

HOUSING ELEMENT

Housing Affordability

Housing affordability is a broad concept that has several meanings. This can be seen by the following definition.

Affordable housing: (1) Housing for which the monthly payment is less than 30% of an affected household's monthly income; (2) Housing for families or individuals with incomes below 80% of the median income and for which the monthly payment is less than 30% of the household's monthly income; (3) Housing units with costs subsidized by an organization or agency; or (4) Housing for which an "average" person considers the price or monthly payment to be reasonable.

Mountlake Terrace, working in conjunction with Snohomish County and other cities within the County, through a process called Snohomish County Tomorrow, developed the Fair Share Housing Allocation Methodology & Guidelines (Guidelines), which was adopted by the Snohomish County Tomorrow Steering Committee on January 26, 1994. The Guidelines are intended to equitably distribute affordable housing among the cities and unincorporated county. The Guidelines contain definitions, allocations, and strategies regarding affordable housing.

According to the Guidelines, housing is considered to be "affordable" when a household pays less than 30 percent of its gross income for housing costs (which includes rent and utility cost for renters; and principal, interest, taxes, insurance, and other applicable fees for homeowners). The fair share methodology incorporated in the Guidelines addresses those households in Snohomish County that earn less than 95 percent of the annual county median income. A housing need exists when these households pay more than 30 percent of their gross income for housing costs.

The City has worked closely with the Housing Authority of Snohomish County (HASCO) in the past to provide housing affordable to low income families. The City has aided in the provision of affordable housing by donating land and other subsidies as well as other support and cooperation for development of low income housing.

The income estimates used for the housing affordability analysis are based on the Washington State Office of Financial Management (OFM). The median Snohomish County income for 2001 was \$56,205.

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The following table shows income groups as a percentage of County median income.

Table HO-2

INCOME GROUPS

Income Groups	Household Income (\$)	Percentage of County Median Income
Extremely Low Income	<\$16,862	0-30%
Very Low Income	\$16,862 – \$30,351	31-54%
Low and Moderate Income	\$30,351 – \$53,395	55-96%
Middle Income	\$53,395 – \$67,446	96-120%
Upper Middle Income	\$67,446 – \$98,359	121-175%
Upper Income	Greater than \$98,359	Greater than 176%

Source: 2001 Growth Monitoring Report, Snohomish County, Planning and Development Services (PDS)

Rental Affordability

Over the last six years, nearly all surveyed rental units in Snohomish County were affordable to households earning up to 95 percent of median income. However, over time, the proportion of those units affordable to lower income households has been decreasing.

Since 1996, approximately 99 percent of all surveyed rental units in the County were affordable to moderate income households, i.e., those earning up to 95 percent of median household income. In 1996, 72 percent of those units were affordable to very low-income households, earning up to 54 percent of median income. By 2001, just 55 percent of those units were affordable to very low-income households. There were virtually no surveyed market units affordable to extremely low-income households, earning less than 30 percent of median income. However, the rental units reported do not include any assisted rental (subsidized) housing units.

Rental payments exceeding 30 percent of gross monthly income is considered to be unaffordable.

The table below summarizes the supply of affordable rental units within the City.

Table HO-3

CITY OF MOUNTLAKE TERRACE
SUPPLY OF AFFORDABLE RENTAL UNITS

Income Groups	Maximum Monthly Rental Payment (\$)	Number of Surveyed Units At or Below Max. Rent
Extremely Low Income	\$422	-
Very Low Income	\$759	1,055
Low and Moderate Income	\$1,335	963
Middle Income	\$1,685	2
Upper Middle Income	\$2,459	-
Upper Income	Greater than \$2,459	-

Source: 2001 Growth Monitoring Report, Snohomish County PDS

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A total of 2,020 units were surveyed within the City in 2001. Out of all the units surveyed, 1,055 units had rents above the maximum monthly rental payment for the Extremely Low Income group (\$422) and below or at the maximum monthly rental payment for the Very Low Income group (\$759). A total of 2,018 units are affordable to the Low and Moderate Income group and all but two surveyed units were affordable to the Middle Income group. There were no surveyed units that were affordable to the Extremely Low Income group. However, the rental units reported do not include any assisted rental (subsidized) housing units.

Home Ownership Affordability

Recent data show that home ownership affordability is on a decline. The percent of housing sales affordable to households earning 95 percent of median income has fluctuated between 38 percent and 22 percent since 1995 largely due to fluctuations in mortgage interest rates. However, even when historic interest rate volatility is controlled, deterioration in house sales affordability is evident.

Approximately 22 percent of County housing sales in 2000 were affordable to low/moderate income households. Even when the interest rate fluctuations are controlled using a ten-year average, the percent of homes affordable to low/moderate income households decreased from 27 percent to 22 percent over the same time period.

“Home Ownership” affordability is more complicated than rental affordability. Housing affordability is a function of housing prices, mortgage rates, and housing expense. The 10-year average mortgage rate of 7.5 percent was used to calculate the affordability of homes.

The following table illustrates the maximum monthly housing expense, the cash required at closing, and the maximum sales price of the homes for each homebuyer income group.

Table HO-4

MAXIMUM AFFORDABLE HOUSING UNIT

Income Groups	Household Income (\$)	Maximum Monthly Housing Expense (\$)	Cash Required at Closing (\$)	Maximum Sales Price (\$)
Extremely Low Income	<\$16,862	380	5,196	47,680
Very Low Income	\$16,862 - \$30,351	684	8,553	85,824
Low and Moderate Income	\$30,351 - \$53,395	1,203	14,287	150,987
Middle Income	\$53,395 - \$67,446	1,519	17,783	190,720
Upper Middle Income	\$67,446 - \$98,359	2,215	25,476	278,134
Upper Income	Greater than \$98,359	Greater than 2,215	Greater than 25,476	Greater than 278,134

Source: 2001 Growth Monitoring Report, Snohomish County PDS

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Table HO-5

CITY OF MOUNTLAKE TERRACE
HOUSING SALES 1999 and 2000

Income Groups	Maximum Sales Price (\$)	Estimated Number of Units Sold
Extremely Low Income	\$47,680	0
Very Low Income	\$85,824	6
Low and Moderate Income	\$150,987	93
Middle Income	\$190,720	159
Upper Middle Income	\$278,134	76
Upper Income	Greater than \$278,134	4

Source: 2001 Growth Monitoring Report, Snohomish County PDS

The housing sales data is based on Snohomish County Assessor’s Proval database system and it includes data from 1999 and 2000. Not all deed recordings are included in the housing sales data.

During those two years, approximately 338 housing sales were made. Approximately three-quarters of homes sold within those two years were affordable to the Middle Income group. There were no homes sold that were affordable to the Extremely Low Income group.