



Housing as a Social Determinant of Health: Implications for Rent Control Policy and Housing Shortage in Spokane

2020 – Final Report

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Prepared for Spokane Association of Realtors®
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This report was written by Dr. Vange Hochheimer with technical support from Maciej Kosinski.

The author is responsible for errors and omissions.

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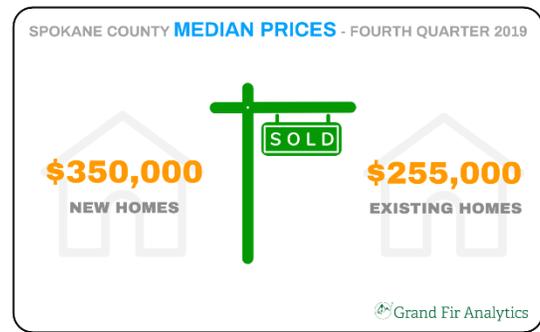
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Executive Summary

Purpose of the Report

Demand for housing has increased throughout the nation as a result of a strong economy and rapid increases in population in some regions. The Pacific Northwest, particularly Spokane County, has experienced significant increases in population growth as the region gains notoriety for low building costs, housing affordability and medium-size city amenities. According to a recent report by real estate brokerage firm Redfin, Spokane is one of four top markets in the nation experiencing the largest growth in home sales. Approximately three-quarters of home searches in Spokane come from out-of-town buyers.¹

According to Redfin's report, new home sales in Spokane increased 37 percent in the fourth quarter of 2019 as compared to the same period in 2018. Given this sharp increase in new home sales, Spokane is currently one of the most competitive housing markets in the country. The median price of a new home is \$350,000 whereas the median price for an existing home is \$255,000.



This report is not meant to be exhaustive on the topic of housing but rather, it aims to highlight two important elements of the housing market in Spokane County: (i) the potential sensitivity of the housing market to price control or regulation policies and (ii) the implications of housing shortages for vulnerable populations. The housing market plays an important social role in determining mental health, family health and providing a safe environment for individuals. The literature on the Social Determinants of Health (SDOH) documents the importance of housing in health outcomes.

¹ Redfin Corporation. <https://www.redfin.com/blog/booming-real-estate-markets/>. Accessed February 18, 2020.

According to the Centers for Disease Control and Prevention (CDC), social determinants of health are positive or negative elements present where people are born, live, learn, work, play, worship and age that has an impact on health, achievements, quality-of-life outcomes and risks. Resources that improve quality of life have a significant impact on population health outcomes.

These resources include, affordable housing, access to education, public safety, food security and access to health care.

The Office of Disease Prevention and Health Promotion (ODPHP) publishes the Healthy People report with data on the SDOH. The Healthy People 2020 report lists five place-based domains for SDOH. The domains are economic stability, education, health and health care, neighborhood, built environment and social and community context. Housing instability is a key problem in the economic stability domain and the focus of this report.²

According to the literature, housing instability does not have a standard definition (see Kushel, Gupta, Gee and Haas, 2006 and Frederic, Chwalek, Hudhes, Karabanow and Kidd, 2014).³ Housing instability instead, envelopes a host of challenges that include trouble paying rent, overcrowding, moving frequently and having cost burdens related to housing (ibid). These challenges can impact physical health and threaten access to health care. The vulnerability imposed by housing

” The housing market **plays** an **important social role** in determining **mental health, family health** and **providing a safe environment** for individuals.

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As of **2014:**

21.3 MILLION
COST BURDENED

11.4 MILLION
SEVERELY COST BURDENED

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² Healthy People 2020. <https://www.healthypeople.gov/>. Accessed March 1, 2020.

³ Kushel MB, Gupta R, Gee L, Haas JS. Housing instability and food insecurity as barriers to health care among low-income Americans. *J Gen Intern Med.* 2006;21(1):71-7. Frederick TJ, Chwalek M, Hughes J, Karabanow J, Kidd S. How stable is stable? Defining and measuring housing stability. *J Community Psychol.* 2014;42(8):964-79.

instability typically affects at-risk populations such as children, minorities and individuals with a criminal record.

Healthy People 2020 reports that a significant proportion of Americans are considered cost burdened. A household is considered cost burdened if more than 30% of a household's income is spent on housing. A household is considered severely cost burdened if they spend more than 50% of their income on housing (Bailey, et al. 2015).⁴ During 2014, 21.3 million households were cost burdened with 11.4 million of households severely cost burdened. Households of Black and Hispanic members were almost twice as likely as white households to be cost burdened. As much as 83% of all cost burdened households in the study, earned less than \$15,000 a year (Joint Center for Housing Studies, 2014).⁵

⁴ Bailey KT, Cook JT, Ettinger de Cuba S, Casey PH, Chilton M, Coleman SM, et al. Development of an index of subsidized housing availability and its relationship to housing insecurity. *Hous Policy Debate*. 2015;26(1):172-87.

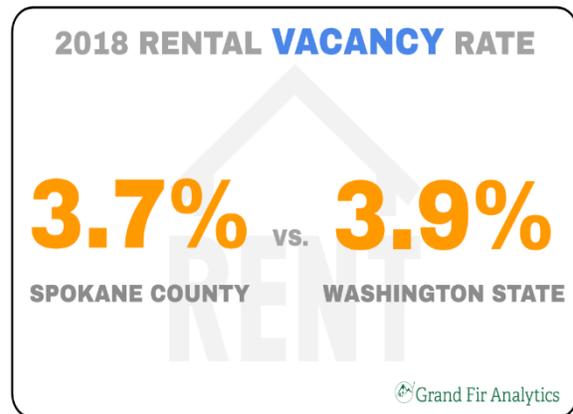
⁵ Joint Center for Housing Studies. *The state of the nation's housing 2014*. Boston: Harvard University; 2014. Available from: http://www.jch.harvard.edu/sites/default/files/sonhr14-color-full_0.pdf.

Housing in Spokane: Trends and Projections

The Data

According to data published by the Eastern Washington University (EWU) Institute for Public Policy and Economic Analysis (IPPEA) (prior to the COVID-19 pandemic), Spokane County's annual Gross Domestic Product (GDP) growth has outpaced the U.S. GDP annual growth rate since 2016. As of 2018, Spokane County's overall annual GDP growth was 4.4% compared to the U.S. 2.9% annual growth. The data lists the top five major sectors driving Spokane County's annual GDP growth rate. The five sectors are government, real estate, manufacturing, retail trade and health care and social assistance. The data shows real estate as the largest contributor to the County's GDP growth as of 2018.

In terms of property values in Spokane County, it follows that with growing GDP, the demand for housing increases as incomes increase. If the supply of housing is not able to keep up with the higher demand for housing, property values increase. Data from EWU's IPPEA on the assessed value of taxable property growth shows that during 2018 in Spokane County, the assessed value of taxable total property was \$48.1 billion as compared to \$19.01 billion in 2000. This is an increase of 153% in property value over this time period. For 2018, the annual growth rate of the assessed value of taxable total property in Spokane County was 9.1% as compared to 4.6% in 2000. For Washington State, the annual growth rate of the assessed value of taxable property in 2018 was 12.7% as compared with 8.8% in 2000.



The data on economic growth and property value growth presented above are supported by data on the shrinking availability of housing in Spokane County. Data from the Washington Center for Real Estate Research (WCRER) shows that the monthly supply of homes in Spokane County during the fourth quarter of 2019 was 0.8 months for homes valued at \$250,000-\$500,000 and 0.4 months for homes valued at \$249,999 or less.

A low supply of available homes for purchase has a direct impact on the availability of homes for rent. The U.S. Census Bureau's American Community Survey reports that in Spokane County as of 2018, the overall rental vacancy rate was 3.7% as compared to 3.9% for Washington State.

With a housing monthly supply of less than one month and a 3.7% rental vacancy rate, the housing market in Spokane County is tight. A tight housing market is especially problematic for low income buyers and for the increasing homeless population. According to the U.S. Department of Housing and Urban

Development (HUD), in 2018 homelessness increased in Spokane County for most racial and ethnic groups surveyed. Native-Americans and African Americans represent the largest share of the homeless population in Spokane County.

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Housing as a Social Determinant of Health: Empirical Correlations

Brief Literature

According to the World Health Organization (WHO), “the provision of stable housing and having a place to call home is a basic human need” (WHO 1986).⁶ This view is also echoed in the *social determinants of health* (SDOH) literature. The term SDOH outlines the “economic and social conditions that shape the health of individuals, communities and jurisdictions as a whole” (Raphael 2009: 2).⁷ In Raphael, 2009, economic and social conditions are defined as the status of gender, education, income distribution, housing, job security, access to food, access to healthcare, living with a disability and belonging to a historically underrepresented group. The adverse status or position of these economic and social conditions is known to be correlated with physical and mental illness. This study focuses on the need for affordable and stable housing as a way to improve lives in our region.

Focusing on the SDOH space, countries like Europe have identified and prioritized stable and affordable housing as a strategy to fight homelessness and disease. Europe has implemented policies to address

concerns such as psychiatric discharge and homelessness (see Forchuk, et al. 2011; Forchuk, et al. 2013a, 2013b)⁸

In a 2006 study on London shelters, the authors found that individuals with mental illness who were

homeless were often discharged from psychiatric facilities (Forchuk et al. 2006).⁹ A lack of services and housing stability often leaves individuals destitute and in a cycle of perpetual human despair. A study in Ontario, Canada examined the impact of interventions that provided quick in-hospital access to housing stability income support to vulnerable individuals. The findings indicate that as a result of adequate networks available to address vulnerability, cases with a need for emergency services dropped by 90% (Forchuk et al. 2013b; Forchuk, Richardson et al. 2013).¹⁰

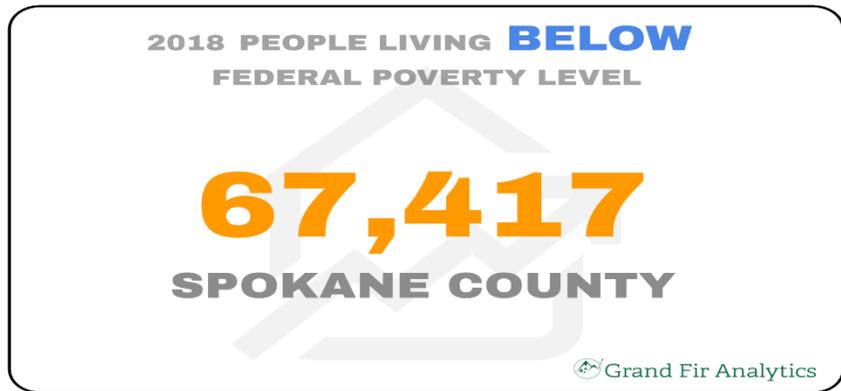
” Given that **housing** is viewed as a **basic human need**, sound housing policy is essential for robust housing availability, particularly, for **those who are vulnerable**.

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The findings in the aforementioned studies highlight the important role the housing market plays in the physical and mental health of individuals. Given that housing is viewed as a basic human need,

sound housing policy is essential for robust housing availability, particularly, for those who are vulnerable.

According to the U.S. Department of Housing and Urban Development (HUD), “individuals experiencing homelessness are often at a higher risk for communicable diseases and have limited access to health care and treatment”.¹¹ Given these higher risks, it important to address the SDOH as they manifest in people who are ill or are experiencing mental illness. To address these issues, it is crucial to create partnerships that involve all spheres of social care and healthcare (Forchuk, et al. 2016).¹²



In Spokane County, addressing poverty and housing needs is crucial in both addressing illness and homelessness. According to data from EWU’s IPPEA, in 2018, the total number of people living below the Federal Poverty Level in Spokane County was 67, 417. This figure represents an increase in people living below the FPL of 9.6% since 2005.

A significant level of poverty in turn creates economic and health vulnerabilities. The youth and racial minorities tend to experience more vulnerability as compared to non-minorities.

⁶ World Health Organization. 1986. *The Ottawa Charter for Health Promotion*. Retrieved from <http://www.who.int/healthpromotion/conferences/previous/ottawa/en/WHO>.

⁷ Raphael, D. 2009. *Social Determinants of Health: Canadian Perspectives* (2nd ed.). Toronto, ON: Canadian Scholars’ Press Inc.

⁸ Forchuk, C. R. Vann, E. Wilura, J., Hoch, M., Jeng, S. Kingston-MacClure and E. Jensen. 2011. “Reducing Psychiatric Discharges to Homelessness.” *European Psychiatry* 26(1): 1717. Forchuk, C., M. Godin, J.S. Hoch, S. Kinston-MacClure, M.S. Jeng, L. Puddy and E. Jensen. 2013a. “Preventing Homelessness After Discharge From Psychiatric Wards: Perspectives of Consumers and Staff.” *Journal of Psychosocial Nursing and Mental Health Services* 51(3): 24-31.

Forchuk C., M. Godin, J.S. Hoch, S. Kingston-MacClure, M.S. Jeng, L. Puddy and E. Jensen. 2013b. “Preventing Psychiatric Discharge to Homelessness” *Canadian Journal of Community Mental Health* 32(3):17-28.

⁹ Forchuk, C., G. Russell, S. Kingston-MacClure, K. Turner and S. Dill. 2006. “From Psychiatric Ward to the Streets and Shelters’.” *Journal of Psychiatric and Mental Health Nursing* 13(3): 301-08.

¹⁰ See foot note 8. Forchuk, C., J. Richardson, k. Laverty, M. Byrant, A. Rudnick, R. Csiernik, ... and C. Kelly. 2013. “Service Preferences of Homeless Youth With Mental Illness: Housing First, Treatment First, or Both Together.” In S. Gaetz, B.O’Grady, K. Bucciari, J. Karabanow and A. Marsolais eds., *Youth Homelessness in Canada: Implications for Policy and Practice*. 95-110. Toronto, ON: Canadian Homelessness Research Network Press.

¹¹ <https://www.hudexchange.info/homelessness-assistance/diseases/#covid-19-key-resources>. Accessed June 14, 2020.

¹² Forchuk, C., Dickins, K., Corring, D.J. 2016. “Social Determinants of Health: Housing and Income”. *Health Care Quarterly*. Vol 18(Special Issue). 27-31.

In terms of homelessness, the demographics show that in 2018, in Spokane County, African Americans and Native Americans represented the majority of homeless individuals.

Data published by EWU's IPPEA, implies that vulnerability as it relates to the SDOH, is likely to increase in the coming years. Spokane County has a significant number of people living below the FPL and housing availability and affordability poses a threat to economic, social and physical wellness. In 2018, the share of renters in Spokane County who were paying 30% or more of their household income in rent was 48.4 %. This figure represents an increase from 46.1% in 2006.

Theory and Empirical Literature: Effects of Price Controls on Rental Housing

Brief Literature

The theory and empirical literature on price control regulation is grounded on economic research dating back to Friedman and Stigler (1946).¹³ Theoretically, using an economic model of supply and demand, a government-imposed rent ceiling creates a trade-off between equitable outcomes and the supply of housing.

In other words, in theory, a binding rent ceiling on apartments will provide some tenants with rent increase protection, but as landlords decrease the quantity of apartments supplied (positive correlation between lower rent and lower supply of housing as predicted by the law of supply), less housing is available. A lower availability of housing in a region facing homelessness can have significant adverse socioeconomic implications.

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The theoretical trade-off between housing equity and housing efficiency (as defined by a free market housing price equilibrium), necessitates careful analysis into the costs and benefits of housing policy aimed at restricting rents, fees and evictions for cause.

Rent control aims to address income disparities in regions where the incidence of poverty, homelessness and rents are high. Rent control provides poor tenants insurance against rent increases, it can reduce displacement and homelessness and can create housing stability for adults and children alike. Housing stability, in the social determinants of health space, can contribute to healthier individuals and a healthier society.

Diamond, McQuade, and Qian (2019) studied the impact of a 1994 law that expanded rent control in San Francisco.¹⁴ They identified differential effects on renters, landlords, and the housing market. According to this study, the expansion of rent control resulted in tenants having a lower migration rate (lower likelihood of changing address) than the control group. This is an important measure of housing stability, a factor essential for good physical and emotional health outcomes. The study found that rent control resulted in greater housing stability for racial minorities than for whites.

Although the expansion of rent control in San Francisco in 1994 did have a positive impact on tenant housing stability, the landlords of the affected properties responded to the policy in a number of ways. In San Francisco, as well as in other parts of the nation, landlords can remove tenants from their properties by occupying the property themselves (known as move-in eviction), by converting the units to condos and by offering

tenants compensation for moving. The Diamond, et. al. (2019) study found that the expansion of rent control in San Francisco led to a higher probability of units being converted to condos and a large reduction in rental housing supply.

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The importance of housing as a SDOH and a tight housing market sensitive to price controls presents the policymaker with important trade-offs. On the one hand, a policy that prohibits housing pricing abuse is a good policy and should be pursued. On the other hand, a policy that discourages landlords from supplying housing, may not be efficient in achieving housing stability for vulnerable populations.

This study takes a brief look at proposed housing regulation in Spokane County and encourages further dialogue and cost-benefit approaches to find a balance between tenant welfare and financial feasibility for landlords.

¹³ <https://www.econlib.org/library/Columns/y2019/BoettkeeconomistsroleII.html>. Accessed May, 10, 2020.

¹⁴ Diamond, R., McQuade, T., Qian, F. The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco. *American Economic Review* 2019, 109(69)L 3365-3394.

Recent Housing Policy Proposals in Spokane: Implications for Rental Market

Proposed Rental Housing Ordinance

In an effort to promote fair housing agreements between landlords and tenants, Spokane City Council recently proposed provisions for a local residential tenancies code. The proposal incorporates discussions with landlords, tenants and recommendations from the 2016 Mayor's Housing Quality Task Force.¹⁵

The proposed ordinance imposes requirements on rental agreements, rental relocation assistance, enforcement, prohibitions and fines as well as housing quality standards. Under the new ordinance, waivers of mandatory terms in rental agreements are prohibited unless they are clearly outlined in a separate document as a waiver. Payments and deposits must be required by a written rental agreement that identifies the specific amounts of the required payments. Cleaning fees would have to be indicated in the agreement and amounts in excess of the agreed upon amount may not be taken from the security deposit.

Pet deposits cannot exceed 25% of one month's rent or \$150, whichever is higher, and landlords may not charge a pet deposit for service animals. Landlords can, however, charge for damages caused by service animals. The proposal, dated November 25, 2019, indicates that beginning January 1, 2020, landlords would be required to provide tenants with 90 days' written notice of rent increases.

The proposed provisions include the creation and funding of a rental relocation assistance program. Under this newly created relocation assistance program, a tenant required to move by a 'do not occupy' order due to a landlord caused condition(s), or due to unaffordable rent increases, the landlord must pay \$2,000, and provide a refund of all deposits collected within seven days of receiving notice from the City indicating the property cannot be occupied.

Other provisions in the aforementioned ordinance include the right of the tenant to bring suit in the Superior Court and it prohibits retaliation and interference from the landlord against the tenant.

The ordinance also establishes serious monetary penalties that include reasons of housing discrimination and failure to repair defective conditions or keep adequate records (i.e. inspection reports). With some exceptions, the ordinance establishes housing quality standards for all rental units in Spokane.

The purpose of this study is not to propose policy or to provide an assessment of City Council’s recent ordinance proposal. This study does promote the necessity to engage in sound cost-benefit analyses to promote more housing rather than less.

A common concern expressed by many landlords in Spokane County is the increased cost burden the new ordinance will create. While landlords agree with equitable tenant protections, they disagree with elements of the ordinance that generate additional costs that are not covered by the tenant’s rent.

A preliminary survey of 700+ members of the Landlord Association of the Inland Northwest indicates that if the City Ordinances become law, 89% of rental businesses would be adversely impacted and as a result 85% of these businesses will consider

selling their property. The respondents also indicated that 91% of them would consider increasing rents to the maximum allowed if rent increases are restricted.¹⁶

” If the City Ordinances become law **85% of businesses** will consider **selling** their property. **91% of them** would consider increasing rents to the maximum allowed if **rent increases** are restricted.



¹⁵ Spokane City Council Policy Advisor Memorandum. Summary of proposed residential tenancy code. Brian McClatchey, November 25, 2019.

¹⁶ Survey conducted by the Landlord Association of the Inland Northwest. January 2020.

Impact of COVID-19 on Spokane Housing Market

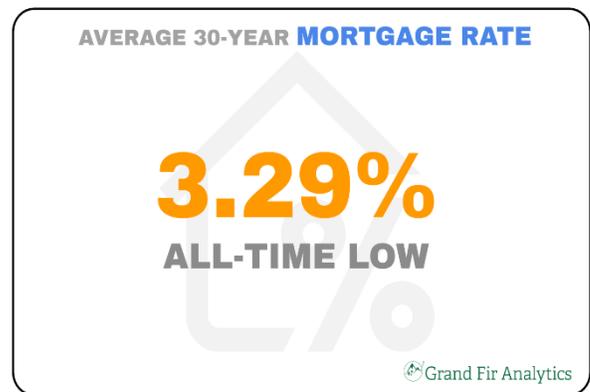
Federal Mandates – Preliminary Evidence

It is too soon to know the full impact of COVID-19 on the housing market in the state of Washington and in Spokane County. We are, however, starting to see some of the impact the Coronavirus and Governor Jay Inslee’s Stay Home, Stay Healthy order (“shelter-in-place”) is having on home sales, landlords, and tenants.

According to Stephanie Stevenson, a KHQ local news reporter, sales of new homes in the U.S. decreased by 15.4% in March. The Spokane Association of Realtors also reported that local listings decreased 40-50% in the month of April. This reduction in the supply of homes available for sale will have an inflationary effect on home prices due to the following reasons: (i) lower supply of homes leads to higher prices, and (ii) demand for housing in the Spokane region continues to increase as people move out of more population-dense cities into less crowded areas like Spokane.¹⁷

The limited listings, however, are selling at every price point and with the average 30-year mortgage rate at an all-time low (i.e. 3.29%), this sales trend should continue.¹⁸

In terms of landlords, given Washington’s statewide eviction moratorium imposed in mid-March and extended thereafter, landlords have been prohibited from issuing any type of rent collection, late fee or lease termination notices. Financially, the inability for a landlord to send eviction notices and actively seek rent payment, can threaten a landlord’s ability to pay maintenance expenses, mortgages or any other expenses associated with rental units. The lack of income stream can in turn force a landlord to either foreclose on the unit(s) or place the unit(s) on the market for sale. This financial stress can in turn adversely impact the housing rental market in Spokane if the net result is less units available for rent.



” Given that in Spokane County 48.4% of renters are cost-burdened (they use more than 30% of their income for rent), the threat of homelessness as a result of unemployment or illness is significant.

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In terms of the impact of the COVID-19 health crisis on tenants in Spokane County, there is serious concern about the unmet financial needs of tenants and the massive unemployment among this population. In a *Spokesman Review* article, titled “‘A tsunami of people in need’: Rental crisis could hit Spokane when eviction moratorium ends”, many express concerns about the large number of evictions that can potentially take place when the eviction moratorium ends in August 1, 2020. The concerns stem from the fact that evictions can increase the number of individuals and families who can potentially become homeless as a result of an eviction. Given that in Spokane County 48.4% of renters are at risk of being cost-burdened (they use more than 30% of their income for rent), the threat of homelessness as a result of unemployment or illness is significant.¹⁹

¹⁷ https://www.khq.com/coronavirus-is-impacting-spokane-housing-market/article_2bcc8c568577-11ea-be03-db9516ed8291.html. Accessed May 20, 2020.

¹⁸ As of March 5, 2020. Associated Press Wire Service Content.

¹⁹ <https://www.spokesman.com/stories/2020/jun/10/eviction-rental-crisis-could-be-a-few-months-away/>. Accessed June 10, 2020.

Responses to Housing Shortages

Evidence and Ideas

The research for this report began in January 2020. In the process of reviewing the literature on housing in Spokane County and in Washington State, we were able to find ample studies assessing the need for affordable housing and housing demand. However, evidence on active strategies or plans for addressing the shortage of housing has been minimal. A foreseeable conclusion from this study is that we know and understand the need for affordable housing in Spokane County and statewide, but we lack execution of strategies and/or plans to increase the supply of affordable housing.

In June 2019, the Spokane Housing Authority (SHA) indicated that a shortage in federal funding is creating challenges for the organization to accomplish its mission to provide housing and improve lives. Pam Tietz, Executive director told KXLY that in June 2019 there was a three years old waitlist of 2,000 people for the housing authority's rental assistance program. The SHA also acknowledged that the adverse impact of cuts in federal funding are also aggravated by a low rental vacancy rate in Spokane. The president of the Inland Northwest Landlord Association, Steve Corker, told KXLY "An available apartment, or home, goes on the market and literally within hours it can be rented."²⁰

Recently, the housing market situation experienced by first-time homebuyers, have brought to light the need for solutions to mitigate the lack of affordable housing in Spokane County. A couple who worked with Steve Silbar of John L. Scott Real Estate found themselves in multiple bidding wars and noticed that those who made offers with cash or conventional loans succeeded while buyers with government-backed loans faced offer acceptance challenges.²¹

Some policymakers in Spokane County believe the easiest way to solve the housing shortage is to loosen the state's liability laws for construction of condominiums. Less regulation would allow developers to build affordable housing units that can serve as a starter home for first-time homebuyers until they can afford a detached single-family home (ibid, p. 17, 20). Other proposals such as U.S. Senator Maria Cantwell's Affordable Housing Credit Improvement Act of 2019 bill revises the provisions of the low-income housing tax credit in order to promote more affordable housing.

²⁰ <https://www.kxly.com/bios/taylor-graham/>. Accessed February 17, 2020.

²¹ <https://www.spokesman.com/stories/2019/apr/27/first-time-homebuyers-met-with-few-housing-options/>. Accessed February 17, 2020

A good response to address the shortage of affordable housing in Spokane County would be to implement equitable housing policy and to develop a strategic plan to increase the number of housing units in the region. A good example of such plan can be found in Oregon's 2019-2023 Statewide Housing Plan developed by Oregon Housing and Community Services (OHCS). This plan has concrete ideas and identifies funding resources to expand affordable housing in the State.

How Do We Move Forward?

Some Policy Ideas

The continuous increase in demand for affordable housing in the state of Washington and in Spokane County is a sign of both, growing financial need and the robust growth of our economy. On the one hand, we should celebrate the State and the County's economic strength as it is through economic growth that we can afford better infrastructure and funding for services to help vulnerable populations. However, fast economic growth brings with it a set of challenges. In the present study, that challenge is lack of affordable housing.

Given the pressing housing challenges Spokane County is facing, it is important that policymakers succeed in implementing policies that would preserve the present availability of rental units and policies that would increase affordable housing in the region.

If we accept the World Health Organization's (WHO) premise that the provision of stable housing and having a place to call home is a basic human need (WHO, 1986) then it follows that we must both preserve a sound rental market and promote policies that increase more affordable housing. If as the literature on social determinants of health (SDOH) asserts, stable housing has a direct correlation to health outcomes, then we must work with landlords and developers to implement policies that are complementary to the preservation and promotion of affordable housing. In this context, policies must be fair and adequate for tenants, landlords and developers.

” U.S. Senator Maria Cantwell sponsored the **Affordable Housing Credit Improvement Act of 2019**. This bill is currently under review and if passed would be **an active effort to address the housing supply shortages**.

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In terms of how we can move forward, one way to do that is to continue the conversation about affordable housing in the State and in Spokane County. In 2019, U.S. Senator Maria Cantwell sponsored the Affordable Housing Credit Improvement Act of 2019. This bill is currently under review and if passed would be an active effort to address the housing supply shortage. Former Spokane City Council president, Ben Stuckart also began active dialogue during his tenure in this position to ease some building standards within city limits to promote more affordable housing development (ibid, p. 17).

Introduction

Preliminaries

Demand for housing has increased throughout the nation as a result of a strong economy and rapid increases in population in some regions. The Pacific Northwest, particularly Spokane County, has experienced significant increases in population growth as the region gains notoriety for low building costs, housing affordability and medium-size city amenities. According to a recent report by real estate brokerage firm Redfin, Spokane is one of four top markets in the nation experiencing the largest growth in home sales. Approximately three-quarters of home searches in Spokane come from out-of-town buyers.

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This report begins with a description of the status of the housing market in Spokane County and proceeds to highlight stable housing as a social determinant of health. The report provides recent data on the affordable housing shortage and provides data on who are the most affected populations. The report also makes the connection between the housing shortage and its implications for homelessness and health. The report concludes with general ideas about housing

regulation and a call to action to continue dialogue about ways to address the housing shortage in Spokane County.

²² Ibid, p. 5

²³ Ibid, p. 5

Housing in Spokane: Trends and Projections

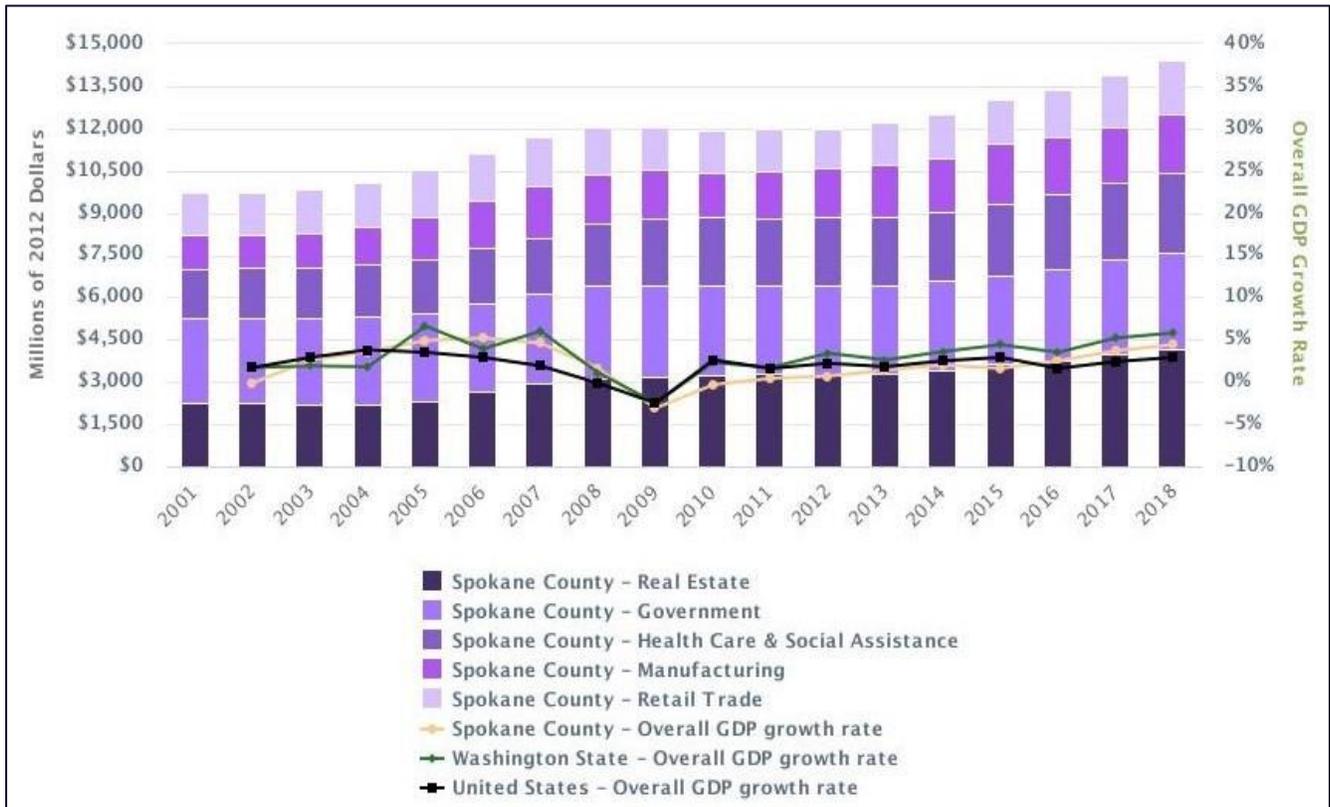
The Data

A good barometer to gauge housing demand and housing affordability in a region is a measure of local economic growth. To measure Spokane County's economic activity, we track the metro gross domestic product (GDP). The Bureau of Economic Analysis calculates metro GDP in order to provide a measure of GDP for local economies in a way that is consistent with the methods used to calculate national income and product accounting. The metro GDP allows us to determine what industries are the drivers of economic growth in the region. Measures for Washington State and the U.S. are included as benchmarks.

Figure 1 illustrates the contribution of the top five major sectors to the local metro GDP of Spokane County. According to the figure, the real estate sector is the largest contributor to metro GDP contributing \$4,175.9 million during 2017. This figure represents an 85.8% increase since 2001. The other top sectors from largest to lowest contribution are government, health care and social assistance, manufacturing and retail trade.

The metro GDP figures shows an important growth trend in our region. From 2017 to 2018 Spokane County grew by 4.4%, Washington State grew by 5.8% and the U.S. grew by 2.9%. The data indicates more robust economic growth for Washington State and Spokane County as compared to the U.S.

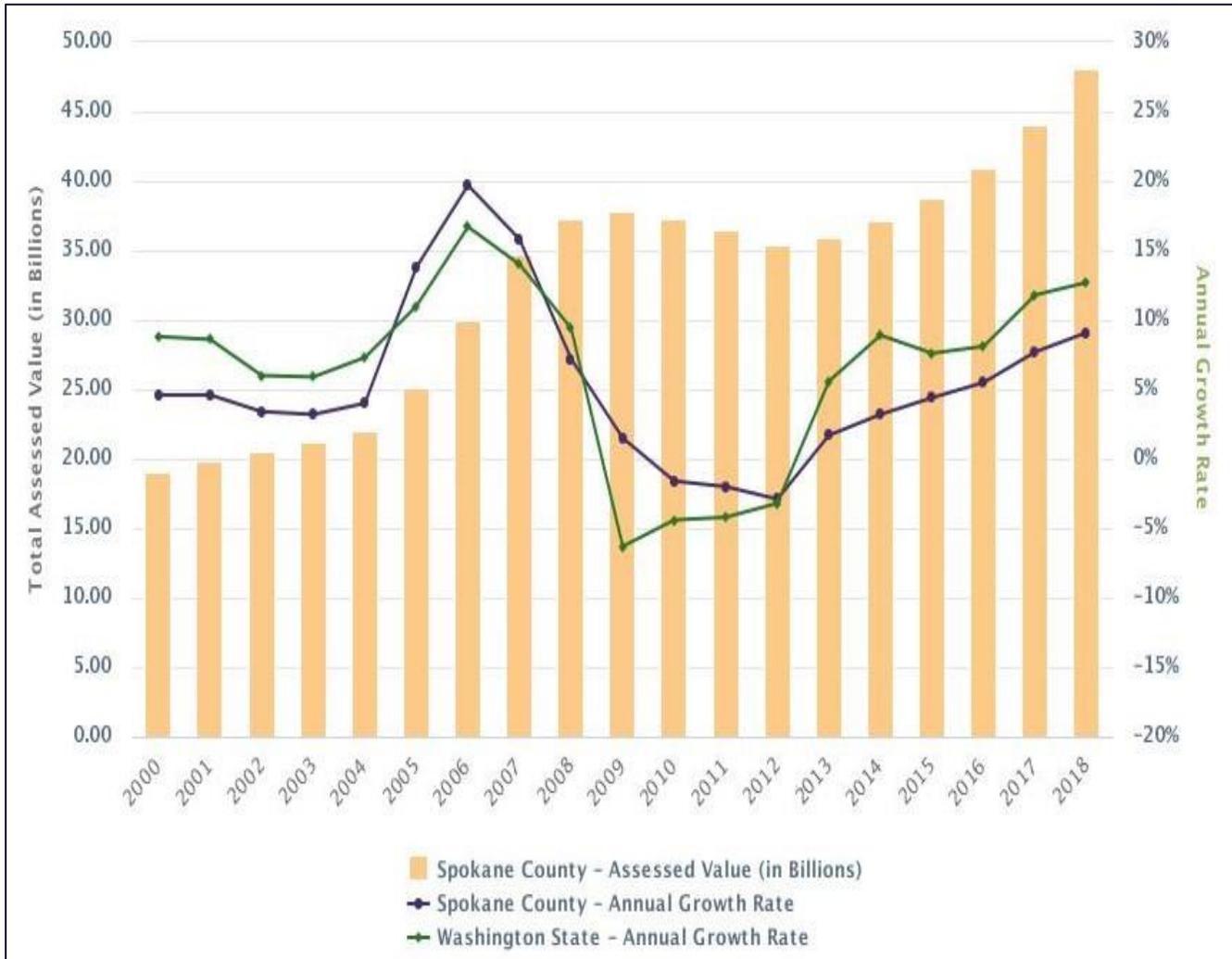
Figure 1: Spokane GDP Growth Rate and GDP of the Top – 5 Major Sectors (in 2012 Dollars)



Source: Grand Fir Analytics analysis of Spokane Trends. U.S. Department of Commerce: Bureau of Economic Analysis – Regional Data GDP & Personal Income

Another barometer of economic growth we can look at is the annual growth of physical property in a community. *Figure 2* measures the assessed value of taxable total property and the annual growth rate in Spokane County. During 2018 for the County, the assessed value of taxable total property was \$48.1 billion, an increase by 153% since 2000. The annual growth rate of assessed value of taxable total property from 2018 was 9.1% for Spokane County and 12.7% for Washington State.

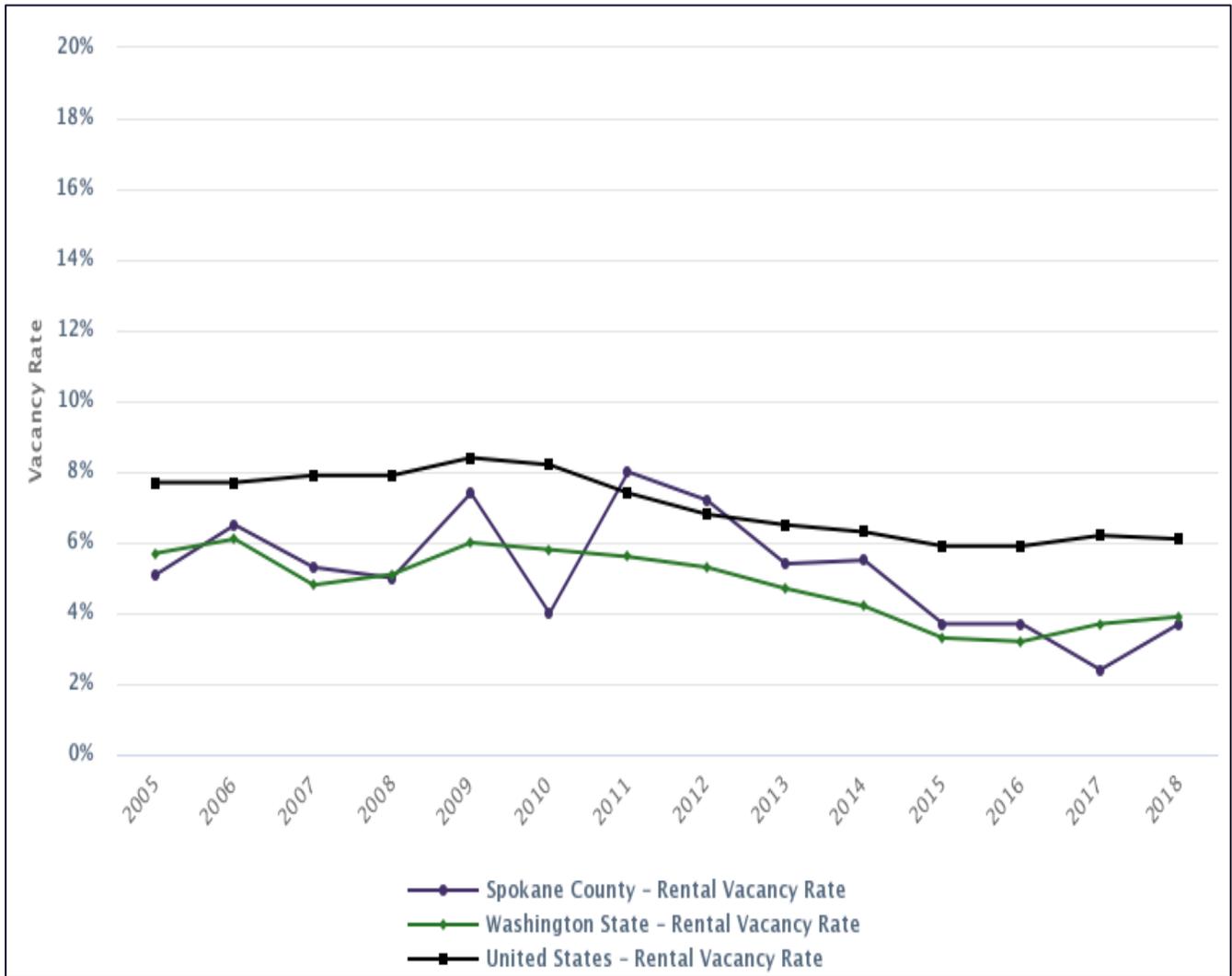
Figure 2: Assessed Value of Taxable Total Property & Annual Growth Rate



Source: Grand Fir Analytics analysis of Spokane Trends. Washington State Department of Revenue – Comparison to County Assessor Statistics Reports.

The strength of the local economy will impact the demand for housing. When GDP increases and incomes increase, more individuals demand housing both rental and owner-occupied. Population increases in the region will also impact the availability of housing. In Spokane County, both incomes and population have grown. As a result, the supply of rental properties has decreased significantly since 2005. *Figure 3* illustrates that during 2018, the overall rental vacancy rate in Spokane County was 3.7%, a decrease from 5.1% in 2005. Comparatively, the rental vacancy rates for Washington State and the U.S. respectively was 3.9% and 6.1%. The data indicates that Spokane County’s housing market is tighter than that of the state and the U.S.

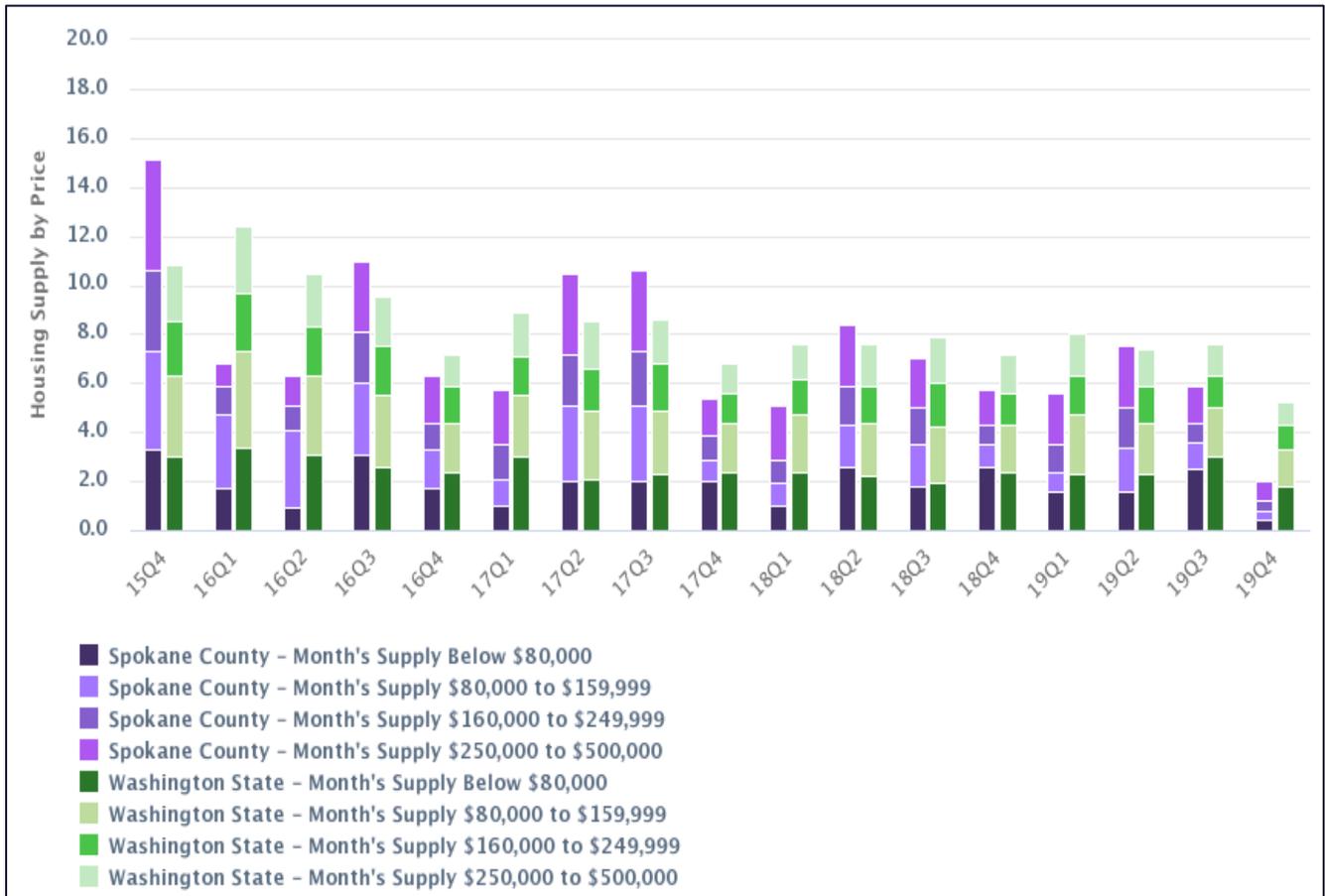
Figure 3: Overall Rental Vacancy Rate



Source: Grand Fir Analytics analysis of Spokane Trends. U.S. Census Bureau: American Community Survey (ACS) – Explore Census Data

The data in *Figure 4* further illustrates the tight supply of housing in Spokane County. This monthly supply of homes measure tells us how many months it would take for the current inventory of homes for sale to be exhausted. The measure breaks up monthly supply of homes by the following price ranges: \$80,000 or less; \$80,000-\$159,999; \$160,000-\$249,999; and \$250,000-\$500,000. During the fourth quarter of 2019 (19Q4) in Spokane County, the monthly supply of housing was 0.4 months for homes valued at less than \$80,000 and up to \$249,999. The monthly supply for homes valued at \$250,000-\$500,000 was 0.8. By comparison, the monthly supply of housing during the same period in the state of Washington was 0.9-1.8 months in all price ranges.

Figure 4: Monthly Supply of Homes Listed by Price Level



Source: Grand Fir Analytics analysis of Spokane Trends. University of Washington: Runstad Department of Real Estate – Archived Reports

Responses to Housing Shortages

Evidence

The research for this report began in January 2020. In the process of reviewing the literature on housing in Spokane County and in Washington State, we were able to find ample studies assessing the need for affordable housing and housing demand. However, evidence on concrete strategies or plans for addressing the shortage of housing has been minimal. In 2018, Washington State's Affordable Housing Board (AHB) published a 2017 affordable housing update.²⁴ In the report, AHB addressed the continued need for affordable housing due to population growth and low housing vacancy rates. This increased demand for housing in turn has created increases in housing prices and has deepened vulnerability and homelessness (ibid, p. 28).

Although Washington State has not been able to fully meet the need for funding and the creation of more housing, recent state and federal investments in affordable housing have been made possible by the Housing Trust Fund and Commission programs. These programs have created or preserved approximately 10,000 units. In 2017, local jurisdictions actively begun dialogue to encourage development of more affordable housing options in their communities (ibid, p. 28). Some of these jurisdictions have made progress by amending local zoning codes to increase density within urban growth areas and they have implemented local housing levies and incentives to promote affordable housing (ibid, p. 28).

Some policymakers in Spokane County believe the easiest way to solve the housing shortage is to loosen the state's liability laws for construction of condominiums. Less regulation would allow developers to build affordable housing units that can serve as a starter home for first-time homebuyers until they can afford a detached single-family home (ibid, p.17, 20). Other proposals such as U.S. Senator Maria Cantwell's Affordable Housing Credit Improvement Act of 2019 bill revises the provisions of the low-income housing tax credit in order to promote more affordable housing.

In Spokane County, it is important for policymakers to actively address local housing demands so as to alleviate local poverty, homelessness and illnesses associated with unstable and unaffordable housing.

²⁴ The report can be downloaded here:

https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Commerce-AHAB-annual-report-2018_0fe5c4e4-7c44-4032-845e-9cf53a41d18b.pdf. Accessed June 11, 2020.

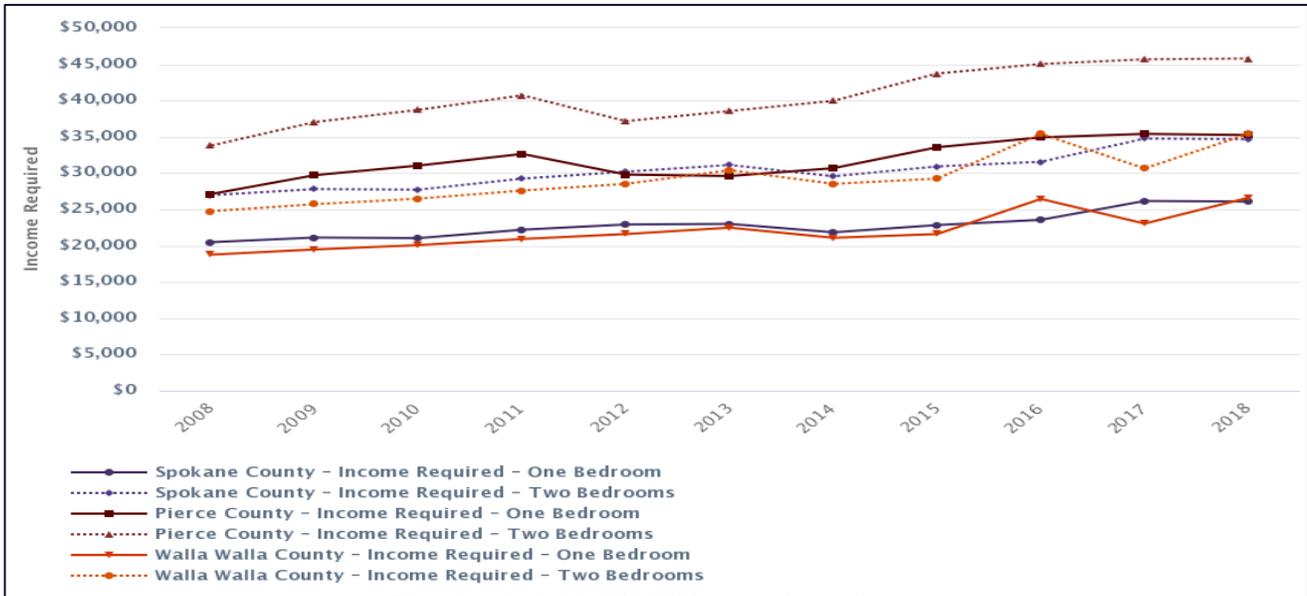
According to EWU's Institute for Public Policy and Economic Analysis, over one third of households across the U.S. live in rental housing. While many households opt to live in rental housing because it is convenient or less costly (i.e. lower down payments, etc.), many choose to live in rental housing because homeownership is out of reach due to lower income. This is disproportionately the case for racial minorities and single mothers.

The U.S. Department of Housing & Urban Development (HUD) describes fair market rent as gross rent estimates for safe privately-owned units. This estimate represents what an individual or family can reasonably expect to pay for adequate rental housing. The rent estimate includes rent in addition to the cost of all expected utility payments with the exception of telephones, cable TV and internet fees.

Figure 9 illustrates a measure of the annual income required to afford fair market rent (FMR) in Spokane County for one and two-bedroom rental units. Data for Washington Counties of Pierce and Walla Walla presented as comparisons. In 2018, the annual income required to afford fair market rent for a one-bedroom unit in Spokane County was \$26,080. This required annual income represents an increase of 27.3% since 2008. Pierce County required annual income for affordability of a one-bedroom unit in this period was \$27,120, a 29.9% increase since 2008. For Walla Walla County the required annual income to afford FMR for a one-bedroom unit was \$26,600, an increase of 41.8% since 2008.

In terms of annual income required to afford FMR for a two-bedroom unit in Spokane County, in 2018, the income requirement for affordability was \$34,680, an increase of 28.6% since 2008. The annual income required for affordability of FMR for a two-bedroom unit for Pierce County and Walla Walla County were \$33,800 and \$35,400 respectively. The two counties also experienced increases in annual income requirements for affordability of 35.5% and 43% respectively.

Figure 9: Annual Income Required to Afford Fair Market Rent – 1 and 2 Bedroom Units

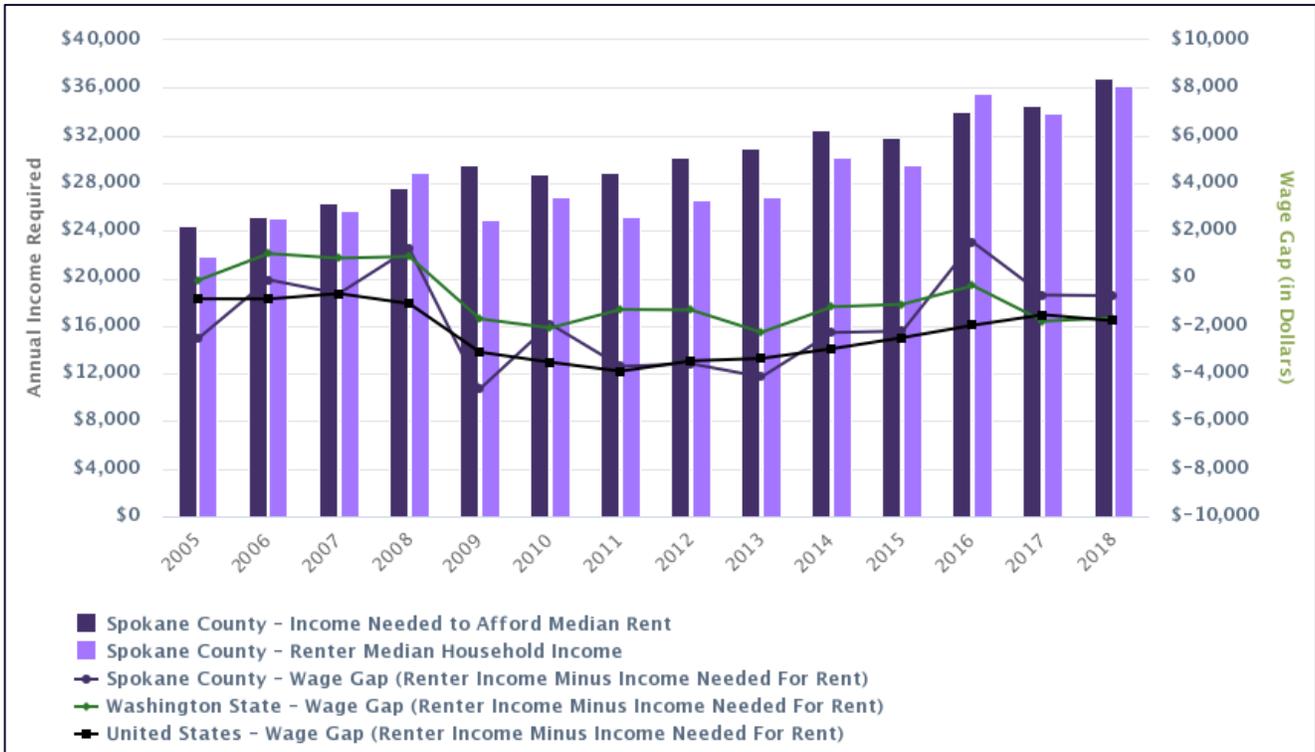


Source: Grand Fir Analytics analysis of Spokane Trends data. U.S. Department of Housing and Urban Development: Office of Policy Development and Research – Fair Market Rents.

Another measure we can track to assess housing affordability is to track wage gaps between median household income and the income needed to afford the median rent in a given area. If the rent affordability threshold of 30% of household income for shelter costs is used, the housing wage gap is calculated by the difference between 30% of median household income and income required to afford median market rent.

Figure 10 shows that in 2018, the estimated difference between the median household income of renters and the income required to afford median gross rent (the wage gap) in Spokane County was -\$736. This means that renting households in the County on average face a shortage or gap in income of \$736. If this financial need is not met, vulnerability for homelessness and financial instability for renting individuals may increase over time.

Figure 10: Housing Wage Gap: Difference Between Renters Median Household Income and Income Needed to Afford Median Gross Rent.



Source: Grand Fir Analytics analysis of Spokane Trends. U.S. Census Bureau: American Community Survey (ACS) – Explore Census Data.

How Do We Move Forward?

Some Policy Ideas

Given the COVID-19 health crisis that is still going on and the economic recession it has generated, it is difficult to assess with certainty how much funding will be available for social programs and housing programs at the state-level and at the federal-level. This uncertainty can derail initiatives until the next economic recovery. Despite health and economic uncertainty, however, state and local officials, particularly in Spokane County, should not ignore the current housing shortage we are experiencing.

As discussed in the beginning of this report, even during the Coronavirus pandemic, the Spokane housing market is still thriving, and housing availability is tight. If we accept that housing is a social determinant of health and healthy communities are a priority, we must be proactive in designing and implementing policies that would result in economic and social welfare.

The ideas outlined in Washington State's Affordable Housing Board's 2017 Affordable Housing Update are promising but as the AHB acknowledges, more is needed. The housing need is still substantial, and funding is inadequate. We should continue to look at ways in which we can create more affordable housing.

In terms of housing policy in Spokane County, given the local shortage of housing and the eminent vulnerability threats our poor citizens face, we cannot afford to implement policies that will result in less housing. The ideal policy would protect tenants from discrimination and price gouging, but it will also promote a greater supply of rental housing.