Federal Way has grown at an average annual rate of 1.1%, which is below the countywide average annual growth rate of 1.6%.⁴

Age of Population

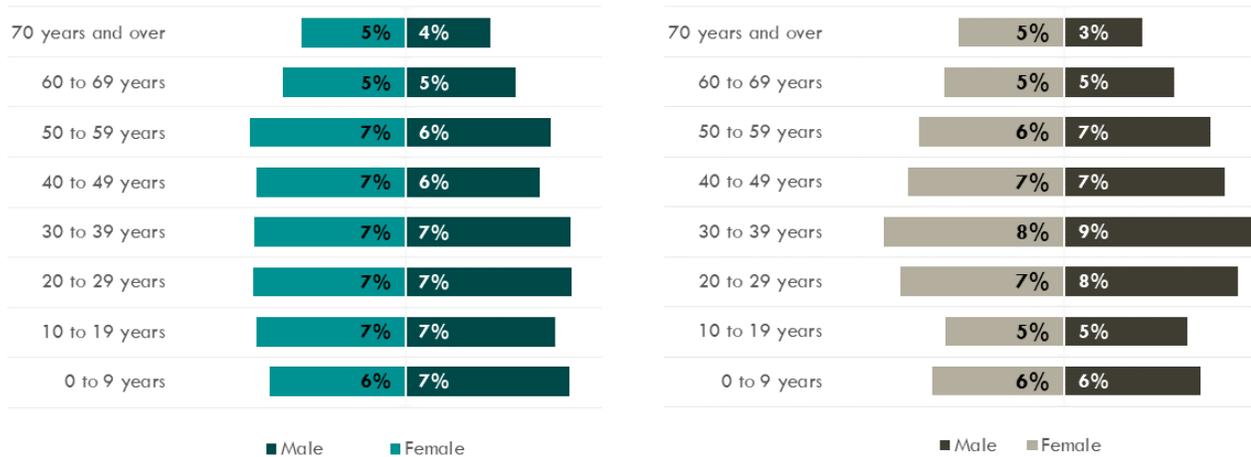
Children and youth make up a larger portion of the population in Federal Way than in King County as a whole: 27% of Federal Way residents are aged 19 or under, compared with 22% of King County residents. This indicates that housing for families with children is a need within the City of Federal Way.

Federal Way has a proportionally smaller population of young adults aged 20 to 39: this group makes up 28% of Federal Way residents but 32% of King County residents (Exhibit 2).

Similar to King County as a whole, nearly 20% of Federal Way's population is over age 60 and an additional 13% of the population will reach age 60 within the next 10 years. Many of these residents will have specific and changing housing needs as they age. A diversity of housing types can be an important asset to support independent adults that are aging in place. Single-family homes may work for some aging adults, but others may require or desire maintenance-free housing or need accommodations for limited mobility or sensory impairments. Services, health care, social opportunities, shopping, transportation, and other needs may be more accessible to older adults who live in denser neighborhoods with those opportunities nearby. While many of the older households in Federal Way have the financial means to afford adequate housing and services, many others will not.

⁴ Washington State Office of Financial Management. 2020. "April 1 population estimates."
<https://www.ofm.wa.gov/washington-data-research/population-demographics/population-estimates/april-1-official-population-estimates>

Exhibit 2. Population Distribution by Age and Gender in City of Federal Way (left) and King County (right)

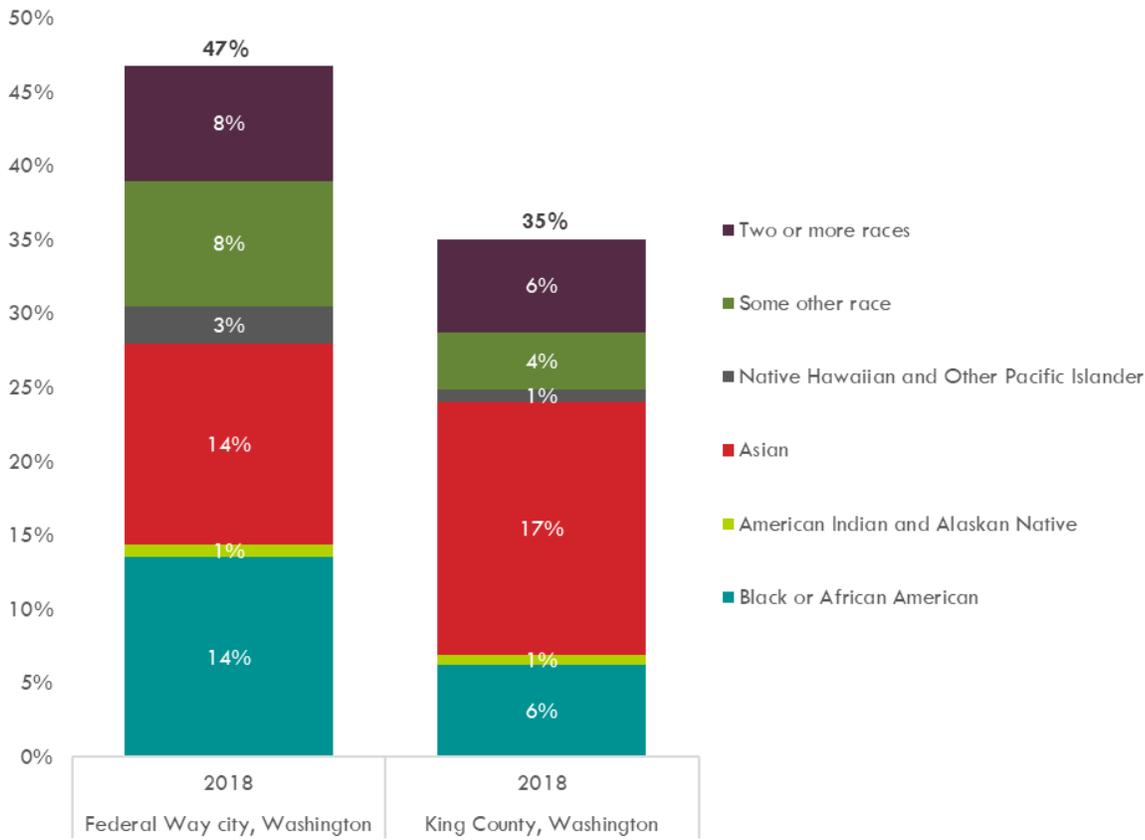


Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

Race and Ethnicity

Federal Way is more racially and ethnically diverse than King County as a whole: in 2018, 47% of Federal Way residents identified as a race other than White alone, as compared with 35% for King County as a whole (Exhibit 3). Federal Way has a larger proportion of Hispanic residents than King County as a whole, with 19% of Federal Way residents identifying as Hispanic, Latino, or of Spanish origin compared with 10% of residents in King County as a whole (Exhibit 4).

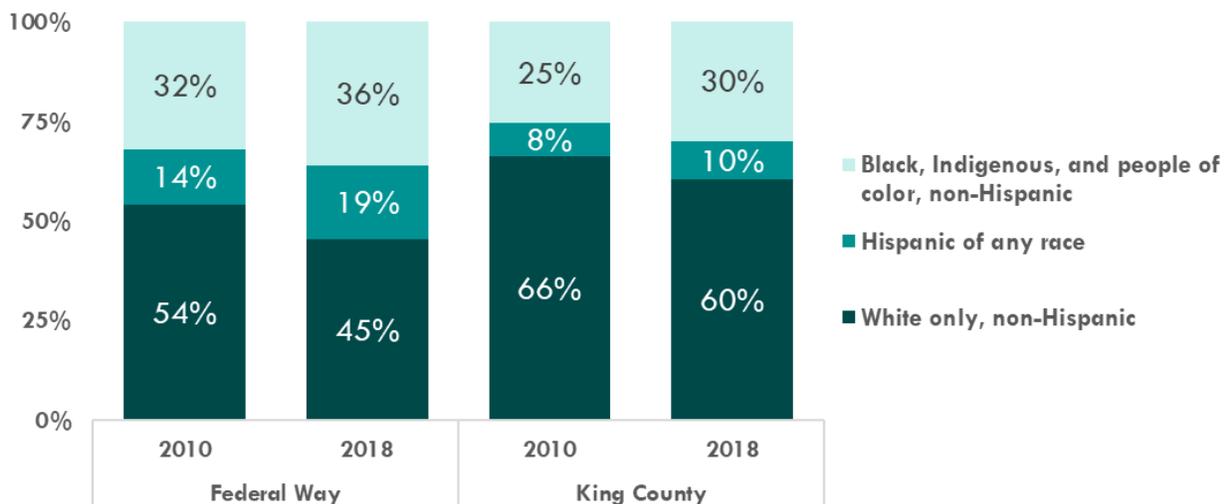
Exhibit 3. Percentage of BIPOC Population by Race in City of Federal Way and King County



Note: This exhibit only presents race and does not present ethnicity. Individuals who identify as ethnically Hispanic, Latino, or of Spanish origin AND as a race other than White alone are included here under their self-identified race. Individuals who identify as ethnically Hispanic, Latino, or of Spanish origin AND White alone are not included in this exhibit.

Sources: ACS 5-year Estimates, 2006-2010 & 2014-2018; BERK, 2020.

Exhibit 4. Percentage of Population by Race and Ethnicity in City of Federal Way and King County



Sources: ACS 5-year Estimates, 2006-2010 & 2014-2018; BERK, 2020.

HOUSEHOLDS

As of 2018, there were an estimated 35,589 households in the City of Federal Way. This represents an increase of 2,348 households since 2012, when the estimated total was 33,241.⁵

Housing Tenure

As of 2018, an estimated 56% of households in the City of Federal Way owned their home, while 44% were renting their home. This represents a slight decline in the proportion of owner household units since 2012, when 57% of Federal Way households were homeowners and 43% were renters. Federal Way is very similar to King County as a whole on this measure: countywide, 57% of households were homeowners and 43% were renters as of 2018.⁶

A healthy housing market includes a mix of both ownership and rental housing types to meet the needs of a diversity of households and income levels. Not all households can afford homeownership or desire to own a home. There is some evidence that higher rates of homeownership in a community are associated with a higher median length of residence (amount of time living the same housing unit). Higher rates of homeownership are also linked to higher property values, though that relationship may work in reverse, with higher property values leading to the higher ownership rates.⁷

Household Size

The term “household” refers to a group of people living together in a single housing unit. As of 2018, the average household size in the City of Federal Way is 2.7 individuals, slightly higher than the King County average of 2.5 individuals per household.⁸ As shown in Exhibit 5, two-person households are the most common household size overall in Federal Way. Among renter households, one-person households are the most common size. While smaller households are more common, there are still a significant number of larger households in Federal Way. More than 7,500 households have four or more members.

Compared to King County as a whole, Federal Way has a slightly lower proportion of small households: 24% of Federal Way households have one or two members compared to 29% of King County households. Federal Way also has a higher proportion of large households than King County: 13% of Federal Way households have five or more members compared to 8% for King County.⁹

⁵ ECONorthwest. 2020. *Federal Way: South King County Sub-Regional Housing Action Plan Framework*. Original data from the U.S. Census Bureau Public Use Microdata Sample (PUMS), 2018.

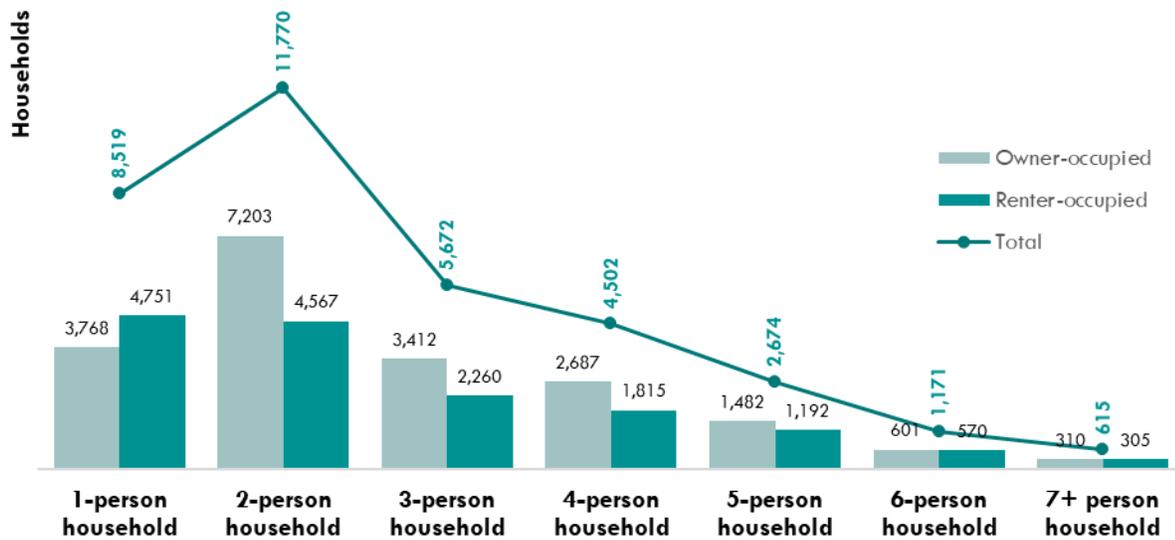
⁶ U.S. Census Bureau. 2014-2018. *American Community Survey 5-year Estimates*.

⁷ Mallach, A. 2016. Homeownership and the Stability of Middle Neighborhoods. *Community Development Innovation Review*. Federal Reserve Bank of San Francisco. https://www.frbsf.org/community-development/publications/community-development-investment-review/2016/august/homeownership-and-the-stability-of-middle-neighborhoods/#_ftn20

⁸ U.S. Census Bureau. 2014-2018. Table CP04. *American Community Survey 5-year Estimates*.

⁹ U.S. Census Bureau. 2014-2018. Table B25009. *American Community Survey 5-year Estimates*.

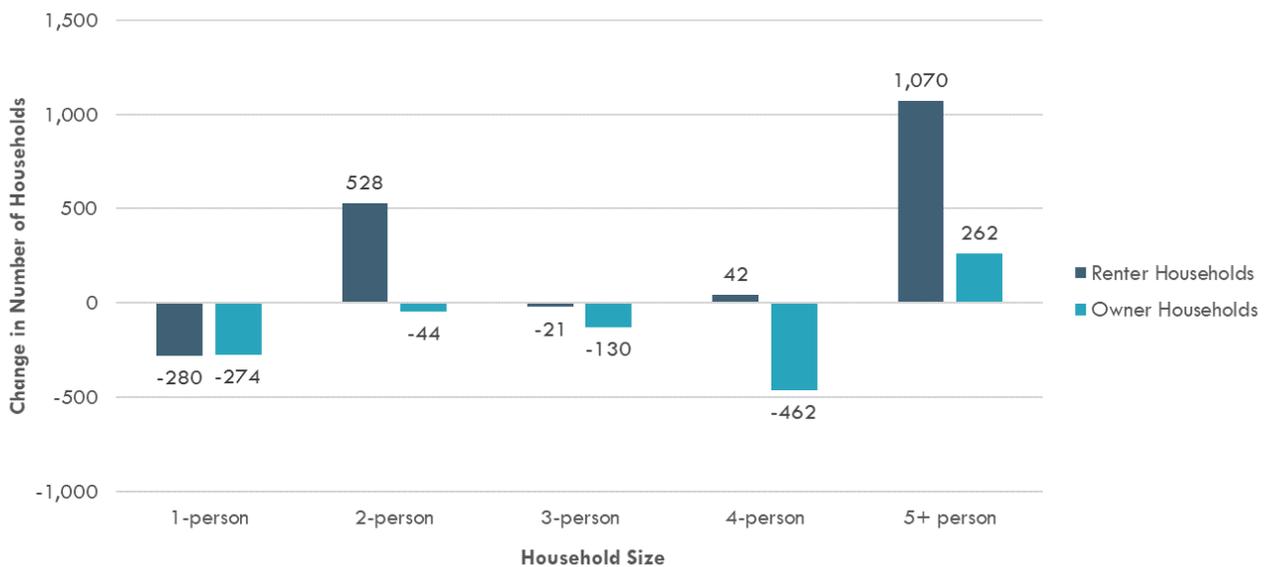
Exhibit 5. Household Size by Tenure in City of Federal Way



Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

The breakdown of households by tenure and size has changed over the past decade. Exhibit 6 shows the gain or loss of renter and owner households by household size between 2010 and 2018. Most of the increases were in large (5+ person) and small (two-person) households and were among renter households. Between 2010 and 2018, the City experienced a net gain of more than 1,300 households with five or more members, the overwhelming majority of which (1,070 households) were renter households. There was an overall decline of more than 500 three- and four-person households, with the losses coming primarily from owner households. While the number of two-person owner households remained relatively stable, the city experienced an increase of more than 500 two-person renter households over the same period.

Exhibit 6. Change in Number of Households by Household Size and Tenure in City of Federal Way, 2010-2018



Sources: ACS 5-year Estimates, 2006-2010 & 2014-2018; BERK, 2020.

Household Income

In 2018, the median household income in the City of Federal Way was \$48,629 for renters, \$85,607 for homeowners, and \$66,653 across all households (Exhibit 7).¹⁰ Federal Way is part of the U.S.

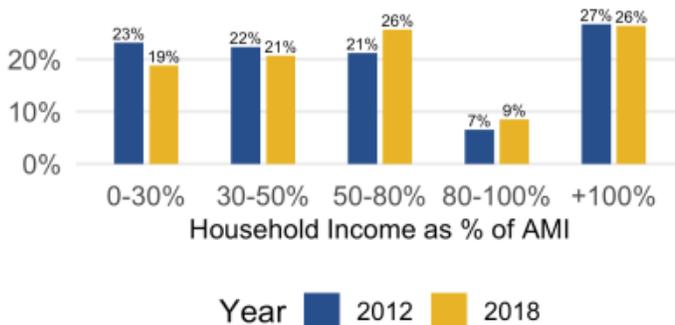
Department of Housing and Urban Development’s (HUD’s) Seattle-Bellevue Metro Area, which includes all of King County. In 2020, the HUD Area Median Family Household Income for a four-person household for the Seattle-Bellevue HUD Metro Area (also known as Area Median Income or AMI) was \$113,300.¹¹ It is important to note that the median household income for Federal Way households is substantially below the AMI, which is the base metric used in a number of affordability measures throughout this report. The majority of households in Federal Way have incomes below the AMI, and so are more likely to face housing affordability challenges than the typical residents of the HUD Seattle-Bellevue Metro Area.

Exhibit 7. Median Household Income by Tenure in City of Federal Way

Housing Tenure	2012	2018	% Change
Renter	\$37,378	\$48,629	30%
Owner	\$68,694	\$85,607	25%
All	\$49,976	\$66,653	33%

Sources: ECONorthwest, 2020; PUMS, 2012 & 2018; ACS 1-year Estimates, 2012 & 2018; BERK, 2020.

Exhibit 8. Distribution of Households by AMI in City of Federal Way



Sources: ECONorthwest, 2020; PUMS, 2012 & 2018.

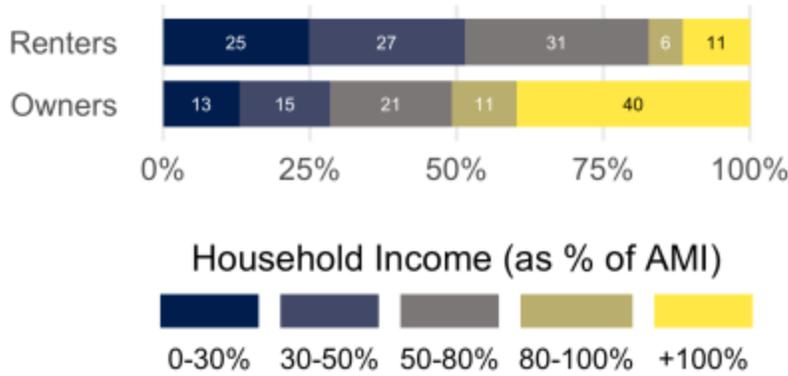
Exhibit 8 shows the distribution of households in Federal Way by household income as a percentage of the area median income for the Bellevue-Seattle HUD Metro area. In 2018, an estimated 74% of households in Federal Way had incomes at or below the AMI, while 26% had incomes greater than the AMI. As shown in Exhibit 9, households that own their homes in Federal Way are more likely to have higher incomes: 40% of homeowners have incomes above the AMI compared with just 11% of renters.

¹⁰ ECONorthwest. 2020. *Federal Way: South King County Sub-Regional Housing Action Plan Framework*. Original data from the U.S. Census Bureau Public Use Microdata Sample (PUMS), 2018.

¹¹ U.S. Department of Housing and Urban Development. 2018. "FY 2018 Income Limits Documentation System." *HUD User*. <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

This is an indicator that homeownership may be unaffordable for many moderate and even middle-income households in Federal Way. More information about homeownership affordability is provided later in this assessment.

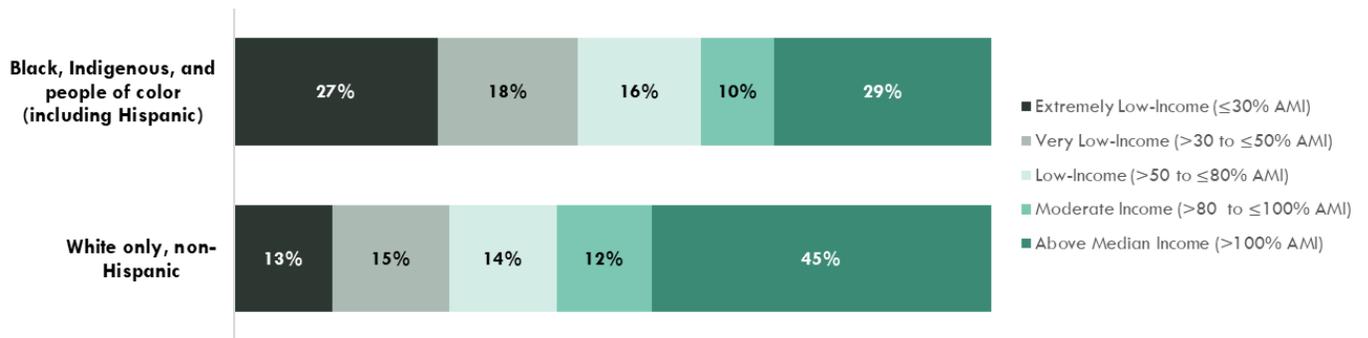
Exhibit 9. Distribution of Households by AMI and Tenure in City of Federal Way



Sources: ECONorthwest, 2020.

The distribution of household income levels also differs by race and ethnicity, as shown in Exhibit 10. Among White, non-Hispanic households, 45% of households have incomes above the AMI.¹² Among households of color (including Hispanic/Latino households), 29% have incomes above the AMI.

Exhibit 10. Distribution of Households by AMI and Race in City of Federal Way



Sources: HUD CHAS (based on ACS 5-year Estimates, 2012-2016); BERK, 2020.

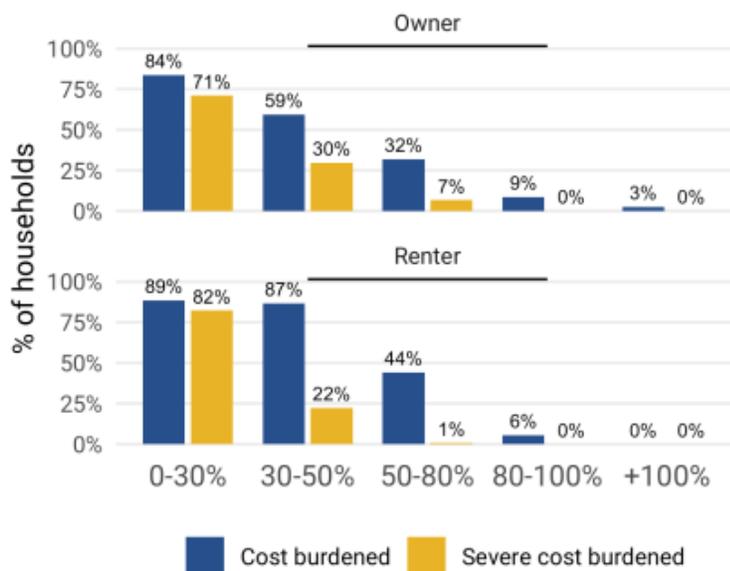
¹² The race/ethnicity of a household is determined by the race or ethnicity of the “householder.” The householder is the person in whose name the housing unit is owned or rented.

Cost-Burdened Households

Cost-burdened households are defined as those that spend more than 30% of their income on housing costs. Severely cost-burdened households are those that spend more than 50% of their income on housing.

Exhibit 11 shows the cost-burdened status of households by percentage of AMI and tenure in Federal Way.¹³ The likelihood of being cost-burdened or severely cost-burdened tracks with income categories in this data: the lower a household's income (by category, as a percentage of area median income), the more likely the household is to be cost-burdened or severely cost-burdened. Where sufficient housing available, either through attainable market-rates or through subsidized affordability programs, this does not have to be the case.

Exhibit 11. Distribution of Cost-Burdened Status (Households) by AMI and Tenure in City of Federal Way



Note: percentage of AMI is shown along the horizontal axis.

Sources: ECONorthwest, 2020; PUMS, 2018.

The rate of housing cost-burden among households in Federal Way with incomes less than 50% of AMI is very high. Most households in Federal Way with incomes 30% or less than AMI are severely cost-burdened. Eighty-two percent of renter households and 71% of owner households in this income category are severely cost-burdened. More than half of households with incomes between 30 and 50% of AMI are cost-burdened in Federal Way, though the rate is higher for renter households. Eighty-seven percent of renter households and 59% of owner households in this income category are cost-burdened. The percentage of households that are cost burdened is significantly lower for households with incomes above 80% of AMI.

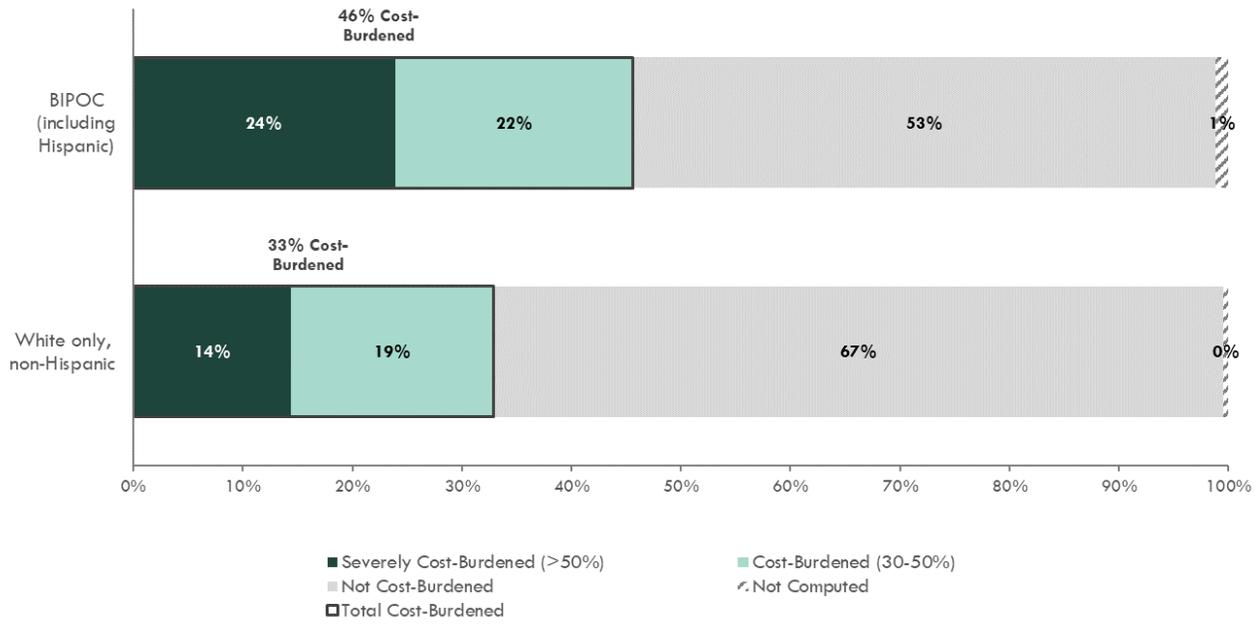
The cost burden data used above are the most current available, but reflect conditions surveyed between 2012 and 2016. As will be shown later in this needs assessment, rents in Federal Way have increased

¹³ As described in the Housing Terminology section of this report, AMI is measured relative to the King-Snohomish region and not just Federal Way.

significantly since this time period. Additionally, while there is not a data source with accurate information on the impact of the COVID pandemic, it is widely acknowledged that households experiencing COVID-related income losses have less ability to pay housing costs. Therefore, it is likely that the problem of household cost burden has also increased significantly.

The likelihood of being cost-burdened also differs by race and ethnicity in Federal Way. Forty-six percent of households of color and/or Hispanic households are cost-burdened in the city, compared with 33% of White, non-Hispanic households. Twenty-four percent of households of color and/or Hispanic households are severely cost-burdened, while just 14% of White households are (Exhibit 12).

Exhibit 12. Cost-Burdened Status by Householder Race in City of Federal Way



Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

Exhibit 13 shows the number of cost-burdened households by AMI grouping and household type in Federal Way. As noted previously, while there are households struggling with housing costs across the entire income spectrum, the greatest number are among households with incomes below 30% of HUD AMI. In terms of household type, the greatest need is among small families, among which nearly 5,600 households are cost-burdened. There is also a substantial number of cost-burdened older adult households, including nearly 1,200 older adult families and over 2,300 older adults living alone.

Exhibit 13. Cost-Burdened Households by Household Type and AMI Grouping

HOUSEHOLD TYPE	EXTREMELY LOW-INCOME (≤30% AMI)	VERY LOW-INCOME (30-50% AMI)	LOW-INCOME (50-80% AMI)	MODERATE INCOME (80-100% AMI)	ABOVE MEDIAN INCOME (>100% AMI)	ALL COST-BURDENED HOUSEHOLDS
Older Adult Family	425	160	205	150	239	1,179
Older Adult Living Alone	1,280	545	340	140	40	2,345
Large Family	580	530	225	140	55	1,530
Small Family	2,270	1,885	874	255	310	5,594
Other	950	1,050	280	185	90	2,555
Total	5,505	4,170	1,924	870	734	13,203

Notes: Older Adult Family – Two persons, either or both age 62+.
 Older Adult Living Alone – A person age 62+ living alone.
 Small Family – Families with 2-4 members (excluding older adult families).
 Large Family – Families with 5 or more members.
 Other – Non-family, non-older adult households (includes those living alone).

Sources: ACS 5-year Estimates, 2012-2016; BERK, 2020.

In Federal Way, cost burden is more concentrated among households with incomes less than 50% of AMI than it is in King County as a whole: 73% of cost-burdened households in Federal Way have incomes below 50% of AMI, compared with 59% of cost-burdened households in King County as a whole. This implies that households with incomes above 50% of AMI living in Federal Way are much less likely to experience cost burden than those living in other parts of King County. Nonetheless, there is a great deal of need for housing that is affordable and inclusive to households with very low and extremely low incomes in Federal Way.

Housing cost burden is also more common among older adult households in Federal Way than it is in King County as a whole: 42% of older adult households are cost-burdened in Federal Way, compared to 38% in King County as a whole.

Housing Vulnerability and Displacement Risk

Households evicted from rental housing are at greater risk of housing insecurity, vulnerability to exploitation, and homelessness. Households with a history of evictions or eviction filings¹⁴ can face significant challenges finding rental housing as many landlords conduct background checks and screen out applicants with eviction records. Recognizing that there are many reasons why a household may be unable to pay rent, including economic insecurity, job loss, or unexpected medical expenses, many communities provide renter protections to reduce the likelihood that short-term economic setbacks result in

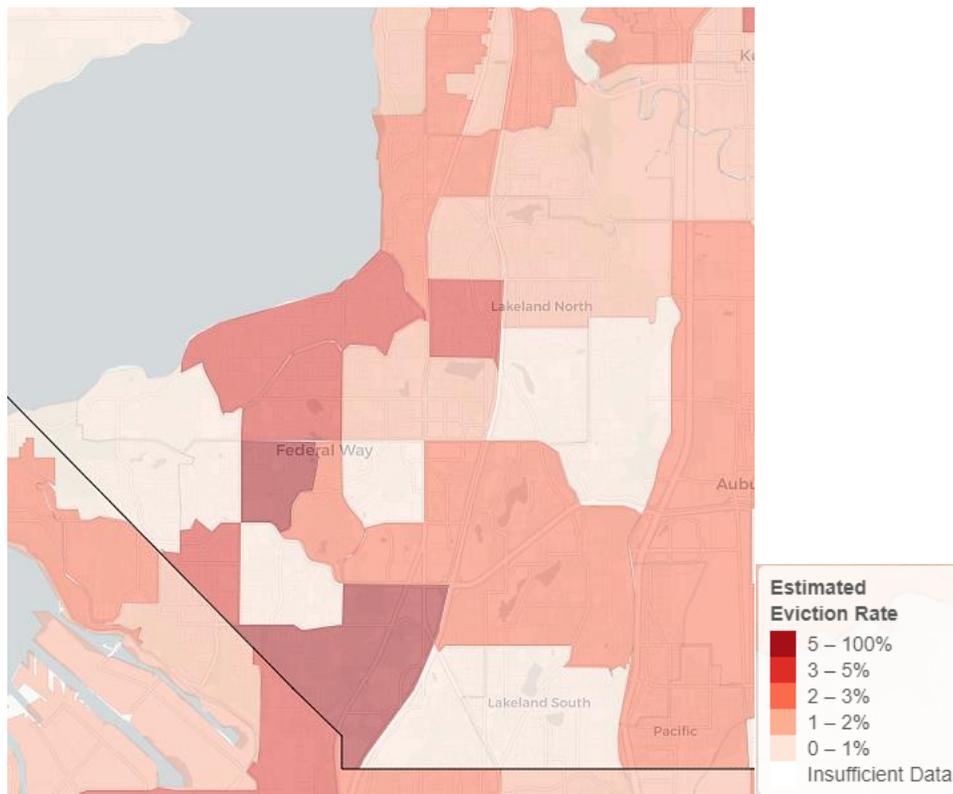
¹⁴ Eviction filing is a legal notice of an eviction suit—not all eviction filings result in actual evictions, in which a household is forced to leave their housing unit. Instead, a renter household may move out preemptively, pay overdue rent, or reach some other settlement with the landlord. However, eviction filings are public record and may be seen by future potential landlords when conducting background checks.

evictions and subsequent displacement. In addition, tenants financially impacted by the COVID-19 pandemic may have accumulated significant debt in the form of rent arrears. While a state mandate is temporarily protecting these tenants from eviction, such households are likely to face eviction when the mandate is lifted unless additional protections are put into place.

The Evictions Study by the University of Washington and University of California Berkeley tracks eviction filing rates across much of the Central Puget Sound Region, including Federal Way.¹⁵ The eviction filing rate is the rate of eviction filings per 100 renting households per year.¹⁶ This is distinct from the eviction rate, which is the rate of households actually evicted from their housing per 100 renting households. Nationally, the rate of eviction filings is two to three times the rate of evictions.¹⁷

In the City of Federal Way, the rate of eviction filings is highest in the southeastern portion of the city, around SW 356th St and WA-99, where the eviction filing rate between 2004 and 2017 was nearly 7%. The rate is also comparatively high, at 5.2%, in the area around 320th St and 11th Ave SW and in the area around Military Rd S and S 304th St, at 4.3%. Exhibit 14 shows the eviction filing rate by census tract in the City of Federal Way and surrounding areas.

Exhibit 14. Eviction Filing Rate by Census Tract



Source: *The Evictions Study, 2017.*

¹⁵ University of Washington. 2017. "The Evictions Study Map." Center for Studies in Demography and Ecology. <https://tesseract.csde.washington.edu:8080/shiny/evictionmaps/>

¹⁶ The Evictions Study calculates eviction filing rates by dividing the number of eviction filings in a specific geography (e.g., census tract) by the number of renting households in that area according to ACS 2013-2017 5-year estimates (<https://tesseract.csde.washington.edu:8080/shiny/evictionmaps/>).

¹⁷ Eviction Lab. 2016. "National Estimates: Eviction in America." Princeton University.

The rate of eviction filings differs by the race of the renting household, as shown in

Exhibit 15 and Exhibit 16. In the City of Federal Way, the eviction filing rate for White renters was 1.46% between 2004 and 2017. For Black renters, the rate was more than double—3.94%—over the same period. The rates for Latino and Asian renters fall in between, at 2.10% and 2.05%, respectively. The overall eviction filing rate in Federal way is similar to that of other South King County cities, such as Auburn and Kent, which have eviction filing rates of 1.92% and 2.19% respectively. The racial and ethnic disparities in these other cities follow the same pattern as in Federal Way: in both Auburn and Kent, Black renters are the most likely to experience an eviction filing and White or Asian renters are the least likely to experience one.

Exhibit 16 shows the eviction filing rate by census tract for Black and White renter households in Federal Way and surrounding areas. Higher rates of eviction filings for BIPOC households, particularly Black households, indicates that these households face a greater displacement risk and are more housing vulnerable than White households.

Exhibit 15. Eviction Filing Rate by Race in the City of Federal Way

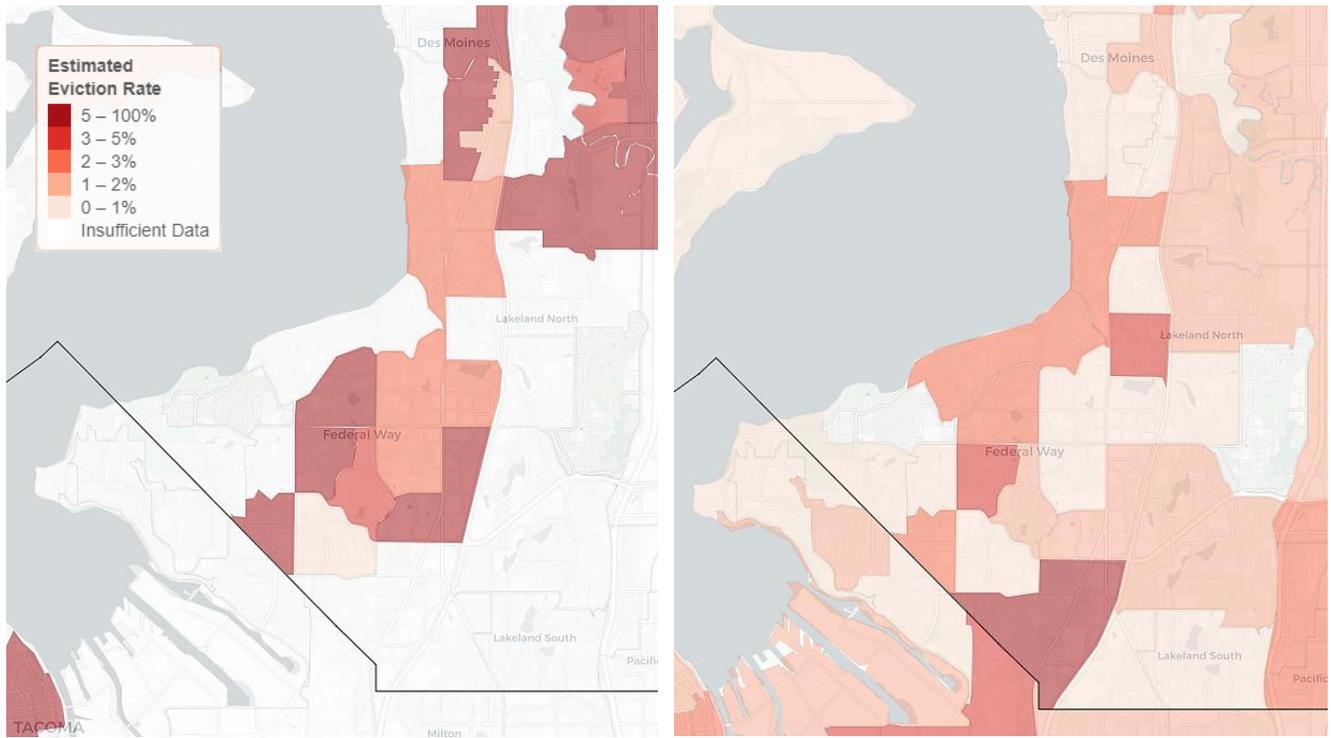
RACE OF HOUSEHOLD	EVICTION FILING RATE
Black	3.94%
Hispanic or Latino	2.10%
Asian	2.05%
White	1.46%
All	2.21%

Sources: *The Evictions Study, 2017*; *BERK, 2020*.

Exhibit 16. Eviction Filing Rates for Black and White Renter Households by Census Tract

Black Renter Households

White Renter Households



Note: Areas with fewer than 100 renting households of the specified race are omitted.
Source: The Evictions Study, 2017.

Employment Profile

Employment Profile

EMPLOYMENT AND WAGES

As of 2018, there were more than 30,000 jobs based in Federal Way. Exhibit 17 summarizes the number of jobs in Federal Way by sector, the change in the number of jobs between 2010 and 2018, median salary by sector, and percentage of jobs within each sector accessible by car and transit.

The largest numbers of jobs in Federal Way are available in the sectors of health care and social assistance (7,900 jobs), retail (4,900), accommodation and food services (3,700), and educational services (2,600).

The median annual wages in the four largest employment sectors in Federal Way—health care and social assistance, retail trade, accommodation and food services, and educational services—range between approximately \$32,000 and \$51,500.

Exhibit 18 shows the maximum housing costs that would be affordable to a household with an annual income equal to the median annual wage in these four sectors. “Affordable” here means that a household could spend up to that amount on housing costs (whether renting or owning) and not exceed 30% of their total income. Affordable monthly housing costs for such households range from \$798 to \$1,289. See the sections on

Home Values and Homeownership Affordability and Rental Housing Costs and Affordability for more details on the availability of housing that is affordable for these households.

Exhibit 17. Employment Profile and Trends by Sector in City of Federal Way

Industry (2-digit NAICS Code)	Federal Way Employment Numbers				Regional Access to Employment	
	Employees (2018)	# Change (2008-2018)	% Change (2008-2018)	Median Salary (2018)	% Jobs by Auto	% Jobs by Transit
Agriculture, Forestry, Fishing and Hunting	19	14	280%	\$36,563	24%	0%
Mining, Quarrying, and Oil and Gas Extraction	22	17	340%	NA	47%	6%
Utilities	0	-8	-100%	\$93,542	24%	1%
Construction	1,085	138	15%	\$50,362	44%	1%
Manufacturing	308	-416	-57%	\$62,420	45%	1%
Wholesale Trade	1,093	302	38%	\$47,864	51%	2%
Retail Trade	4,914	-394	-7%	\$40,378	39%	3%
Transportation and Warehousing	569	106	23%	\$50,920	66%	4%
Information	105	-256	-71%	\$57,418	6%	0%
Finance and Insurance	1,424	193	16%	\$63,308	24%	2%
Real Estate and Rental and Leasing	1,024	318	45%	\$41,974	34%	3%
Professional, Scientific, and Technical Services	1,447	98	7%	\$74,257	16%	1%
Management of Companies and Enterprises	99	-2,861	-97%	\$46,319	26%	1%
Administrative and Support and Waste Management and Remediation services	913	-326	-26%	\$38,838	38%	3%
Educational Services	2,614	281	12%	\$51,543	34%	2%
Health Care and Social Assistance	7,927	2,615	49%	\$45,870	36%	2%
Arts, Entertainment, and Recreation	472	-272	-37%	\$50,625	33%	3%
Accommodation and Food Services	3,680	-84	-2%	\$31,935	36%	4%
Other Service	952	-558	-37%	\$44,544	34%	2%
Public Administration	1,772	33	2%	\$59,243	38%	3%

Sources: ECONorthwest, 2020; PSRC, 2018.

Exhibit 18. Median Annual Wage and Maximum Affordable Monthly Housing Cost in the Largest Employment Sectors, City of Federal Way

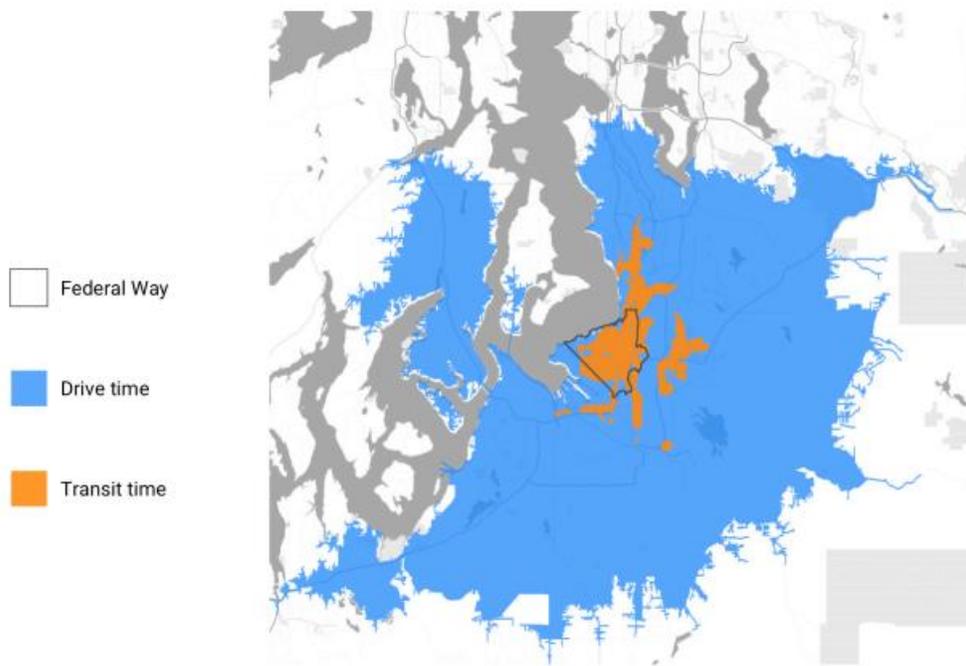
INDUSTRY	MEDIAN ANNUAL WAGE	MAXIMUM AFFORDABLE MONTHLY HOUSING COST
Health care and social assistance	\$45,870	\$1,147
Retail trade	\$40,378	\$1,009
Accommodation and food services	\$31,935	\$798
Educational services	\$51,543	\$1,289

Sources: ECONorthwest, 2020; PSRC, 2018, BERK, 2020.

TRAVEL TO WORK

Federal Way is located within the Seattle-Tacoma-Bellevue metropolitan area, and residents from Federal way are employed in cities throughout the area. Exhibit 19 shows the locations that are accessible from Federal Way within 45 minutes by transit and car during normal commute times. Under existing traffic and transit conditions, most areas of Federal Way and some of the surrounding cities are accessible within 45 minutes by transit, but the major employment centers of downtown Seattle and Tacoma can only be reached by car within the same timeframe.

Exhibit 19. Map of Locations Within 45-minute Commute of Federal Way

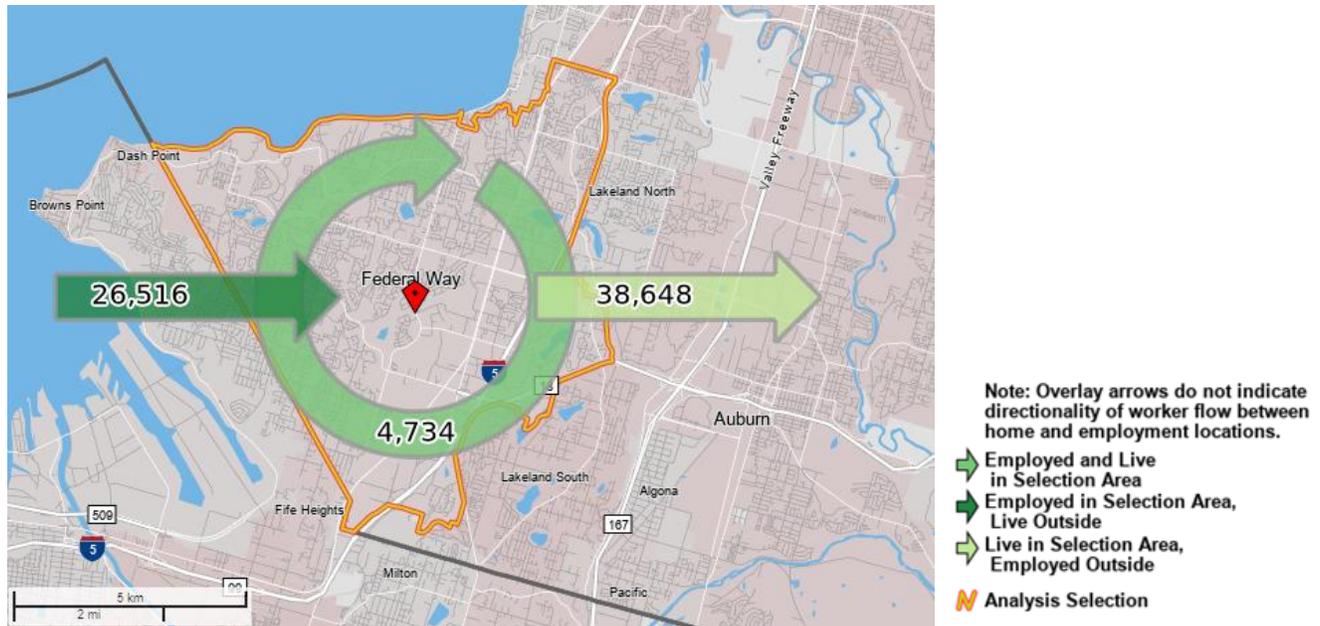


* Transit and drive time of 45 minutes, departing at 8:00 AM, midweek

Sources: ECONorthwest, 2020; PSRC, 2018.

Exhibit 20 shows the inflow and outflow of employees for all jobs in Federal Way in 2017. A larger number of people leave Federal Way for work than commute into the city from another location. Nearly 39,000 Federal Way residents are employed outside of Federal Way.

Exhibit 20. Inflow/Outflow Counts of Jobs for City of Federal Way



Source: U.S. Census OnTheMap, 2017.

Federal way is highly connected to employment centers in Seattle, Tacoma, and Bellevue. Some households live in Federal Way because it is relatively affordable in comparison with housing available in those employment centers. As housing costs increase in these major urban centers, lower income households located in Federal Way and other areas, where housing costs are still comparatively lower. This regional movement can further exacerbate existing shortages of housing units in Federal Way and other suburban South King County cities and contribute to displacement of existing residents, particularly those with lower incomes.

In addition, Sound Transit is working on the extension of light rail service to Federal Way, with service planned to begin in 2024. Two stations will serve Federal Way, one at the Federal Way Transit Center and one at South 272nd Street. The light rail line will provide service to and from Seattle including stops in SeaTac and Kent/Des Moines. It may also impact the cost and desirability of housing in areas near the station areas. Without providing additional housing in these areas, the increased demand for housing near transit can increase housing costs. This increases cost burden and increases the likelihood that current residents are economically displaced.

One way to address this challenge is by encouraging more transit-oriented development (TOD). This means allowing neighborhoods with a mix of higher-density residential and commercial development to be built nearby to new light rail stations. TOD provides more opportunities for households to live near transit, as well as a greater variety of housing types and affordability levels. Residents of TOD are less dependent on cars for commuting and everyday trips. This lowers their transportation costs while reducing traffic and pollution for all residents citywide. TOD can also include improvements to streets, sidewalks, bike lanes, and local transit service that support access to new amenities and light rail by residents citywide.

Housing Inventory

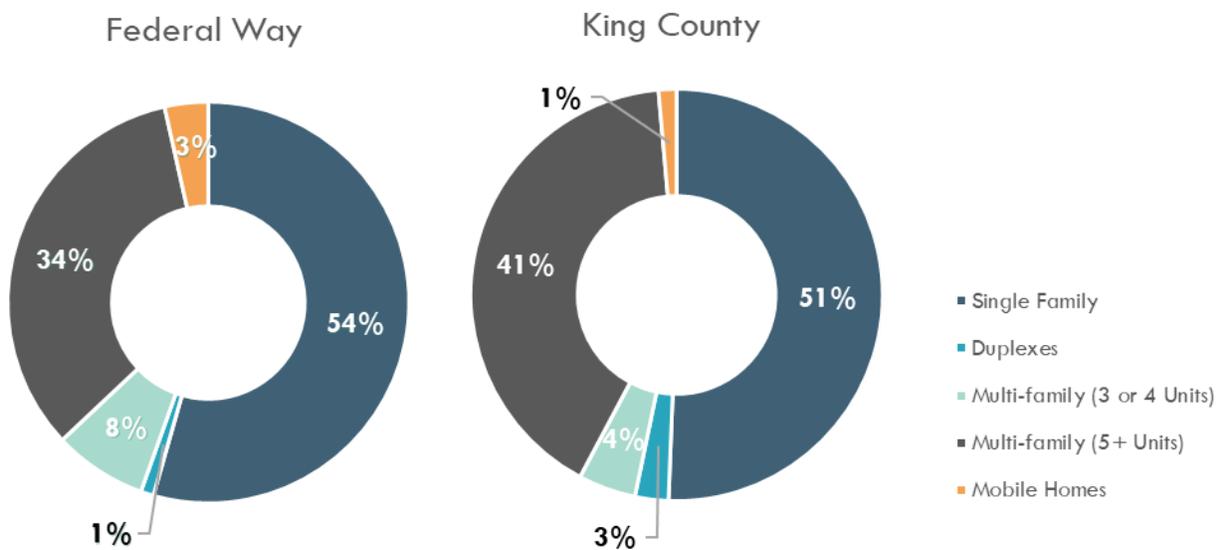
Housing Inventory

HOUSING SUPPLY CHARACTERISTICS

Housing Units by Type

As of 2019, there were an estimated 37,257 housing units in Federal Way.¹⁸ The majority of the city's housing units (54%) are single family homes, with a significant minority of units (34%) located in multifamily structures of five or more units. Federal Way has a smaller proportion of multifamily housing units than King County as a whole. While 34% of Federal Way housing units are located in multifamily buildings of five or more units, this proportion is 41% in King County as a whole. Fifty-four percent of housing units in Federal Way are single-family homes, compared with 51% in King County as a whole (Exhibit 21).

Exhibit 21. Housing Inventory by Type of Structure in City of Federal Way and King County



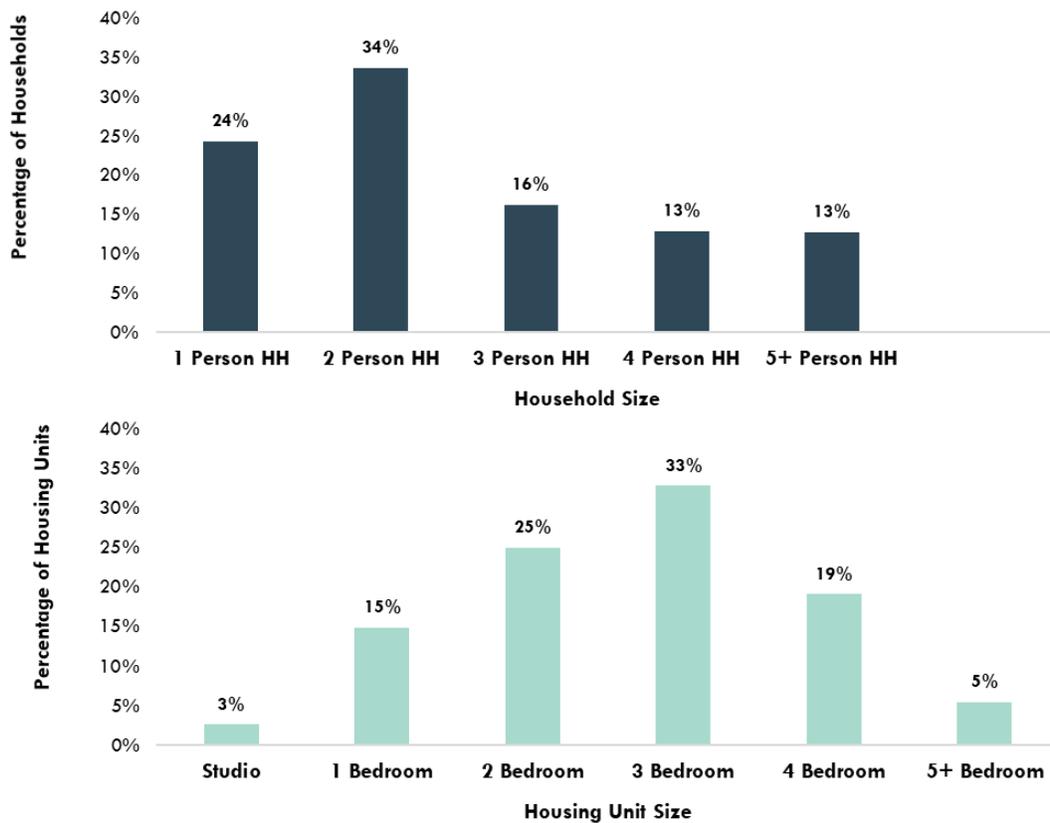
Sources: OFM, 2019; BERK, 2020.

Housing Units by Size

While most of the net gain in total households in Federal Way in recent years has been among larger households (see Exhibit 6), the majority of households are still small. Federal Way's current housing stock is not aligned well with its population in terms of unit size. As Exhibit 22 shows, the majority of households in Federal Way (56%) have one or two members, but the majority of housing units in Federal Way are built for larger households: 57% of all units have three or more bedrooms.

¹⁸ Washington State Office of Financial Management. 2020. "April 1 postcensal housing estimates." <https://www.ofm.wa.gov/washington-data-research/population-demographics/population-estimates/april-1-official-population-estimates>

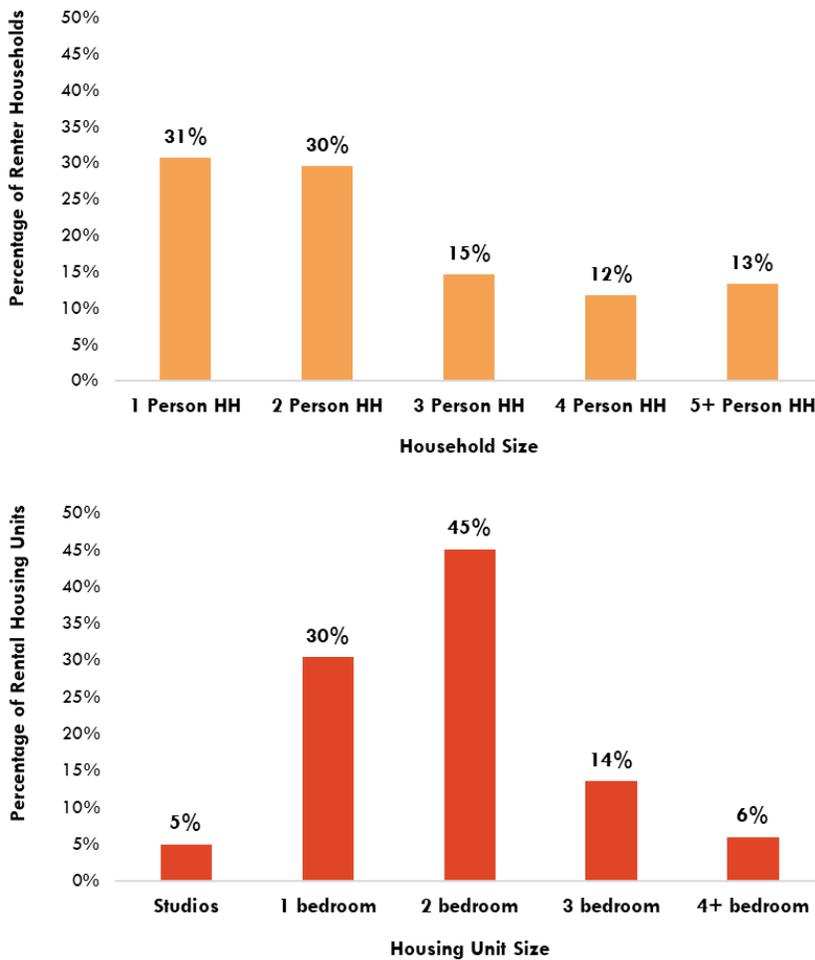
Exhibit 22. Comparison of Distributions of Housing Unit Size and Household Size



Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

It is likely that many of the larger (3+ bedroom) homes in Federal Way are occupied by households with only one or two members. For example, this can happen when there are many “empty nester” owner households living in single-family housing stock. This reduces the number of larger homes available for larger households. Exhibit 23 focuses exclusively on the alignment of the rental housing stock with renter households. This comparison shows that there is a very small number of studio units available relative to the many one-person households in Federal Way. It also shows a shortage of larger units (3+ bedroom) compared to the number of households with four or more residents.

Exhibit 23. Comparison of Distributions of Rental Housing Unit Size and Renter Household Size



Sources: CoStar, 2020; ACS 5-year Estimates, 2014-2018; BERK, 2020.

Overcrowding is another indicator that there may be a lack of attainable housing units sized for larger households.¹⁹ Larger households take many different forms and could include households with large family sizes, multigenerational households, families doubling-up to save money, or other situations. By HUD standards, a dwelling is considered overcrowded if it has a ratio of more than one person per room (PPR). The threshold for severe overcrowding is a PPR ratio of 1.5.²⁰ In Federal Way, 5.3% of households are overcrowded and 1.3% are severely overcrowded. This represents nearly 1,260 households experiencing overcrowding, with 490 of those experiencing severe overcrowding. The rate of overcrowding in Federal Way is relatively high compared to King County as a whole: countywide, 3.6% of households are overcrowded and 1.4% are severely overcrowded.²¹

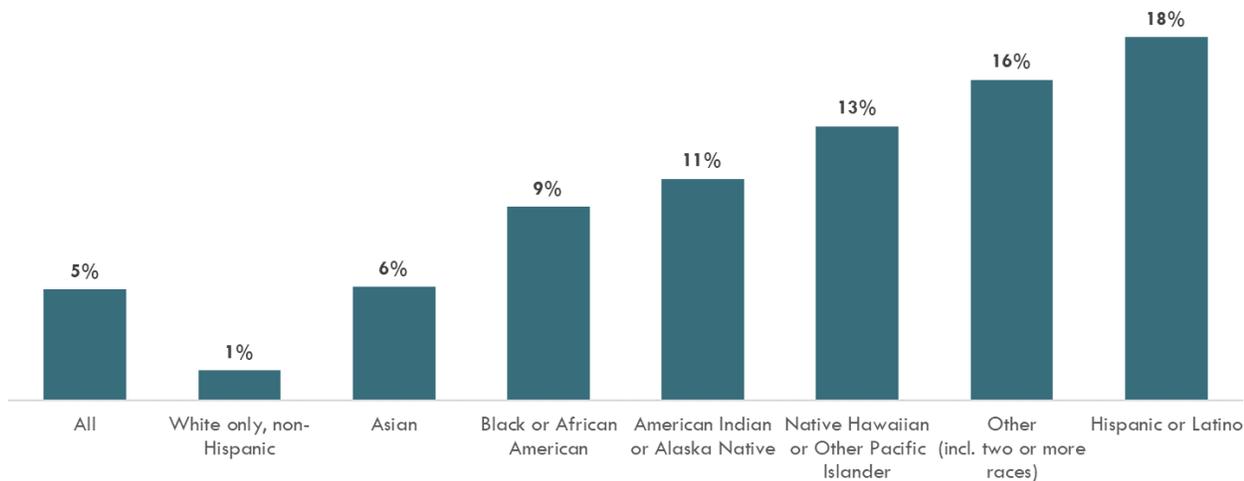
¹⁹ Overcrowding refers here to definitions set by the US Department of Housing and Urban Development. This definition may not be consistent with some cultural expectations or practices that support higher PPR (person per room) ratios. When paired with other factors, such as cost-burden and a mismatch in housing stock, measured overcrowding is a consistent indicator that the community lacks attainable housing options.

²⁰ US Department of Housing and Urban Development. 2007. *Measuring Overcrowding in Housing*. https://www.huduser.gov/publications/pdf/Measuring_Overcrowding_in_Hsg.pdf

²¹ US Census Bureau. 2014-2018. *American Community Survey 5-year Estimates*.

The likelihood of living in overcrowded housing differs by household race and ethnicity in Federal Way (Exhibit 24). White, non-Hispanic households have the lowest rate of overcrowding: just 1% of these households meet the threshold for overcrowding. In contrast, 9% of Black households, 11% of American Indian or Alaska Native households, and 13% of Native Hawaiian or other Pacific Islander households are considered overcrowded. Households with the greatest likelihood of overcrowding are Hispanic or Latino households of any race (18% are overcrowded) and households of some other race (16% are overcrowded).²²

Exhibit 24. Overcrowding in Federal Way Households, by Race/Ethnicity



Note: All categories except “Hispanic or Latino” and “White only, non-Hispanic” include households of both Hispanic and non-Hispanic ethnicity.

Sources: American Community Survey B25003, 2014-2018; BERK Consulting, 2020.

HOMEOWNERSHIP

Exhibit 25 shows homeownership by race and ethnicity of householder. As of 2018, there were 19,463 owner-occupied housing units in the City of Federal Way.²³ Two-thirds (67%) of White, non-Hispanic householders²⁴ in Federal Way are homeowners, compared with only 42% of BIPOC householders. Exhibit 26 provides further detail on homeownership rates by race and ethnicity in Federal Way. Homeownership rates among non-Hispanic White households, American Indian or Alaska Native households, and Asian households are higher than the citywide homeownership rate for all households (56%). In contrast, households of some other race (including multiracial households), Black households, Hispanic households, and Native Hawaiian or other Pacific Islander households have homeownership rates lower than the citywide rate.

²² Reporting for the American Community Survey data in this chart includes a limited number of racial and ethnic categories for respondents to select. Those who do not fully identify with these categories may chose either “some other race” or “two or more races.” Those categories have been collapsed into the “other” identity category in Exhibit 24.

²³ US Census Bureau. 2018. *American Community Survey 5-year Estimates*.

²⁴ The Census summarizes households by the race and ethnicity of the “householder,” which they define to be “the person (or one of the people) in whose name the housing unit is owned or rented (maintained) or, if there is no such person, any adult member, excluding roomers, boarders, or paid employees.” (<https://www.census.gov/programs-surveys/cps/technical-documentation/subject-definitions.html>)

Black and Hispanic households, which together represent nearly a quarter of Federal Way households, are substantially less likely to be homeowners than White, non-Hispanic households: 35% of Black households and 30% of Hispanic households (or any race) are homeowners.

BIPOC households face many barriers to homeownership beyond affordability, including both overt and covert discrimination. The history of racially discriminatory housing policies and practices in the US is extensive, pervasive, and still profoundly impacts access to housing and homeownership in communities of color.²⁵ Laws, policies, and practices implemented by governments at the federal, state, and local level have contributed to racial disparities in homeownership rates, home values, levels of opportunity in different neighborhoods, and much more. This includes actions such as the Federal Housing Administration (FHA)'s decades-long practice of not insuring mortgages for Black homeowners, the Supreme Court's 1926 ruling that it was constitutional to enforce racially restrictive covenants (which prohibited homeowners from selling their home to Black buyers and other racial and ethnic minorities), and the building of racially-segregated public housing projects by the federal government and local housing authorities.²⁶ A major consequence of this history was the inability of many BIPOC households to gain wealth through homeownership and pass on that wealth through the generations.²⁷

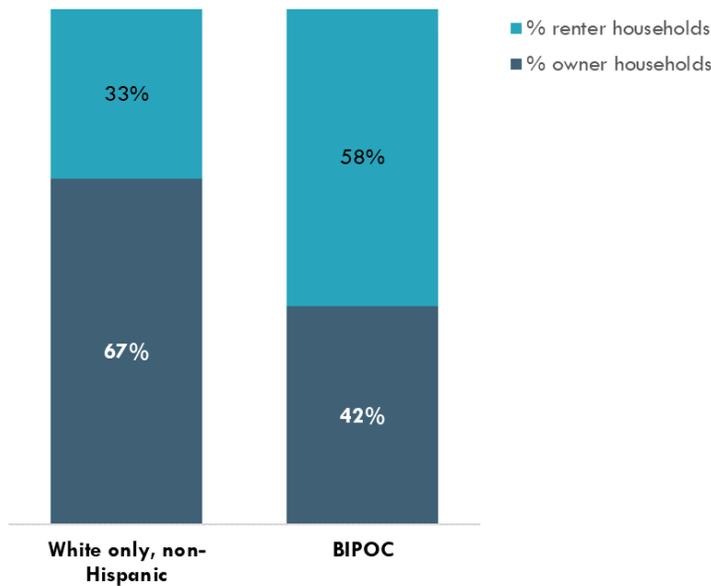
The historical and current impacts of racially discriminatory housing policies means BIPOC households may be less likely to be homeowners even if they meet the income thresholds necessary to own a home in Federal Way. While homeowner education programs are available in Federal Way, none are proactively working in BIPOC communities to address the disparity. There is also a lack of programs to support new affordable homeownership opportunities among BIPOC households. There are many options for the city to address these disparities through regulatory changes, partnerships, funding, and regional collaboration.

²⁵ There is an extensive body of literature on the history of and current practice of racially discriminatory housing policy in the United States, which this HAP is not positioned to fully summarize. Starting points for further exploration into this body of work include Richard Rothstein's *The Color of Law: A Forgotten History of How Our Government Segregated America* (Liveright, 2017), John Yinger's *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination* (Russell Sage Foundation, 1995), and the Urban Institute's *Exposing Housing Discrimination* research repository (<https://www.urban.org/features/exposing-housing-discrimination>), to name a few.

²⁶ Rothstein, R. (2017.) *The Color of Law: A Forgotten History of How Our Government Segregated America*. New York, NY: Liveright.

²⁷ Goodman, L.S., & C. Mayer. (2018.) Homeownership and the American Dream. *Journal of Economic Perspectives*, 32(1), 31-58.

Exhibit 25. Homeownership by Race and Ethnicity of Householder in City of Federal Way



Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

Exhibit 26. Homeownership Rates by Race/Ethnicity in City of Federal Way

Race/Ethnicity	Homeownership Rate (households)
White	67%
American Indian or Alaska Native	64%
Asian	63%
All Households	56%
Other (including multiple races)	38%
Black or African American	35%
Hispanic or Latino, any race	30%
Native Hawaiian or Other Pacific Islander	22%

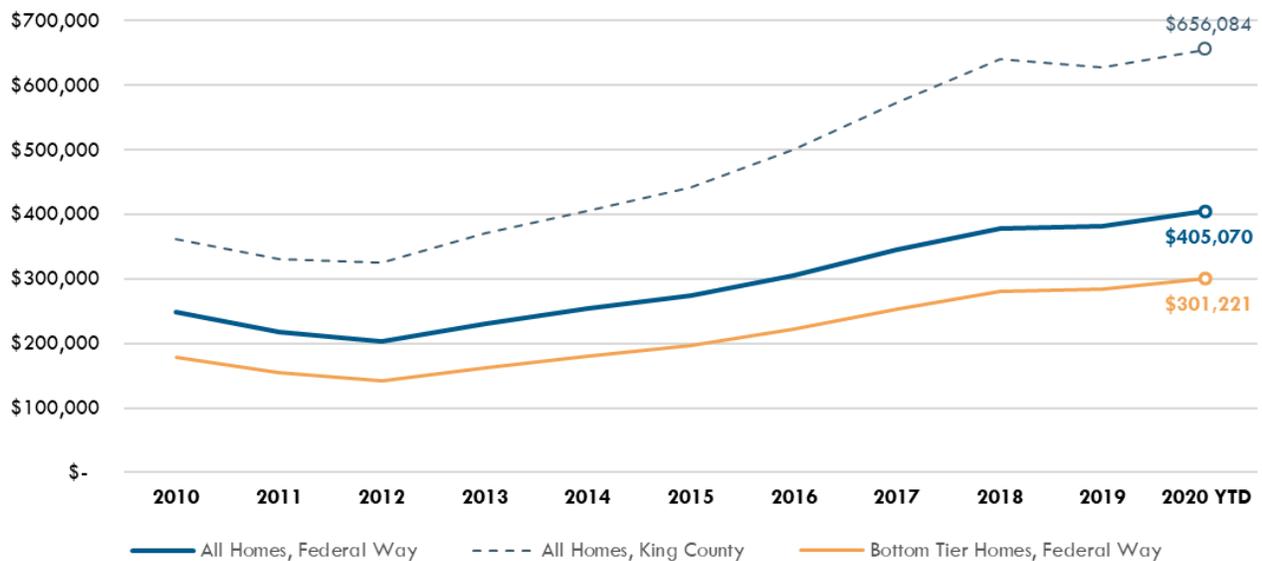
Note: The American Indian or Alaska Native and Native Hawaiian or Other Pacific Islander categories are based on samples that are substantially smaller than the samples for other racial groups, and thus the estimated homeownership rates for these groups have larger margins of error than the estimates for other racial groups.

Sources: ACS 5-year Estimates, 2014-2018; BERK, 2020.

Home Values and Homeownership Affordability

In 2020, the median sale price for homes in Federal Way was \$414,700, an increase of 96% from 10 years earlier, when the median sales price was \$211,600.²⁸ Exhibit 27 shows the change in the Zillow home value index (ZHVI) which reflects seasonally-adjusted home values in Federal Way and King County between 2010 and 2020. The ZHVI for all homes reflects the median value for homes that fall within the 35th to 65th percentile range, while the ZHVI for “bottom tier” homes reflect the typical value for homes in the 5th to 35th percentile range.

Exhibit 27. Zillow Home Value Index (ZHVI) for Federal Way and King County



Sources: Zillow, 2020; HUD, 2020; BERK, 2020.

While the value of the median home in Federal Way is lower than in King County as a whole, homes in both Federal Way (including bottom tier homes) and King County as a whole have experienced a similar trajectory of increasing value over the last eight years.

In order to afford a median-value home in Federal Way, a household would need an income of at least \$96,153, slightly above 80% of AMI for a 4-person household.^{29 30} To afford a “bottom tier” home, a household would need an income of at least \$71,507, or slightly above 60% of AMI (Exhibit 28).³¹

Since incomes in Federal Way are considerably lower than that of the HUD metro area, homeownership is out of reach for the majority of all Federal Way households. With a household income of \$66,653, the median household in Federal Way could not afford a median home or bottom tier home in the city

²⁸ ECONorthwest. 2020. *Federal Way: South King County Sub-Regional Housing Action Plan Framework*. Original data from Zillow, 2020.

²⁹ Sources: City of Seattle Office of Housing, 2020; Freddie Mac, 2020; HUD, 2020; City of Federal Way, 2020; King County Assessor’s Office, 2020; Zillow Home Value Index, 2020; BERK calculations, 2020.

³⁰ These calculations assume a down payment equal to 3.5% of the sale price of the home. This is the minimum down payment necessary to receive a Federal Housing Association (FHA) home loan. These calculations include mortgage payments, mortgage insurance, property taxes and fees, and homeowners’ insurance. They do not include utility payments or home upkeep costs, which can vary and are not necessarily tied to home sale price or value.

³¹ Zillow data groups all homes in Federal Way into three tiers based on home value. The “bottom tier” home value represents the median home price amongst the homes in the lowest tier.

without being cost-burdened. For the median renter household in Federal Way, which has an income of \$48,629, homeownership is even further out of reach. Without additional income from some other source, the median worker in Federal Way’s four largest employment sectors (health care, retail, accommodation and food service, and education) would be unable to afford a median home or a bottom tier home.

Since 2010, the value of the median home in Federal Way increased by 63%, while the AMI increased by 32% (Exhibit 29). Increases are even steeper among bottom tier homes, with the median value of a bottom tier home increasing by 69% over the same period. As median home values and median incomes diverge over time, homeownership is falling further out of reach for many Federal Way residents.

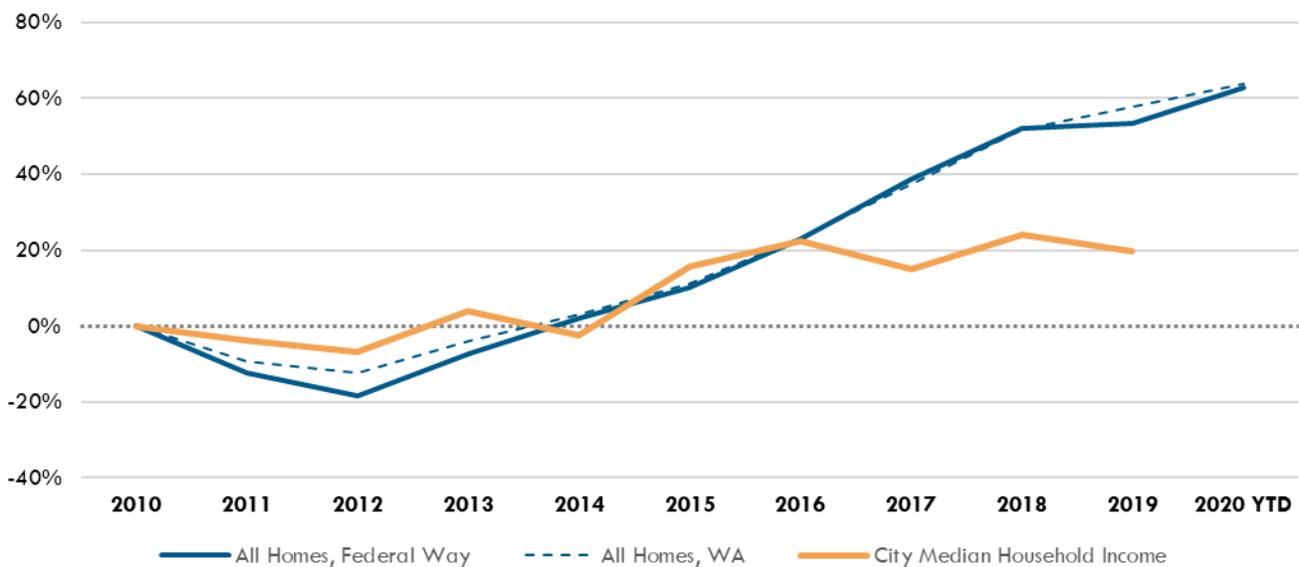
Exhibit 28. Homeownership Affordability in the City of Federal Way

	MEDIAN HOME VALUE	3.5% DOWN PAYMENT	ANNUAL INCOME NEEDED TO AFFORD FOR A FAMILY OF 4 (ASSUMING ACCESS TO 3.5% DOWN PAYMENT)
Median Home	\$405,070	\$14,177	\$96,153 (80% of AMI is \$95,520)
Bottom Tier Home	\$301,221	\$10,543	\$71,507 (60% of AMI is \$71,640)

Note: ZHVI represents the whole housing stock and not just the homes that list or sell in a given month. Median home value is the median value of all homes (single family residential and condos) in 2020 as of February 2020. Indicated AMI values are for a 4-person household.

Sources: Zillow Home Value Index (ZHVI), February 2020; BERK, 2020.

Exhibit 29. Percent Change in Home Value and City Median Income



Sources: ACS 1-year Estimates, 2019; Zillow, 2020; BERK, 2020.

Reducing the gap in homeownership requires bringing the home value and household income curves (the blue and yellow lines in Exhibit 29) closer together. Information gathered from stakeholder interviews and discussion groups suggests that even small increases in density can reduce the cost of housing by reducing land costs per unit. Cottages or townhomes, which can develop multiple units on a single-family lot, may provide attainable homeownership opportunities. Rental fees from duplex and accessory dwelling units may also provide income to support homeownership opportunities, while also expanding the rental housing supply.

RENTAL HOUSING

In 2018, there were an estimated 15,460 renter households in the City of Federal Way.

Rental Housing Costs and Affordability

Exhibit 30 shows the average rent for housing units in multifamily buildings in Federal Way during the third quarter of 2020. It also shows the level of income that a household would need to afford that average rent without being cost-burdened. The average market-rate rent for a two-bedroom apartment in the City of Federal Way was \$1,510, a 69% increase from 2010, when the average rent for a two-bedroom apartment was \$894.³² To afford the average rent for a two-bedroom apartment in Federal Way, a household would need to have an income of \$60,400, or about 51% of AMI, after adjusting for household size. Affordability level is similar for other unit sizes, with three-bedroom units being slightly less affordable at 55% of AMI.

Without additional income from some other source, the median worker in Federal Way’s four largest employment sectors (health care, retail, accommodation and food service, and education) would be unable to rent an average two-bedroom or three-bedroom unit. The median education worker could afford on average studio or one-bedroom unit and the median health care worker could afford an average studio, but median workers in retail and accommodation/food service would be unable to rent even an average studio apartment.

Exhibit 30. Average Rent and Affordability Level by Rental Unit Size

	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Average Rent	\$1,039	\$1,246	\$1,510	\$1,804
Annual Income Needed to Afford	\$41,560	\$49,840	\$60,400	\$72,160
Affordability Level* (% of AMI)	49%	49%	51%	55%

Note: Affordability Level adjusted for assumed household size consistent with HUD Income Limits methodology, third quarter, 2020.

Sources: CoStar, 2020; HUD, 2020; BERK, 2020.

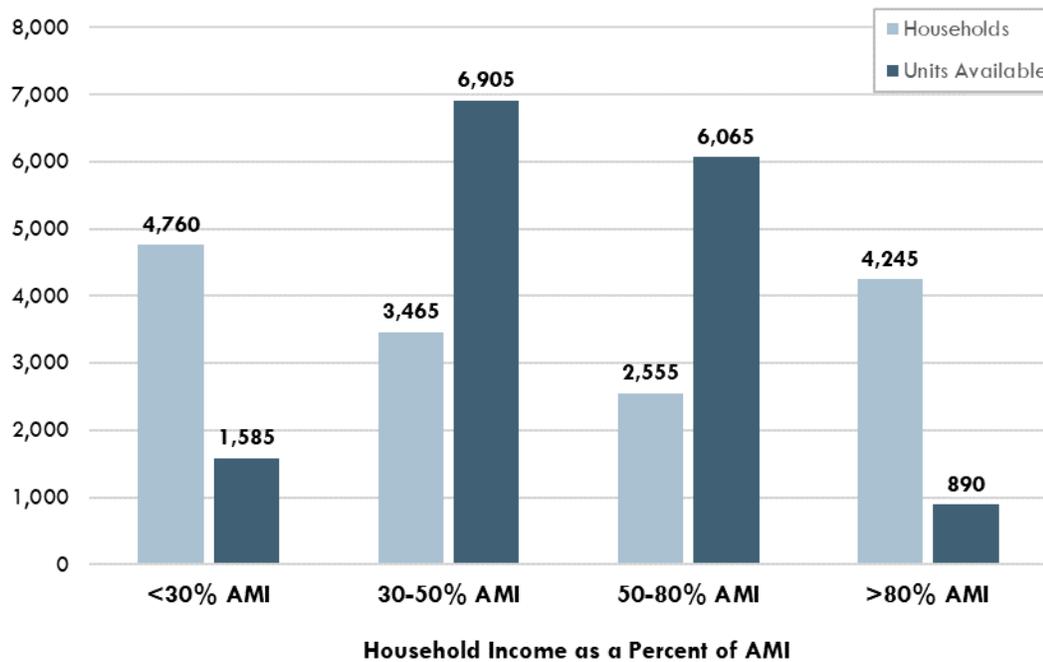
³² The 2020 average rent includes only market-rate rental units and excludes units that are restricted to seniors. The market-rate average rent represents the costs that a typical renter would face when seeking to rent a unit on the open market. The market-rate average is higher than the average rent for all 2-bedroom units—\$1,343—which is listed in the *South King County Sub-Regional Housing Action Plan Framework 2020*, produced by ECONorthwest (2020). This later average includes subsidized units.

Exhibit 31 shows the distribution of renter households and affordable rental housing by AMI grouping (income level) in Federal Way. There is a misalignment between the distribution of costs for rental housing and the incomes of renter households in Federal Way. While 25% of renter households have incomes that are 30% or less of AMI, just 13% of rental units are affordable to households in this income category.

While the percentage of rental units affordable to individuals with incomes between 30 and 80% of AMI (84%) exceeds the percentage of renter households in this range (64%), there is a shortage of units at the higher-cost end of the market. Eleven percent of renter households have incomes greater than 100% of AMI, but just 2% of rental units fall into the category of affordable for this income group. This means that most renters at this income level are renting units at costs substantially below the maximum they can afford. This reduces the number of units affordable and available to households at lower income levels, putting further pressure on the lower-cost end of the rental market.

Increases in the housing supply at both the lower and higher ends of the market would benefit the community as a whole by providing households with a range of incomes options for attainable housing.

Exhibit 31. Distribution of Renter Households by Income Level and Rental Units by Affordability

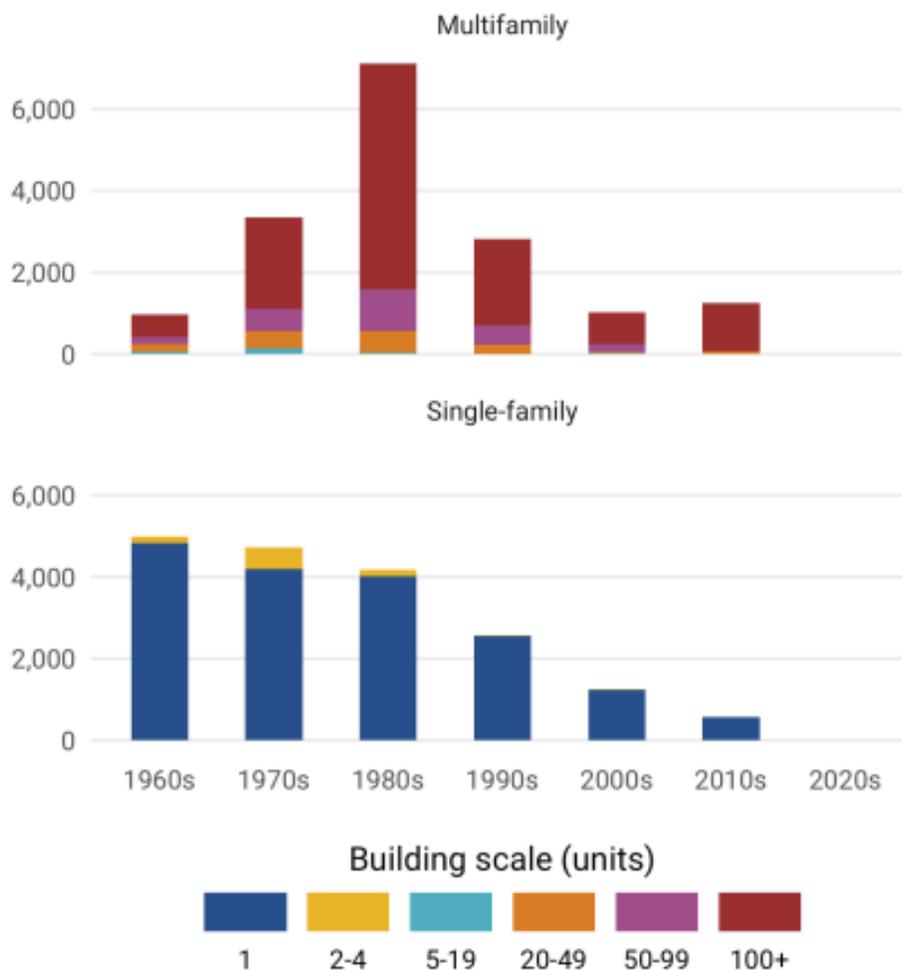


Sources: ECONorthwest, 2020; PUMS, 2018; BERK, 2020.

HOUSING PRODUCTION

Since 2011, 1,813 new housing units have been built in the City of Federal Way.³³ The majority of new housing units built in the last decade have been in large multifamily housing developments of 100+ units. Most housing units in the city were built in the 1980s or earlier, including more than half of units in multifamily buildings (Exhibit 32). Federal Way experienced a boom in housing production in 2016 and 2017, with nearly 1,200 new housing units built across those two years, as shown in Exhibit 33. Most of those new units were in larger multifamily buildings. Since then, new construction has slowed, with just over 300 units built in 2018 and 2019 combined.

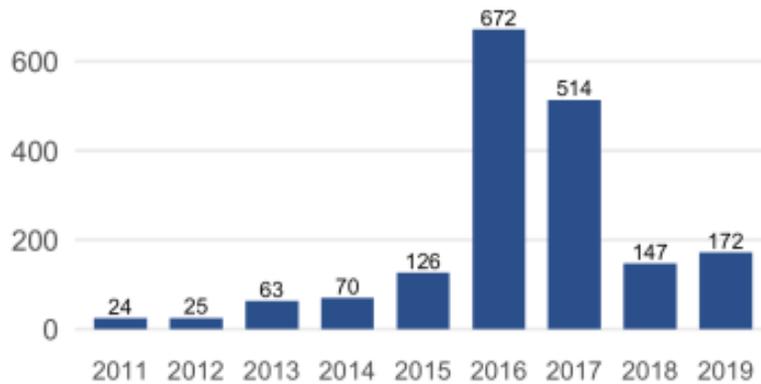
Exhibit 32. Housing Units by Decade Built and Building Scale in City of Federal Way



Sources: ECONorthwest, 2020; King County Assessor's Office, 2020.

³³ ECONorthwest. 2020. *Federal Way: South King County Sub-Regional Housing Action Plan Framework*. Original data from OFM, 2019.

Exhibit 33. New Housing Units Built by Year* in Federal Way



Note: OFM summarizes annual housing production beginning April 2 of the previous year (So 2019 represents net new housing built between April 2, 2018 and April 1, 2019).

Sources: OFM, 2019; ECONorthwest, 2020.

Exhibit 34 shows annual permit activity by housing type, with a surge of permit activity for larger multifamily projects seen between 2014 and 2016. This activity tapers off in 2017, with essentially no new multifamily permits in 2018 or 2019.³⁴ One likely explanation for this sharp reduction in multifamily permits was the one-year moratorium on new apartment complexes passed in June 2016 and a significant increase in school impact fees. These fees significantly increased the costs to develop new apartments in Federal Way compared to neighboring jurisdictions.

It is also worth noting that there is little variety in the production of housing types in Federal Way. While there was a spike in larger apartment complex construction and a steady production of single-family homes, intermediate development types such as duplexes and smaller-unit multifamily types remained a relatively small part of new housing construction.

Qualitative information from housing stakeholders identified potential gaps in production related to current codes and processes.³⁵ Under current zoning, development professionals consider Federal Way to be nearly “built out.” Zoning and development regulation and process changes identified in interviews that could make Federal Way attractive for new development include:

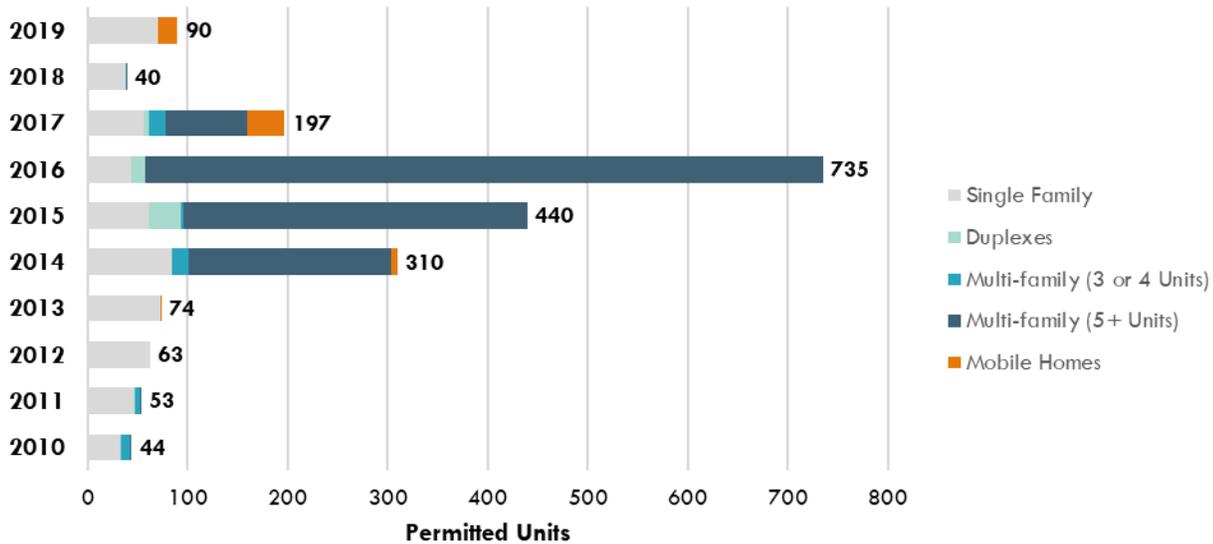
- Transit-oriented development – encouraging the highest densities around the future light rail stations.
- Expanding allowances for accessory dwelling units in single-family areas.
- Identifying areas where density can be increased for infill housing types such as duplexes, triplexes, townhomes, and cottages.

³⁴ Note that OFM tracks permit activity by years starting on April 2 of the previous year and ending on April 1. So much, if not all, of the building and permit activity shown in 2017 in Exhibit 33 and Exhibit 34 could have occurred in 2016.

³⁵ As part of the Housing Action Plan, there will be a report that specifically identifies gaps and barriers in the Federal Way Municipal Code. This summary identifies qualitative information on housing supply needs, but these issues will be fully assessed as part of the Policy Environment Review.

The production of diverse types can have multiple benefits for a community. Duplexes may be a way to add additional units while maintaining single-family character. Multiplexes may provide attainable housing across a variety of incomes. These types may also help fill the need for smaller unit types and provide step-up or step-down housing for families seeking first-time homeownership or older adults seeking to age in place.

Exhibit 34. Annual Permitted Housing Units by Housing Type in Federal Way



Note: OFM summarizes annual housing permit activity beginning April 2 of the previous year (so 2019 represents permit activity between April 2, 2018 and April 1, 2019).

Sources: OFM, 2019; BERK, 2020.

SUBSIDIZED HOUSING

Regulated affordable housing includes units that are income-restricted or rent-restricted. They are typically restricted to households that have incomes of less than 30%, 50%, 60% or 80% of AMI, depending on the building, project, or unit. As of 2019, Federal Way had a total of 3,393 regulated affordable housing units, representing about 17% of the city’s total apartments. In comparison, 19% of all apartments in South King County as a whole are regulated affordable units.³⁶

³⁶ ECONorthwest. 2020, 15 July. “South King County Subregional Housing Action Framework – Task 2 Housing Context Assessment Methods Memo.”

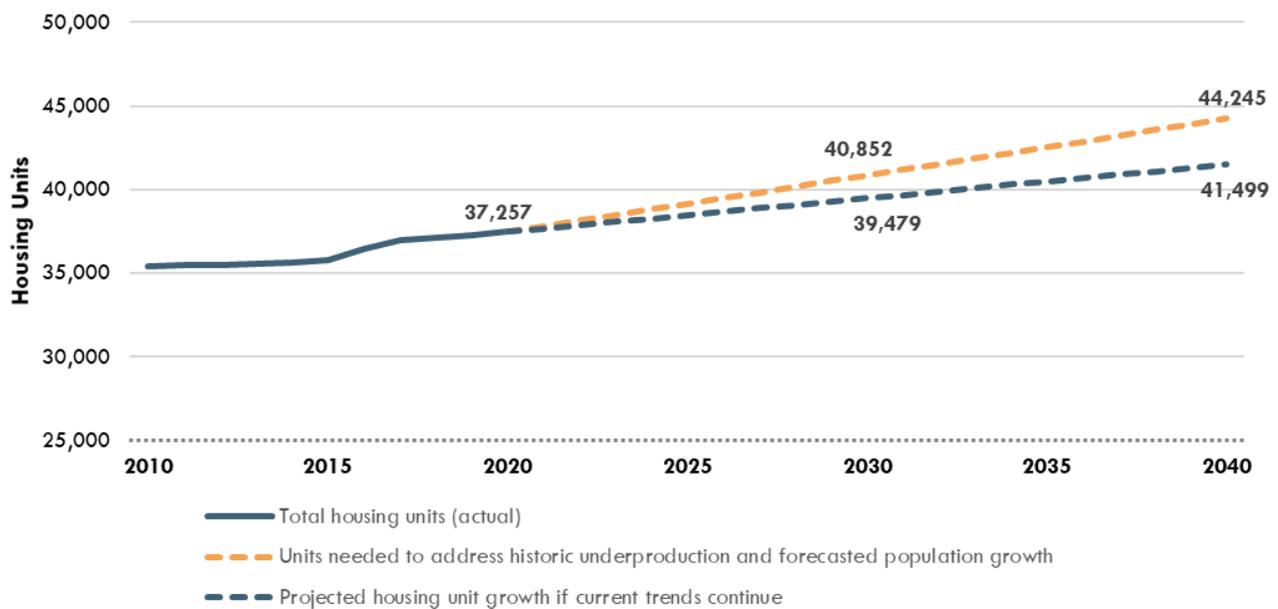
Gap Analysis

Gap Analysis

HOUSING NEEDED TO ACCOMMODATE FURTHER GROWTH

PSRC projects that Federal Way’s population will grow to 106,571 by year 2040, or about 451 new residents per year.³⁷ In the Sub-Housing Action Plan Framework, ECONorthwest estimates that the City will need to add 6,786 new housing units to accommodate this population growth and account for past underproduction.³⁸ This equates to an average production of 339 additional units each year,³⁹ a steep increase from the 202 units per year build between 2011 and 2019.⁴⁰ The city would need a 68% increase in annual housing production to accommodate the growth projected by PSRC. Exhibit 35 shows the historical level of housing production compared to the forecasted needs.

Exhibit 35. Historical Housing Production in Federal Way Compared to Forecasted Needs



Sources: ECONorthwest, 2020; OFM, 2020; PSRC, 2017; BERK, 2020.

Exhibit 36 estimates the number of new units needed by affordability level, with housing needs seen across the income spectrum. About a third of all units needed are for households with incomes below 50% of AMI. New housing at this affordability level will almost certainly require subsidy. On the other end of the income spectrum, the city needs to add over 2,900 new units affordable to households with incomes above 80% of AMI. This analysis indicates that many of these units could be provided at market rate

³⁷ PSRC, 2017. Land Use Vision version 2. <https://www.psrc.org/projections-cities-and-other-places>

³⁸ “Underproduction” is a calculation by ECONorthwest. The methodology is described in “South King County Subregional Housing Action Framework – Task 2 Housing Context Assessment Methods Memo” (ECONorthwest, July 15, 2020)

³⁹ ECONorthwest. 2020. *Federal Way: South King County Sub-Regional Housing Action Plan Framework*. Original data from OFM, 2019; PSRC, 2017.

⁴⁰ Washington State Office of Financial Management. 2019. “Housing estimates.”

without additional subsidy. In the middle are households with incomes between 50 and 80% of AMI. While it would be unlikely that private housing developers would produce new ownership units at this affordability level, they could produce rental units affordable to many of these households. The likelihood of them doing so would depend on policies and regulations that impact the cost of housing development in Federal Way.

Housing preservation may also be an important strategy in Federal Way. As housing costs rise, the existing stock of market-rate homes affordable at lower income levels could diminish significantly. Furthermore, many subsidized units could expire in coming years. The City could work with partners to purchase and preserve these units to maintain their affordability and reduce the risk of displacement.

Exhibit 36. Total Additional Housing Units Needed in 2040 by Affordability Level (% of AMI)

AMI	# of Units	% of Units
0-30%	950	14%
30-50%	1,289	19%
50-80%	1,629	24%
80-100%	814	12%
100%+	2,104	31%

Sources: OFM, 2019; PSRC, 2017; ECONorthwest Calculation, 2020.

This analysis also indicates a need for more smaller-scale housing units, such as studios or accessory dwelling units, to help accommodate the community’s large number of one-person households. Additionally, Federal Way has seen a steep increase in the number of large households with four or more members. Many of these households are renters, and there is a need for more large apartments and rentals to accommodate these residents.

In addition to needing an increased number of units, stakeholders underscored the need for community-building to accompany housing production. New housing alone does not provide the services and quality of life needed to sustain Federal Way’s households. Access to quality education, health care, supportive services, childcare, parks and recreation, and mental healthcare will support quality of life for all residents, with the greatest impact on households living below median incomes. Strategies to plan for and incentivize complete neighborhoods that include opportunity and space for community building were noted as an important development gap.