



Committed Leaders.
Shared Vision.
Greater Good.



JPMORGAN CHASE & Co.



NORDSTROM

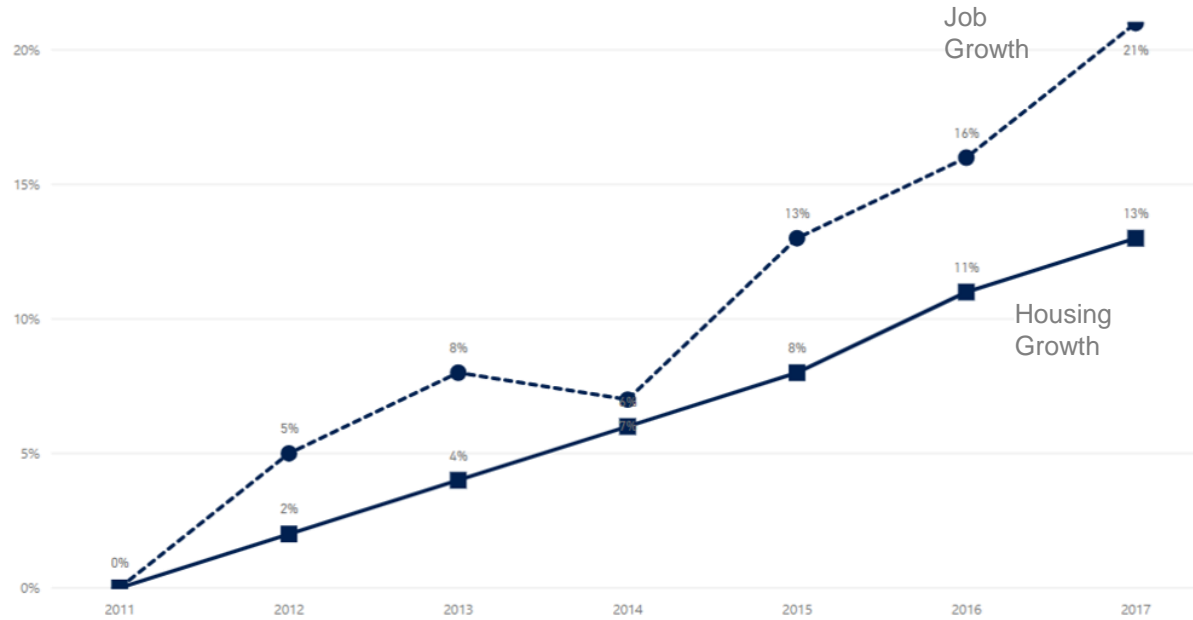
THE INVISIBLE CRISIS:
A Call to Action on
Middle-Income Housing
Affordability



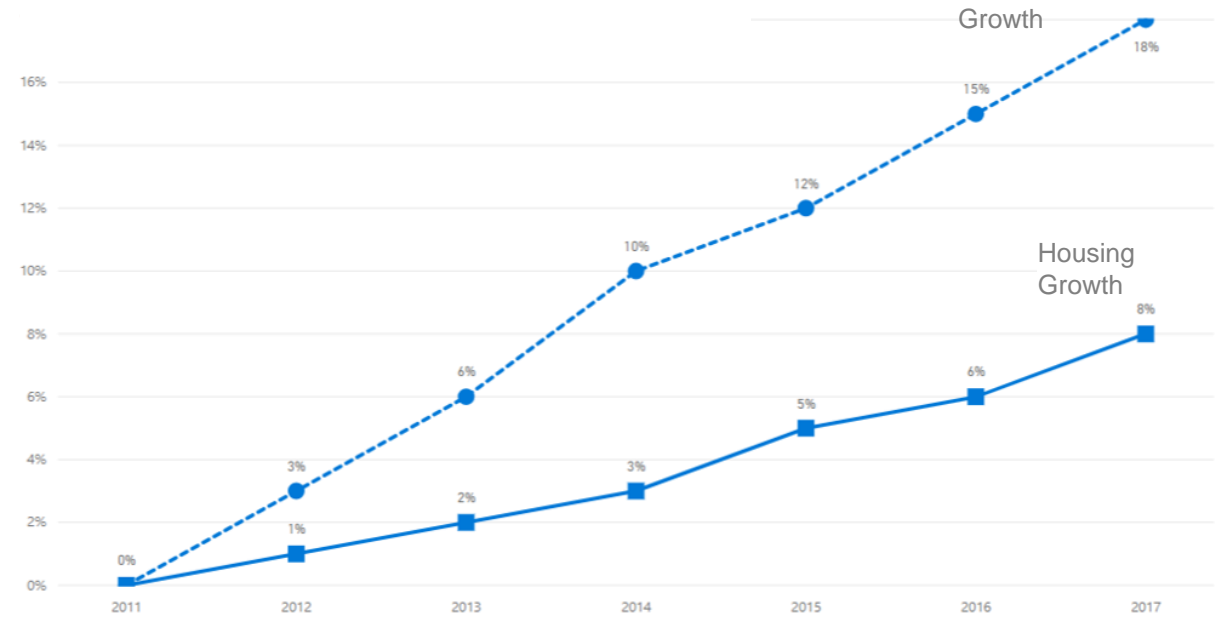
The Problem:

Housing stock growing slower than jobs; gap is larger outside Seattle

Jobs vs Housing Growth – Seattle & 9 KC cities



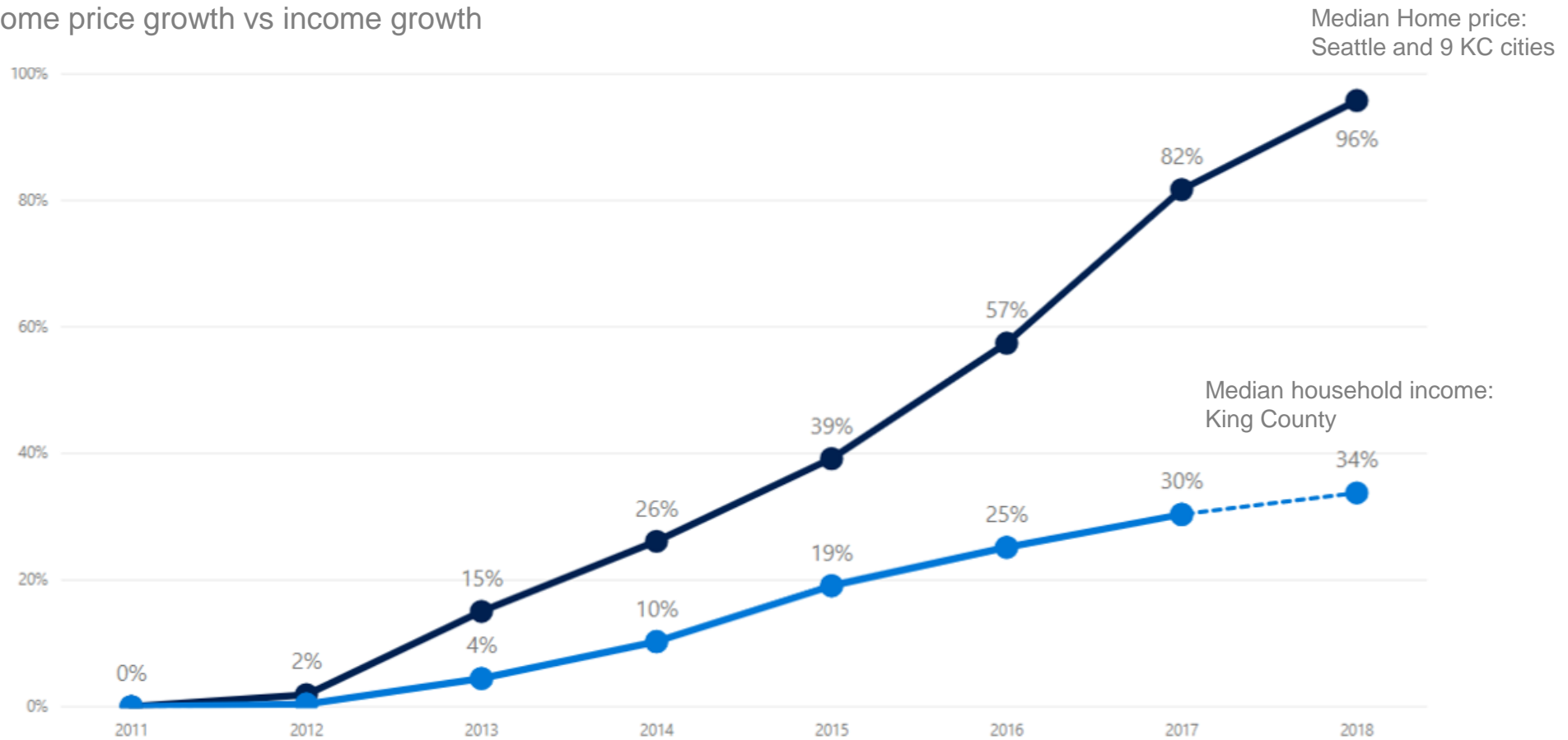
Jobs vs Housing Growth – 9 KC cities (not Seattle)



The Problem:

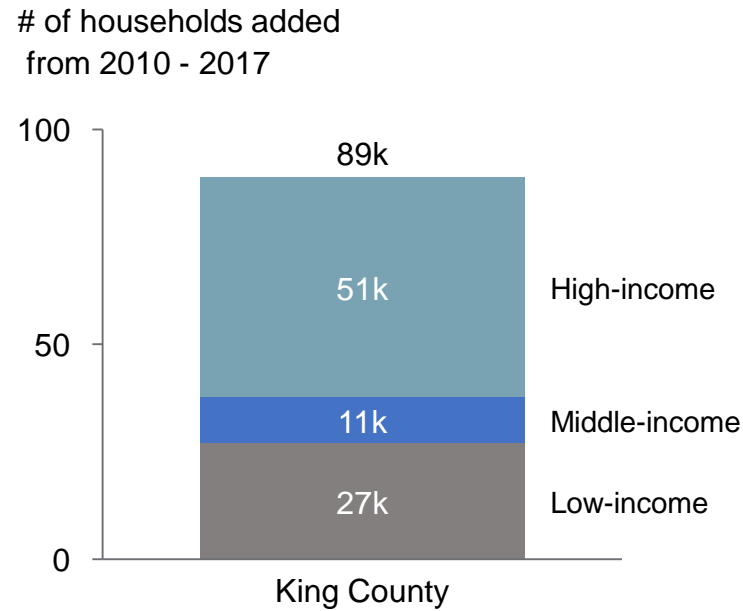
As a result, median home prices outpacing incomes...

Home price growth vs income growth



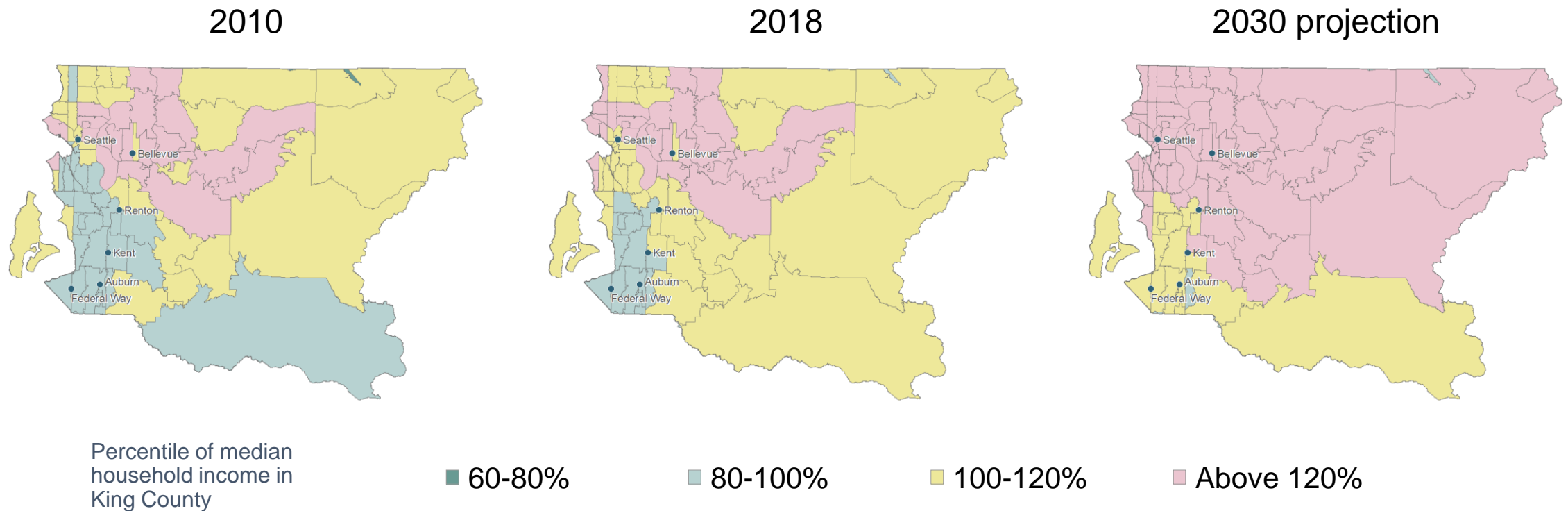
...which is crowding out middle income households

The bulk of KC's population growth has been in high-income households...



Renting a place to live is quickly moving out of reach for middle-income households...

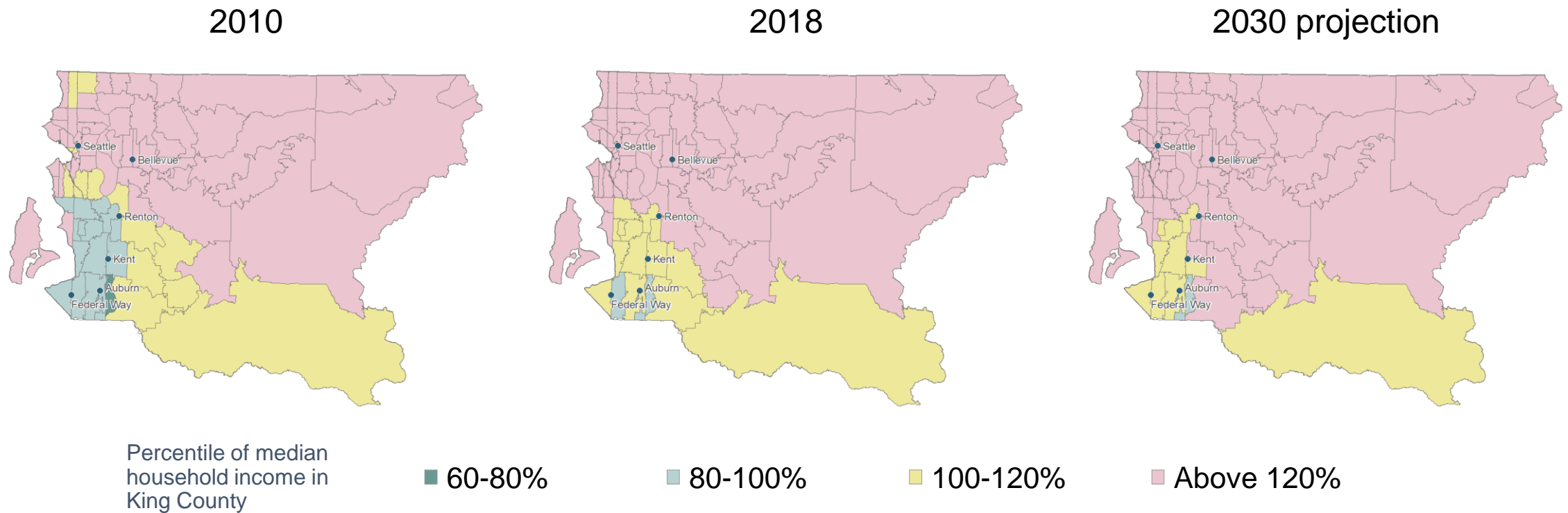
Income level required to afford median rent by zip code



Note: Affordable payment assumes household avoids being housing cost burdened, spending less than 30% of monthly income on housing. Broader region median household income used for analysis, calculated as a population weighted average of King, Pierce, and Snohomish counties
Source: U.S. Census Bureau; American Community Survey; Zillow.com/research/data; BCG analysis

...while those wishing to own are already priced out.

Income level required to afford to buy the median priced home

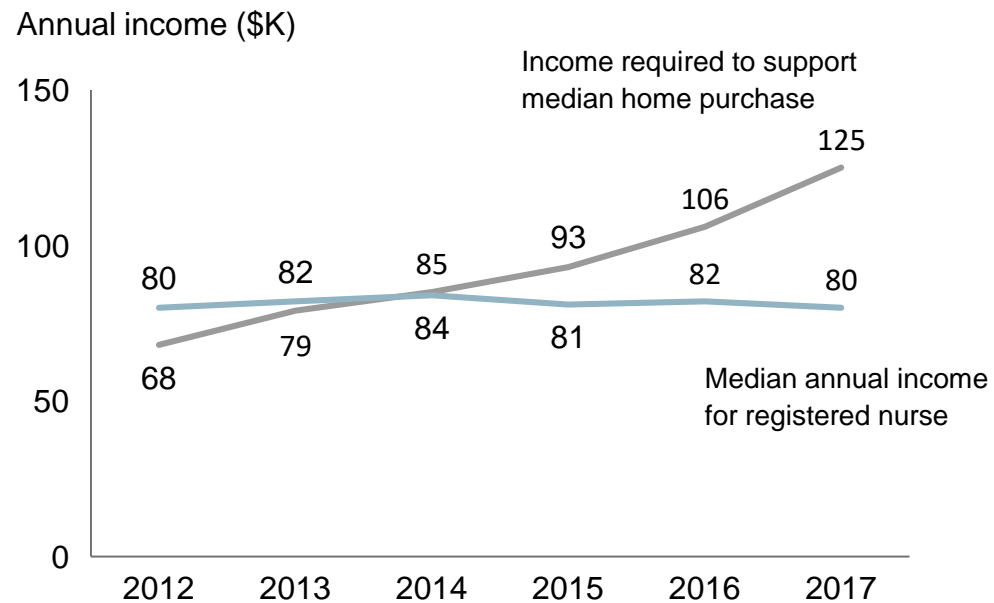


Note: Broader region median household income used for analysis, calculated as a population weighted average of King, Pierce, and Snohomish counties; Affordable payment assumes 30% of median monthly household income goes toward paying monthly mortgage payments; Mortgage assumptions: 30-year fixed mortgage, 14% down payment, average interest rate in 2010/2018, including PMI, 1.06% property tax and \$900 home insurance
Source: U.S. Census Bureau; American Community Survey; Zillow.com/research/data; BCG analysis

For example, a nurse can no longer afford a median-priced home in our area¹



Nurse Income vs. Home Price



City	Year priced out
Seattle	2013
Kirkland	2013
Area Median	2014
Renton	2017
Auburn	Currently affordable
Federal Way	Currently affordable
Kent	Currently affordable

1. Seattle and 9 KC cities.

Source: Analyses performed by BCG and Microsoft (<https://news.microsoft.com/affordable-housing/>); Data from U.S. Census Bureau; American Community Survey



Nurses, Police, Emergency Medical Technicians, Firefighters, and Teachers are among the many people who are challenged to afford a home in the Puget Sound Region

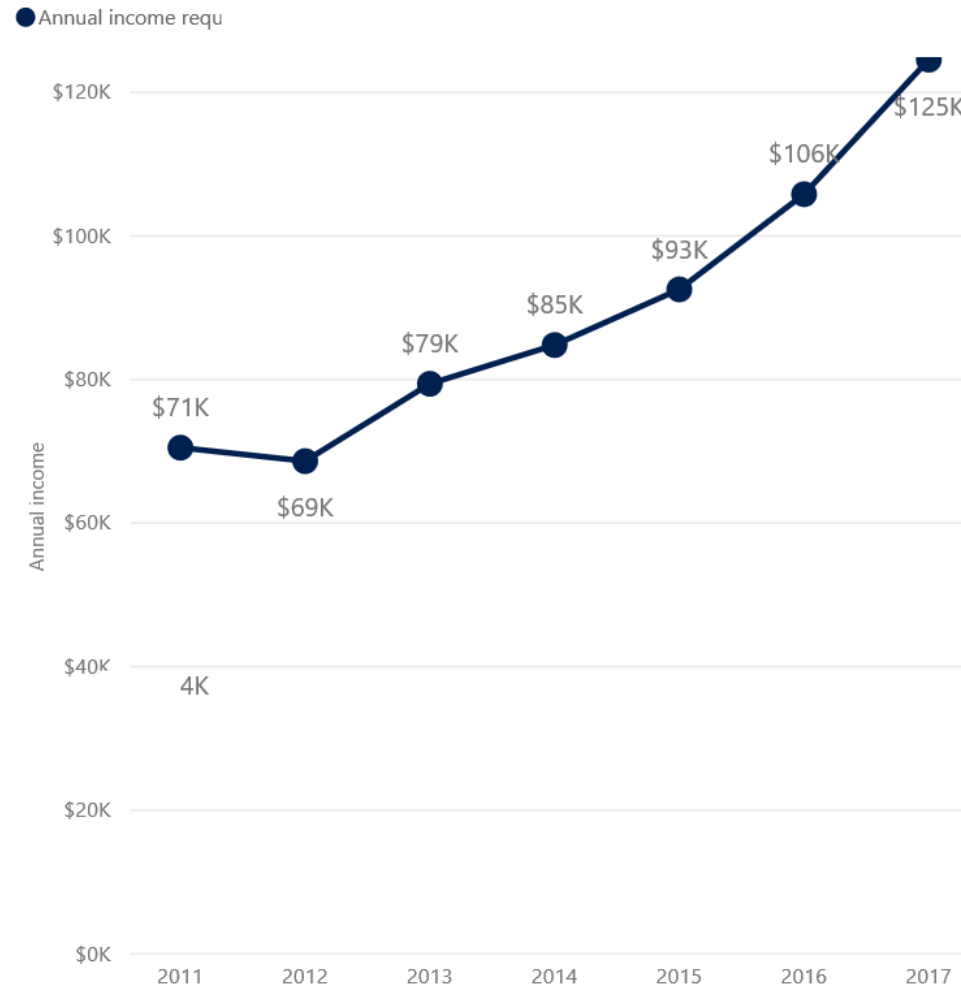
Year

2017

Professions with a median annual income < \$125K
i.e. the minimum income required for the median home in our Area



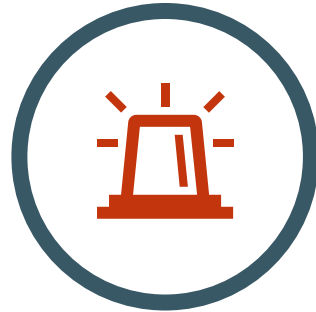
Annual income to afford the Median Home Price in the area



If we do nothing... our quality of life and economic edge are under threat.



Public Education
Suffers



Community
Safety Impacted



Traffic Congestion
Worsens



Homelessness
Exacerbated



Socioeconomic
Diversity Declines



Economic Growth
Slows

Today, middle-income housing receives little attention from private, public, and non-profit sectors

Private sector caters to high-income housing market...

Over 70,000 units currently in pipeline – majority expected to be studio to 1 bedroom, luxury units¹



...while public and nonprofit sectors focus on subsidized housing

Limited development and support for middle-income households



1. As of February 2018

Source: "Workforce and Affordable Housing Review: Existing Conditions", Seattle City Council (2015); 2015 Washington State Housing Needs Assessment, Seattle Times; US Census, BCG Analysis

We need new supply to sustainably solve this problem. But current economics do not work...

Median rent needed to cover cost to construct new apartment:

\$2,800

vs.

Monthly housing cost that middle-income household can afford:

\$1,300 - \$2,700



To close this gap, our region must lower the costs of:

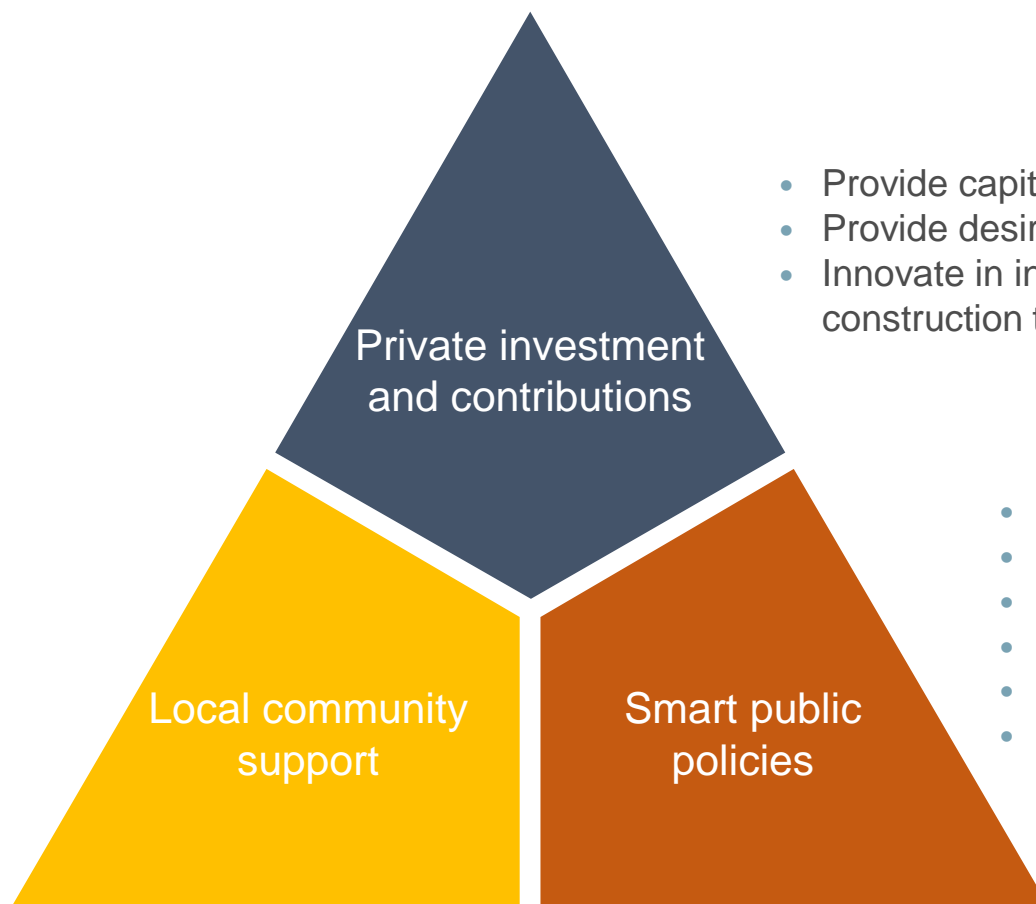
- 1) Land
- 2) Financing
- 3) Construction

Recommended actions to decrease housing costs

	Action	Illustrative rent reduction per month Original rent: \$2,800
Land	Contribute desirable land	~100 – 300
	Change zoning to increase density	Primary impact to increase supply
	Encourage transit-oriented development	Long-term opportunity
	Support job growth near affordable housing supply and transit corridors	Long-term opportunity
Financing	Provide below-market loans	~200 – 300
	Provide patient, below-market equity	~100 – 200
	Extend housing tax incentives to middle-income	~200
	Provide short-term, early stage loans	Primary impact to increase supply
	Create community investment opportunities	Long-term opportunity
Construction	Reduce expensive-to-build parking requirements in transit corridor	~100 – 300
	Reduce impact and other development-related fees	~100
	Streamline and accelerate the permitting process	Primary impact to increase supply
	Reform condominium liability laws	Primary impact to increase supply
	Support construction innovation and technology advances	Long-term opportunity

New rent for example apartment: ~\$1,700 - 2,100

The Solution: Requires Public-Private Partnership and Community Support



- Provide capital
- Provide desirable land
- Innovate in investment vehicles and construction technology

- Extend tax incentives to middle-income
- Reduce expensive parking requirements
- Waive or reduce development fees
- Streamline approvals and permitting
- Provide desirable land
- Change zoning to allow for increased density

Mayors' Commitment:

We will consider opportunities to advance housing affordability in the region, including but not limited to:

Provide Low
Cost Land

Update Zoning
Near Transit

Reduce Parking
Requirements

Reduce
Development
and Other Fees

Streamline
Permitting

Provide
Tax Exemptions

Update Building
Codes

“If we all work together, the future we imagine is within our reach.

We invite you to join us.”



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