

SPOKANE REGIONAL HOUSING NEEDS SUMMIT

A MARKET BASED NEEDS
ASSESSMENT FOR THE
SPOKANE REGION



The housing supply in the Spokane continues to fall to record low levels at all pricing points. In February of 2021, we gathered the top minds in the industry at the national, regional, and local levels to provide a market-based analysis of housing needs for our region.

This white paper serves as a guidepost that provides a full picture of the true need for housing, the impacts of housing policies in our region, the needs of Spokane, what residents want, the influence of buyer migration from larger metro markets, a history of under-supply and the social impacts to our community.



We must no longer turn a blind eye to the impacts in our community from a severe lack of housing. For more than a decade, we have failed to build enough homes to meet demands. As a result, housing prices are increasing at never-before-seen pace.

To find answers as to why, the Spokane Association of REALTORS® gathered some of the greatest minds, with national, regional, and local standing, for a Spokane Region Housing Needs Summit. Their voices make it clear as to the impacts this is having on our community.

This report lays out the challenges facing our industry and our communities. I encourage you to keep this as a reference guide for the discussions ahead.

As REALTORS® - we are uniquely positioned to advocate for change. It is a responsibility we must now bear, to best serve our neighbors, our community, and our industry.

Let us get to work!

Eric Johnson

2021 President

Spokane Association of REALTORS®

Executive Summary

The housing crisis in the Spokane region has reached a critical level and is threatening the stability of our region. That is the consensus of a panel of national and regional economists and housing experts who came together for a Spokane Region Housing Needs Summit hosted by the Spokane Association of REALTORS®. These experts were brought together to help us better understand the true housing needs of the Spokane region, and the answers they provided were alarming.

Among the key findings:

- The Spokane area's housing supply is severe, with a 94% reduction in available homes for sale since 2010.
- A lack of inventory has escalated the median home price in Spokane County 66.8% since 2015 with a median home increase from \$179,000 (2016) to over \$300,000 (2020).
- From 2010 to 2019 the Spokane Region underbuilt approximately 32,000 housing units to meet demand.
- This has resulted in lost economic opportunity - \$6-billion dollars in wages and employment since 2010, \$1.1-billion dollars in immediate and ongoing tax revenues.
- A lack of inventory has led to thousands of families renting who cannot find a place to buy.
- Vacancies in regional rentals remains at a dangerous level of around 1%.
- The biggest lack of inventory lies in entry level or workforce housing.
- From personal health to family stress, to student performance in school, to increased levels of homelessness, Spokane's lack of housing has triggered a severe impact on the health of our citizens – especially among minorities and our youth.
- Spokane has high levels of cost-burdened families spending more of their income on shelter than most similar cities in the state and the US.
- The Spokane Region is among the top places to move in the country with expected growth of 48,000 more people by the year 2030.
- Many new homebuyers are migrating from larger West coast markets adding 8-to-14,000 new residents annually
- The market has shifted with bulk of new homes in our region now built across the border in Idaho.
- Local public policy has resulted in the lack of housing production.
- In the City of Spokane's 20-year plan to build around centers and corridors not one single development has happened

You can watch the summit for yourself here - <https://www.youtube.com/watch?v=5t7NYNhMwYI>

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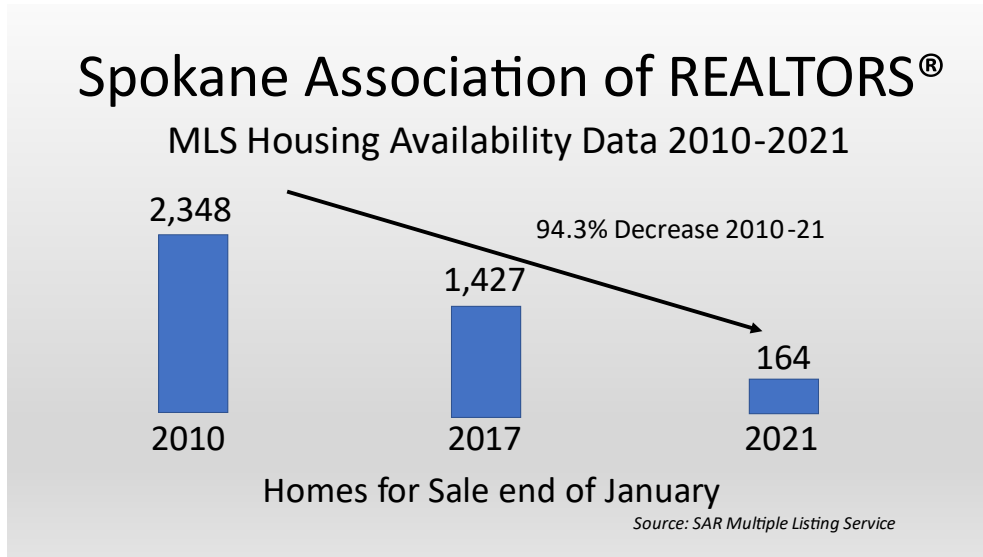
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Spokane Region Housing Costs and Supply

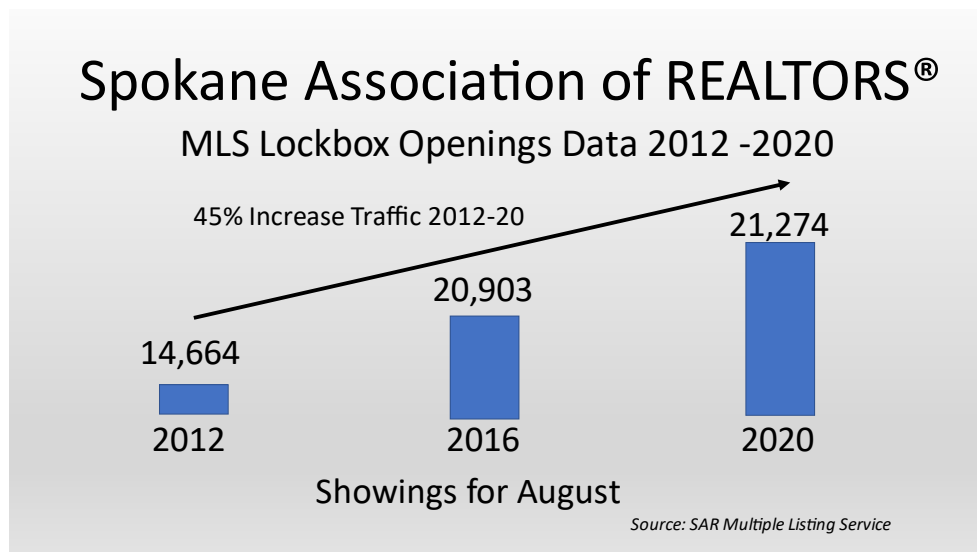
-Data supplied by the Spokane Association of REALTORS®

Spokane County is currently suffering from the lowest level of housing supply in history. In housing terms, there is under a 10-day supply of homes. By contrast, a 4-to-6-month supply represents a balanced market.

This is a trend that we have seen growing since 2010.



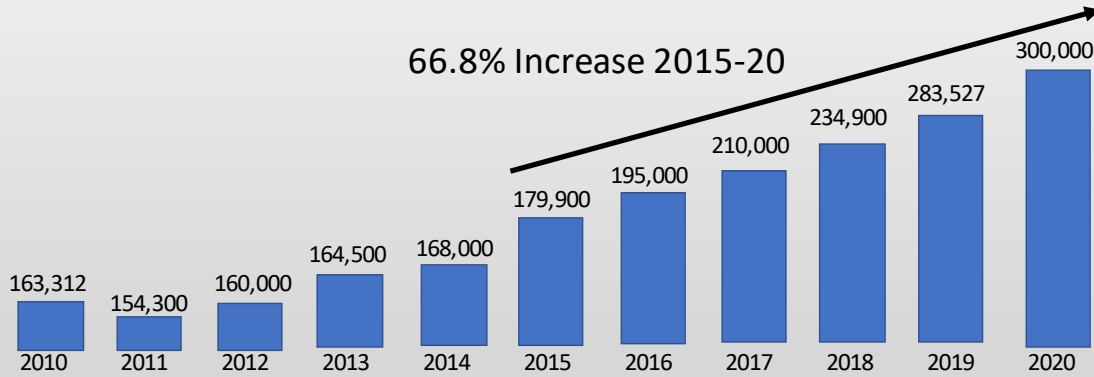
In raw numbers, there were 2,348 homes available in January of 2010. By the end January of this year, that number had fallen to 164 homes. This represents a housing inventory reduction of 94%.



During this time frame (data kept since 2012) we measured data for the number of home showings as a representation of customer demand. As we have seen in an increase in the showings of homes by 45% as measured by the number of lockbox openings.

Spokane Association of REALTORS®

MLS Housing Data 2010-2020



Median Home Prices for Spokane County

Source: SAR Multiple Listing Service

As a result of this increased demand, and reduced supply the cost of housing in the Spokane Region has continued to accelerate. Since 2015, the median priced home in the region has gone from \$179,000 to \$300,000. This represents an increase of median priced homes of 66.8% from 2015 through 2020. By comparison, median home prices increased from 2010-2014 by only 2.8%

These statistics represent the sales of single-family homes on less than one acre, including condominiums.

Source: Spokane Association of REALTORS® Multiple Listing Service.

Housing Affordability and the First Time Homebuyers Squeeze



James Young – Director of the Washington Center for Real Estate Research

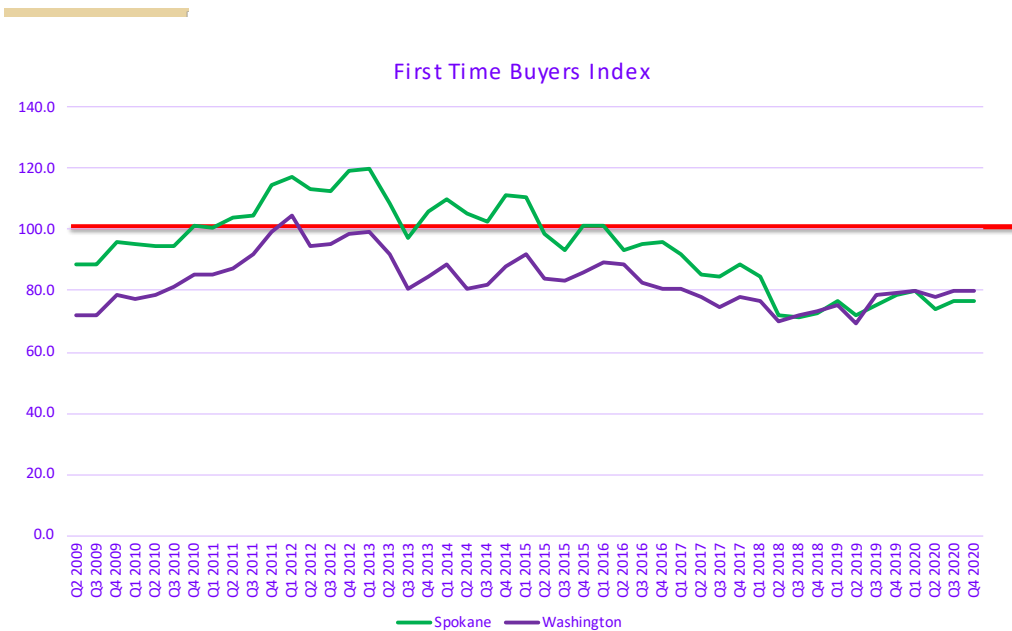
“Since 2017, it has become less affordable for first time homebuyers in Spokane than the rest of the state.”

The Spokane Housing Market continues to show a rapid decline in affordable homes, particularly for those looking to enter the home ownership ranks for the first time. As recent as the third quarter of 2015, home ownership has been attainable by roughly 100% of buyers making 85% of the median income in the Spokane Region. Today, those numbers translate to under 75% of renters.

Too often, those who have saved up and are ready to buy face a regional supply of less than a handful of homes. The market is seeing multiple offers (often 20 to 30 offers) on these entry level or workforce homes priced at \$250,000 or below, with an average time on market of just a few days before going under contract.

Spokane has long exceeded the rest of Washington for affordability, but in the past few years, that status has changed, especially for first time homebuyers.

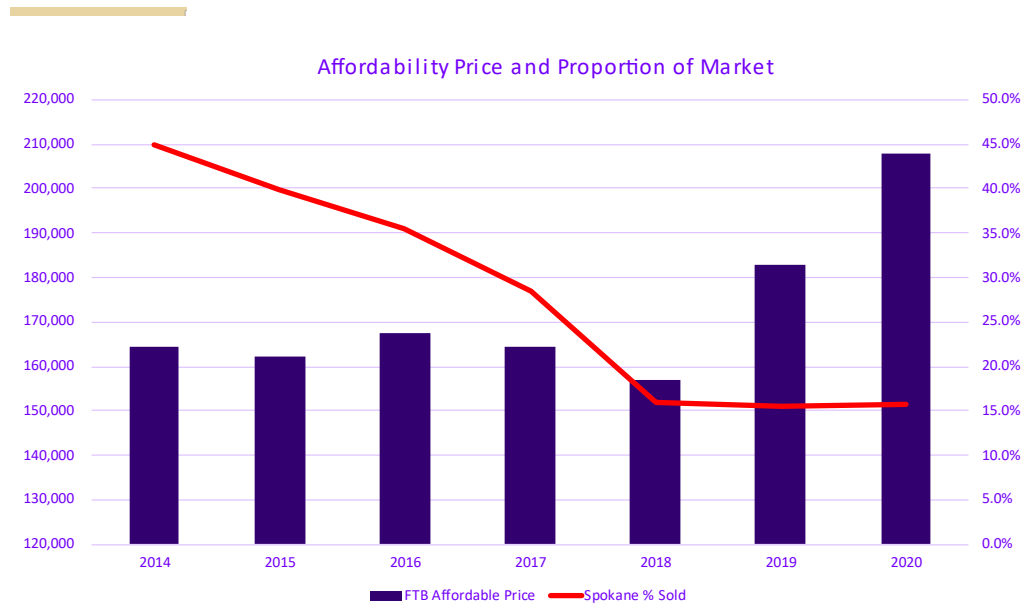
First Time Buyers Housing Affordability Index



Source: Washington State Housing Market Report: WCRER

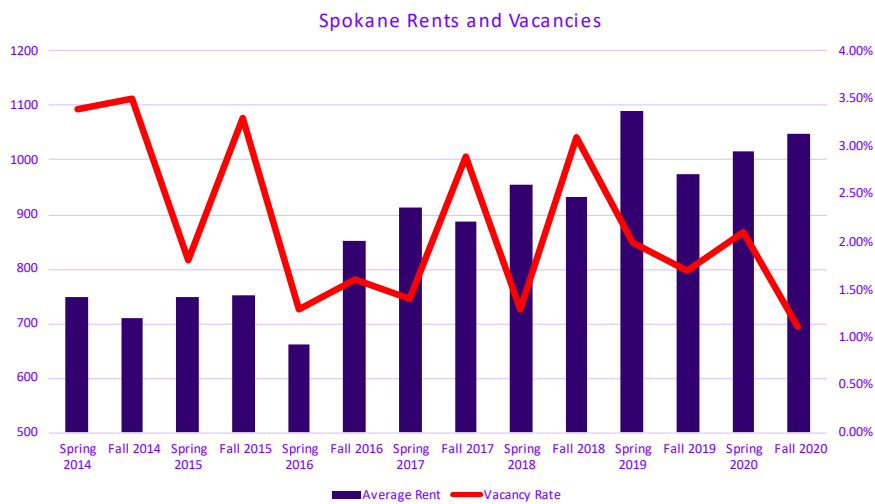
As home prices continue to escalate, more and more buyers are being squeezed out of the marketplace. This is especially true for those seeking to buy their first home, or transition down to a smaller home.

First Time Buyer Market Dynamics



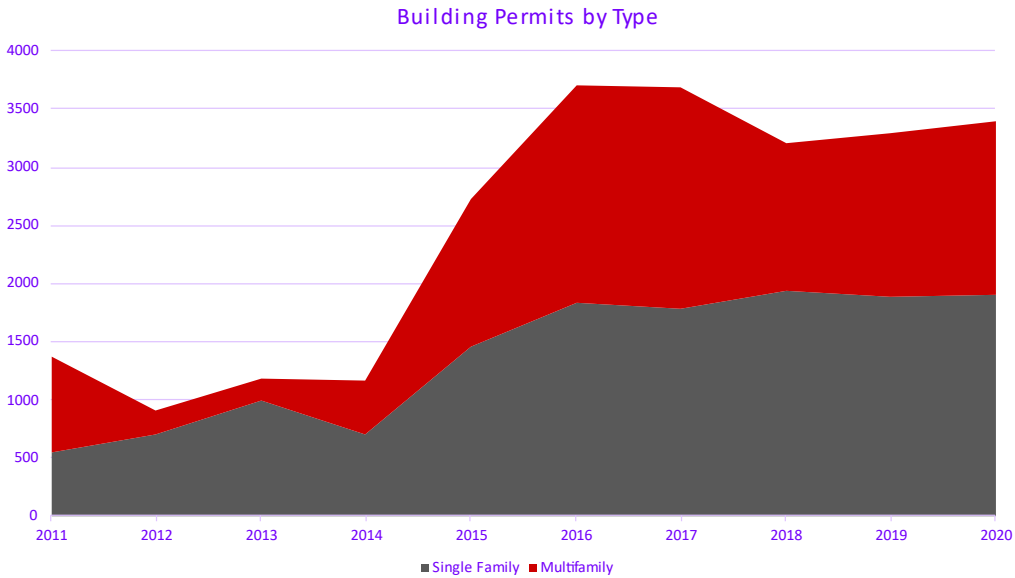
Since 2018, the available housing for first time home buyers has fallen to roughly 15% of the marketplace. This has resulted in tremendous pressure on the rental market with vacancies falling to an unhealthy rate of about 1%.

Rental Housing Market



These rising rental rates create what we call the Prisoner’s Dilemma, where renters find themselves using more of their resources month-to-month for housing costs, instead of being able to save up for a down payment.

Building Permits by Type



Source: US Census Bureau, WCRER

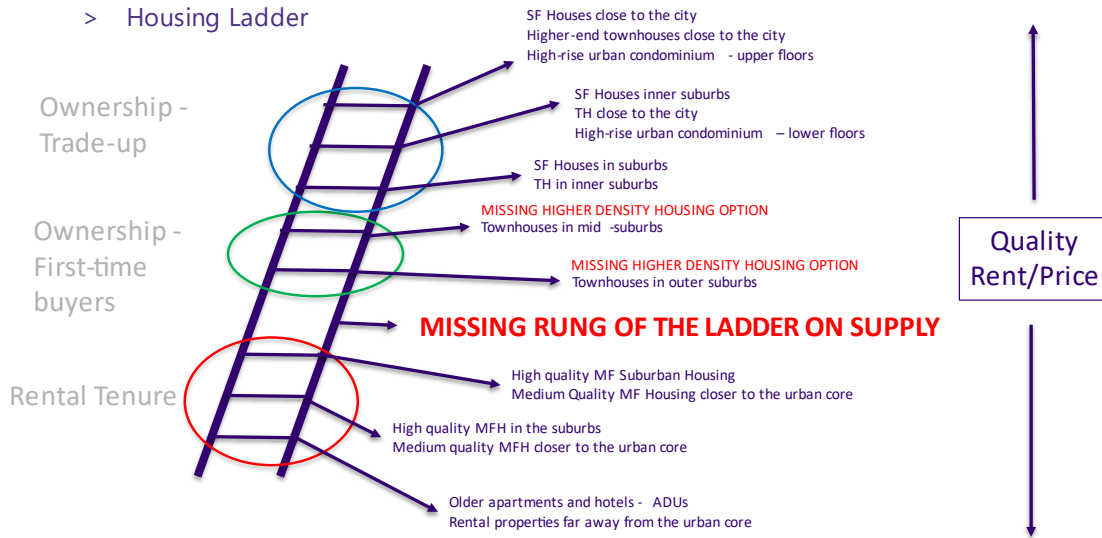
W UNIVERSITY of WASHINGTON
WASHINGTON CENTER FOR REAL ESTATE RESEARCH



As a result, the marketplace has reacted with a dramatic increase in multi-family rental units during this same time period. To put this in context for each construction type - that is more than the TOTAL all of the building permits issues in the years 2014, 2013, 2012, and 2011. Condominium construction is now less than 10% of the marketplace in 2020, with over half of these new units age restricted to those 55 and older.

Security and Tenure

> Housing Ladder



In conclusion, with steady interest rates we should see first-time buyers able to afford more of a home than in the past. But this major decline in existing home listings has created a shortage of supply, and has created a “Prisoner’s Dilemma” in the marketplace. The pre-Covid demand trends have only been accelerated during this time period, making it clear that a lack of supply for first time buyers is creating acute problems in the Spokane housing market. As a result, this housing demand has nowhere to go but the rental market.

This will become problematic in the next few years as Spokane finds itself unable to meet owner’s expectations. Both for those living here, and those who are migrating here from West Coast Urban Centers.

The key to solving this dilemma is clear. Housing supply leads to ownership opportunities. Without them, the market will continue to make home ownership more and more difficult.

Housing Growth Continues as the Economy Recovers in 2021



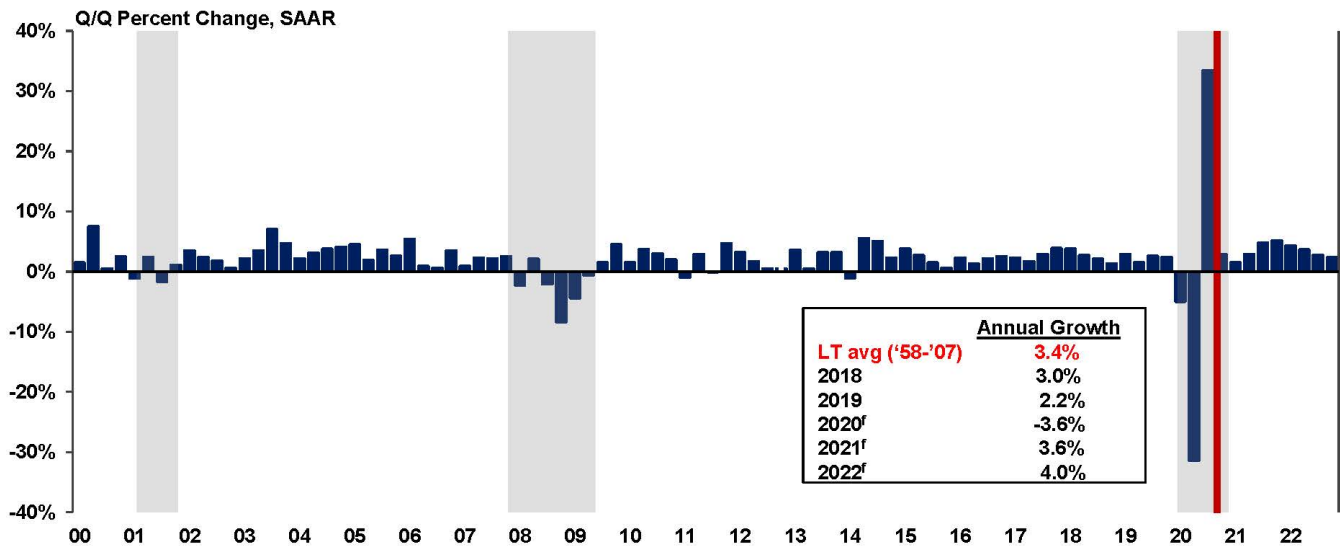
Danushka Nanayakkara-Skillington – National Association of Home Builders
Assistant Vice President for Forecasting and Analysis

“We believe the economic recovery will rebound in the second half of 2021, depending on the new mutations of the Covid virus and the roll out of vaccinations.”

The national economy was growing at a strong and steady pace of about a 3.4% GDP growth until the advent of the coronavirus shutdown. The result led to a complete reversal with a negative 3.6% fall in GDP for 2020.

GDP Growth – Recovery Accelerates During 2H21

Growth continues into 2021 and 2022



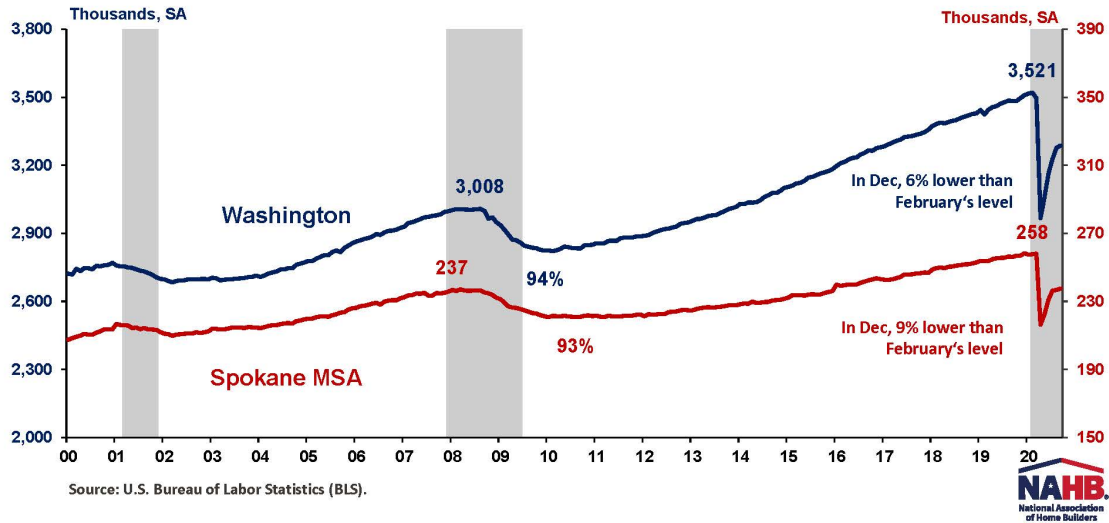
Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.



We see this growth trend resuming once the effects of Covid 19 have been reduced. While there are immediate concerns with the effects of the emerging new mutations of the virus, we are optimistic that the roll out of vaccinations will help move the economy to a more normal pace. As such, we see the GDP growth nationally to reach 3.6% for 2021, and 4% in 2022.

Payroll Employment

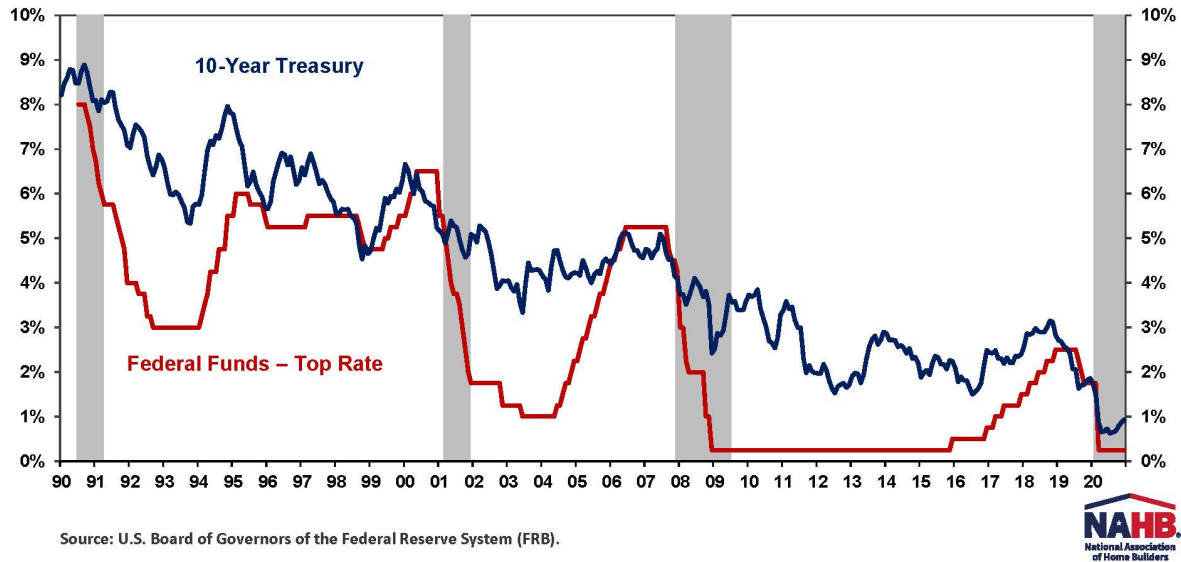
In December WA unemployment rate is at 7.1%; Spokane, WA is at 7.12%



Spokane's employment rates have lagged the rest of Washington, while the economic recovery appears to have resumed, but has flattened out slightly in comparison to the rest of the state.

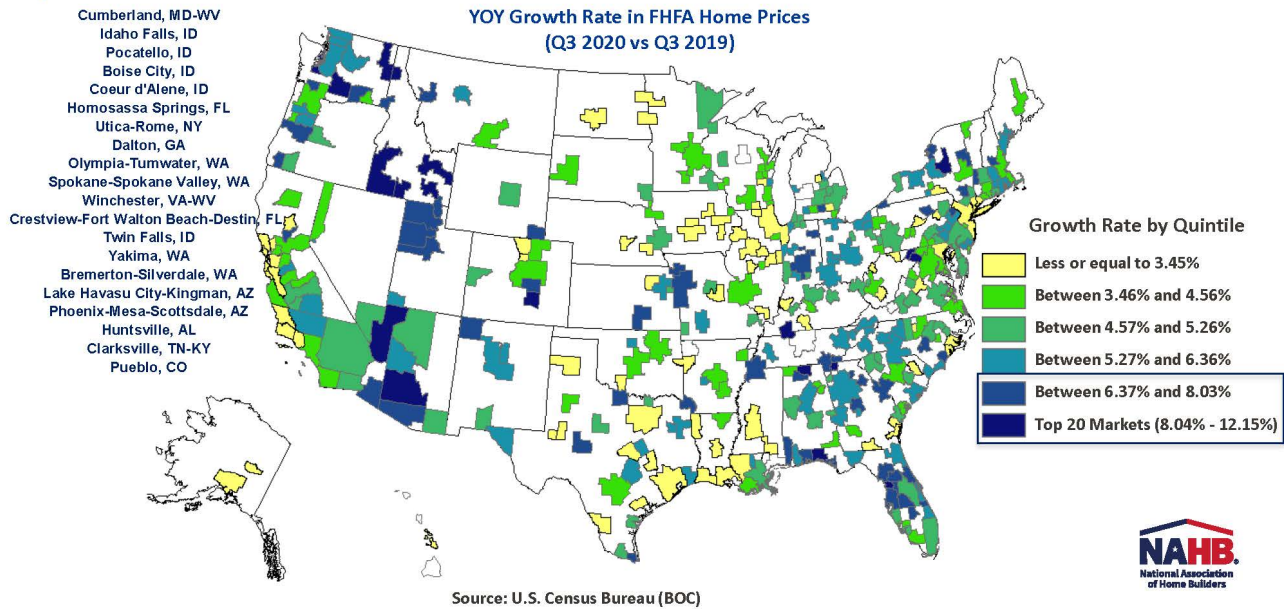
Fed Funds Rate – Fed All In on Supporting Economy

Lender and buyer of last resort



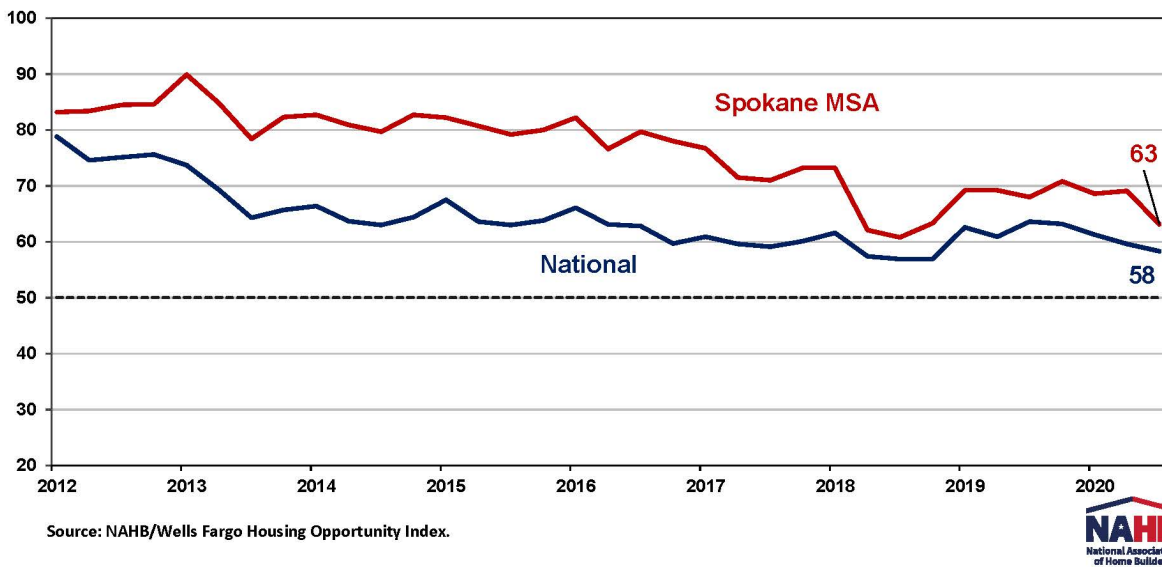
The good news is that the Fed's are all-in with their financial support of the economy. Since 2009, the Federal Funds top rate has remained below 1%. While there was a temporary raising of the rates from 2017 to 2020, the rate has returned to below 1%, giving strong support towards interest rates staying low for the near-term.

Top 20 Markets for Home Price Growth



Home prices in Spokane are predicted to continue a strong upward movement with an average annual increase projected to be between 8.04% and 12.15%. This puts Spokane in the top 20 markets for Home Price Growth based on a lack of inventory and a growing demand for homes.

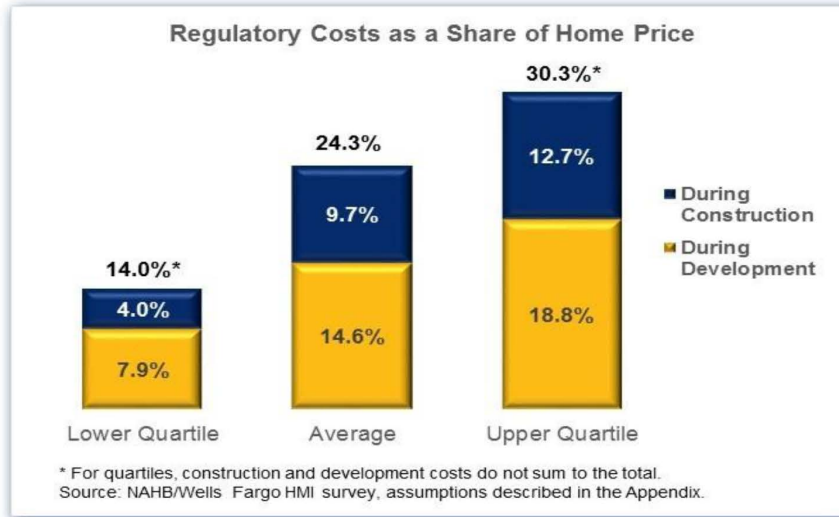
Housing Affordability – NAHB/Wells Fargo HOI



While Spokane still ranks above the National mark for housing affordability, we see that number continuing to fall into 2021 with an affordability index going below 63%,

Regulatory Costs Rising – Up 29% Over 2011-2016

Total effect of building codes, land use, environmental and other rules



Spokane saw an increase in softwood lumber prices since mid-April of 177% (from \$350 per thousand board feet, to \$966 April 2020 to Feb 2021), which has added about \$16,000 to the average price of a home. Yet, Spokane’s Regulatory Costs related to the share of home prices stands between 24.3% and 30.3% of the home construction costs when compared to other markets in the country.

Economic Impacts of Home Building

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes		Wages and Profits Combined
			Proprietors	Corporations	
All industries	2.90	\$188,962	\$71,963	\$66,656	\$327,581
Construction	1.71	\$111,668	\$45,029	\$19,760	\$176,457
Manufacturing	0.36	\$22,197	\$1,955	\$18,259	\$42,411
Trade, Transportation & Warehousing	0.37	\$19,475	\$3,097	\$9,052	\$31,623
Finance and insurance	0.06	\$6,132	\$151	\$4,486	\$10,768
Real estate and rental and leasing	0.02	\$1,542	\$8,650	\$2,024	\$12,216
Professional, Management, Admin. services	0.21	\$16,585	\$4,711	\$3,148	\$24,445
Other	0.18	\$11,362	\$8,371	\$9,928	\$29,661

The good news is that there is tremendous economic opportunity that comes with an increase of housing supply. On average, each new home adds \$188,962 in wages and salaries to the economy, along with 2.9 jobs.

(NAHB also projects \$3.6 million in local tax revenues for each 100 homes built - *The Economic Impact of Home Building in a Typical Local Area*)

Housing Underproduction for Washington State and Spokane



Mike Kingsella

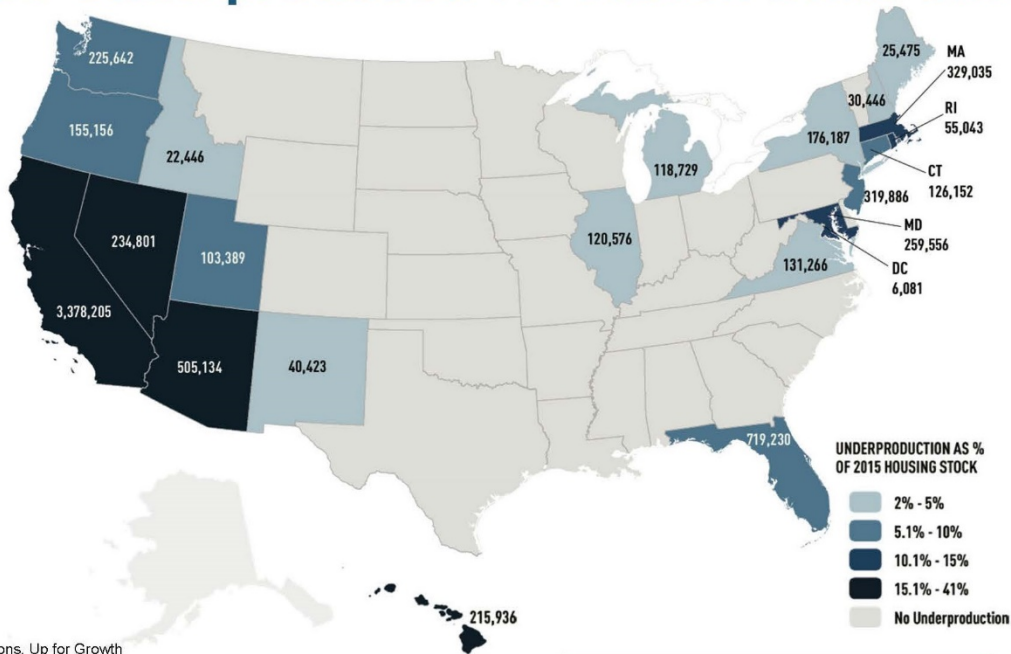
Up For Growth National Director

“Spokane’s housing stock is rapidly becoming unaffordable. From 2010-2017 Spokane ranked as the number one most affordable entry level home city in the country. Today it’s 45th (of 100) and falling.”

Source: AEI Carpenter Index

Across the State of Washington, and in Spokane County in particular, there are not enough homes relative to need. While this is a trend many attribute to being a nationwide problem, we see the biggest challenges to growth lies primarily on the West Coast.

22 States Underproduced 7.3 Million Units Since 2000



Source: ECONorthwest Calculations, Up for Growth

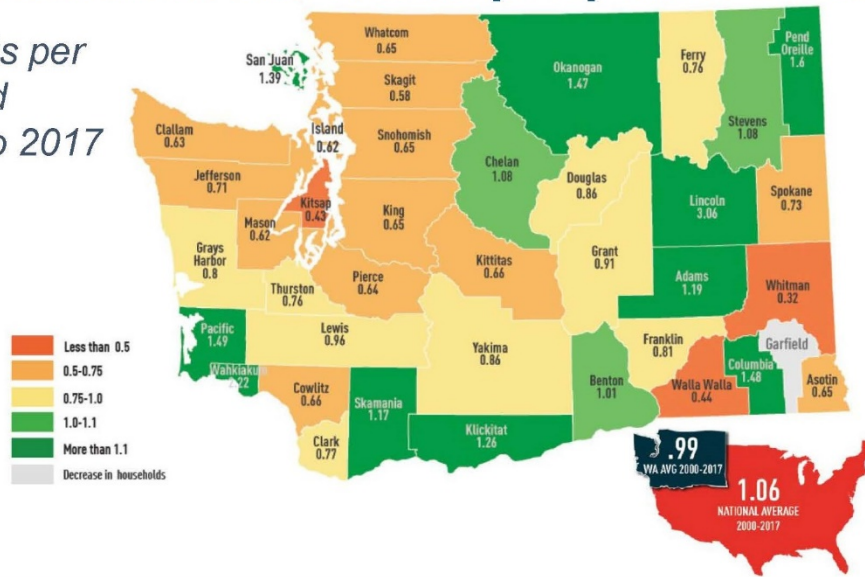


www.upforgrowth.org

In Washington State, this lack of production has not kept up with growth going back to 2010, with the State underproducing some 225,000 homes from 2010 to 2017. ECO Northwest that compiled this data for us determined that Spokane county’s growth figure represents approximately .73 homes for every new family, with a national average of 1.06 homes per family.

Housing Production Has Not Kept Up With Growth

0.68 Housing units per household formed Statewide 2010 to 2017



Source: Census ACS 2010 and 2019

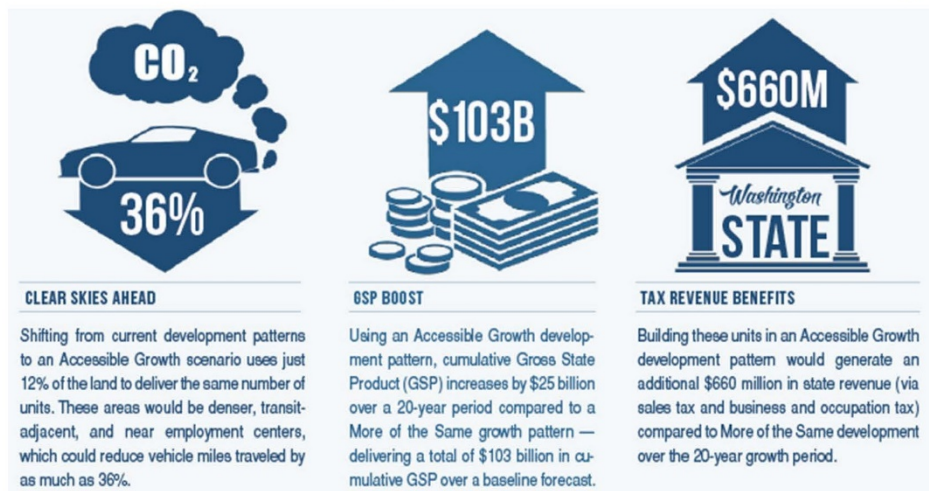


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The high cost of underproduction can be measured in several key areas, specifically in greenhouse gas emissions, loss of growth and revenue to residents and in lost tax revenue benefits.

The Cost of Underproduction in Washington



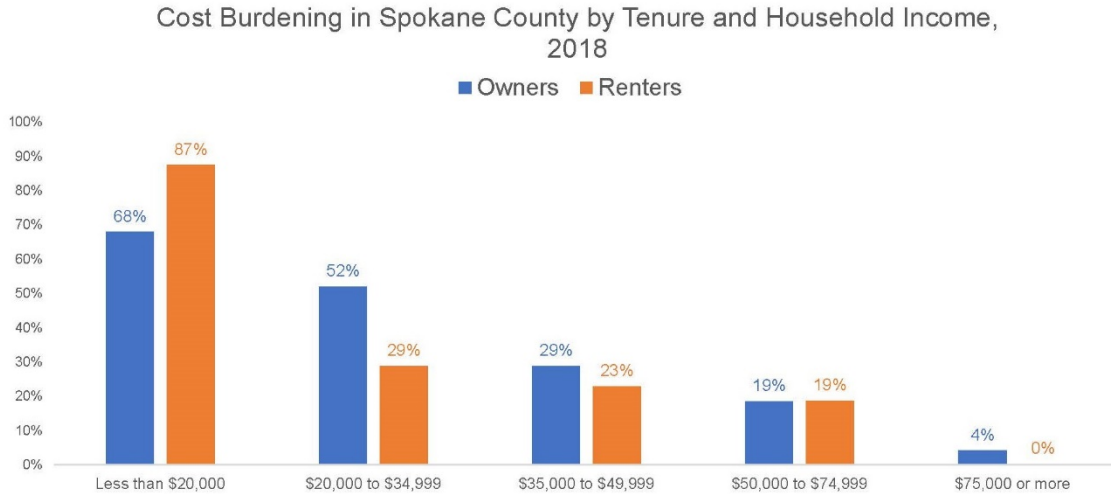
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In Spokane, this lack of construction has dramatically shifted the cost burden of housing, both in terms of rent and ownership with severe impacts to 22% of homeowners and 48% of renters. This results in about 73,000 households facing cost burdening, averaging out to roughly one in three families.

Cost-burdening happens when families pay more than 33% of their income towards their total housing costs. The additional challenge for those renters who are cost-burdened is that it makes it incredibly difficult to save for a down payment to purchase a home.

Cost Burdening Varies by Income in Spokane County



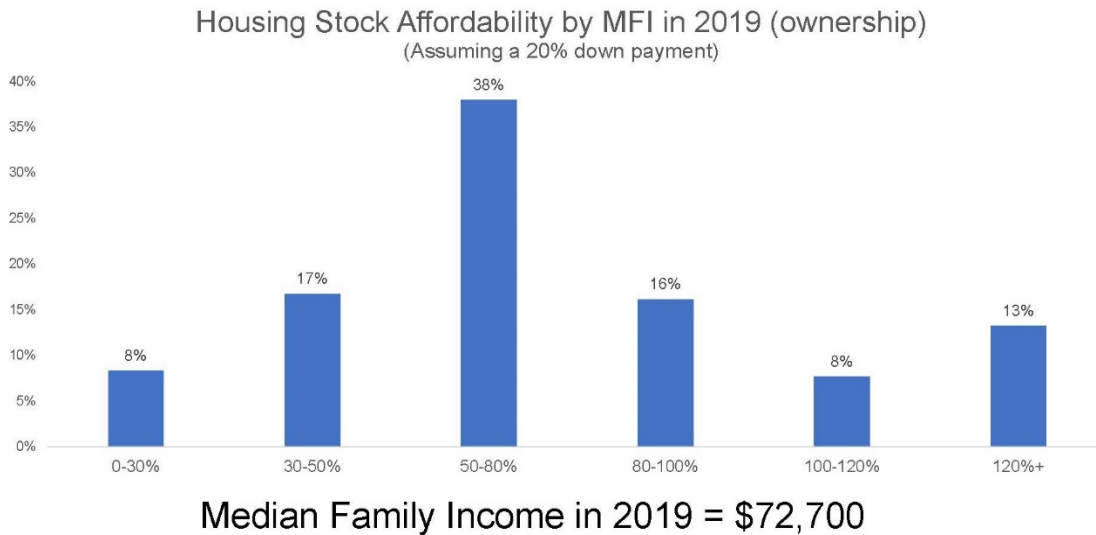
22% of Homeowners and **48% of Renters** are Cost Burdened

Source: Census ACS, 1 Year 2018

UP FOR GROWTH www.upforgrowth.org 3

The impact of home ownership continues to drop with each rising cost of housing. Across the board we are seeing fewer and fewer people able to afford a home in Spokane.

How Affordable is Housing in Spokane?



Source: Census PUMS 2019

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Updating our numbers from the 2017 study, we see a continuation of the housing underproduction in Spokane County. Given the aging housing stock in Spokane, with a higher percentage of post-WW2 housing built (in conjunction with ECO Northwest) we have determined that Spokane's housing unit needs are at 1.15 homes per new household.

Housing Underproduction in Spokane County

223,061 Total Homes in 2019

→ 1.05 Units per Household

221,723 Households in 2019

National target
ratio of 1.15



254,981 Housing Units Needed

Housing Underproduction = 31,920 units (14% of the current stock)

Source: Census ACS



www.upforgrowth.org

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In the final analysis, time is of the essence. With building costs, land acquisition and regulatory costs on the rise, the result is the cost of entry level housing is increasing, with fewer units being built. Long run affordability requires sustained production of housing units.

We believe better planning, zoning, and land-use policies can help builders better meet the market, delivering more inventory, while increasing housing affordability in the process.

Spokane Emerges As Top-10 Post-Covid Real Estate Market



Jessica Lautz – VP of Demographics and Behavioral Insights –
National Association of REALTORS®

“Spokane will be among the top 10 housing markets in the United States as a Top-10 Post-Covid Real Estate Market.”

The National Association of REALTORS® has released its Economic forecast for 2021-22 and has determined that Spokane will be among the top 10 housing markets in the United States as a Top-10 Post-Covid Real Estate Market.

Top 10 Markets During and in a Post-Covid-19 Environment



The Spokane-Spokane Valley Metro area stands out as having the highest fraction of its movers from West Coast Areas, accounting for 23.8% of people who moved in the area in 2018. In terms of movers, Spokane stands with Phoenix/Scottsdale as the most attractive for West Coast movers. A high fraction of this migrating workforce works from home, at 7.1%. While house prices have gone up substantially in the last 5 years, prices here remain very attractive from expensive West Coast metro areas.

Top 10 Markets During and in a Post COVID-19 Environment in 2020-2022

Data Table for Top 10 Markets During and In a Post Covid-19 Environment in 2020-2022

Released on December 10, 2020, NAR Real Estate Forecast Summit
National Association of Realtors®

Metro Area (in alphabetical order)	Percent of workers 16 years old and over who worked from home in 2019/1	Share of multigenerational households in 2019/2	Net domestic migration in 2019/3	Population who moved out of West Coast metro areas* to this metro area in 2018/4	Total domestic movers into the area/4	West Coast movers as a percent of domestic movers into this area/4	Unemployment rate in September 2020/5	Share of workers in retail and leisure and hospitality industries/6	Small business openings as of Nov 16 relative to Jan 2020/7	Mobility to retail and recreation as of Nov 17 relative to Jan 2020/8
Atlanta-Sandy Springs-Alpharetta, GA	8.8%	4.5%	31,043	7,536	202,361	3.7%	6.7%	19.3%	-27.9%	-7.2%
Boise City, ID	7.7%	2.6%	16,759	5,280	36,045	14.6%	6.4%	22.3%	-27.8%	-5.1%
Charleston-North Charleston, SC	6.5%	3.1%	10,340	1,408	42,342	3.3%	4.7%	21.1%	-18.4%	-12.9%
Dallas-Fort Worth-Arlington, TX	6.5%	4.6%	46,601	19,222	245,596	7.8%	7.6%	20.3%	-27.9%	-8.9%
Des Moines-West Des Moines, IA	5.5%	2.7%	3,718	804	31,735	2.5%	5.0%	18.2%	-26.3%	-1.9%
Indianapolis-Carmel-Anderson, IN	5.6%	2.5%	6,196	1,663	67,256	2.5%	6.6%	20.2%	-31.5%	-8.1%
Madison, WI	5.6%	1.5%	1,418	1,304	36,282	3.6%	4.3%	18.4%	-27.9%	-23.6%
Phoenix-Mesa-Chandler, AZ	7.9%	4.5%	71,657	28,829	199,244	14.5%	6.3%	21.4%	-26.4%	-16.5%
Provo-Orem, UT	7.9%	3.9%	4,500	3,671	42,142	8.7%	4.2%	19.8%	-18.4%	-12.6%
Spokane-Spokane Valley, WA	7.2%	3.7%	8,151	8,312	34,896	23.8%	8.6%	20.4%	-10.1%	-17.1%
United States	5.6%	3.8%		996,398	14,556,889	6.8%	7.9%	20.3%	-28.9%	-20.0%

Data sources:

- /1 US Census Bureau, American Community Survey, 2019 Table B08141
- /2 NAR tabulation of US Census Bureau American Community Survey, 2019 PUMS data
- /3 US Census Bureau
- /4 NAR tabulation from US Census Bureau, Metro-to-Metro Ins-Outs Table
The West Coast metro areas are San Francisco, San Jose, San Diego, Los Angeles, and Seattle
- /5 US Bureau of Labor Statistics
- /6 US Bureau of Labor Statistics
- /7 NAR tabulation from Harvard University Opportunity Insights county level data
- /8 NAR tabulation of the Google Covid-19 Mobility Report county data



Among the prominent numbers used in making our assessment, we noted that over 8,000 people moved here in 2019, mimicking a similar migration in 2018. This represents nearly one in four movers escaping West Coast metro areas. (8,312 of 34,896).

Based on other regional cities, Spokane looks very attractive from a Qualifying Income perspective. With 5% down, buyers in Spokane can qualify for a home with an annual income of \$61,500 versus say Seattle with a \$116,300 qualifying income.

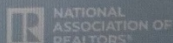
With the number of businesses that have closed due to Covid, there is an increased opportunity for small business creation in the Post-Covid era. One in six homebuyers are now seeking a multigenerational home, with fits the Spokane profile. Aging parents are the number one reason, with children under 30 the second reason at 54% Offsetting this number is falling number of buyers with children, at 58% of homes in 1985 down to only 33% today.

Washington’s economic recovery is moving slower than much of the country. 46.4% are working from home. 19.55% expect a loss of income in the next 2-months. 25.7% are having difficulty paying their usual household expenses, with 5.5% have slight or no confidence in paying next month’s rent or mortgage on time.

NAR Housing and Economic Forecast

	2019	2020	2021
Existing-Home Sales	5.340 Million	5.640 Million	6.490 Million
Existing-Home Prices	\$271,900	\$296,500	\$316,000
30-fixed rate mortgage	3.9%	3.1%	3.0%
Unemployment rate	3.7%	8.1%	6.5%
GDP	2.2%	-3.5%	4.0%

<https://www.nar.realtor/research-and-statistics>

 NATIONAL ASSOCIATION OF REALTORS®

There is good new on the horizon. The National Association of REALTORS® in our Housing and Economic Forecast are projecting mortgage rates to remain competitively low through 2021 at roughly 3% nationally for a 30-year fixed mortgage. With unemployment still high at 6.5% - but much lower than the Covid era in 2020 of 8.1%.

“A Summary of Population Forecasts and Origins of Recent Newcomers to Spokane County”



D. Patrick Jones, PhD – Executive Director of EWU’s Institute for Public Policy & Economic Analysis

“We are seeing the growth rate ratcheting up in Spokane County as compared to the City of Spokane. We see the overall need for housing units in the City of Spokane to add an additional 8,420 homes in the next 9 years”

Spokane and Spokane County have grown consistently over the past 20 years, but something began to happen in 2018 that saw these growth rates begin to change. In Spokane County, since 2010 we have seen about a 1% growth, adding about 51,000 residents. Yet, that growth rate started to increase in 2018 to 1.5%.

In the City of Spokane, the annual compounded growth rate since 2010 has been about .7%, or roughly 15,000 residents. With a similar increase happening since 2018 increasing to a 1% growth rate. Surprisingly, the average household size in Spokane is about 2.25 residents per home compared to Spokane County at 2.4. This is a trend that looks like its going to continue that way.

First, the record on local population growth

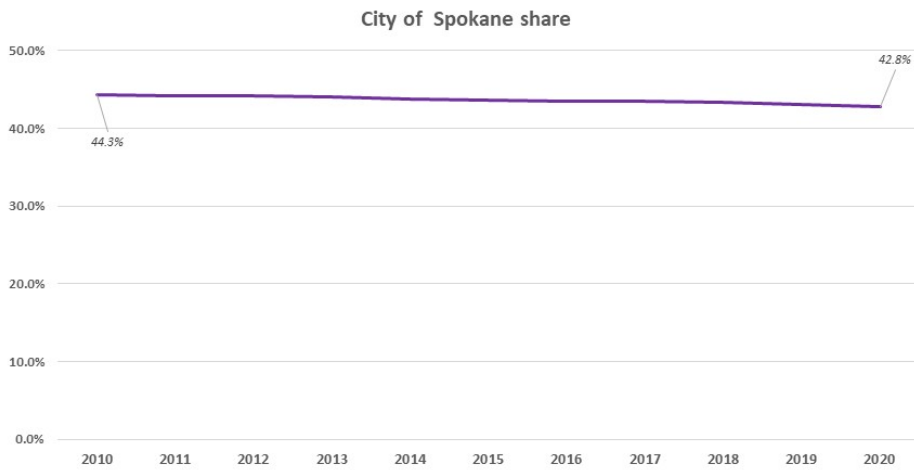
See www.spokanetrends.org

- **Spokane County**
 - Since 2010, annual compounded rate: 1.0%
 - Growth in number of residents: ~51,000
 - 2018-2020 average growth rate: 1.5%
- **City of Spokane (COS)**
 - Since 2010, annual compounded rate: 0.7%
 - Growth in number of residents: ~15,000
 - 2018-2020 average growth rate: 1.0%
- Estimated **average household size** in City of Spokane in 2019: ~2.25
 - Lower than County overall (~2.4)



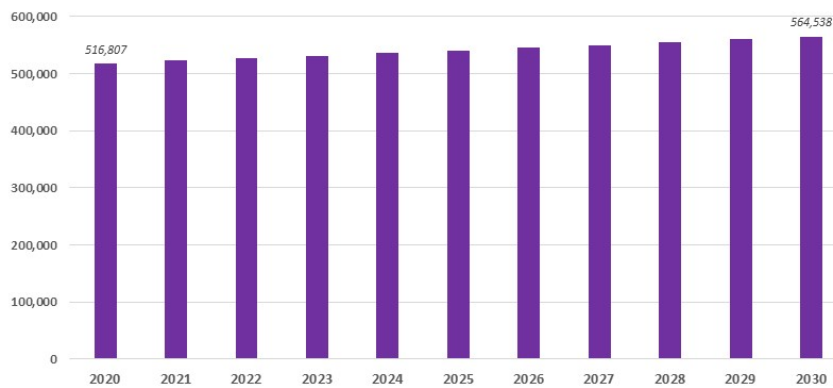
These numbers are reflected in the 2017 Growth Management Act forecast that show us growing at a steady rate to a population Spokane County wide of about 564,538. Historically, these estimates have been slightly underreported by a factor of about 0.1%.

Population trends in City of Spokane vs. County



One trend that continues is that Spokane continues to shrink its population when compared to that of the County.

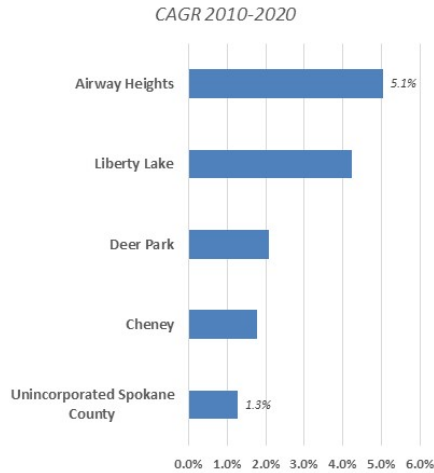
Mid-range forecast of Spokane County through 2030 by WA OFM *2017 growth management projections*



Where has this growth occurred?

The largest increase has been in Airway Heights with over 5% growth since 2010, and Liberty Lake of about 4.25%. I believe we will see a replication of this pattern of growth that will continue in the decade ahead.

Which parts of the County have experienced population growth > County as a whole?



- Will the pattern of growth this decade mirror that of the past decade?
 - To me, likely
- Some considerations
 - Housing preferences of in-migrants
 - Ability of COS economy to foster “urban” businesses (tech, professional & scientific services)
 - Municipal regulations
 - Cost of land



What will be driving this will be the housing preferences of in-migration families along with the ability of the City of Spokane to foster urban businesses such as the technology sector, professional and scientific services.

Additionally, Spokane will need to address its municipal regulations to adapt to these changing patterns or else risk losing these arrivals to those that better address their needs.

Putting the pieces together to arrive at a range of 2030 populations of City of Spokane (COS)

- Assume three (slightly) different forecasts, based on:
 - COS average share from 2010-20 of County population
 - COS compounded annual growth rate (CAGR) 2010-20 of County
 - COS share in 2020 of County population
- Resulting COS population forecast for 2030 (*gain from 2020*)

– COS average share from 2010-20:	246,703	(23,103)
– COS CAGR 2010-20:	241,622	(18,022)
– COS share in 2020	239,316	(15,716)



In trying to make a stronger forecast for population growth specific to the City of Spokane (COS), there are three separate models to consider that will each represent a different picture.

The first, is a model based on the historical share of Spokane County’s population (an average growth rate) The second is a compounded annual growth rate of the county, and finally the City of Spokane’s 2020 share of the county’s population.

Using these approaches, we see a range of population gain in the next ten years of between 15,716 and 23,103 people – with a total population growth by 2030 of between 239,316 and 246,703 people. While the growth projected gain for Spokane County would be an additional 90,000 people by 2030. The challenge becomes one for us to answer: “How much do we want to grow?” While these are only 1 to 3 percent growth numbers, each represents its own set of consequences.

Quick translation into additional housing units needed by 2030, using mean of estimates

- Likely new housing units total, using COS’s average household size: **8,420**
- Assumptions for breakdown by owner-occupied vs. renter-occupied (from Spokane Trends source, ACS table DP04)
 - Owner-occupied 2019 average household size: 2.33
 - Rental-occupied 2019 average household size: 2.17
 - Share of 2019 owner-occupied household units: 55%



Based on these projections we see the overall need for housing units in the City of Spokane to add an additional 8,420 homes in the next 9 years. The housing need for these populations are different for owner-occupied versus those who are renting, with the average household size about 2.33 for homeowners.

Some demand numbers for housing units over the next decade in City of Spokane

- If the same ratio of household units between owner-occupied and renter-occupied (55%/45%) were to hold in 2030, then...
 - ~ **4,631** single family homes needed between now and 2030, or 460/year
 - ~ **3,790** apartment units needed, or 379/year
- This estimate likely conservative, assuming that population forecast is correct, because:
 - The current market in the City doesn't have an adequate supply
 - The trend in COS household size is showing smaller averages
 - Countervailing trend: COS share of population trending slowly down



If the current homeowner versus renter ratios stays the same (55% vs 45%) this projection equates to a need of 4,631 single family homes in the City of Spokane, and 3,790 apartment units needed by 2030.

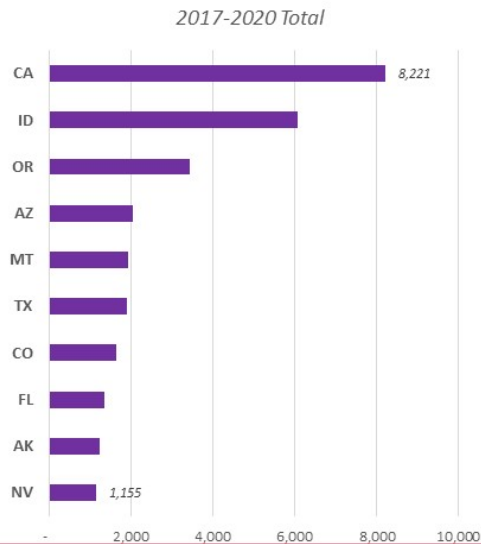
These numbers are likely to be conservative because they are making a few assumptions:

- Spokane already is suffering from an adequate supply of homes.
- The trend in the City of Spokane is to show smaller averages than the county.
- The City of Spokane's share of the population continues to trend down (slowly)

We should note that the trend of new families to Spokane really began to increase with a peak of 11,454 people in 2018 and continuing through 2020 with 8,412. This number represents driver license surrenders we saw with those new here that obtained a local driver's license. (Washington's DOL recognizes that drivers from Washington State may not be a quick to surrender in-state licenses)

We should see these new families reflected in the upcoming estimates by the OFM for population in April of 2021, along with an actual count being developed from the 2020 US Census report.

Which states are contributing to Spokane County's growth? The top 10



- Top 10 states account for 73% of total
 - Only one state east of Mississippi
- Out-of-state in-migrants accounted for ~62% of total in latest data (2017-2018) from IRS
- Key WA counties (*all county ranking*)
 - King (*1st*)
 - Stevens (*3rd*)
 - Snohomish (*4th*)
 - Pierce (*5th*)



Where are these new visitors coming from?

Most are coming from California, Idaho, and Oregon. With Arizona, Montana and Texas following. This represents roughly three-quarters of all new families. Within the state King County is first, following by Stevens, Snohomish, and Pierce County. Additionally, we see 2017-2018 IRS data supporting the notion that a large portion of our incoming population is coming from outside Washington State.

“The Social Impacts of Low Housing Stock in Spokane”

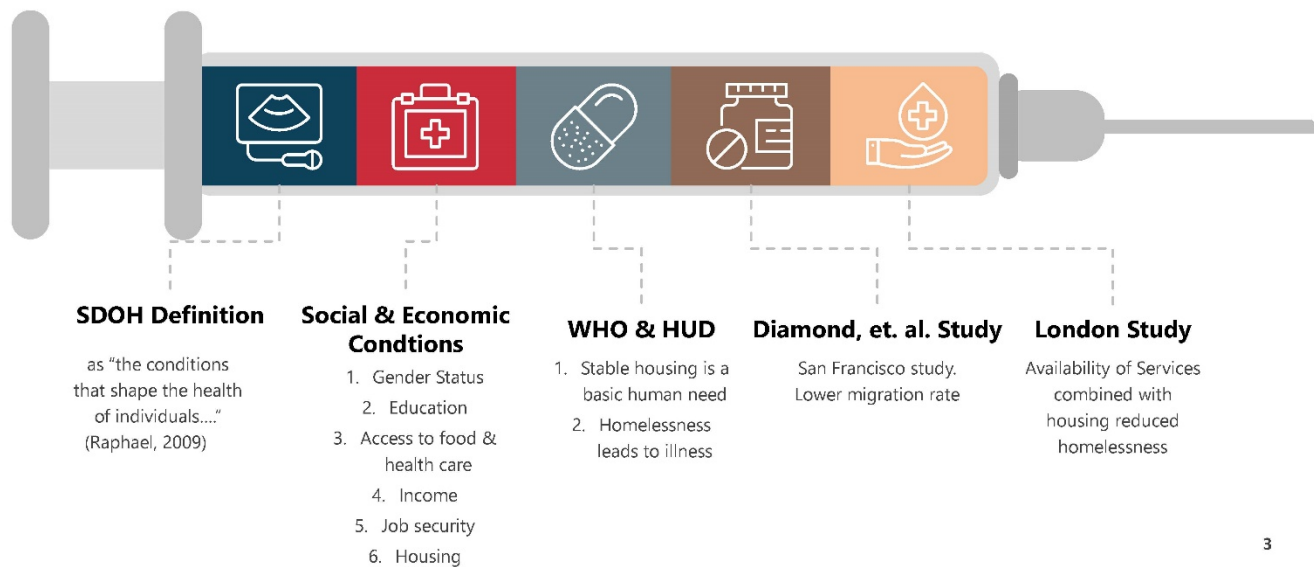


Vange M. Ocasio Hocheimer, PhD – Associate Professor of Economic, Whitworth University

“A lack of available housing and increasing costs are having a dramatic impact in Spokane particularly on our youth and our minorities.”

Housing as a Social Determinant of Health combines several well-established standards seen in the literature. Specifically defined these are “the conditions that shape the health of individuals.” Housing specifically is among the key social and economic conditions necessary for the individual and our communities. Here in Spokane, we are seeing the effects of a lack of housing as it impacts increasing rates of illness, mental health, and homelessness.

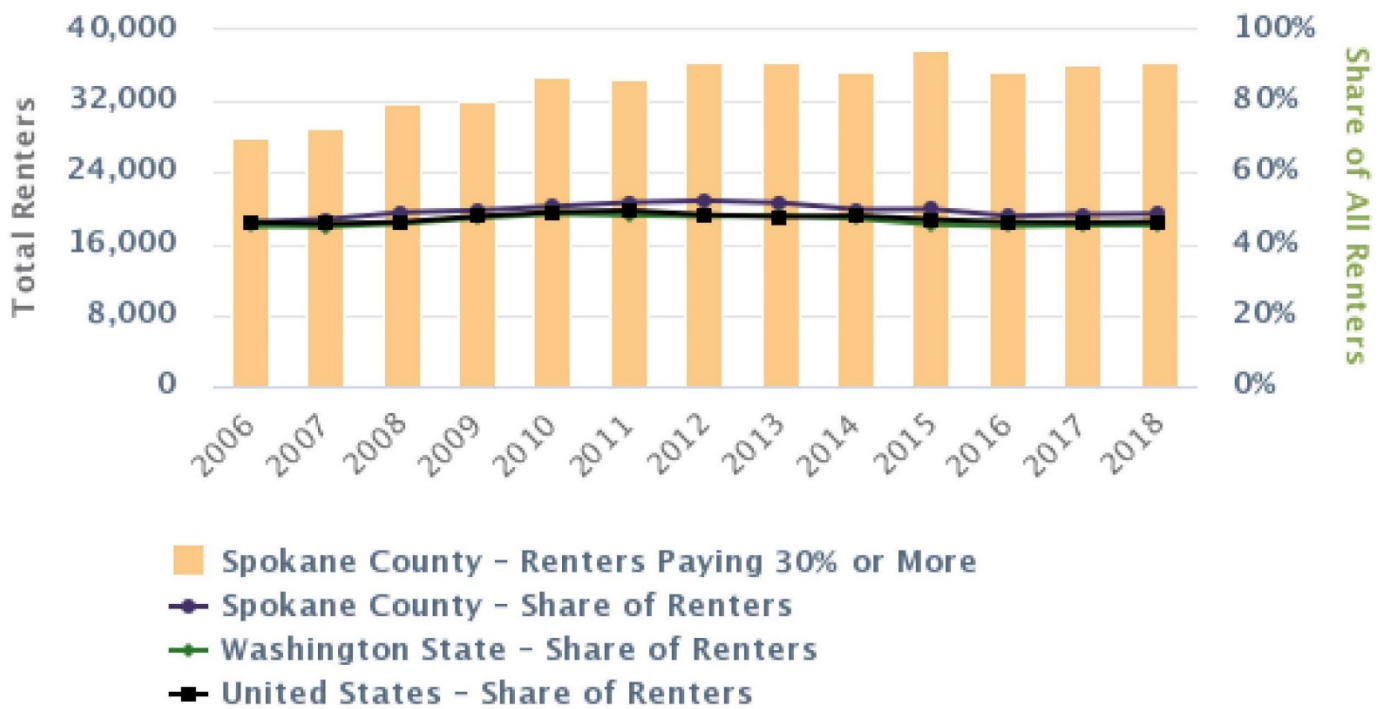
Housing as a Social Determinant of Health



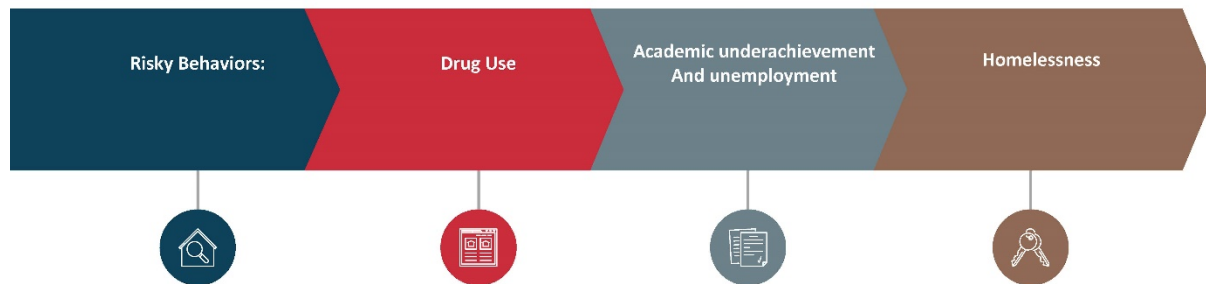
Among the biggest factors is the increase in those spending more of their income for shelter costs. This increasing cost burden (more than 30% of their income on housing) is that over 48% of renters now in Spokane County, much higher than in the state.

Those considered to be “severely burdened,” spending more than 50% of their income on housing, now tops 23% in Spokane County.

6.2.2 Total and Share of Renters Spending 30% or More of Their Household Income for Shelter Costs



Conventional Wisdom about Homelessness Vs. Data Trends



6

Conventional wisdom shows that Risky Behaviors, leads to Drug use, which leads to Academic Underachievement – and unemployment, which leads to Homelessness.

But the data in Spokane is now clear.

The social impact of a lack of available housing in Spokane has, in many cases reversed this process. Homelessness often happens first. Often from some traumatic event. Resulting in a completely different model for many local individuals, with a host of negative social impacts. We see this specifically with the student population where we have seen a 25% increase in children impacted by some level of homelessness since 2007. These impacts are greater in Spokane County than across the state and the US.

The Spokane School District has identified 1,644 students that are affected by a lack of housing. With increases seen in the elementary schools, along with higher rates for High school. Many suffer from a wide range of housing experiences, including doubling up in beds, temporary housing in motels or shelters and 7% not having any shelter at all. This represents about 4.7% of students in the Spokane School District.



Spokane School District



Select a District
Spokane School District

Note: The counts below are based on school-level data and vary from the district-level counts reported annually by OSPI. The OSPI counts can be found by clicking [here](#).

1,644

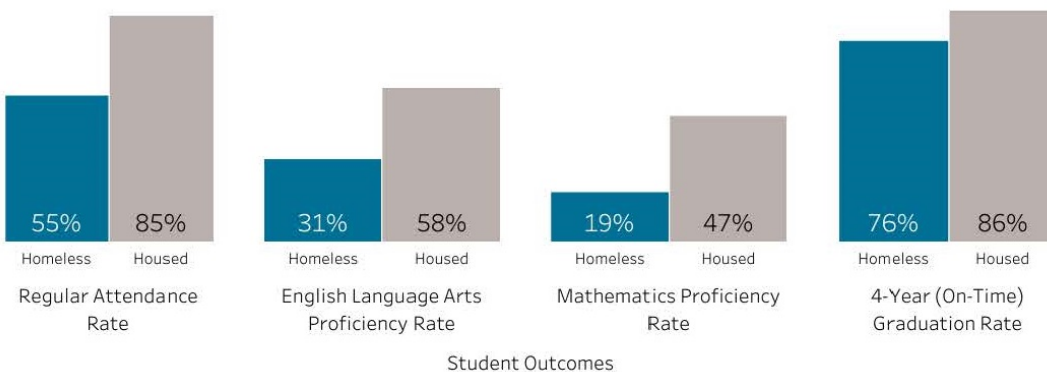
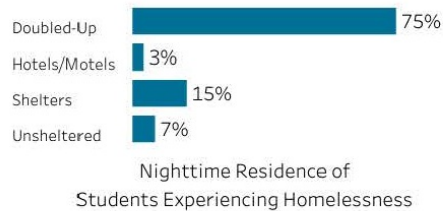
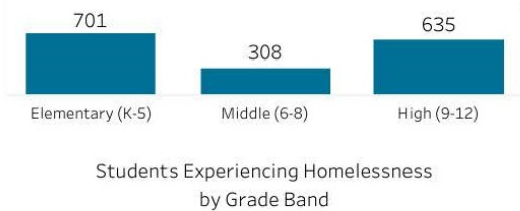
Students

4.9%

Of All Students

47%

Of Students Experiencing



These students across the board suffer academically. Lower attendance rates, changing schools, lower English and Mathematic proficiencies. and a lower graduation success rate.



Mead School District



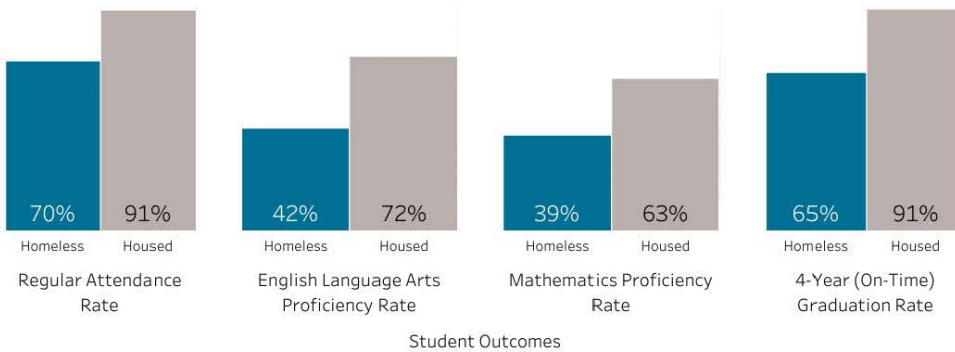
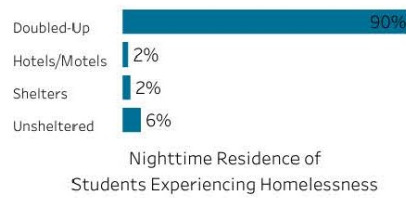
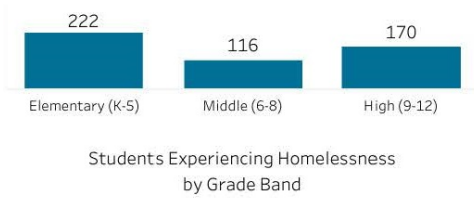
Note: The counts below are based on school-level data and vary from the district-level counts reported annually by OSPI. The OSPI counts can be found by clicking [here](#).

Select a District
Mead School District

508
Students

4.6%
Of All Students

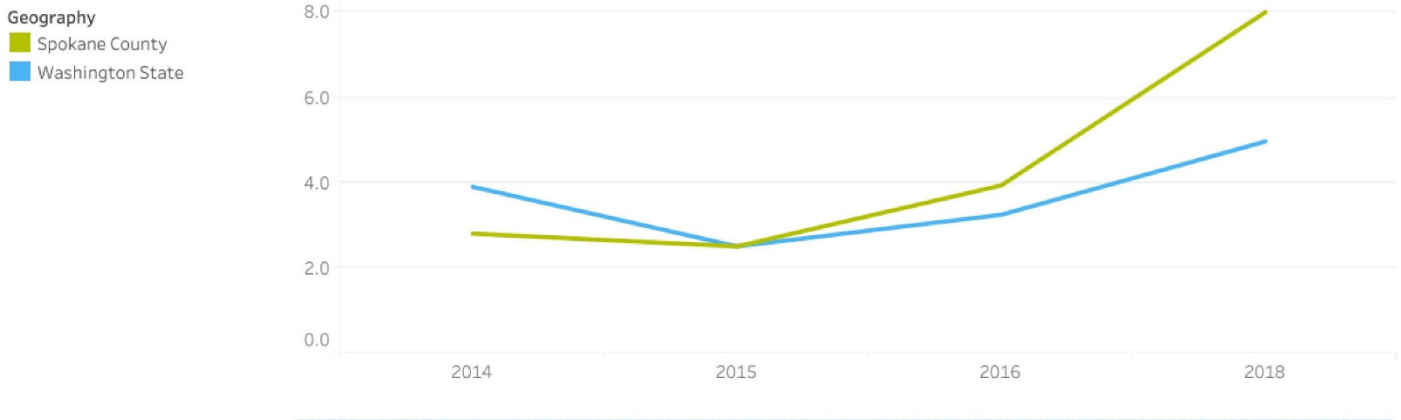
39%
Of Students Experiencing



Mead School District has seen a comparable number, about 4.6% of all students with similar academic challenges. But Mead is also seeing a lower graduation rate – only 65% of housing impacted students compared to 91% graduation rates.

Other impacts to Spokane’s youth include higher rates of suicide and greater use of drugs. Rates among Blacks and those who identify as 2 or more races is also on the increase. It is of note that these groups are disproportionately seen have having housing issues greater than White, Asian, and Hispanic families in Spokane County.

Serious mental illness, Over time



While the rates of serious mental illness have grown exponentially in Spokane County since 2015, nearly doubling that of the rest of Washington State. With the largest group being individuals 18 years of age and younger.

In summation, it is clear the pathway to improved health and wellbeing for all people in our community begins with housing. Renters that become homeowners have a greater sense of “home” shown to greatly reduce the stress of uncertainty, increases sense of neighborhood and well-being, increases available social interactions that brings a level of social support, and helps reduce financial stress.

“Housing Needs Assessment Survey for Spokane Spring 2020”



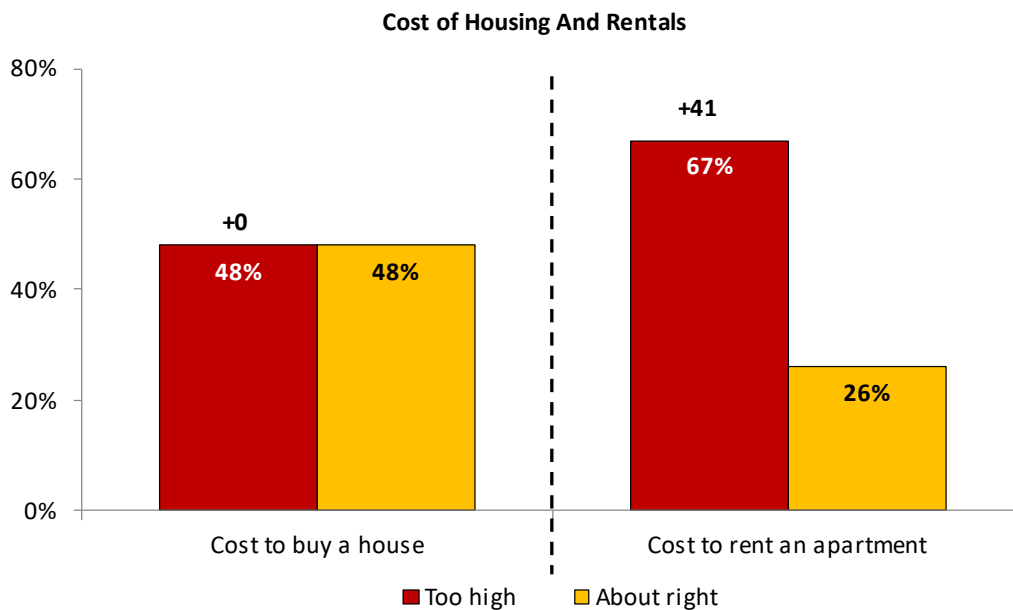
Sara Stephenson – American Strategies

“Across all of the groups we surveyed you can clearly see a pent-up demand reflected for more housing.”

American Strategies is a national polling firm specializing in housing issues. We did a survey in Spokane back in April of 2020. Our survey pool was over 500 voters in Spokane. This data has been weighted to match the demographics of Spokane.

There is a perception of housing costs in Spokane that costs are too high. Half of voters (48% buying a home) say the cost to buy is too high, compared to over 2/3's who believe rents are too high.

2/3 of Spokane Voters Say the Cost of Rent is Too High; Almost Half Believe the Cost to Buy a House is too High



Q.11 Generally speaking, would you say that the cost to buy a house in Spokane is (ROTATE FIRST TO LAST AND LAST TO FIRST) too high, about right, or too low?

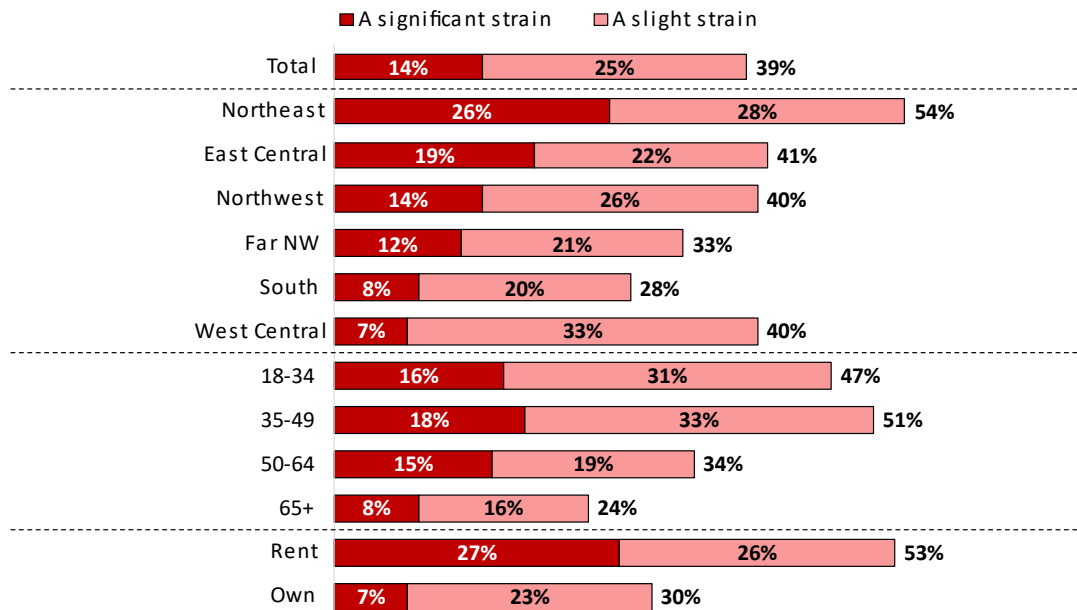
Q.12 And would you say that the cost to rent an apartment in Spokane is (ROTATE FIRST TO LAST AND LAST TO FIRST) too high, about right, or too low?



When this survey was conducted at the beginning stages of the Covid crisis, we saw that Spokane residents were already feeling the economic effects of rising housing costs. 40% reported that housing was putting either a severe or slight strain on their monthly budgets.

Northeast Residents, Younger Voters, and Renters More Likely to Feel Financial Strain of Rent or Mortgage

Financial Strain of Your Rent/Mortgage by Region, Age and Homeownership



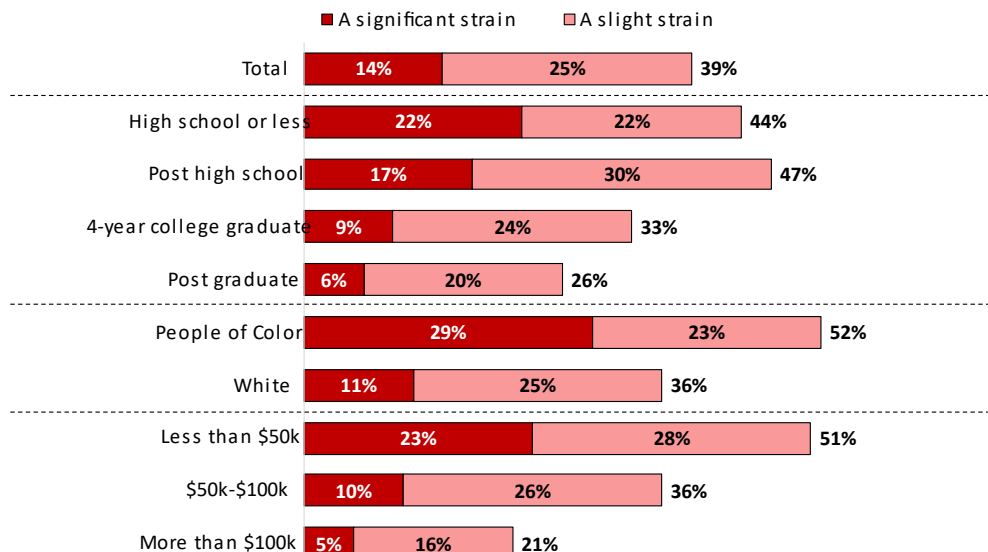
Q. 19 And, prior to the coronavirus pandemic, how much of a financial strain on your budget was paying your rent or mortgage each month? Was it (ROTATE FIRST TO LAST AND LAST TO FIRST) a significant strain, a slight strain, not much of a strain, or no strain at all?



The data is clear that the strain is being felt more geographically, specifically to renters in the Northeast, and the East and West Central Neighborhoods. These effects are also seen more with voters who are 35-49 years of age.

Those with Lower Income, Lower Levels of Education, and People of Color Are More Likely to Report Financial Strain

Financial Strain of Your Rent/Mortgage by Education, Race and Income



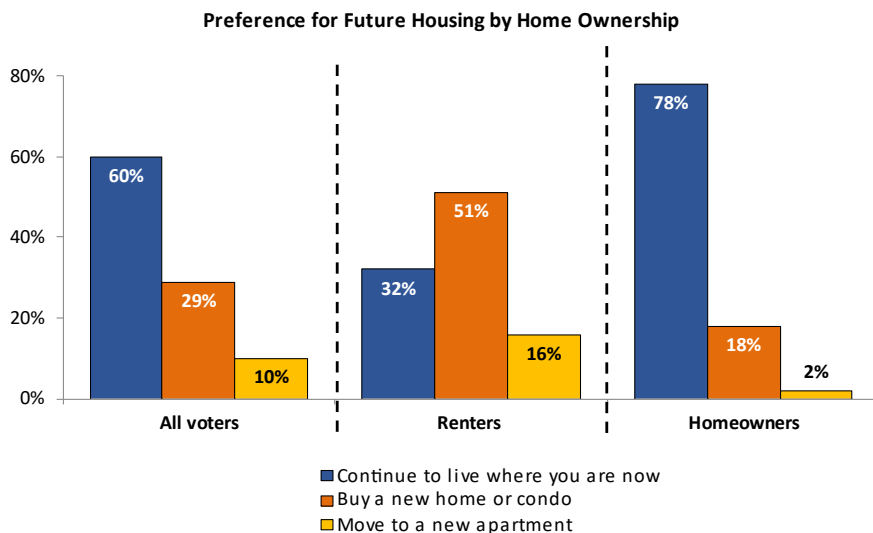
Q. 19 And, prior to the coronavirus pandemic, how much of a financial strain on your budget was paying your rent or mortgage each month? Was it (ROTATE FIRST TO LAST AND LAST TO FIRST) a significant strain, a slight strain, not much of a strain, or no strain at all?



When we break down the data even further, we find significant differences with those who are of lower income, people of color and lower levels of education are feeling a greater financial strain. And remember, these numbers were done before the full effects of Covid were being felt. Were this survey to be repeated, we would see these numbers with even higher gaps between these groups.

1/3 of Spokane Voters Would Prefer to Move to a New Home

Majority of renters want to buy a home; most homeowners plan to stay in their current home.

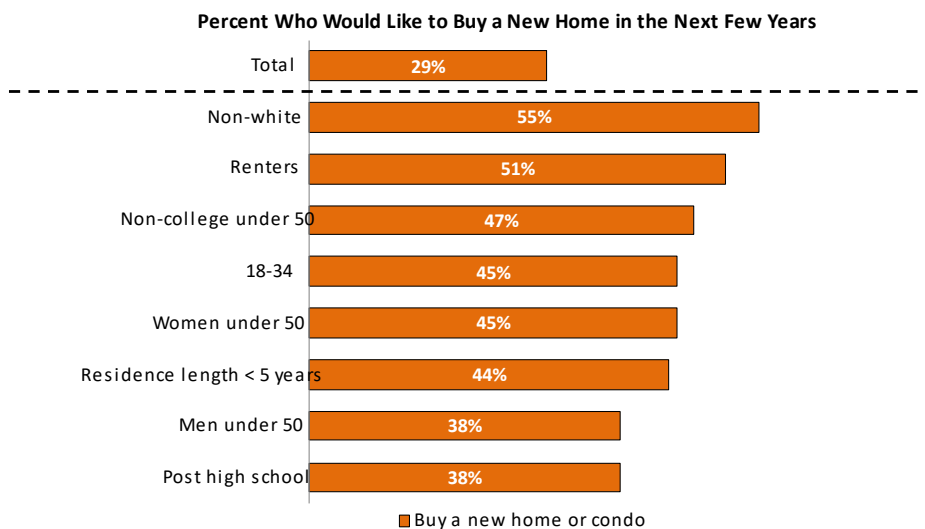


Q.22 As you think ahead a few years, would you like to (ROTATE) continue to live where you are now, buy a new home or condo, or move to a new apartment?



Surprisingly, one in three voters would prefer to move to a new home. We saw the greatest need among renters, with 51% telling us they are actively looking to buy a new home or condo. One of the key reasons we heard was that finding a home to buy is a serious challenge. Also, one in five people said they are looking to buy a new home.

Non-White and Younger Residents Are More Likely to Want to Buy a New Home



Q.22 As you think ahead a few years, would you like to (ROTATE) continue to live where you are now, buy a new home or condo, or move to a new apartment?



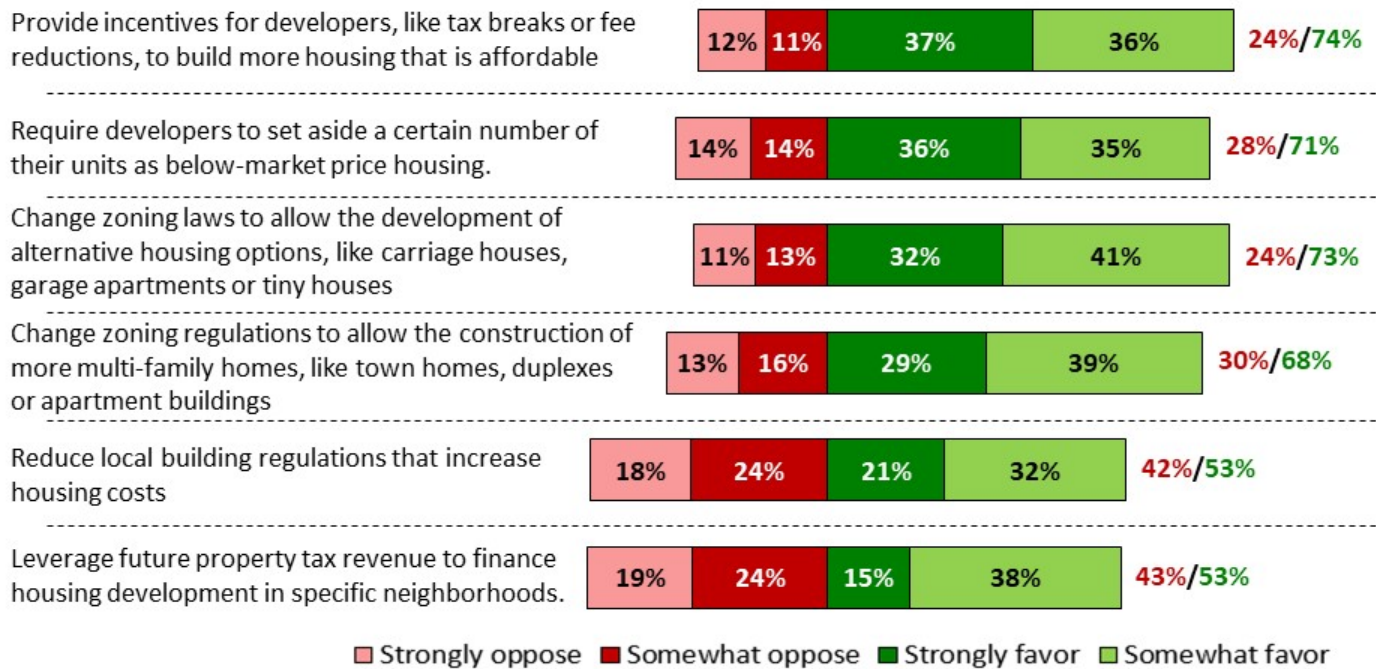
Of those wanting to buy, we found a significant higher number of non-white and younger residents wanting to purchase a home but are still in rental units. Across all of these groups you can clearly see a pent-up demand reflected for more housing.

What type of policies would Spokane voters support for the building of more homes to address the lack of inventory and to lower the costs of homes?

Broad Consensus for Providing Incentives to Developers, Mandatory Set-Asides, and More Multi-Family Housing

Mixed opinions on reducing building regulations and tax increment financing.

Favor/Oppose Proposals to Address Housing Affordability



Q.17 People have proposed different approaches to address Spokane's housing affordability problem. Next, I am going to read to you some of these proposals, which would aim to bring more affordable housing to Spokane's East Central and West Central neighborhoods. For each proposal, I want you to tell me whether you (ROTATE) favor or oppose it as a way to provide more affordable housing options in East Central and West Central Spokane.



We saw broad consensus for providing incentives to developers, and for requiring set asides below market prices for housing, along with expanding zoning regulations to allow more alternative housing options like carriage homes, accessory dwelling units and tiny homes, along with more multi-family options like townhomes, duplexes, or apartment buildings. Many of these options are not currently available in Spokane.

You should recognize that of the surveys we have done nationwide, we rarely see such levels of support for developer incentives like we see here in Spokane. This survey shows that voters in Spokane clearly want more options, are actively seeking opportunities, are feeling burdened by costs, and are willing to support policies that would foster these changes.

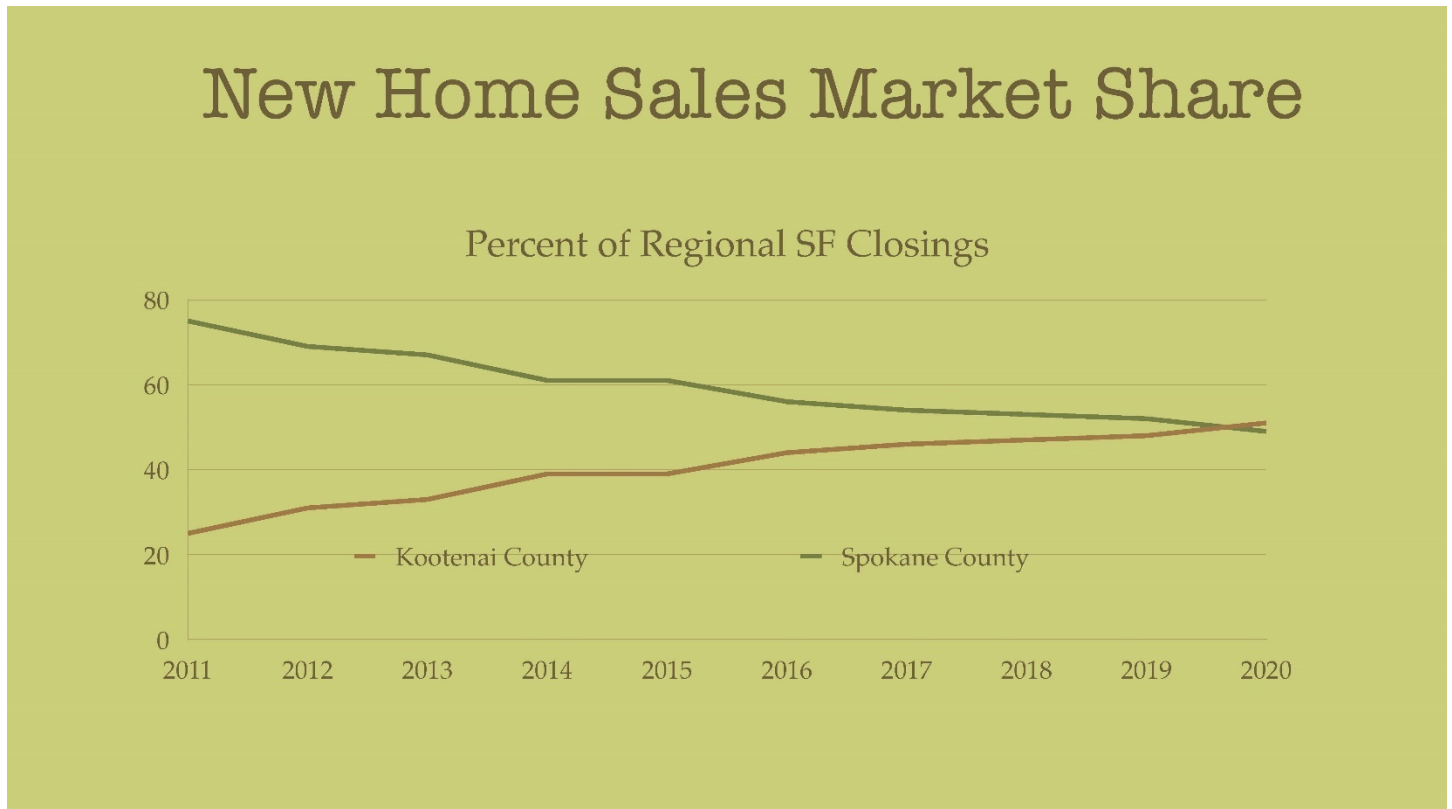
“The Shifting Marketplace: How Spokane Lost Market Share To Kootenai County.”



Jim Frank – Founder/Developer – Greenstone Homes

“The real lesson here is the importance of having middle-income housing, the importance of having housing diversity, the importance of having integrated neighborhoods with a wide range of housing types along with a wide range of economic opportunities and neighborhoods. It’s going to take a dramatic change in our development regulations at both the state and local levels to allow that to happen.”

I have been a home builder in this market for almost 35 years. And we’ve seen key changes in this market over the past 10 years, particularly with a significant market share growth change between Spokane and Kootenai County. If you look at 2011, there were around 172 new home sales in Kootenai, about 25% of the regional market shared with Spokane. By 2020, the Kootenai County market closed over 1000 homes and for the first time exceeded 50% of the regional housing market.



This graphic shows the consistent trend over the past 10 years. This is data we collect on closings that lag permits by about one year. Most of the losses in Spokane County has been seen primarily within the City of Spokane.

There are several key reasons we are seeing this shifting housing market.

Reasons for Growth in Kootenai County Market Share

- Land Costs have been lower in Idaho and abundant land for development has led to lower home pricing
- Urban Growth Boundary in Spokane County has become very restrictive and has contributed to a shortage of building lots and escalating lot prices
- Idaho has more effectively marketed regional quality of life
- ineffective implementation of urban infill strategies in Spokane
- Idaho allows lower priced home options such as condominiums

While it is true that land costs are lower and more abundant in Idaho, we are also seeing critical reasons that Spokane is becoming less desirable for housing development. The urban growth boundaries in Spokane have become very restrictive. This is not something that is in place in Kootenai county. Coeur d' Alene, Post Falls, Rathdrum and Hayden have been able to annex boundary lands that have effectively expanded their growth opportunities.

Idaho has done a great job marketing their regional quality of life. It's clear there are higher migration patterns into Kootenai County than there are into Spokane County based on our data. Virtually every home we sell in Kootenai County has more offers than we see in Spokane.

While Spokane County is working to implement more urban infill strategies, Spokane's urban village corridor concept has never been implemented with development regulations that allow this to occur. Instead, what is happening in Spokane is we are building houses on large lots, and we build large apartment complexes, and we build nothing in between. We simply do not have the development regulations that allow this to happen. Idaho does. In fact, they offer different levels of condominium opportunities alone in the Coeur d' Alene area because of this flexibility in development opportunities.

There has not been a condominium development built in Spokane since the State's condominium reform in 2009. This removed a critical step in the affordable housing ladder. We need to allow a wider range of uses and flexibility in housing projects.

We are also seeing the impacts of out-of-town buyers to our region starting in the last four years. In Spokane, that number reached 44% in 2020, up from about 32% in 2017.

Out of Town Buyers Spokane-Kootenai County (Greenstone Sales 2020)

Location	Out of Town Buyers
Kootenai County	59%
Spokane County	30%

To put that in a market perspective, we're seeing 59% of out-of-town buyers purchasing homes in Kootenai County – compared to 30% in Spokane County in 2020. A lot of that is due to the greater range of product, and more housing stock available, and the impact of Kootenai marketing the quality of life, such as the advantages of being near the lakes, rivers, and smaller town America. Covid has only accelerated that need.

The real lesson here is the importance of having middle-income housing, the importance of having housing diversity, the importance of having integrated neighborhoods with a wide range of housing types along with a wide range of economic opportunities and neighborhoods.

It's going to take a dramatic change in our development regulations at both the state and local levels to allow that to happen.

“The Missing Housing Supply for Low Income Families”



Ben Stuckart – Spokane Low Income Housing Consortium

“The City of Spokane has a Centers and Corridors Strategy BUT has never taken the step to create density around the 28 Centers and Corridors.”

First, a couple of definitions that define what Low-Income Housing means

1. Can you afford it if you make 80% of the median income or below? By afford it we mean you should be spending 35% or less of your monthly income on rent or a mortgage. This can include market rate housing at the lower end
2. Homes and apartments for rent that accept vouchers can be considered low-income
3. Homes and apartments that were built with government subsidy should be considered low-income. Once they use build with these funds they are required to keep rents low enough to be considered low-income.

Spokane County has about 5000 subsidized units representing less than 5% of the units available in total in the county. If we are lucky another 3-4,000 accept vouchers. Successful cities have over 15-20% of their housing stock subsidized to take care of those on the edge of poverty or in poverty.

Wait lists alone right now for the 12 largest managers/owners of subsidized housing could fill 2000 units tomorrow.

A wait list for Spokane Housing Ventures today is typically 4 years. Other agencies experience waiting lists between 1 and 4 years. We do not have the housing supply to move people from the streets into housing. Government Funds to build low-income housing have been decreasing over time, not just not keeping up with inflation but decreasing.

HOME funds are a popular federal fund to use. Amounts fluctuate but this one statistic is telling: In 1992 the City of Spokane received \$1.3 million in HOME funds to build more housing. In 2018 the City of Spokane received \$1.3 million in HOME funds to build low-income housing. The Housing Trust Fund (State) just returned to 2008 levels in 2020. No adjustment for inflation.

State and Federal funding sources have not kept up with demand.

The City of Spokane recently passed HB1590 which puts local sales tax dollars into building more low-income housing. The \$6 million this will generate is a good start but we need the County and the Valley to also figure out a way to dedicate dollars to low-income housing.

Market Rate Housing is just as important as the subsidized housing. A 2018 UC Berkeley study discussed how a new high end home allowed 6 different families to move up and free market rate housing at levels below the new home.

We have created our own issues in housing:

- Using environmental standards like the States Evergreen standards to increase costs so now a non-profit who builds low-income housing and uses State dollars spends over 50% square foot than a market rate housing developer building the same unit.
- The Growth Management Act said do not spread out BUT assumed cities would implement their comprehensive plans. **The City of Spokane has a Centers and Corridors Strategy BUT has never taken the step to create density around the 28 Centers and Corridors.** This is a byproduct of NIMBYism and strong neighborhood councils that favor the status quo over any change to current single-family zones.
- The entire system is setup to continue the racial inequities of the last 100 years. Further entrenching those in poverty in the same neighborhoods with no ability to buy a home and create wealth.
- The Federal and State say if you use any of their funds to build low-income housing in must be in a census tract with high poverty. Thus you never have mixed income neighborhoods and they are always in the same neighborhoods. The City perpetuates this by never spreading the multi-family zones to new neighborhoods and concentrating the density in west central and east central.

We have to build more low-income housing. But we must also build more market rate housing, or the problem will continue to snowball.

“Broken Pledges Under the Growth Management Act.”



Al French – Spokane County Commissioner

“When you restrict land, and limit housing types, you create a housing crisis that we are currently in. If we are committed to a plan, let’s implement it. If not, then let’s change it. But right now, what we are doing is not working.”

I have been closely involved in housing development and policies going back to 1995 when I first served on the City of Spokane’s Planning Commission. I served eight years on the Spokane City Council and am now in my tenth year as a Spokane County Commissioner. So, I have had to deal with the State’s Growth Management Act (GMA) for several decades (enacted in 1990).

There were promises made 26 years ago when we adopted the comp plan under the GMA that just have never been realized. By design, this was aimed at moving more development and retail opportunities into the urban areas which lowered each county’s ability to provide services from the correlating tax base. We have also seen this act now becoming a political tool, with efforts to add elements such as for climate change, and greenhouse gas reduction, but without any funding to help counties implement such strategies. These costs are passed on to consumers raising the costs of housing. One example is the recent changes in building codes that increase efficiency (by one or two percent) but add \$15 to \$20 thousand to the cost of a new home.

Tragically, this prices many families from buying these homes.

One key benefit of adding more infill to our urban areas is supposed to be to lower the cost of housing. Unfortunately, by restricting the access to lands, the simple rule of “supply and demand” results in land costs being artificially pushed up.

We are seeing new jobs coming to such as the Spokane Valley, and Airway Heights without the equal number of workforce housing opportunities. As such, we are seeing a greater demand on our area roadways. Interstate 90 is suffering from traffic backups and delays seen in large metropolitan regions.

In the county, we are working to remove some of these barriers to affordable homes by allowing for more homes to be built on smaller lots. But this is a short-term fix until the market begins to adjust.

Home ownership is one of the hallmarks of this country, and a primary wealth-builder for many families. Because of restrictive condo legislation, we are seeing multi-family opportunities restricted to apartments or townhouses.

When you restrict land, and limit housing types, you create a housing crisis that we are currently in.

Increased density will also create more retail business opportunities closer to where people live. This can reduce travel times – something that is not seen in this state. Spokane’s comp plan is predicated on a strategy of centers and corridor infill next to transportation corridors. Unfortunately, the City of Spokane has yet to develop strategies to implement this plan. In fact, there has not been a single development within this strategy as it was envisioned in the plan since it was first adopted 21-years ago.

Kendall Yards was NOT in one of these areas. Yet stands as a perfect example of how infill strategies can be possible. It was developed as a “planned unit development” – and not part of one of the recognized centers.

I agree with former City Council member Ben Stuckart in that the city has failed to implement its urban development regulations to develop any urbanized areas. This strategy does not work. As a result, we have a lot of undeveloped land and missed housing opportunities. We need to change that. If we are committed to a plan, let's implement it. If not, then let's change it. But right now, what we are doing is not working.

(Editor's note: Commissioner French has called on the City of Spokane to give up some of its GMA housing allotments for use in Airway Heights and Spokane Valley, with estimates the city has underbuilt GMA targets by 34,000 housing units it had originally promised by the year 2026.)

Conclusions and Findings

The data is clear.

As bad as Spokane's housing crisis stands, it may just be the beginning. Every expert we convened shared the same concern over policy and practices that are hampering housing development opportunities.

By failing to build the estimated 31,920 homes, the Spokane Region may have missed out on lost economic opportunities, lost tax revenues and increasing environmental hazards from residents moving farther and farther away from employment centers. Using the numbers provided by our experts, Spokane has missed out on:

- \$6-billion dollars in wages and employment since 2010
- \$1.1-billion dollars in immediate and ongoing tax revenues

Additionally, each buyer who moves into Kootenai County and commutes to Spokane for work, shopping or school adds an additional 4.6 metric tons of carbon dioxide to the air. (source: EPA) Already, the census bureau estimates some 10,000 workers commute from Northern Idaho every day to work in the Spokane region.

Spokane's housing market is lacking, and its changing. It has created hardships and suffering for many.

We cannot fix this problem overnight. But we must get started.

Understanding the true extent of the problem is just the first step.

