



CITY OF KIRKLAND
Planning and Building Department
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Adam Weinstein, Planning & Building Director
Dawn Nelson, Planning Manager
Mike Stanger, Senior Planner, A Regional Coalition for Housing (ARCH)

Date: August 26, 2021

Subject: Interim Affordable Housing Targets for Kirkland

RECOMMENDATION:

That the Council consider alternative approaches to establishing interim affordable housing targets for the City that are outlined below in this memo, and provide staff with direction on adopting a target, if desired. Staff would return to a future meeting with a Resolution for adoption if Council decides to adopt a specific interim approach. The targets are proposed as "interim" as King County may adopt countywide targets in the next few years.

BACKGROUND:

The City's Housing Strategy Plan, adopted in 2018, identifies a number of monitoring activities to follow-up on policies identified in the plan, including: tracking general housing supply and costs; monitoring City regulations and policies that support affordable housing; and identifying new affordable housing best practices and trends in other communities. An additional monitoring idea that was discussed by the Housing Strategy Advisory Group, and has been discussed recently by City Council members, involves establishing targets for affordable housing in Kirkland, and then tracking progress against these goals. An affordable housing target would assist the City in tracking the production of affordable residential units over time, and identifying resource needs to meet the target. Such a target would also assist the City in planning efforts surrounding the 2044 Comprehensive Plan Update. This memo provides some brief context surrounding target-setting, and then identifies three options for establishing affordable housing targets for the City.

The affordable housing crisis in Kirkland and throughout the greater Puget Sound region continues to increase in severity as the area experiences an influx of high-paying jobs and limited new housing production, while at the same time the vast majority of newly-built housing is not affordable to households making at or below the median income. Three economic and development trends help illustrate the problem:

- Between 2013 and 2017, King County's population grew by an average of approximately 13,000 households a year, but during that time the County added only approximately 10,100 new housing units per year.
- There is a diminishing supply of housing priced at affordable levels. According to a 2018 McKinsey Consulting study, between 2007 and 2017, the total number of rental units in the County increased by 88,000, but the number of rental units affordable to households making less than 80 percent of the Area Median Income (AMI) decreased by 36,000 units.
- The housing supply shortage has made housing more expensive, and the increase in housing costs has outpaced wage growth. Between 2012 and 2017, median household income increased by 30 percent, but average rent increased by 43 percent, and the median homes sales price increased by 53 percent.

At the household level, high housing costs generate increased financial instability; reduced homeownership opportunities; and challenges paying for transportation, childcare and other necessary expenses. In addition, these impacts disproportionately affect people of color. At the regional level, increased housing costs have resulted in traffic congestion; difficulties in hiring critical workers such as emergency responders, nurses, and teachers; increased homelessness; and overall impacts to the economic vitality and quality of life in the region.

As at County and regional geographies, Kirkland has seen escalating housing costs and lack of affordability and disproportionate impacts on people of color. In 2017, of 36,126 households in the City, 10,641 households (29 percent of the total) are "housing cost burdened," spending more than 30 percent of their income on housing (see Table 1).

Table 1: Cost-burdened Households in Kirkland

Household Income (% of Area Median Income)	Not Cost Burdened (households spending less than 30% of income on housing)		Cost Burdened (households spending 30%+ of income on housing)		Total Households
<=30%	290	9%	3,009	91%	3,299
31% - 50%	790	26%	2,220	74%	3,010
51% - 80%	1,225	36%	2,199	64%	3,424
81% - 100%	1,425	55%	1,154	45%	2,579
>100%	21,755	91%	2,059	9%	23,814
Total	25,485	71%	10,641	29%	36,126

Source: 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) 5-year Estimates.

According to County data, in 2017, 29 percent of white households in Kirkland were cost-burdened, while 59 percent of Black households were cost-burdened. Please refer

to Attachment 1, the King County Regional Housing Dashboard, for information on affordable housing indicators in Kirkland, along with demographic information and a summary of housing policies enacted by the City. Note some data in the attachment may differ slightly from the data presented in this memo due to differing data sources.

There is a particularly severe shortage of dwelling units for households who make less than 30% of AMI. For example, 91% of those who make 30% or less of the AMI are cost burdened or severely cost burdened. Only 3%, or 1,125 units, of the City's existing housing stock are considered affordable to the 3,299 households who make 30% or less of AMI (see Table 2).

Table 2: Affordability of Occupied Units in Kirkland

Level of Affordability	Number of Units	% of Total
30% AMI or less	1,125	3%
31% to 50% AMI	2,325	6%
51% to 80% AMI	4,775	13%
greater than 80% AMI	28,405	78%
Total Number of Units	36,630	100%

Source: 2013-2017 CHAS 5-year Estimates, King County Proposed Countywide Planning Policies, Table H-3.

Affordable housing targets provide metrics to better understand if existing City policies, strategies, and programs are effective in increasing the supply of affordable housing, and to evaluate if resources are being used effectively. These goals are supported by Goal H-3 in the Comprehensive Plan and the adopted Housing Strategy Plan in general.

Goal H-3: Promote affordable and special needs housing throughout the City for all economic segments of the population.

- *Policy H-3.1: Strive to meet the City's proportionate share of the Countywide housing needs of very low-, low-, and moderate-income households.*

The Council also approved the goal to "adopt and track affordable housing targets for low income and moderate income residents as determined by the Area Median Income (AMI) for the City to implement the Housing Strategy Plan" on March 16, 2021 as part of [Resolution 5462](#), adopting the 2021-2022 City Work Program.

OPTIONS FOR ESTABLISHING AFFORDABLE HOUSING TARGETS:

City staff, working in conjunction with A Regional Coalition for Housing (ARCH), have identified three options for establishing housing targets. Options 1 and 3 use data about housing affordability taken from the 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) 5-year Estimates. The CHAS 5-year estimates represent custom

tabulations of data from the U.S. Census Bureau and are the most recent, reliable data available on housing affordability. The CHAS data have been adjusted to account for household size. The estimated number of housing units in Kirkland is the 2019 Office of Financial Management (OFM) estimate. The methodologies are described below.

Also, we would note that in March 2020, City Council adopted Zoning Code amendments that make it easier to develop “missing middle” housing types like duplexes, triplexes, cottages, and Accessory Dwelling Units (ADUs). (Note that the reference to “middle” in the “missing middle” is primarily in reference to density and housing type rather than income or housing cost.) While these housing types are not regulated to be affordable, they are typically less expensive than standard single-family houses by nature of their size. For example, a size-limited, for-sale duplex unit, paired with an income-generating ADU, may approach affordability for a median-income household under current market conditions. In the future, missing-middle units could be tracked separately, or lumped into targets for housing affordable to households making 80% or more of the median income. The missing middle code environmental review documents establish 2030 goals of 784 net new ADUs and 1,164 net new duplex, triplex, or cottage units.

1. Countywide Need

One option to identify affordable housing goals is to create City-specific targets based on the Countywide need for affordable housing. This region-based approach seeks to provide sufficient housing in Kirkland to different income brackets based on the distribution of households in those income brackets County-wide.

Table 3: Countywide Need

Level of Affordability	Estimated Existing Units, Kirkland, 2019	% Housing Units Needed, Countywide, 2044	Housing Units Needed, Kirkland, 2044	Net Demand (Units)
30% AMI or below	1,207	15%	7,877	6,670
31% to 50% AMI	2,495	15%	7,877	5,382
51% to 80% AMI	5,125	19%	9,977	4,852
greater than 80% AMI	30,485	51%	26,781	(3,704)
Total Units	39,312		52,512	7,510
Sub-total, 80% AMI or below				16,904
Total Units Needed (less than 80% AMI) Per Year, 2019-44				676

Source: 2013-2017 CHAS 5-year Estimates. Unit number modified to reflect 2019 OFM Housing Unit Estimates, King County Proposed Countywide Planning Policies, Table H-3. King County Proposed Housing Growth Targets, Table DP-1.

Under the Countywide approach, Kirkland would need to add **16,904 additional housing units** affordable to those who make less than 80% of AMI (see Table 3).

Pros: This option is regional in nature, as are housing markets, which is why Countywide Planning Policies instruct cities to plan proportionately for the County-wide need. This also means the method is potentially useful to ascertaining affordable housing goals in other cities in the region. It also considers all housing stock, including both rental and owner-occupied housing, and is aspirational in that it theoretically accounts for households who do not currently live in Kirkland but might want to live in Kirkland.

Cons: Data do not accurately reflect demand for moderate-income housing (e.g., between 80%-120% AMI) as data are reported only for 80% AMI and above. Also, available affordability data is limited to 80% AMI for renter-occupied units and 100% AMI for owner-occupied units.

2. King County Affordable Housing Plan

In December 2018, the King County Regional Affordable Housing Task Force released a new 5-Year Action Plan that addresses the County-wide affordable housing need. The plan identifies the need for 244,000 net new affordable housing units by 2040. Kirkland has historically been assigned about 4% of County-wide growth, so would theoretically take 4% of this County-wide affordable housing target, or approximately **8,972 net new** affordable housing units for households making up to 50% AMI. Over an approximately 22-year period (2018-2040), this approach would require the development of an average of approximately 408 affordable units per year.

Pros: A very simple target that is consistent with the King County Plan and approach.

Cons: Utilizes targets on a 2020-2040 planning horizon (and thus would not align precisely with a 2044 Comprehensive Plan update). Does not account for the income distribution of Kirkland. Focuses only on housing stock that is affordable to households making less than 50% AMI (and not more moderate-income households).

3. City-wide Need

This methodology addresses the need in four income groups of Kirkland's cost burdened households who make less than 100% of AMI. There are currently 8,582 households in Kirkland that meet these criteria.

Table 4: City-wide Need

Household Income	Cost Burdened Households (30-49% AMI), 2017	Severely Cost Burdened Households (50%+ AMI), 2017	Estimated Cost Burdened Households, 2017	Percent of Income Group	Estimated Cost Burdened Households/ Units, 2044
<=30% AMI	274	2,735	3,009	91%	4,374
31% - 50% AMI	935	1,285	2,220	74%	3,227
51% - 80% AMI	1,584	615	2,199	64%	3,196
81% - 100% AMI	929	225	1,154	45%	1,677
Total	3,722	4,860	8,582		12,474
Total Units Needed (less than 100% AMI) Per Year, 2017-44					462

Source: 2013-2017 CHAS 5-year Estimates.

Assuming the same incidence of housing cost burden as in 2017, the total number of cost burdened households increases to 12,474 in 2044. Kirkland would need to reach or exceed a target of **12,474** net new affordable housing units to address the current and future demand. These units would need to be priced at varying degrees of affordability to reflect varying levels of existing and projected cost-burden (see Table 4).

Pros: Based on Kirkland-specific cost burden data.

Cons: Because this approach is based on existing cost-burdened households in Kirkland, it does not take into account demand for affordable housing of a more regional nature.

REGIONAL TARGET-SETTING AND NEXT STEPS:

City Council, in order to establish interim affordable housing production targets for Kirkland, should provide direction on one of the methodologies described above (or a different methodology). Staff would return to the Council with a resolution adopting the targets for Council deliberation and possible action.

In addition, it should be noted that after the County Council adopts the Countywide Planning Policies (expected in December 2021), the King County Affordable Housing Committee will continue meeting in 2022 to explore the potential development of affordable housing targets for cities and/or subregions within the County and unincorporated lands, taking into account the Regional Affordable Housing Task Force methodology and other approaches. If the County ultimately adopts affordable housing targets for cities, those targets for Kirkland could replace the ones selected by Council for interim use.

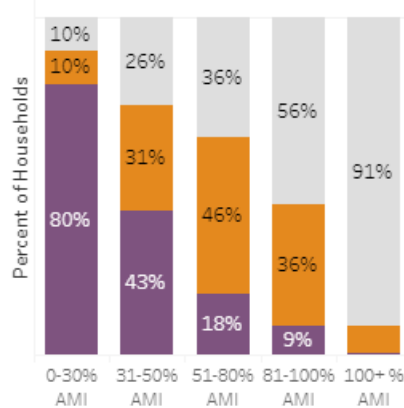
King County Regional Housing Dashboard

Website: <https://kingcounty.gov/depts/community-human-services/housing/affordable-housing-committee/data.aspx> (retrieved August 23, 2021)

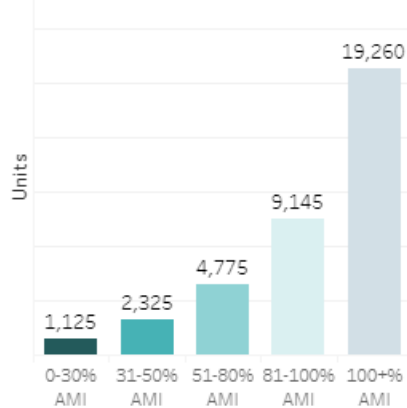
Kirkland

Key Housing Affordability Indicators

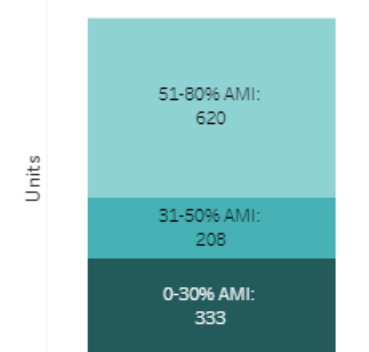
Cost Burden, by Household Income (2017)



Total Housing Units (2017)



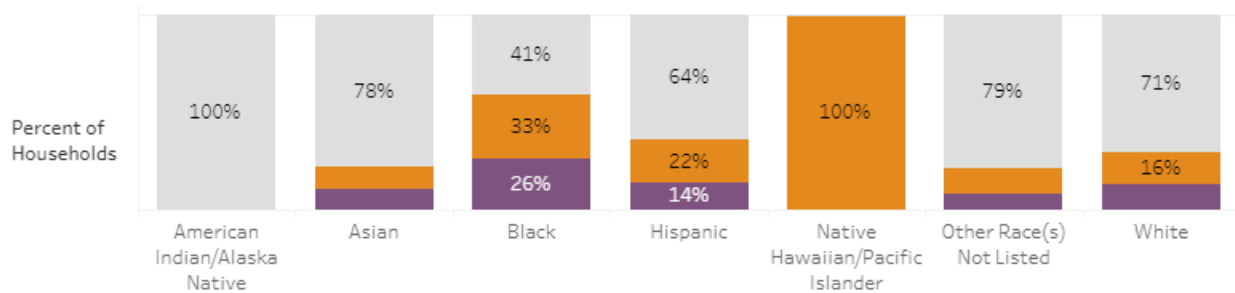
All Existing Income-restricted Units (2019)



Cost Burden Level

Unburdened Cost Burdened Severely Cost Burdened

Cost Burden, by Race/Ethnicity (2017)



King County Regional Housing Dashboard

Website: <https://kingcounty.gov/depts/community-human-services/housing/affordable-housing-committee/data.aspx> (retrieved August 23, 2021)

Demographics and Housing Costs

Subregional Collaboration Membership: **ARCH**

Housing Costs:

Median Gross Rent, 2019	\$1,861
Median Home Value, 2019	\$662,300
Median Household Income, 2019	\$117,190
Total Households, 2019	36,480
Percent of Households That Own Homes, 2017	64%
Percent of Households Cost Burdened, 2017	28%
Housing Units, 2017	36,580

Number of Households, by AMI Level (2017):

0-30% AMI	3,290
31-50% AMI	3,010
51-80% AMI	3,430
81-100% AMI	2,580
100+% AMI	23,815

Number of Households, by Race/Ethnicity (2017):

American Indian/Alaska Native	90
Asian	4,340
Black	255
Hispanic	1,820
Native Hawaiian/Pacific Islander	10
Other Race(s) Not Listed	1,125
White	28,490

Housing Policies Enacted:

Policy Type	Policy	
Create Income-Restricted Affordable Units	Inclusionary Zoning	✓
	Multifamily Tax Exemption	✓
Increase Housing Growth and Diversity	Accessory Dwelling Units	✓
	Cluster Development/PUDs	✓
	Cottage Housing	✓
	Detached Accessory Dwelling Units	✓
	Duplexes/Triplexes	✓
	Low-rise Multifamily	✓
	Micro Units	✓
	Mid-rise Multifamily	✓
Protect Tenants	Mixed-use	✓
	Zero Lot Line/Townhomes	✓
	Notice of Rent Increase Required	✓
	Source of Income Discrimination Prohibited	✓

Data Notes: All 2017 data is from 2013-2017 CHAS. 2019 data sources are noted in tooltips visible when hovering. Households with Cost Burden Not Computed excluded from cost burden figures.