



WEEKLY REPORT TO THE CITY COUNCIL

November 30, 2017

Members of the City Council
City of Tacoma, Washington

Dear Mayor and Council Members:

ACTION REQUESTED

1. As a reminder, there will be a **Special Joint City Council/Port of Tacoma Commission Study Session on Monday, December 4th, at 9:00 a.m., in Room 16 of the Tacoma Municipal Building North**. The topic of discussion will be the draft Interlocal Agreement for the Tideflats Subarea Plan. Representatives from the Puyallup Tribal Council and the Pierce County Council will be joining the meeting and discussion.

ITEMS OF INTEREST

2. **Economic Development Weekly Update Report** – Please see the attached update report on projects and initiatives from the Community and Economic Development Department for the week of November 27, 2017.

STUDY SESSION/WORK SESSION

3. The **City Council Study Session** of Tuesday, December 5, 2017, will be held in Room 16 of the Tacoma Municipal Building North, at Noon. Discussion items will include: (1) **Federal Transit Administration Ladders of Opportunity Grant – Final Findings and Recommendations**; (2) **Biogas Project**; (3) **Tacoma Police Department Hiring Process Update**; (4) **Other Items of Interest: Two Council Consideration Requests and the Proposed Resolution to Create a Commission of Immigrant and Refugee Affairs**; (5) **Committee Reports**; and, (6) **Agenda Review and City Manager's Weekly Report**.

The City was awarded a grant from the Federal Transit Administration (FTA) to study and identify transit-oriented economic and housing opportunities in the Hilltop neighborhood. At Tuesday's Study Session, the technical assistance team from Enterprise Community Partners and Smart Growth America will present their **draft findings and recommendations for how the City, local partners, and Hilltop residents can stabilize the Hilltop neighborhood**, including ways to preserve affordable housing, incentivize new development, and capitalize on opportunities for small-scale infill development. Additional information appears in the attached memorandum and report.

The Office of Environmental Policy and Sustainability (OEPS) has been evaluating the **feasibility, economics, and environmental benefit of processing Bio-gas (methane) generated in the waste treatment process for use as vehicle fuel**. The results of the evaluation confirm that the project is feasible, economically beneficial, and will provide substantial greenhouse gas reductions. As a second item at Tuesday's Study Session, OEPS will present the details of the evaluation.

In addition at Tuesday's Study Session, there will be a **briefing on the Police Department's efforts to improve their recruiting and hiring process**.

Under Other Items of Interest, the two attached Council Consideration Requests will be shared:

- **Council Contingency Fund \$10,000 request for the 2018 Race and Pedagogy Conference youth Summit at the University of Puget Sound** (Mayor Strickland).
- **Creation of a Tacoma Permit Advisory Task Force to improve the City's policies, codes and procedures for the issuance of residential and commercial permits** (Council Member McCarthy).

In addition under Other Items of Interest, Council Member Campbell will share the **proposed Resolution to create a Commission on Immigrant and Refugee Affairs**, which was discussed at the November 29th Special Community Vitality and Safety Committee meeting.

4. The updated **Tentative City Council Forecast and Consolidated Standing Committee Calendars** are attached for your information.

MARK YOUR CALENDARS

5. You have been invited to the following events:

- **2017 Tacoma-Pierce County Chamber's Public Officials Holiday Reception on Monday, December 4th, 5:00 to 8:00 p.m.**, at the Washington State History Museum, located at 1911 Pacific Avenue.
- **Forterra's Holiday Open House on Thursday, December 7th, 5:30 to 8:30 p.m.**, at 901 5th Avenue, Suite 2200, Seattle.
- **YWCA Reception for Elected Officials on Thursday, December 7th, 5:30 to 7:30 p.m.**, at the YWCA Pierce County, located at 405 Broadway.

- **Reception for Tacoma City Council, Metro Parks Board Commissioners and State Legislators of the 27th, 28th and 29th Districts on Wednesday, December 13th, 6:00 to 7:30 p.m.**, at the Broadway Center for the Performing Arts, located at 901 Broadway.
- Washington State Department of Transportation and Sound Transit **Opening Ceremony for the new Amtrak Cascades Station on Friday, December 15th, 2:00 p.m.**, in Tacoma's Freighthouse Square, located at 422 East 25th Street.

Sincerely,



Elizabeth A. Pauli
City Manager

EAP:crh
Attachments

ECONOMIC DEVELOPMENT WEEKLY UPDATE REPORT

Week of November 27, 2017

Business Delegation Visit from Brovary, Ukraine

A delegation from our newest sister city of Brovary, Ukraine will arrive in Tacoma for a four-day visit on Monday, December 4th. It will include the Mayor of Brovary and representatives from eight companies, including developers and businesses interested in concrete, plastics and solar technologies. The City Community and Economic Development Department arranged their itinerary. The visit will begin with a networking event held at the World Trade Center and include tours of Proctor Station and Proctor South, Concrete Technology, and Superlon Plastic Pipe. Presentations on Tacoma and its investment potential, the capabilities of Tacoma Public Utilities and on the channels to import products into the US Market will be made. A Sister City reception and a dinner with the local Slavic community are also planned.

Second Transit Oriented Development Proposed for Dome District

A second Transit Oriented Development ("TOD") has been submitted for permits in the Dome District. This week, Koz Development submitted a mixed use project including 152 apartments, retail space and a bicycle garage at 304 Puyallup Avenue within the Tacoma Dome Transit Hub. The project follows Trax – a 115 unit TOD submitted earlier this year on surplus land owned by Pierce Transit at 415 E 25th Street. Vision 2025, the City's 10-Year Strategic Plan, calls for the development of Transit Oriented Development (Goal 6c). Building housing near transit leverages public investments in transit to provide a myriad of benefits such as increased housing affordability by lessening the need for single occupancy motor vehicles, a reduced carbon footprint and an enhanced quality of life by connecting people to jobs, services and amenities. Adding 267 housing units to the Dome District moves the District forward on its path to becoming Tacoma's Transit Oriented Neighborhood, a long term goal for many District stakeholders.



TO: Elizabeth Pauli, City Manager
FROM: Peter Huffman, Director, Planning and Development Services
Ellen Walkowiak, Acting Director, Community & Economic Development
COPY: City Council and City Clerk
SUBJECT: FTA Ladders of Opportunity Technical Assistance Grant – Final Findings & Recommendations
DATE: November 30, 2017

SUMMARY:

The City was awarded a grant from the Federal Transit Administration (FTA) to study and identify transit-oriented economic and housing opportunities in the Hilltop neighborhood. At the Council study session on December 5, the technical assistance team from Enterprise Community Partners and Smart Growth America will present their draft findings and recommendations for how the City, local partners, and Hilltop residents can stabilize the neighborhood, including ways to preserve affordable housing, incentivize new development, and capitalize on opportunities for small-scale infill development.

STRATEGIC POLICY PRIORITY:

This project relates to the following Council priorities:

- Ensure all Tacoma residents are valued and have access to resources to meet their needs.
- Ensure adequate access to a range of housing types for a socially and economically-diverse population.
- Support fair, equitable, healthy, resource efficient and physically accessible housing.
- Increase the amount of housing that is affordable, especially for lower income families and special needs households. Promote a supply of permanently affordable housing for Tacoma's most vulnerable residents.

BACKGROUND:

At the end of 2016, the City of Tacoma was awarded technical assistance from the FTA and Smart Growth America to delve into housing and affordability issues in relationship to Sound Transit's extension of the Tacoma Link streetcar through the Hilltop neighborhood.

Smart Growth America and Enterprise community partners have made two site visits, during May and October, to meet with community members, elected officials, City staff in various departments, and other partners to understand conditions on the ground and better understand existing policies and tools currently in place to address housing needs on Hilltop.

The culmination of this collaborative effort is a report detailing potential strategies to increase affordability and stem displacement. The findings will be used as a guiding document for continuing work being led by Community & Economic Development Department's Housing Division, in partnership with other City departments and stakeholders.

ISSUE:

Housing costs are on the rise throughout the City of Tacoma. The Hilltop area of the City presents a number of factors that make this neighborhood especially vulnerable to displacement and loss of affordability, including its share of low-income households, high unemployment, increasing population, proximity to downtown, and the upcoming light rail investment. A deeper, data-driven understanding of what is driving the trend of displacement and affordability concerns in the Hilltop neighborhood was needed.

ALTERNATIVES:

The briefing is informational and the recommendations are advisory. Further action will be taken in 2018 under the guidance of Community & Economic Development's Housing Working Group.

RECOMMENDATION:

None.

FISCAL IMPACT:

There is no fiscal impact.

ATTACHMENTS:

Report: Proposed Strategies to Increase Affordability & Stem Displacement On Hilltop (Draft)



DRAFT

PROPOSED STRATEGIES TO INCREASE AFFORDABILITY & STEM DISPLACEMENT ON HILLTOP

Report prepared for the City of Tacoma, WA

November 2017

The National Public Transportation/Transit-Oriented Development Technical Assistance Initiative is a project of the Federal Transit Administration administered by Smart Growth America.



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Introduction

Hilltop is ripe with assets, like a walkable environment, small, locally owned businesses, and rich history. It is also the site of two major public infrastructure projects over the next several years: a 2.4-mile Link extension and multi-block streetscaping project along MLK.

Through these investments, the City of Tacoma, along with Sound Transit, is making Hilltop a focal point for investment, particularly transit-oriented development (TOD). However, many existing residents worry that new investments will have a negative impact on them and that economic gains generated by the light rail extension may not reach them. As recently as November 2017, the *Tacoma News-Tribune* noted the rising housing costs on Hilltop, asking “will the light rail make it worse?”¹

This report aims to directly address community concerns by focusing on ways that the City and its partners can better-support these residents as housing market conditions continue to change and the Link starts operations in 2022.

The analysis and recommendations in this report, conducted as part of the Federal Transit Administration’s Equitable Transit-Oriented Development Technical Assistance Initiative, discuss the relationship between housing needs that exist on Hilltop today and how those needs may change over the next 5–10 years, as well as how much gentrification-related change has already occurred on Hilltop. This report creates a stronger connection between transportation and housing considerations, adding to the wealth of past and current local planning efforts on Hilltop and citywide.

Relationship to past and current local efforts

The proposed strategies in this report relate to several past and current planning efforts on Hilltop. They aim to deepen ideas proposed in past plans and studies or update ideas based on new information and help move implementation forward in the short-term. Each plan or study and their relationship to this work is summarized in more detail below.

- **Links to Opportunity (Ongoing).** Links to Opportunity focuses on the development and design of the streetscape along the Link extension route, including improvements to the public realm such as sidewalks, benches, and lighting. It also commissioned a study on how to use the Link extension to generate local jobs for Hilltop residents. This report operates under the same key principles as this work, namely to improve mobility for Hilltop residents and increase Hilltop’s readiness for TOD. This report expands the geographic reach of the Links to Opportunity project to include housing and development opportunities in the greater neighborhood and directly address concerns around displacement, creating a strong link between equity, housing, and transportation.

¹ Ruud, C. (2017). “People are being priced out of Hilltop. Will the light rail make it worse?” *Tacoma News-Tribune*. Available at www.thenewstribune.com/news/local/article185346058.html.

- ***HousingHilltop (2016)***. This plan, prepared by the Tacoma Housing Authority (THA) in collaboration with members of the Hilltop community, aims to leverage assets on Hilltop to accomplish three key results: 1) deliver new affordable housing and supportive services to the Hilltop community; 2) build upon the social capital and organizational infrastructure needed to set goals, measure progress, and implement course corrections in the neighborhood on an ongoing basis; and 3) establish a framework to set goals, measure progress, and build upon the opportunities to collaborate creatively on innovative solutions.

It touches on many of the same community concerns as this report: loss of affordable housing, limited supply of affordable rental and homeownership opportunities, and displacement pressure among residents and small-business owners. It also builds on *HousingHilltop*'s proposed solutions, including its emphasis on developing new affordable housing on Hilltop with a broad range of unit types and income levels; promoting affordable for-sale opportunities; and addressing vacant and underused property on Hilltop.

- ***Tacoma 2025 (2015)***. *Tacoma 2025* is the City's blueprint to achieve a shared vision and future for all Tacoma residents. The strategies outlined in this report help the City of Tacoma achieve its vision by recommending ways that the City can increase housing security, increase transportation options, and grow and enhance the vitality of Tacoma's neighborhoods, namely Hilltop.
- ***Hilltop Subarea Plan (2014)***. The *Hilltop Subarea Plan* aims to anticipate, support, and guide the long-term redevelopment of the MLK district. This report incorporates some of the foundational ideas from the *Hilltop Subarea Plan*, including its focus on creating affordable, healthy, mixed-use, mixed-income, and mixed-household housing; refining zoning and development regulations on Hilltop; and increasing Hilltop's affordable housing supply, especially for lower-income households.
- ***Affordable Housing Policy Advisory Group (AHPAG) Policy Recommendations to City Council (2010/Ongoing)***. These recommendations, which have been implemented in phases since 2012, enabled the City to better understand its housing challenges and provide a range of policy options to support greater affordability within Tacoma. It highlights many of the same challenges that persist on Hilltop: increased housing costs, a limited supply of affordable options for low-income households, and high shares of cost-burdened households. It also created the basis for much the City's current housing policy framework.

This report applauds the City of Tacoma's leadership on housing affordability and its continued focused on this important local issue. Recognizing the City's changing market dynamics since 2010, this report evaluates the City's existing incentives and proposes actions to strengthen its policy framework.

Report organization

This report synthesizes updated data analysis, findings from site visits and interviews conducted between May and December 2017, and past plans and studies into a detailed strategy framework for the City of Tacoma.

This framework outlines four broad strategies:

1. Increase resources for and impact of initiatives that support greater affordability.
2. Streamline existing incentives and internal processes to support greater affordability.
3. Support existing Hilltop residents.
4. Increase housing opportunities in TOD for a range of income levels and lifestyles.

The remaining sections discuss Hilltop's housing market conditions and needs; explain the recommended strategies and related actions in greater detail; and identify next steps to kickstart implementation over the next 12 months.

Study area

The study area used in this report encompasses both the central Hilltop commercial corridor along Martin Luther King, Jr. Way (MLK) and surrounding residential areas, to understand both existing housing needs and impact of the Tacoma Link extension on the broader housing market. The Hilltop study area used in this report is bounded to the north by Division Avenue, to the south by South 27th Street, to the east by Tacoma Avenue South, and to the west by South Sprague Avenue.

As shown in Figure 1, four of the six new light rail stations from the Tacoma Link extension are located within the Hilltop study area. There are 13,246 people and 5,930 housing units in the study area.²

The study area occupies a strategic location adjacent to two major areas within the City: Downtown Tacoma and the Stadium District. The Stadium District is already undergoing a transformation, benefiting from the forthcoming Link extension in the form of new retail and residential development. It also boasts the presence of several anchor institutions that could play a role in shaping both housing and economic development opportunities on Hilltop over time.

Figure 1. Hilltop study area



² The Hilltop study area does not align exactly with Census boundaries, but can be closely approximated by block group- and block-level boundaries. Data was gathered or estimated at the smallest geography for which data was available that fell entirely within the study area boundaries and then aggregated to create a value for the entire area. When block groups split across the study area boundary and block-level data was not released by the U.S. Census Bureau, block-level estimates were derived from population or housing unit weights from the Missouri Census Data Center (<http://mcdc.missouri.edu/websas/geocorr14.html>).

Hilltop in context

- **Hilltop has become more populous, experiencing the largest growth in residents aged 18 to 34.** From 2000 to 2015,³ the population on Hilltop grew by 37 percent. At the same time, population only increased by 5 percent citywide. Because Tacoma experienced much lower population growth overall, Hilltop's population growth may be driven by existing Tacoma residents moving to the neighborhood from other areas of the City (rather than in-migration to the City from other places).⁴

In particular, Hilltop has attracted more residents aged 18 to 34 than other areas of the City (see Figure A-2.1 in Appendix 2), followed by residents aged 35 to 59. While growth among residents aged 60 and older mirrors growth citywide, seniors make up a much smaller share of all residents on Hilltop compared with the City of Tacoma (11 percent versus 54 percent, respectively).

- **The racial and ethnic composition of Hilltop has changed, with White residents now making up a majority of Hilltop residents.** Between 2000 and 2015, the share of residents identifying as non-White decreased, and White, Non-Hispanic residents became the majority on Hilltop, now comprising more than one-half of all residents (see Figure A-2.2 in Appendix 2). From 2000 to 2015, the share of White residents increased 11 percentage points. Over that same time period, the share of Black or African-American residents decreased by 11 percentage points, and the share of the Hispanic or Latino residents increased by 2 percentage points.

These changes stand in contrast to citywide demographic changes: From 2000 to 2015, the share of White residents in the City of Tacoma decreased by 7 percentage points, and the share of Black or African-American residents decreased by only 1 percentage point. Growth in the Hispanic or Latino population citywide was similar to trends on Hilltop, experiencing a 5 percentage point increase from 2000 to 2015.

- **Hilltop has more single-person households than the City of Tacoma.** While the City of Tacoma is mostly comprised of family households, a majority of households on Hilltop are comprised of nonrelated individuals living together or individuals living alone ("non-family households"). One-person households are the most common household size on Hilltop, representing 43 percent of all households in the neighborhood. One-person households are also the most common household type in the City of Tacoma, but they

³ Analysis in this document uses data from the 2000 U.S. Census, the U.S. Department of Housing and Urban Development's 2010–2014 Comprehensive Housing Affordability Strategy (CHAS) dataset, and American Community Survey (ACS) 2011–2015 Five-Year Estimates. 2000 Census data was converted to 2010 Census boundaries using areal interpolation. CHAS and ACS data are period estimates and therefore represent conditions during the full 60-month period over which data was collected.

⁴ For a summary of all demographic and housing indicators, see Appendix 1.

constitute a smaller share of all households (33 percent) (see Figure A-2.3 in Appendix 2).

- ***Hilltop's population has become more educated, but unemployment on Hilltop is much higher than unemployment citywide.*** Twenty percent of Hilltop residents aged 25+ have a college degree or higher. From 2000 to 2015, the share of residents aged 25+ with a college degree increased by 138 percent on Hilltop—more than double the percent increase in total residents aged 25+ on Hilltop over that same time period and more than triple the percent increase in college-educated residents citywide. This trend could be the result of existing Hilltop residents becoming more educated or more college-educated residents moving to the neighborhood or some combination of both.

As shown in Table 1 below, labor force participation has also significantly increased on Hilltop from 2000 to 2015, but unemployment has remained higher than the citywide unemployment rate. In 2015, Hilltop's unemployment rate was 13 percent, compared to the citywide unemployment rate of 10 percent.

- ***A majority of households on Hilltop are low-income, and this share has grown since 2000.***⁵ Sixty-five percent of households on Hilltop earn 80 percent of area median income or less, which federal housing guidelines classifies as “low-income.” In comparison, a smaller share of households qualify as low-income citywide (46 percent). Since 2000, slightly more than one-half of all population growth on Hilltop has occurred among low-income households, with extremely low-income households representing the fastest growing income group (see Figure A-2.4 in Appendix 2).
- ***Households on Hilltop, particularly low-income households, are primarily renters.*** There are an estimated 5,097 households on Hilltop, and these households rent at a higher rate than households in the rest of the City of Tacoma. Seventy percent of households on Hilltop are renters, compared with 50 percent of households citywide. Low-income households rent at a higher rate than other Hilltop households—two in every three Hilltop households qualify as low-income, but three in every four renter households on Hilltop qualify as low-income. The remaining 30 percent of households on Hilltop own their homes, and a smaller share of these households (18 percent) qualify as low-income.

Transportation access is especially important for households without a car, which are overwhelmingly renters. About one-fifth of residents on Hilltop are “transit-dependent,”

⁵ Low-income is defined as those households earning less than 80 percent of area median income. Median income in Tacoma in 2017 was \$74,500. See Appendix 3 for a full breakdown of HUD's most recent income limits by household size.

meaning they lack access to a private vehicle. Of those transit-dependent households, 90 percent are renters.

- **High residential vacancy has persisted on Hilltop.** In 2000, Hilltop had a residential vacancy rate of 13 percent. By 2015, Hilltop's residential vacancy rate increased slightly to 14 percent, 5 percentage points higher than the citywide vacancy rate of 9 percent. Vacancy poses several threats to Hilltop, including lower property values among surrounding properties, speculation among outside investors, and perceptions about the area's market strength. Persistent vacancy may also suggest that vacant housing may be out of step with residents' needs or preferences or too costly to return to productive use, even as demand for housing in the neighborhood has started to grow.

Table 1. Selected economic characteristics of Hilltop, City of Tacoma, and United States (2015)

	Hilltop	City of Tacoma	United States
Residents 25+ with a college degree	20%	26%	30%
Labor force participation (civilian)	47%	64%	64%
Unemployment	13%	10%	8%

Sources: 2000 U.S. Census Bureau & 2015 American Community Survey Five-Year Estimates

Key findings: Existing conditions

- **Hilltop lacks “missing middle housing.” Even though Hilltop offers a greater variety of housing options than the City of Tacoma, housing stock is concentrated in a few particular types and sizes.** The most common housing on Hilltop and citywide is single-family detached homes. Single-family detached homes make up 43 percent of Hilltop’s housing stock and 63 percent of the City’s housing stock. Large multifamily properties (properties with more than 20 units) make up the next largest share of Hilltop’s housing stock (24 percent). Figure A-2.5 in Appendix 2 shows the distribution of different housing types on Hilltop and City of Tacoma.

Many of Hilltop’s units are geared toward one-person or two-person households. One-bedroom units are most common on Hilltop, comprising 31 percent of all housing units. This is more than double the share of one-bedroom units citywide (15 percent). Efficiencies and studios are also more common on Hilltop than citywide. Efficiencies and studios make up 10 percent of all Hilltop housing units versus 4 percent citywide. This high share of smaller units reflects the large share of single-person households on Hilltop (43 percent).

Three-bedroom units are the next most common unit type on Hilltop, comprising 24 percent of all units, far exceeding the total number of current households at that size in the area (1,428 units versus 762 households). Four-bedroom units and units with five bedrooms or more make up the smallest shares of all housing unit sizes on Hilltop, accounting for 9 percent and 3 percent of all housing, respectively. While this unit mix could accommodate smaller families, it may make it more difficult to attract larger families to the area, particularly since there is an undersupply of units with five-bedrooms or more on Hilltop, relative to current households at that size in the area.

- **Today, Hilltop offers limited affordable housing options for low-income renters.** Hilltop lacks enough rental units affordable and available to low-income households, especially extremely low-income households. A few trends help explain why rental options are not available on Hilltop. First, Hilltop lost rental units priced for extremely low-income households since 2000, but experienced a significant increase in the number of extremely-low income renters (an increase of 64 percent or nearly 500 households) over that same time period (see Figure A-2.6 in Appendix 2). Instead, new rental options were largely priced for households earning 51–80 percent of area median income, followed by households earning more than 80 percent of area median income.

Local data suggests that additional subsidized units have been built on Hilltop since 2014, and both the City of Tacoma and THA have plans to add to this supply over time. Most notably, THA built Bay Terrace II, which added an additional 74 subsidized units to Hilltop since 2014. Nativity House, developed in 2015 by Catholic Community Services, also added 50 studio apartments as permanent housing units to Hilltop. Even with the addition of these units, there’s still a significant gap for extremely low-income

households, even though partners' new production since 2014 has targeted this income level.

Another trend that affects the housing supply for low-income renters is a mismatch in occupancy. Twenty-six percent of rental units affordable to low-income households on Hilltop are unavailable, because they are occupied by higher income households. Figure A-2.7 in Appendix 2 shows how this dynamic affects households as income increases.

A limited supply of affordable and available rental options reinforces the importance of income-restricted housing on Hilltop. Nearly one-fifth of occupied housing on Hilltop is income-restricted. Income-restricted housing falls into two primary categories: 1) public housing, which receives federal funding to provide housing for eligible households and is managed by THA; and 2) privately owned housing that receives a federal subsidy (non-PHA). One-third of Hilltop's income-restricted units (or 317 units) are public housing units owned by THA. The remaining 635 units are distributed among 18 privately owned properties that receive at least one federal subsidy.

- **Many existing Hilltop residents, particularly renters, cannot keep pace with rising housing costs.** Today, 45 percent of households on Hilltop pay too much for housing, meaning they pay more than 30 percent of their monthly income toward housing costs. Cost-burdens are more prevalent on Hilltop than they are citywide, where 39 percent of all households experience cost-burdens, and they have increased since 2000. The number of cost-burdened households on Hilltop nearly doubled since 2000 (from 1,076 to 2,095).

Renters on Hilltop increasingly experience cost-burdens. Forty-six percent of renters are cost-burdened, up from 21 percent in 2000. And cost-burdens among renters are becoming more acute. Nearly one-third of renters on Hilltop are both severely cost-burdened (paying more than 50 percent of their income on housing costs) and low-income.

Cost-burdens are the result of increased housing costs, coupled with lagging incomes and a limited supply of affordable and available housing for low-income households on Hilltop. Increases in rents and home values have outpaced increases in household earnings, as Figure A-2.8 in Appendix 2 shows. From 2000 to 2015, median home value increased by 31 percent to \$172,764 and median rent increased by 23 percent to \$816. Over the same time period, median income on Hilltop only increased by 10 percent to \$38,886.

- **Overall, Hilltop is in the early stages of gentrification.** Various stakeholders expressed concerns about gentrification and displacement during site visits to Tacoma, including the added uncertainty that the Link extension to Hilltop and other large-scale public investments could create. This concern among Hilltop residents is not new: It appears in past plans including *HousingHilltop* and the 2014 subarea plan. Residents that the project

team spoke with during site visits—as well as contributed to these plans—raised common concerns: mounting development pressure, increasing rents pricing out long-time residents and community-based businesses, and difficulty accessing first-time homeownership opportunities, to name a few.

To understand gentrification on Hilltop, this report measures the changes that typically characterize gentrification: 1) market changes; 2) economic status changes; and 3) demographic changes. It then compares these changes against a framework that outlines various stages of gentrification (developed by a researcher at Portland State University) to understand how rapidly gentrification is occurring on Hilltop (see Table 2 below).

Based on this analysis, most block groups on Hilltop have experienced changes that suggest they are in the early stages of gentrification (see Figures A-2.9 and A-2.10 in Appendix 2).⁶ Early stages of gentrification indicate housing costs and displacement pressures may be increasing, but opportunities still exist to ensure existing residents can stay in these areas and benefit from new growth and development before significant displacement occurs.

In terms of market changes, both the for-sale and rental housing markets on Hilltop are accelerating. Hilltop experienced rent increases as high as 40 percent in some block groups, more than double the citywide increase of 18 percent. And among those block groups that experienced lower rent increases, all are directly adjacent to block groups that experienced high rent increases. Proximity to high-rent areas can also create housing pressures, as investment in areas with accelerating markets expand outward.

Home values on Hilltop increased faster between 2000 and 2015 than home values citywide (31 percent versus 20 percent, respectively), but remained below the citywide median in both 2000 and 2015. There are no block groups where the for-sale market has already appreciated, suggesting home values may be increasing at a slower rate than rents.

However, on Hilltop, much of this “early stage” classification is due to a high share of residents who are vulnerable to displacement and demographic change. Hilltop has higher-than-average populations with characteristics that make it more difficult for them to withstand housing price increases and resist displacement: a high share of renters (59 percent); high share of low-income residents (61 percent); high share of persons of color (46 percent); and high share of residents without a college degree (79 percent).

On average, median household income, share of homeowners, and share of White residents all increased on Hilltop between 2000 and 2015. Over the same time period, the same metrics decreased citywide. Educational attainment was an outlier among metrics related to demographic change—growth in the share of the population with a

⁶ See Appendix 5 for a full summary of the methods for this analysis.

Bachelor's degree or higher outpaced the citywide increase (138 percent versus 31 percent).

It should be noted that several block groups on Hilltop are experiencing more advanced stages of gentrification, while several others are not currently showing any signs of it. Changes in the housing market already caused some demographic change and is placing pressure on already vulnerable residents. As gentrification progresses, preservation and creation of affordability becomes increasingly important to maintain access to opportunity.

Gentrification may be more advanced within the southern part of Hilltop, south of 19th Street. In this area, home values and rents are accelerating quickly or have already rapidly increased. One block group has already appreciated. This means that rents in this block group went from some of the lowest in the City to some of the highest between 2000 and 2015, which may also affect rents in the surrounding areas.

Table 2. Stages of gentrification (adapted from Bates, 2013)

Stage	Housing values	Appreciation in housing value	Demographic change	Vulnerable residents
Early stages	Low- to moderate values & near high value areas	Yes	No	Yes
	Low- to moderate values	Yes	No	Yes
	Low- to moderate values & near high value areas	Yes	Yes	Yes
Dynamic stage	Low- to moderate values	Yes	Yes	Yes
Late stages	High value	Yes	Yes	Yes
	High value	Yes	Yes	Yes (but fewer)

Key findings: Projected losses in affordability

Experience from other communities suggest that that public investments—particularly those in fixed rail transit—can affect communities in both positive and negative ways. Based on these experiences, proximity to transit generally results in:

- Higher values for single-family homes, condominiums, and commercial properties
- Accelerated investment by private market actors
- Increased “opt-outs” in subsidized housing programs⁷
- Increased transit ridership
- Greater access to opportunity, such as employment centers and health services

Increases in the housing market and in private investment can both a boon—in terms of introducing new housing and retail options—but also can create additional challenges for households who are already struggling to make ends meet. Transit access helps lower overall household expenses and connect residents to more destinations like major job hubs, particularly when there’s a focus on supporting TOD.

Understanding the impact of transit on the local housing market in other communities is particularly important for Hilltop, because many Hilltop residents already cannot afford their existing housing situations. Past trends suggest that any future loss of affordability would further exacerbate cost-burdens and vulnerability to displacement, especially among renters and extremely low-income households.

To understand how Hilltop’s housing market could change over time and what impact the Link extension could have on its housing market, this report considered three ways that housing affordability may change over the next 5–10 years:

1. Expiring housing subsidies at properties on Hilltop
2. General increases in rents on Hilltop
3. Increases in rents due to the Link extension

Data from the National Housing Preservation Database was used to identify properties with expiring federal subsidies on Hilltop through 2022. Rent increases (both general and due to transit) were modeled using change in home sale values in Seattle before and after the Central Link light rail project started.⁸

⁷ One study suggests one of the negative consequences of public transit investment is increased opt-outs among property owners receiving housing subsidies. This means that landlords that previously accepted housing subsidies, like Section 8 or Housing Choice Vouchers, decide to terminate their contracts. They typically to raise the rent, and these affordable units may no longer be affordable or available to low-income households. Boarnet, M. et al. (2017). “Affordable Housing in Transit-Oriented Developments: Impacts on Driving and Policy Approaches.” White paper prepared for the National Center for Sustainable Transportation. Available at https://ntl.bts.gov/lib/61000/61300/61397/NCST-TO-027-Boarnet-Bostic-Affordable-TOD-White-Paper_FINAL.pdf.

⁸ See Appendix 6 for a full summary of the methods for this analysis.

The modeling suggests that rents could rise as much as 46 percent over the next 10 years on Hilltop. However, much of this increase (35 percent) will be related to general increases in housing costs over time, not necessarily the light rail.

Table 3 shows how general market forces and the light rail could affect rents on Hilltop over the next 10 years. Even without an increase associated with the Link extension, rents could increase by 20 percent prior to the light rail starting operations in 2022. Layering on transit's projected impact, this increase could be as high as 29 percent.

Table 3. Projected change in rents on Hilltop (2006–2016)

	2016	2022	2026
General increase	\$865	\$1,035	\$1,166
Percent growth from 2016 baseline	-	20%	35%
TOD impact	\$865	\$1,117	\$1,259
Percent growth from 2016 baseline	-	29%	46%

Today, 3,047 rental units on Hilltop serve low-income households without a subsidy. Thirty-six percent of rental units on Hilltop are affordable to households earning between 61 and 80 percent of area median income, and another 25 percent of rental units are affordable for households earning 60 percent or less of area median income.

Based on general increases in housing costs over the next 10 years, unrestricted, affordable rental units on Hilltop could drop from 61 percent to 25 percent of the area's unsubsidized rental supply. In other words, the supply of unrestricted, affordable rental housing could shrink by a total of 1,093 units. Increases related to the light rail could further shrink Hilltop's unrestricted, affordable supply (albeit slightly). An additional 124 homes would become unaffordable to low-income households on Hilltop. In other words, the light rail would increase the potential loss of unrestricted, affordable rental units from 1,093 to 1,217 units.

In terms of expiring subsidies, seven privately owned, affordable housing properties are at-risk of losing their affordability before the light rail extension is complete. These properties have subsidies scheduled to expire through 2022 and represent about 40 percent of Hilltop's privately

owned subsidized supply.⁹ Of these properties, all but one is located within ½-mile of a planned Link station.

What could be the impact of these losses? Overall, Hilltop could lose as many as 254 subsidized rental units and as many as 1,217 affordable, unsubsidized rental units in the next 5–10 years. The result of higher rents could result in more than 700 new cost-burdened households, and the projected impact of the Link extension would create more severe cost-burdens for these households.

⁹ One property, Nativity House, did not have an expiration date associated with it, so it was calculated as 15 years from the year placed in service, as reported by the Washington State Housing Finance Agency. Developments that are awarded LIHTC must offer income-restricted units for a minimum period of 15 years. After this time, they are at-risk of being converted to market-rate units, as after Year 15 they no longer are at risk of IRS penalties. For more information, please see: www.huduser.gov/publications/pdf/what_happens_lihtc_v2.pdf.

Strategy framework & recommended next steps

This report outlines a unified strategy framework to achieve several outcomes on Hilltop, including greater housing affordability; protection of existing Hilltop residents; and an increased housing supply. The framework focuses on four strategies:

1. Increase resources for and impact of initiatives that support greater affordability.
2. Streamline existing incentives and internal processes to support greater affordability.
3. Support existing Hilltop residents.
4. Increase housing opportunities in TOD for a range of income levels and lifestyles.

These strategies are supported by recommended actions and near-term steps to assist with their implementation in the next 6–12 months, including creating or modifying local tools.

Importance of Link extension

The extension of the Link to Hilltop plays an important role in implementing this framework. The strategies rely on the presence of convenient, high-quality transit (and its associated economic and fiscal benefits) to generate additional revenue to support reinvestment on Hilltop and harness its gaining market strength to realize additional affordable housing as new TOD is built. The strategies also include policies and programs to ensure reinvestment occurs in ways that mitigate displacement pressure, rather than increase it, among existing Hilltop residents.

Importance of resident leadership and local nonprofit and community development capacity

One of Hilltop's greatest assets is its residents, and the success of the strategies outlined below depends on their ongoing involvement, expertise, and support. The City and THA has conducted outreach to Hilltop residents through its past planning efforts, drawing on an established network of neighborhood groups. Through its Links to Opportunity project, the City is also soliciting input on the streetscape design through the Hilltop Engagement Committee and its Hilltop Office. The City can use its current outreach efforts to train residents to talk effectively about the challenges and opportunities on Hilltop and advocate for potential solutions. Some strategies within this report aim to jumpstart these initial conversations, but a more concerted effort to build leadership capacity among Hilltop residents to continue to advocate for their needs is needed.

Many of these strategies, too, require increased community development capacity, especially among local nonprofit partners. As the City implements these strategies, it should consider undertaking a related effort to cultivate expertise among existing nonprofits and stand-up new entities that could assist with longer-term efforts.

Importance of complementary workforce and economic development efforts

The City of Tacoma will need a dual focus on both aspects of affordability—how much housing costs and how much households earn—to create a lasting impact on Hilltop households.

This report focuses on ways that the City and its partners can create greater housing affordability and stem displacement pressure related to increased housing costs and public investments like the Link extension and MLK streetscape. Housing affordability is a two-part equation: how much housing costs and how much a household earns. Proximity to the Link extension helps influence this equation, too, by lowering transportation costs and in turn, overall household expenses. A majority of the strategies and related actions in this report focus on the first part of this equation and building stronger connections between housing and transit investments, aiming to lower the overall household expenses among existing Hilltop residents and ensure new homes are affordable to a range of income levels, especially extremely and very low-income households.

This report does not propose strategies that address the other part of this equation, even though it represents an important part of creating greater housing affordability on Hilltop and a great need among existing Hilltop residents, a large share of which qualify as low-income. The City needs to consider and undertake a complementary strategy to increase earnings and ensure economic benefits are shared among Hilltop households. Seeds of this work are already underway through the Links to Opportunity work to increase job access and readiness on Hilltop and work engaging anchor institutions through an effort led by the City Manager's Office. Strategies like expanding workforce training programs, establishing community benefits agreements, and increasing participation of minority- and women-owned enterprises in public projects may all help create a more equitable distribution of benefits on Hilltop.

Strategy #1. Increase resources for and impact of initiatives that support greater affordability.

The City of Tacoma primarily relies on federal funding to support a range of community development and housing-related activities across Tacoma. These include property rehabilitation, infrastructure upgrades, and gap financing for affordable housing. In 2017, the City of Tacoma received more than \$2.2 million in Community Development Block Grant (CDBG) and nearly \$965,000 in HOME Investment Partnership Program dollars. However, these resources have largely declined since 2010. Over the last seven years alone, the City's CDBG and HOME allocations fell by nearly 30 percent and more than 50 percent, respectively. This decline represents a loss of more than \$2 million in funding for local community development and housing investments.¹⁰

While the City and its partners have fewer resources to support housing affordability, need within Tacoma has grown. Between 2000 and 2015, Tacoma added approximately 5,800 cost-burdened renters and 3,000 cost-burdened owners, which accounts for one-fifth of the City's growth in total households over that time period.¹¹ On Hilltop, cost-burdens grew even faster—nearly doubling between 2000 and 2014.

Because of its declining federal resources and widespread need, the City should cultivate new local resources and use their limited federal resources as strategically as possible. Actions focus on both creating additional resources (by identifying and creating dedicated sources of revenue for the existing Housing Trust Fund and harnessing increased real-estate value created by the Link extension) and maximizing the impact of existing federal resources (by seeking additional flexibility in their use through Section 108 and a Neighborhood Revitalization Strategy Area (NRSA) designation).

¹⁰ From 2010 to 2017, the City's CDBG allocation fell from \$3.2 million to \$2.2 million and HOME allocation fell from \$2.0 million to \$964,831. There is some year-over-year variation to the City's overall decline in resources, with slight gains ranging from 1 to 5 percent for CDBG and a slight increase (6 percent) in HOME from 2015 to 2016. For more information on the City of Tacoma's federal resource allocation, see www.hudexchange.info/grantees/allocations-awards.

¹¹ Between 2000 and 2015, the City of Tacoma added more than 46,000 households. The share of cost-burdened households increased by 35 percent citywide (from 24,483 households in 2000 to 33,200 in 2015). Hilltop added about 100,000 cost-burdened households between 2000 and 2014. The citywide trend is from 2000 U.S. Census and 2015 American Community Survey 1-Year Estimates via IPUMS and the trend on Hilltop was derived from 2000 and 2014 CHAS.

Action 1.1. Explore creation of a value capture mechanism (tied to the Link extension on Hilltop).

Experience from other communities suggests that a large-scale public infrastructure improvement—like the Link extension—tends to increase property values and accelerate private investment. Homeowners and renters on Hilltop are already experiencing increases in their housing costs, resulting in a high number of households experiencing cost-burdens.

The City needs a tool to capture and reinvest these gains on Hilltop, to help offset any negative impacts of the light rail extension and expand its resources to support additional development there. Capturing and reinvesting increased property values or sales taxes broadly is known as “value capture.” Value capture is implemented in a variety of ways: tax increment financing, special assessment districts, and impact fees. While the state of Washington places limitations on these options, jurisdictions across the state have found ways to leverage the economic growth created from a public investment like transit.¹² Table 4 on page 22 outlines some of the City of Tacoma’s options to implement value capture under state law. It should be noted that some of these tools require state authorization for future rounds of funding.

Value capture could be used to mitigate losses in affordability by assisting with property acquisition or requiring affordable housing around future transit stations. It could also provide a way to assist with the cost of offsite, public realm improvements, which developers like THA noted add significant costs to their projects.

City Council should study the feasibility of creating a value capture tool tailored to the changing market conditions on Hilltop. Specifically, some options to explore through the study may include:

- ***Understanding the feasibility for a Local Infrastructure Project Areas (LIPA) on Hilltop.*** The LIPA could be used to fund direct investments in affordable housing on Hilltop, and the City should consider creating a mandatory set-aside of affordable housing for any project funded by the program.
- ***Extension of a Revitalization Area on Hilltop.*** Tacoma already participates in the Local Revitalization Financing program, which currently encompasses Downtown Tacoma. Expanding this district to include Hilltop or creating a new district on Hilltop are two possibilities.
- ***Potential for a Hospital Benefit Zone (HBZ).*** With several medical institutions on Hilltop, the City may want to explore creation of a HBZ on Hilltop, which could target both housing and economic and workforce activities as part of expansion.

¹² The State of Washington places legal limitations on a more traditional TIF approach; these limitations include prohibition of diverting state property taxes to economic development projects; a “budget-based” property tax system that levies property taxes in gross amounts rather than based on percentages; and limited debt capacity at the city-level to benefit sub-areas of a jurisdiction.

This work could be done in coordination with the existing outreach to anchor institutions through the City Manager's Office.

Next steps:

- *Identify source of funding for value capture study (e.g., allocate funding in the next budget cycle; partner with philanthropic organization; etc.).*
- *Develop Request for Proposals, solicit for bids, and conduct value capture study.*
- *Use findings to identify and establish appropriate value capture mechanism on Hilltop.*

Table 4. Value capture options under Washington state law

Program	Summary	Year Created	Limitations
Community Revitalization Finance (CRF)	Authorizes cities, towns, counties, and port districts to create a tax "increment area" and finance public improvements within the area by using increased revenues from local property taxes generated within the area.	2011	Requires approval of local taxing districts
Local Infrastructure Financing Tool (LIFT)	Sponsoring jurisdictions can create a "revenue development area" where property and sales tax increments can be used. Increases in revenues can be used for public improvements in conjunction with state contributions. The state contribution comes in the form of a tax credit that is applied to increased local sales taxes.	2006	Requires approval by the state's Community Economic Revitalization Board (CERB) and local taxing districts. No longer accepting applications.
Hospital Benefit Zone (HBZ)	This program is designed to leverage increment local sales tax to encourage private business development and development of a hospital within a "hospital benefit zone" for hospitals that are looking to construct or expand new facilities.	2006	No longer accepting applications and would require future legislative action for renewal.
Local Revitalization Financing (LRF)	The LRF program authorizes jurisdictions to create a "revitalization area" (RA) and allows increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area to be used for payment of bonds issued for financing local public improvements within the revitalization area.	2009	\$500,000 maximum annual contribution from the state. The program is currently being used in Tacoma. The program is also available at the local level without the state contribution.
Local Infrastructure Project Area (LIPA)	Allows certain increases in local property tax revenues generated from within the district to be used for payment of bonds issued for financing local public improvements within the LIPA. This program provides for the transfer of development rights (TDRs) from rural farm and forest lands to cities to be used within the LIPA.	2011	No sales tax component.

Action 1.2. Create dedicated sources of funding for the Housing Trust Fund, including allocating general funds.

A small number of affordable housing projects have been built in Tacoma since 2014—a product of local tools to support these projects. While the City of Tacoma established the structure for its Housing Trust Fund, this fund does not have a dedicated source of funding to capitalize it. Given the City's declining federal resources, limited affordable housing supply, and threat of displacement on Hilltop, the City needs to find a dedicated source of funding for its trust fund.

One of the biggest benefits of a dedicated housing trust fund is its flexibility. Municipalities may structure their funds as either grants or revolving loan funds, and they can fund a range of activities, including support services, rental production and preservation, and homeownership. A dedicated housing trust fund could unlock several benefits for the City of Tacoma: increased housing production (via 4 percent LIHTC-financed projects); ability to provide deeper subsidies; and affordability periods beyond federal compliance periods, to name a few.

The City should focus on identifying resources to create a dedicated source of funding for the Housing Trust Fund. The City has several options to help capitalize its fund:

- **General funds.** Some cities use general funds to support their housing trust funds. For instance, the City of Nashville seeded its Barnes Fund with a \$500,000 allocation in general funds, which was combined with \$6 million in other sources of local funding.¹³ One limitation for using general funds is that future leadership may not support this priority and could redirect funding away from it.
- **Fees from real-estate transactions.** Taxes generated through real-estate transactions are commonly used to support housing trust funds. Common real-estate transactions like transfer taxes and deed recordation fees are dedicated to housing trust funds in Washington, DC, and Philadelphia. When real-estate taxes are a primary source of funding, a city needs a healthy and active market to create a sustainable cash flow (or run the risk of fluctuations during a market downturn).
- **Property tax levy.** The state of Washington allows towns, cities, or counties experiencing a significant shortage of affordable housing to impose a property tax levy of up to fifty cents per thousand dollars of assessed value of property for 10 years. The property tax levy, which requires voter approval, has been passed in other cities throughout the state, including Seattle, Bellingham, and Vancouver. While past measures failed in Tacoma in 2001 and 2005, unmet housing needs among residents are gaining increased attention and could provide a renewed call to action to mobilize a successful ballot measure campaign.

Next steps:

- *Identify a line item in next budget cycle to seed a dedicated Housing Trust Fund with general funds.*

¹³ U.S. Department of Housing and Urban Development. (2015). Nashville's New Housing Trust Fund for Affordable Housing. Available at www.huduser.gov/portal/pdredge/pdr_edge_inpractice_061515.html.

- *Conduct outreach to philanthropic and financial partners to identify additional sources of dedicated funding for the City's Housing Trust Fund.*
- *Study other public sources of funding, including revenues of real-estate and/or construction transaction taxes, that could provide a dedicated source of funding.*
- *Gather affordable housing partners to explore the feasibility of a ballot measure to support a property tax levy.*

Action 1.3. Pursue additional Section 108 authorization to support catalytic economic development projects on Hilltop.

Past plans have emphasized the importance of creating more jobs for Hilltop residents and supporting small businesses on Hilltop. Currently, the City offers several programs to help small businesses within the City, including small business loans, façade improvements, and historic rehabilitation. However, residents and small businesses have expressed concerns that the City has been eager to court development and economic activity without guidance in place to ensure the benefits of this development is shared.

While this report primarily focuses on greater housing affordability, some resources and recommended actions could also be applied to support small businesses and spur additional economic development on Hilltop. Section 108 is one potential resource that could be used for both housing and economic development activities. Section 108 offers local governments a source of flexible lower cost financing to pursue large-scale economic development, housing rehabilitation, and other development efforts. The City's current Section 108 borrowing capacity would provide approximately \$4 million in financing for eligible projects.

This type of funding—particularly to fund non-residential development—could work on Hilltop for two reasons. First, local property owners, namely THA, have expressed interest in integrating retail and commercial space into their residential projects on Hilltop, but feasibility studies suggest that retail and commercial space makes it difficult for these projects to “pencil.”¹⁴ Second, it would provide the City with additional capital to invest in more localized, catalytic economic development efforts, including needs among Hilltop business owners (rather than relying on smaller annual CDBG allocations).¹⁵

The Community and Economic Development Department has previously used Section 108 to fund high-profile projects, like the LeMay Car Museum, and City staff suggested that additional use would need to be weighed against the loss of the City's CDBG dollars if a project doesn't make its loan repayments. Many municipalities use a request for proposals to identify strong, feasible projects for submission to HUD through the project-specific application process. In this process, a city proposes a specific project or projects that have been reviewed and vetted for eligibility and feasibility in accordance with program requirements.¹⁶

¹⁴ Based on 2016 study completed for the Tacoma Housing Authority.

¹⁵ Business owners on Hilltop who participated in the May 2017 focus groups said they'd like to see increased access to capital, including start-up funds, and performance accountability among the Community and Economic Development Department.

¹⁶ The other approach to pursue Section 108 authorization is a generic program application, which proposes eligible activities for Section 108 financing, without identifying a specific project.

The Community and Economic Development Department should pursue additional Section 108 authorization to support strategic economic development projects on Hilltop. The City should plan to vet projects by evaluating its existing development pipeline or by using a solicitation process that targets TOD or projects on Hilltop.

Next steps:

- *Identify projects on Hilltop eligible for Section 108 loans (through either an evaluation of the existing project pipeline or a solicitation process that outlines clear project objectives).*
- *Prepare Section 108 application for submission to HUD, including preparing a substantial amendment to the City's Consolidated Plan that outlines eligible uses of Section 108 funding.*

Action 1.4. Apply for a Neighborhood Revitalization Strategy Area (NRSA) designation for Hilltop.

Another way for the City can increase the impact of its limited federal funds is to apply for a NRSA designation from the U.S. Department of Housing and Urban Development. An NRSA aims to promote economic opportunity (through job and small-business creation, among other activities), mixed-income development, and neighborhood revitalization in a targeted area. It must be a contiguous geographic area with a high percentage of low- and moderate-income residents. This designation provides flexibility in using CDBG funds for innovative economic development, housing, and public service activities.

An NRSA would maximize the City's existing federal resources in two key ways:

1. It would make proposed affordable housing projects on Hilltop, including those that recapitalize existing subsidized properties, more competitive for 4 percent tax credit financing from the Washington State Finance Housing Commission (WSFHC).¹⁷
2. It would provide greater flexibility in the use of the City's limited CDBG funds. Without an NRSA, spending on public services is capped at 15 percent; having an NRSA designation essentially lifts this cap, enabling the City to invest more in services that will benefit Hilltop residents. It also provides additional flexibility around compliance and reporting, particularly for economic development and housing activities.

¹⁷ WSHFC awards its 4 percent tax credits using a scoring system, where projects that score 40 points or more are eligible for tax credits. Under the 2017 Qualified Allocation Plan, projects within a "defined geographic boundaries of a planning document approved by the governing body of the local jurisdiction" (like an NRSA) are eligible for an additional two points, and projects within a 10-minute walkshed of fixed transit infrastructure are eligible for an additional three points. In other words, with an NRSA and light rail is built, projects could achieve approximately 13 percent of their scoring criteria through these two elements alone.

Applying for an NRSA would also create additional short-term benefits, namely an opportunity to expand existing engagement efforts to focus on a broad range of community concerns and solutions and build common goals among new and existing Hilltop residents. Stakeholders

National example

The City of Somerville, MA used a Neighborhood Revitalization Strategy Area to support transit-oriented development in Union Square.

Its strategies included improving its inclusionary housing requirements, using rezoning to promote desired uses, and revising parking requirements.

For Somerville's full NRSA strategy, see www.somervillema.gov/sites/default/files/hud-consolidated-2008-2013.pdf.

noted the beginnings of “two Hilltops,” where neighborhood change and introduction of the light rail is creating a great sense of sadness among some residents and a great sense of excitement among others. While engagement to produce the NRSA application is not a panacea for building community cohesion, it represents a first step in formalizing conversations about how Hilltop should grow and change in the next few years and an opportunity channel those early conversation into concrete action.

The U.S. Department of Housing and Urban Development sets the requirements to identify an eligible NRSA and to apply for an NRSA designation.¹⁸ The application requires five primary parts: 1) neighborhood and demographic criteria; 2) community consultation; 3) assessment; 4) economic empowerment; and 5) performance measures.

The Community and Economic Development Department should plan to lead the development and submission of this process, including preparing and submitting the City's application with its next Consolidated Plan or as a substantial amendment to its existing Consolidated Plan.

Next steps:

- *Conduct outreach to Hilltop residents to vet and refine existing strategies (proposed in this report or past plans) or develop new strategies.*
- *Inventory all accessible resources to support strategy implementation within NRSA.*
- *Determine priority action items and assign existing resources as part of next budget cycle.*
- *Prepare NRSA application and submit to HUD.*

¹⁸ For more information, see Chapter 10: Revitalization Areas of Basically CDBG at www.hudexchange.info/resources/documents/Basically-CDBG-Chapter-10-Revitalization.pdf

STRATEGY #2. Streamline existing incentives and land-use regulations to support greater affordability.

One strength within the City of Tacoma has been its attention to affordable housing needs citywide, primarily through its Affordable Housing Policy Advisory Group (or AHPAG). Many of AHPAG's recommendations were implemented over three phases, culminating with the 2015 adoption of *Ordinance 28336*.

Another strength is Hilltop's physical form and to some degree, its current housing stock. MLK has the design of a traditional "Main Street," offering a mix of retail, social and health services, and public facilities. MLK is flanked by low-density residential neighborhoods to the west and more diverse housing stock (like duplexes and small-scale multifamily buildings) to the east. Data suggests that Hilltop offers a greater range of housing types compared with all of Tacoma, although these types are still concentrated among single-family and large-scale multifamily homes. Hilltop's current land-use classifications reinforce these patterns: Two-thirds of Hilltop's footprint is classified for single-family residential homes (under R-2).

Part of Hilltop's designation as a Mixed-Use Center helps support several TOD principles, namely mixed-use development and a pedestrian friendly environment. However, much of its land-use classification, particularly in the residential areas west of MLK, supports single-family homes. Its current classifications present three main shortcomings:

1. None of the City's existing affordable housing incentives currently apply to most of Hilltop.¹⁹
2. Most residential districts on Hilltop limit by-right development of smaller scale housing, including townhomes, duplexes, triplexes, work-live units, and detached accessory dwelling units (or DADUs).²⁰
3. Residential districts do not explicitly support TOD or encourage TOD principles.

The actions under this strategy aim to streamline the City's land-use provisions to further diversify housing options and strengthen existing incentives, including targeting new or modified incentives to Hilltop and in ways that support TOD.

ACTION 2.1. Increase by-right development of small-scale housing types.

Nearly two-thirds of Hilltop is currently zoned for single-family residential homes. As a result, housing types, such as duplexes, triplexes, and DADUs, are not permitted in a majority of the neighborhood. At the same time, the zoning classification along MLK can support buildings as high as 8 stories through a height bonus (although the highest new development occurring along MLK is generally no more than five stories).

As new development occurs, particularly at greater heights or density, higher intensity development will be directly adjacent to lower density residential homes, creating virtually no

¹⁹ According to Planning Department staff, rezonings are only permitted in limited circumstances in mixed-used districts.

²⁰ These housing types are allowed in a limited way in more restrictive residential districts (like R-2 and R-2SRD) through a conditional use permit.

buffer for families and individuals living in them. Planning and Development Services already operates an Infill Pilot Program. The program, which started in 2017, has approved four infill projects throughout the City (three DADUs and one cottage home).²¹ City Council is already considering ways to formalize this program.

To expand the reach of this programming, Planning and Development Services should provide additional programmatic support for infill development. For instance, many local governments or organizations create educational handbooks to help guide interested homeowners through this process, covering such topics as how to apply for a permit and sample floorplans. Other municipalities may pre-approve a set of construction drawings, enabling any homeowner using those construction drawings to by-pass some components of the review process. These drawings also can save a homeowner on the upfront cost of hiring a design professional and going through the initial review and revision process.

Planning and Development Services should also evaluate the City's current land use regulations and identify ways to extend by-right development of a wider range of housing types and mixed-use development to more of Hilltop. Planning and Development Services staff identified a few potential options to support greater by-right development of small-scale housing types on Hilltop:

- Extend mixed-use district classifications (URX–Urban Residential Mixed-Use District; NRX–Neighborhood Residential Mixed-Use District; and RCX–Residential Commercial Mixed-Use District) to a greater share of Hilltop.
- Rezone parts of Hilltop classified as R-2 to a higher level residential district, such as R-3 or R2-SRD, to allow for townhomes, duplexes, and triplexes.²²
- Suspend minimum lot requirements for townhomes, duplexes, and triplexes in residential districts that allow for these homes (either for all projects or for projects with affordable units).

Next steps:

- *Evaluate current land use regulations and identify ways to support a wider range of housing types on Hilltop through existing or modified zoning classifications.*
- *Conduct outreach to Hilltop residents to discuss proposed changes and adjust recommendations accordingly.*
- *Create a suite of tools to support greater infill development, such as financing (through local financial institutions) or approved construction drawings.*

Action 2.2. Create and apply stronger housing incentives that tie additional development rights and/or regulatory relief to housing production and preservation on Hilltop.

²¹ For projects selected through the first round of the programs, see the Residential Infill Pilot Project Project Selection report:

[http://cms.cityoftacoma.org/planning/Residential%20Infill%20Pilot%20Program/Residential%20Infill%20Pilot%20Program%20-%20Project%20Selection%20Report%20and%20Decision%20\(5-24-17\).pdf](http://cms.cityoftacoma.org/planning/Residential%20Infill%20Pilot%20Program/Residential%20Infill%20Pilot%20Program%20-%20Project%20Selection%20Report%20and%20Decision%20(5-24-17).pdf)

²² Targeting development of duplexes and triplexes through a TOD overlay may enable the City to waive conditional use permitting for these housing types.

Tacoma created incentives to support affordable housing through *Ordinance 28336*, creating a policy framework to support affordable housing production. Modifications, such as additional provisions for proximity to transit, could better ensure the incentives focus on building low-income units, particularly in TODs.

The City's current incentives are intended to encourage private developers to include housing units affordable to low-income households in their projects in exchange for higher density or height. Developers then reserve a share of their units for low-income households, and they must keep these units affordable for 50 years. The primary shortcoming of these incentives, however, is that they do not directly apply to most of Hilltop.

As part of its initial adoption, Planning and Development Services planned to monitor use of its incentives over a 36-month window. As of March 2017, three developers have pursued upzonings, which would require them to provide affordable units. According to City planning staff, these developers have not determined whether they will pay the fee-in-lieu or provide affordable units in their proposed projects.

Only one of the City's current incentives (its height bonus) applies to Hilltop, and to date, has not been used there. Some projects elsewhere in Tacoma have used the City's height and density bonuses, although none of these projects opted to provide affordable housing in them.

National example

The City of Austin's S.M.A.R.T. policy sets five related goals, including proximity to transit, affordability for low-income persons, and accessibility. It uses fee waivers and expedited permitting and review as its primary incentives to market-rate developers and requires staff to complete an affordability impact statement for local laws that could affect housing affordability.

Since its inception in 2000, the city estimates that this policy has produced more than 4,900 units, with a majority of them priced for low-income individuals and families.

For the full S.M.A.R.T. policy guide, see www.mayorsinnovation.org/images/uploads/pdf/13_-_Austin_housing.pdf.

While Tacoma's housing incentives are still nascent, the fact that some new projects are using these incentives but not incorporating affordability suggests that existing voluntary bonuses may not be enough to entice developers to use them.

Past trends and projected market conditions suggest that Hilltop's market strength is poised to increase over the next 10 years, with rents increasing by as much as 46 percent. The City needs to be positioned to capitalize on Hilltop's gaining market strength and ensure that as the local market grows, these gains support greater affordability on Hilltop.

The City of Tacoma should study the feasibility of requiring affordable housing as part of development on Hilltop; which incentives, such as tax relief through a modified Multifamily Tax Exemption, increased density, or relaxed parking requirements, would attract more market-rate

developers to use incentives; and what impact these incentives could have on the City's

production pipeline. The objective of this study would be to understand what combination of regulatory tools would support a range of development on Hilltop, including projects with a large share of units for extremely and very low-income households and mixed-use projects.²³

A main focus of this study should be ways to leverage the 12-year MFTE option, working directly with developers to inform these strategies (per a recent study completed for the City). As part of this work, the City should consider aligning its affordability provisions with the 8-year option or target the 12-year option in TODs.²⁴

In addition to understanding which incentives are most applicable to development on Hilltop, Planning and Development Services, working closely with Community and Economic Development, should also consider developing and adopting a TOD overlay to help target new incentives to Hilltop and support expanded by-right development of multifamily housing. A TOD overlay is a land-use tool that promotes development compatible with transit, such as multifamily buildings and a mix of uses near a transit station or stop (typically ¼- to ½-mile). It often offers more flexible standards, such as reduced parking, and can integrate affordable housing incentives, such as density bonuses or fee waivers to support development of affordable housing within these areas.²⁵ This study should be conducted in tandem with the proposed evaluation of *Ordinance 28336*'s fee-in-lieu structure (in Action 2.3 below).

These tools—affordable housing incentives tailored to Hilltop and a TOD overlay—are especially important, because they would support production of new affordable housing on Hilltop, ensuring new low-income families can afford to move to Hilltop and benefit from the light rail extension.

Next steps:

- *Identify a source of funding for an affordable housing incentive study (e.g., allocate funding in the next budget cycle; partner with financial institution, etc.).*
- *Develop Request for Proposals, solicit for bids, and conduct affordable housing incentive study.*
- *Draft amended language to create the TOD overlay, which would expand by-right development of multifamily development and establish related incentive tools on Hilltop.*

²³ Some initial modeling has been completed for THA as part of a 2016 study and could serve as the basis for a broader study.

²⁴ The City recently evaluated the MFTE program, but largely focused on options that would not be feasible under state law. See the evaluation prepared by the National Development Council and presented to the City's Economic Development Committee on November 14, 2017; available at <https://cityoftacoma.legistar.com/DepartmentDetail.aspx?ID=22570&GUID=E2878052-CEB8-4773-A254-5AD0EE63FD17&R=d382a71f-c8d5-43bc-8ac9-4e76a2342ef1>.

²⁵ Model Transit-Oriented District Overlay Zoning Ordinance provides several examples of jurisdictions (e.g., Denver, CO; Hillsboro, OR, and Mountain View, CA) using transit-oriented zoning to facilitate different outcomes and in various land-use contexts.

- *Evaluate existing programs, namely the City's Notice of Funding Availability (NOFA), and update these guidelines to align with the TOD overlay and new or modified incentives.*

Action 2.3. Study the existing fee-in-lieu structure to better align with housing affordability goals.

As previously discussed, the City's primary incentives for affordable housing currently do not apply to most development on Hilltop, and its current fee-in-lieu structure is not targeted to support housing production. The existing incentives in *Ordinance 28336* establish a fee-in-lieu

structure that uses a flat fee per unit (\$10,000 per bonus units in planned residential and downtown districts and \$5,000 per bonus units included in upzones).

National example

Under its Inclusionary Development Policy (IDP), the City of Boston uses a fixed-fee structure for offsite contributions to its IDP Fund.

This fee varies across three zones within the city and applies to 15–18 percent of all units in the development (depending on the zone). The fee ranges from \$200,000 in the lowest cost zone to \$380,000 in the highest cost zone, accounting for the higher cost of development in different markets across the city.

As of 2017, developers have contributed more than \$96 million to the city's IDP Fund.

For more information about the City of Boston's Inclusionary Development Policy, see www.bostonplans.org/getattachment/91c30f77-6836-43f9-85b9-f0ad73df9f7c.

Planning and Development Services explained the rationale behind the City's current fee-in-lieu structure to the City's Planning Commission this way: The fee is linked to the value that each additional unit creates for a developer. AHPAG members estimated that multifamily developer pay \$10,000–\$15,000 per unit for land. Because the incentive eliminates the need to buy additional land, the value per unit is approximately \$10,000–\$15,000.²⁶ Under this structure, an additional 10 units using additional height or density would yield \$100,000–\$150,000 in fees. In contrast, the average cost of developing an affordable unit within the City of Tacoma ranges from \$160,000 to nearly \$300,000 per unit.²⁷

This structure does not recoup the cost of providing an affordable unit, largely undercutting the City's goal to incentivize affordable housing production and cutting off a potential source of funding for the Housing Trust Fund. Another shortcoming of this structure is that it allows a developer to pay the fee at any point during the 50-year affordability period (although provisions vary by property type once a

Certificate of Occupancy is issued). This provision creates an inconsistent system that cannot ensure fees support additional affordability in the same way building these units as part of a development would.²⁸

²⁶ From "Response to Planning Commission Questions" provided by the City of Tacoma Planning and Development Services, September 14, 2017.

²⁷ Based on 2016 study completed for the Tacoma Housing Authority.

²⁸ See Ordinance 28336, Section 1.39.080 Incorporation of Affordable Housing Units.

Typically, municipalities set their fee levels in one of two ways: 1) by production cost; or 2) by rent gap. Fees tied to production costs reflect the average amount of public subsidy used to produce an affordable unit.²⁹ Fees tied to the rent or affordability gap reflect the difference between a market-rate and affordable unit (independent of public subsidy). In addition to tying fees to either production cost or rent gap, some municipalities set different fees for development in different parts of their city.³⁰

As part of creating additional housing incentives for development on Hilltop, the Planning and Development Services Department, working in close collaboration with the Community and Economic Development Department and private and nonprofit developers, should evaluate its existing fee-in-lieu structure and create a uniform approach to its in-lieu fees for affordable housing on Hilltop and citywide. This evaluation should be conducted in tandem with the City's study of its current incentives (see Action 2.2).

Next steps:

- *Identify a source of funding for an affordable housing incentive study (e.g., allocate funding in the next budget cycle; partner with financial institution, etc.).*
- *Develop Request for Proposals, solicit for bids, and conduct affordable housing incentive study.*
- *Develop and adopt amended policy language for in-lieu fees (based on study findings).*

²⁹ For example, if a market-rate home sold for \$300,000 and its affordable price was \$200,000, the fee would be \$100,000. For instance, if it costs \$100,000 to produce a new unit and a low-income buyer could afford a unit at \$75,000, the fee would be \$25,000. Example adapted from "Setting the In-Lieu Fee;" see <https://inclusionaryhousing.org/designing-a-policy/off-site-development/in-lieu-fees/setting-the-in-lieu-fee/>

³⁰ Example from "Setting the In-Lieu Fee;" see <https://inclusionaryhousing.org/designing-a-policy/off-site-development/in-lieu-fees/setting-the-in-lieu-fee/>

Strategy #3. Support existing Hilltop residents.

Needs are widespread on Hilltop: Households living on Hilltop experience cost-burdens more frequently than households across the City of Tacoma, and many of these households have not been able to keep pace with rising housing costs since 2000. Median household income is much lower than the City (\$38,883 compared with \$74,500), and many of these households qualify as low-income, earning between \$24,600 and \$59,600.³¹

A map prepared by the City's Community and Economic Development Department showcases these needs in greater detail, especially among Hilltop's most vulnerable populations, like older adults and persons with disabilities. Many households, including those living in subsidized housing, still need help paying for utilities and several other households have sought help with their property tax bills.

In short, a large share of renters on Hilltop are vulnerable to displacement, and an additional 44 percent of homeowners are struggling to pay for housing, even with additional help. Any loss of affordability would further exacerbate cost-burdens and vulnerability to housing displacement for residents living on Hilltop.

Hilltop could continue to lose affordability as housing subsidies expire and housing costs increase (both through changes in general housing market conditions and the light rail's impact) over the next several years. Loss of Hilltop's subsidized housing stock, even in part, would begin to offset any new housing production. Helping existing residents stay on Hilltop supports creates both individual and community-level benefits, particularly as the Link begins operations on Hilltop.

The actions under this strategy aim to stabilize homeowners and tenants and protect existing subsidized housing to ensure Hilltop residents can benefit from the light rail.

ACTION 3.1. Stabilize long-time homeowners.

Nearly 600 homeowners on Hilltop experience cost-burdens, representing 44 percent of all owners on Hilltop. At the same time, many vulnerable populations, such as seniors and persons with disabilities, live on Hilltop, many of whom own their homes and have sought direct assistance with their tax bills.

The City of Tacoma currently offers several programs to help stabilize homeowners:

- **Single-family Rehabilitation Loan Program.** The City offers a 0 percent interest loan to homeowners of single-family homes through its Single-Family Rehabilitation Program. To be eligible, a homeowner must qualify as low-income (under HUD's income limits)

³¹ Incomes for a family of four per HUD's FY17 income limits (www.huduser.gov/portal/datasets/il/il2017/2017summary.odn).

and be current on his or her mortgage and property taxes. The loans, which range from \$5,000 to \$30,000, are intended for home repairs that maintain the health and safety of the home and its occupants, like roof repairs, heating system replacements, and sewer installations. According to Tacoma Community Redevelopment Agency (TCRA) staff, this program can serve about 16 homeowners annually, and there's such high demand for these services, the City doesn't have to proactively market it.³²

- **Property tax exemption for seniors and persons with disabilities.** Pierce County offers tax relief to seniors aged 61 years or older and persons with disabilities who have incomes of \$40,000 or less through its property tax exemption program. Under this program, the County places a freeze on additional property tax levies, beginning at the start of the application year, and participants must renew their exemptions every six years.³³
- **Property tax deferral for seniors and persons with disabilities.** Pierce County offers tax relief to seniors aged 60 years or older who have an annual income of \$45,000 or less and persons with disabilities through its property tax deferral program. Under this program, the state pays a homeowner's taxes and special assessments to Pierce County. These payments are deferred until a property changes ownership, when past payments, plus interest, must be repaid to the state.³⁴
- **Utility discounts.** Tacoma Public Utilities (TPU) offers a range of direct help for City and County residents who may need assistance with their utilities. It offers a Discount Rate Program, which offers a 30 percent discount on electricity, drinking water, solid waste and recycling, for income-eligible residents who are 62 years or older or receiving disability benefits. It also offers Bill Credit Assistance Plans, which credits nearly \$500 back to customers annually, for income-eligible renters and owners. TPU has plans to expand its programming to better encourage energy efficiency among rental property owners, another tenet of their current programming to use energy efficiency upgrades to lower utility costs.

National example

One example of a tax relief program for long-time homeowners is the City of Philadelphia's Longtime Owner-Occupant Program (or LOOP). Through LOOP, the city provides a real-estate tax discount to homeowners who have lived in their home for at least 10 years, experienced a significant increase in their property assessment, and meet eligibility requirements.

A 2015 Pew study found that this program is well-used, especially around Center City Philadelphia. Nearly 18,000 Philadelphia residents participate in the LOOP program, and save about \$1,000, on average, per property.

Source:

<http://www.pewtrusts.org/~media/assets/2015/09/philadelphia-avi-update-brief.pdf?la=en>

³² Interview with TCRA staff, September 14, 2017.

³³ For more information on Pierce County's property tax exemption program, see www.co.pierce.wa.us/702/Senior-Citizens-Or-Disabled-Persons.

³⁴ For more information on Pierce County's property tax deferral program, see www.co.pierce.wa.us/700/Senior-Citizens-Disabled-Persons.

Analysis completed by the Community and Economic Development Department suggests that among eligible households on Hilltop, these programs are well-used. For instance, more than 3,200 utility discounts are in use among 900 households on Hilltop, suggesting that some households are served by more than one program.³⁵ However, not all programs seem attractive to existing residents. Staff at TCRA noted that the structure of one tax relief program—as a deferral—may be affecting its use among additional eligible homeowners. Citywide efforts to target County tax relief programs were met with a general lack of trust of government and a desire among older adults not to pass along repayment to their heirs.³⁶

The City of Tacoma should expand tax relief to serve more homeowners on Hilltop by creating a program for long-time owner-occupants. This program could credit back a portion of city-administered taxes to property owners to help lower their overall housing expenses. A local tax relief program would help long-time homeowners on Hilltop who may not qualify for the existing tax relief programs offered through Pierce County, and if structured differently, encourage more participation than the tax deferral program offered to older adults and persons with disabilities.

Next steps:

- *Commission study to understand costs of extending various forms of tax relief to property owners on Hilltop.*
- *Market single-family rehabilitation loans to homeowners on Hilltop and identify ways to expand this programming.*
- *Work with TPU to target energy efficiency programs to property owners on Hilltop.*

Action 3.2. Target expiring subsidized units for preservation, working with partners to use short-term and long-term tools.

Hilltop has 18 privately owned properties that receive a federal housing subsidy, with subsidies at seven of these properties scheduled to expire through 2022 (in tandem with the Link beginning operations on Hilltop). While many of these properties are owned by mission-driven nonprofits, like Mercy Housing and Catholic Community Services, property owners can “opt-out” of their contracts at any time.³⁷ The light rail extension on Hilltop increases the potential for “opt-outs,” as property owners near transit tend to terminate their housing contracts more frequently.³⁸

³⁵ Utility discounts include discounts offered by Tacoma Power, Tacoma Water, Wastewater, Surface Water and Solid Waste. The Community and Economic Development Department compiled this analysis for Councilmember Keith Blocker’s District 3 Community Forum with assistance from NCS Customer Service Staff.

³⁶ Interview with TCRA staff, September 14, 2017.

³⁷ Properties subject to an extended LIHTC use restriction may seek to remove their restrictions. The legislation that extended LIHTC use restrictions from 15 to 30 years also established a Qualified Contract (QC) process under which owners may request regulatory relief from use requirements any time after Year 15. See www.huduser.gov/publications/pdf/what_happens_lihtc_v2.pdf.

³⁸ Boarnet, M. et al. (2017). “Affordable Housing in Transit-Oriented Developments: Impacts on Driving and Policy Approaches.” White paper prepared for the National Center for Sustainable Transportation.

Preserving these properties—both in terms of affordability and overall quality—helps ensure that the City maintains Hilltop’s existing supply of affordable rental housing and as this housing ages, it remains in good condition. Preserving these properties also helps the City use its limited resources in a cost-effective way. The U.S. Department of Housing and Urban Development estimates that “preservation typically costs about one-half to two-thirds as much as new construction.”³⁹

The properties with expiring subsidies represent the greatest risk of loss in the next five years. The City of Tacoma, in partnership with financial institutions and philanthropy, should create short- and long-term financing tools to extend the affordability and quality at properties receiving a federal subsidy on Hilltop. It should also explore developing and adopting a preservation ordinance to expand the City’s preservation tools.

In terms of short-term options, the City could focus existing resources (both within the City and among partners) to support a targeted effort to rehabilitate multifamily properties through a pilot program. The goal of this approach would be to direct existing resources to properties at-risk of losing their affordability—either through expiring federal subsidies or escalating rents—until a broader preservation strategy can be developed.

Multifamily rehabilitation programs typically provide low- or no-interest loans to property owners in exchange for extending the affordability provisions at their properties for a set period. This program can be marketed to both subsidized property owners and property owners of unrestricted, affordable units as a way to attach affordability provisions to unsubsidized properties.

Some of the existing local resources that could support this approach would be the City’s Affordable Housing Developer Loans NOFA, where multifamily rehabilitation projects are eligible for funding, or Forterra’s Strong Communities Fund, a \$50 million private equity fund, which can be used for preservation activities near transit, among other activities.⁴⁰ As the City capitalizes its Housing Trust Fund, the City should integrate preservation activities into it.

These financing tools represent a proactive approach to preserving Hilltop’s existing subsidized supply. As a complement to these financing tools, the City of Tacoma should explore development and adoption of a local preservation ordinance. This ordinance would provide the City with additional tools to protect its public investments when more proactive approaches have been exhausted.

Available at https://ntl.bts.gov/lib/61000/61300/61397/NCST-TO-027-Boarnet-Bostic-Affordable-TOD-White-Paper_FINAL.pdf.

³⁹ U.S. Department of Housing and Urban Development (2013). “Preserving Affordable Rental Housing: A Snapshot of Growing Need, Current Threats, and Innovation Solutions.” *Evidence Matters*. Available at www.huduser.gov/portal/periodicals/em/summer13/highlight1.html.

⁴⁰ Per conversation with Jordan Rash of Forterra (October 6, 2017) and the Strong Communities Fund Pitchbook, available at www.seattlefoundation.org/communityimpact/impact-investing/Forterra.

A preservation ordinance typically extends the affordability of subsidized rental properties that are at-risk of losing their income restrictions. A preservation ordinance may create a range of preservation tools to help achieve its objectives: creating a “right-of-first-refusal;” establishing longer affordability periods; and outlining tenant protections (such as provisions of relocation assistance).

An inventory of affordable housing (subsidized and unrestricted, affordable units) is often part of a municipality’s preservation approach. An affordable housing inventory enables a city to track critical data about these properties (like location, current ownership, and subsidy expiration date) and target preservation activities, such as outreach to property owners. Local affordable housing inventories often use a mix of local and secondary data, and creating these inventories are often a joint effort between governmental, academic, and philanthropic institutions. The City should consider creating this type of inventory to guide its long-term preservation approach, as Tacoma currently does not track the affordable housing supply on Hilltop in a systematic way.⁴¹

Next steps:

- *Conduct outreach to existing property owners of subsidized properties on Hilltop and discuss financial needs.*
- *Direct existing federal resources or partner with local organizations, like Forterra, to provide short-term financing options to owners of properties with expiring units.*
- *Develop policy language for a preservation ordinance to create additional preservation tools for the City.*
- *Explore creation of a citywide (or regional) database of subsidized and unsubsidized affordable housing to support long-term preservation activities.*

Action 3.3. Increase tenant protections.

Seventy percent of Hilltop residents rent their homes. Market dynamics on Hilltop have created a range of challenges for low- and moderate-income renters, leaving them increasingly

National example

Seattle’s Rental Agreement Regulation Ordinance (RARO) outlines three primary protections for tenants: 1) It prohibits “one-way” lease provisions; 2) it extends notice requirements on housing costs increases; and 3) it requires dissemination of tenants’ rights and responsibilities to renters.

Under RARO, landlords must give written notice of at least 60 days before increasing housing costs (including rent or parking) by 10 percent or more. Landlords must also provide tenants and prospective renters with a summary of state and local landlord–tenant laws.

Source:
www.seattle.gov/dpd/codesrules/codes/rentalagreementregulation/default.htm

⁴¹ One starting point for the city could be the National Housing Preservation Database, which incorporates information about all federally subsidized housing properties developed with nine separate funding sources.

vulnerable to displacement: Rents have outpaced wage growth since 2000, and the area lost rental units priced for extremely low-income households.

Anecdotal evidence suggests that evictions are occurring among renters on Hilltop. According to one local service provider, evictions aren't necessarily happening through the legal system. Rather landlords raise rent with little notice, forcing families to move out of the neighborhood. Emergency rental assistance, while available from some social service agencies, seems largely available on a case-by-case basis.

The City already conducts education to tenants about their rights and responsibilities and provides staff support (in the form of its Landlord-Tenant Coordinator) to help renters trying to navigate these types of challenges. City Council is also considering a source of income discrimination policy, which would make it illegal for landlords to discriminate against tenants based on their source of income (including use of rental assistance). This type of policy will help ensure residents interested in private rental housing both on Hilltop and citywide would be able to access it. However, the City has limited legal protections to ensure a large share of existing residents can remain on Hilltop, and few dedicated resources to assist renters facing a housing crisis, like an eviction or unanticipated rent increase.

The City of Tacoma should focus on establishing additional tenant protections in two ways: 1) create a dedicated emergency rental assistance fund for residents experiencing a housing crisis; and 2) develop and adopt a local policy that strengthens notice provisions, creates standard lease practices, and limits evictions.

In its next budget cycle, City Council should include a line item for a dedicated emergency rental assistance fund to support short-term rental and utility payments and legal services to individuals and families at-risk of involuntary displacement or facing eviction. Funding this assistance through general revenue could be a stop-gap measure for existing Hilltop residents until a dedicated funding source can be identified. For instance, as the City's Housing Trust Fund is capitalized, emergency rental assistance could be provided through the fund rather than through general fund allocations.

The City should also develop and adopt a local policy that incorporates the following elements:⁴²

- **Notice for rent increases.** Under Washington state law, landlords are required to provide 30 days notice of a rent increase. Local policy, like Seattle's Rental Agreement Regulation Ordinance, can extend this notice if rents exceed a certain percentage. Extended notice helps tenants plan for rent increases and ensure renters are not displaced through unanticipated rent increases.
- **Standard lease practices.** Standard lease practices typically require a written lease to be provided to a tenant (rather than relying on a verbal agreement) and may outline specific elements that should be included in the written lease. Washington state law already requires that landlords provide rental agreements, but the City can use its local

⁴² Keys to strong tenant protections include clear enforcement; a quick resolution process; and community awareness. See www.kintera.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/JUST%20CAUSE%20EVICTIION%20CONTROLS.PDF.

policy to set standards for these practices or create a standard template for landlords to use.

- ***Just cause evictions.*** Just cause evictions outline the specific circumstances under which a tenant can be evicted from his or her rental units. These limited circumstances aim to minimize displacement and ensure tenants facing eviction have a means of legal recourse to stay in their dwelling. These policies, or related programming, explain the legal process and resources available if a tenant is facing eviction.⁴³

Next steps:

- *Identify and allocate general fund dollars for emergency rental assistance to support short-term rental and utility payments in the next budget cycle.*
- *Explore and identify a dedicated source (or sources) of funding for emergency rental assistance.*
- *Develop policy language to support additional tenant protections and consider ways to incorporate into source of income legislation (or preservation ordinance).*

⁴³ For instance, the District of Columbia creates 10 specific reasons when a landlord may evict a tenant. These reasons range from nonpayment of rent to substantial renovation to demolition, to name a few. Washington, DC's just cause eviction policy also creates a formal legal process for all eviction proceedings and prohibits "self-help" evictions.

Strategy #4. Increase housing opportunities in TOD for a range of income levels and lifestyles.

Today, Hilltop lacks enough affordable rental options for extremely low-income households and projections suggest Hilltop's overall supply of rental housing for low-income households could shrink by nearly 1,500 units through 2026. While many Hilltop residents want to buy a home on Hilltop, an influx of new homeowners have bought inexpensive homes, capitalizing on Hilltop's assets.

Hilltop needs more affordable rental and homeownership options, although the City has limited resources to support a large pipeline of projects. Existing property owners along MLK and private developers have a vital role in realizing additional housing on Hilltop, and TOD plays a similarly important role.

The City and its partners should leverage new TOD to increase the supply of affordable housing on Hilltop. Many of the actions in the report create or strengthen additional tools to help the City and its partners, along with private developers, ensure that new housing on Hilltop serves a range of income levels and lifestyles. Namely, stronger incentives and increased by-right development of small-scale housing types will help ensure that new development incorporates affordability and leverage new market-rate development to produce these units.

To support additional development, the City can align its subsidies, such as the gap financing offered through HOME funds and donation of or below-market sale of city-owned land, to target TOD and Hilltop. The City can begin to align its programs and data, like its forthcoming inventory of city-owned property, to increase its affordable housing supply. The actions under this strategy aim to align existing efforts within the City to encourage both TOD and affordability within it; support existing property owners interested in redevelopment or expansion along MLK; and create and preserve of affordable homeownership options on Hilltop.

Action 4.1. Integrate provisions for TOD & other policy priorities into NOFA.

The City's federal resources have declined significantly, especially its HOME funds, which are the City's primary source of funding for housing production. The City currently uses its HOME funds to provide low-interest loans to developers to purchase, rehabilitate, or construct affordable housing for low-income households. These funds are awarded through a competitive process, outlined in its Affordable Housing Developer Loans NOFA.

This process—awarding federal resources through a competitive NOFA—represents a common approach to ensuring limited resources meet local goals and leverage additional funding sources, including LIHTC. Jurisdictions use a myriad of ways to align their NOFAs with local policy goals, including identifying target areas for investments, integrating selection criteria that reflects local policy priorities, and aligning local award cycles to the tax credit award cycle.

The City's NOFA creates three broad funding priorities: 1) multifamily rental housing; 2) single-family homeownership; and 3) projects that serve households at or below 60 percent of area median income. The City's NOFA also notes a preference for projects serving households earning less than 60 percent of area median income and projects accessible to services, jobs,

transportation, and amenities. However, the NOFA does not have a scoring process that accounts for these preferences or specific provisions for geographic targeting or TOD.

The Community and Economic Development Department and TCRA should update its NOFA to create better alignment with local policy goals, including the provision of TOD or affordable housing within close proximity to transit and a more streamlined solicitation process. A more streamlined solicitation process and clear criteria helps create transparency in how projects are awarded limited federal dollars and eases administration of evaluating applications. It can also serve as an outreach tool to developers outside of Tacoma by providing direct guidance on the types of projects that the City would like to support with its federal resources and how it evaluates NOFA applications. Proposed updates could include the following changes: 1) streamline threshold criteria; 2) refine funding priorities, including identification of geographic targets, and integrate them into a comprehensive competitive scoring system to select projects; and 3) streamline and clearly communicate loan terms.

Next steps:

- *Identify 2–3 policy priorities from past studies and plans and incorporate a brief write-up of each priority into the City's FY18 NOFA.*
- *Develop a list of comprehensive scoring criteria that align with policy priorities and objectives and incorporate into the City's FY18 NOFA.*
- *Evaluate existing threshold criteria, creating a short list of the information needed to ensure projects meet minimum standards.*
- *Conduct outreach to developers, such as workshops, to introduce the updated NOFA approach.*

Action 4.2 Support TOD master planning and predevelopment analysis, especially among property owners along MLK.

Some of Hilltop's largest potential for TOD is directly adjacent to MLK. The current physical form as a mixed-use, walkable Main Street, and its current land-use designation as a Mixed-Use Center, makes it especially suitable for TOD. Some notable property owners, like THA, have already expressed interest in supporting additional housing development along MLK and nearby parcels. THA largely formalized their interest in specific development projects through *HousingHilltop*.

However, plans among other property owners are largely unarticulated in a formal way, creating uncertainty about what form new redevelopment along MLK could take. For instance, Pastor Anthony Steele from Allen A.M.E. Church proposed ideas ranging from affordable, senior housing to a surface parking lot.

Many regional entities, such as Metropolitan Planning Organizations (MPOs), and counties provide grants to support TOD planning. TOD grants may provide funding for local jurisdictions to test planning tools or direct technical assistance to grant recipients. On Hilltop, these grants could be targeted directly to property owners along MLK, and could fund activities, such as master planning and feasibility studies.

Most affordable housing projects, including those within TOD, require unsecured pre-development capital to assist with activities like property appraisals, environmental surveys, or engineering surveys. Having funding available for pre-development costs could help affordable housing developers who already have an interest in development on Hilltop, like THA. Some pre-development costs, such as appraisals and architecture and engineering services, are eligible activities under the City's Affordable Housing Developer Loans NOFA. However, if any of these expenses are incurred prior to the NOFA award, funds cannot be used to cover these costs. The City also partners with Impact Capital, a Community Development Financial Institution (CDFI), to provide pre-development assistance to nonprofit developers.

Expansion of technical assistance and pre-development sources targeted to Hilltop would help align the interests of both public and private actors and help realize TOD projects more quickly on Hilltop. The Community and Economic Development Department should explore ways to expand its existing pre-development resources and proactively market them to property owners along MLK and interested nonprofits on Hilltop. The Community and Economic Development Department should work with local and regional partners, such as Impact Capital or the Puget Sound Regional Council, to create these grants or to provide technical assistance or establish them directly through its municipal resources.

Next steps:

- *Discuss proposed tools (i.e., TOD planning grants and pre-development resources) with property owners along MLK to gauge interest.*
- *Conduct outreach to local and regional partners to discuss pre-development and technical assistance resources for property owners and nonprofits on Hilltop.*
- *Develop pilot planning grant/pre-development program and solicit for grant applications.*

Action 4.3. Leverage forthcoming public land study to identify and solicit for near-term opportunities for affordable housing on city-owned land.

In August 2017, City Council authorized funds for a “comprehensive review and mapping of publicly and privately owned land in the City” that can be used for affordable housing.⁴⁴ The completed study will provide the City and its partners with both an inventory of properties suitable for community benefits like wealth building and increased livability and a framework to evaluate publicly and privately owned land for public benefit.

The inventory and evaluation framework created through the City's public land study represents an important step in creating a more systematic and transparent process to use public land (among other land) to support affordable housing development. Use of city-owned (or other

⁴⁴ The study is currently underway and led by Forterra for the City of Tacoma, Pierce County, Metro Parks, and THA. See City Council Resolution 39790: <http://cms.cityoftacoma.org/cityclerk/Files/CityCouncil/RecentLegislation/2017/RL20170822.pdf>.

public property) could help lower overall development costs and promote affordable housing production on Hilltop.⁴⁵

To immediately leverage the results of this study the Community and Economic Development Department, working closely with the Finance Department, should refine the inventory of properties suitable for affordable housing into a short list of the best near-term opportunities for development. As part of this analysis, the City could use evaluation factors such as proximity to Link station and jobs within 30-minute by transit to build strong connections between new development and existing or planned transit service throughout Tacoma or analyze land only on Hilltop as a means to support additional development there.

The public land study will provide the City with a wealth of data to understand where public and private land is available for affordable housing development. However, the City lacks a formal policy that prioritizes affordable housing on publicly owned land and a clear, consistent process for developers to access this property. As a longer-term consideration, the City should develop a land disposition policy that creates a clear priority for affordable housing on city-owned property and formalizes the framework developed through the study to ensure the City's Finance Department has clear guidance to implement this policy.⁴⁶ This policy would assist with other proposed actions in this report, such as exploring creation of a community land trust on Hilltop (see Action 4.4 below).

Next steps:

- *Evaluate near-term opportunities for TOD and affordable housing on Hilltop on city-owned land, leveraging findings from the City's forthcoming public land study.*
- *Develop draft language for a comprehensive land disposition policy.*

Action 4.4. Explore creation of a community land trust on Hilltop.

Local nonprofit organizations, among other stakeholders, noted the importance of using models that increase equity and address long-standing disparities among existing community members,

⁴⁵ One study of the Washington, DC region found that land costs make up between 5 percent and 35 percent of total development costs in urban areas: http://washington.uli.org/wp-content/uploads/sites/56/2015/02/ULI_PublicLandReport_Final020615.pdf.

⁴⁶ A land disposition policy outlines how the city will make decisions about disposing of its property, including all the appropriate disposition avenues for its existing inventory. These avenues may include properties to reserve for affordable housing development; properties to donate to mission-driven organizations for affordable housing development; properties to provide to developers through a ground-lease; and properties to sell and reinvest the proceeds in the city's Housing Trust Fund. According to staff in the City Attorney's Office, having a clear policy aligns well with Washington state law. State law requires "sufficient consideration" for the conveyance of property, and a land disposition policy enacted through City Council would provide such consideration.

particularly as Hilltop's housing market continues to accelerate. A representative from Hilltop Urban Gardens (or HUG) emphasized the importance of building housing for each other, not just have housing built for Hilltop residents.

A community land trust represents one such model: It is a community-based organization that helps provide affordable housing in perpetuity by owning the land and leasing it to the families that live in the houses on that land.⁴⁷ While structures vary, a large share of residents (those within the land trust and those within the community) make up the trust's board, ensuring decisions remain in the hands of local residents. With Hilltop showing early signs of gentrification, a community land trust model would work well at this stage, when vacant parcels are still available and for-sale land is still relatively inexpensive. As the cost of land increases, it may become increasingly difficult and costlier to acquire land on Hilltop.

Local stakeholders and City staff expressed the importance of creating a balance between wealth-building and preserving long-term affordable homeownership opportunities on Hilltop. Community land trust models are designed to balance these two interests, concurrently creating both individual benefits and community benefits. *Starting a Community Land Trust*, a comprehensive online resource on community land trusts, explains how a land trust balances individual and community benefits this way:

Every benefit realized by an individual homeowner is 'effectively balanced' by a corresponding benefit realized by the larger community. Neither is pursued totally in isolation from the other. Neither is secured totally at the expense of the other. Enhancing residential security for individual homeowners is balanced against enhancing neighborhood stability and preventing the displacement of lower-income households. Enabling mobility for individuals who own a CLT [community land trust] home is balanced against improving conditions for all who inhabit a particular locale.⁴⁸

National example

The City of Burlington, VT established its community land trust in 1984 with \$200,000. Since then it has produced more than 2,500 for-sale, rental, and cooperative units, representing about 8 percent of the city's total housing stock.

The Burlington Community Land Trust (BCLT) uses a traditional model, where the land is owned and controlled by BCLT. Once a homebuyer finds a home, BCLT buys the land and leases it to the homebuyer, who pays for the cost of the home and leases the land from BCLT. When the homebuyer sells, he or she receives 25 percent of the home's increased equity, and BCLT receives the remaining 75 percent to reinvest for the next homebuyer.

Source:
<https://wagner.nyu.edu/files/faculty/publications/20.pdf>

⁴⁷ Greenstein, R. and Sungu-Eryilmaz, Y. (2005). "Community Land Trusts." *Land Lines* (April). Available at www.lincolnst.edu/publications/articles/community-land-trusts.

⁴⁸ Davis, John E. *Starting a Community Land Trust*. (2007). Available at http://library.uniteddiversity.coop/Community_Land_Trusts/Starting_a_Community_Land_Trust-Organizational_and_Operational_Choices.pdf. If the City determines that wealth-creation should be the focal point of homeownership opportunities on Hilltop, other approaches, like increasing conventional homeownership and individual development accounts, may be more applicable actions.

Creating a community land trust—especially one driven by community members—requires a deliberate, well-organized effort and dual knowledge of development and organizing. Some of the expertise to use a community land trust model already exists on Hilltop and the region. For instance, HUG already has a grassroots reach on Hilltop due its long-standing work around food justice and could provide valuable organizing skills. THA is one of the City's most experienced and high-capacity nonprofit developers, with expertise of financing and project management. Forterra already uses a land trust model to protect a range of urban, rural, and wild landscapes across Washington state and could extend some its expertise around land transactions and fundraising and financing to this effort.

To start, the community land trust will need a sponsor to help shepherd the key organizational and operational decisions that will shape the land trust's overall structure and geographic service area. The City should identify this sponsor organization and facilitate connections between local and regional partners with existing expertise.

The City should also play in active role in establishing the community land trust. This role could include using findings from its forthcoming public land study to identify opportunities for land donation on Hilltop; providing resources for strategic land acquisition; and assisting with evaluating financial feasibility for the upfront and ongoing cost to develop the land trust and finance additional land acquisition.

Next steps:

- *Conduct outreach to and identify lead entity to explore development of a community land trust on Hilltop.*
- *Facilitate connections between lead entity and existing local and regional organizations with related expertise, especially community organizing.*
- *Identify land on Hilltop suitable for donation or strategic acquisition, using the public land inventory created through forthcoming public land study.*

Appendix 1. Supporting tables

Table A-1.1. Demographic indicators on Hilltop, Tacoma, WA

	2000		2011-2015		Percent change
	No.	%	No.	%	
Total population	9,664	100%	13,246	100%	37%
White, Non-Hispanic alone	3,997	41%	6,954	52%	74%
Hispanic or Latino	733	8%	1,379	10%	88%
Black or African American alone	2,826	29%	2,396	18%	-15%
American Indian/Alaska Native alone	242	3%	139	1%	-43%
Asian alone	1,056	11%	1,009	8%	-4%
Native Pacific Islander alone	121	1%	50	0%	-59%
Other race alone	37	0%	34	0%	-8%
Two or more races	651	7%	1,286	10%	97%
Under 18	2,683	28%	2,736	21%	2%
18 to 34	2,715	28%	4,687	35%	73%
35 to 59	3,139	32%	4,695	35%	50%
60+	1,127	12%	1,461	11%	30%
Total population 25+	5,344	55%	8,736	66%	63%
Total population 25+: BA or higher	745	14%	1,774	20%	138%
Total in labor force (16+, Civilian)	3,396	35%	6,176	47%	82%
Total in labor force: Unemployed	409	12%	804	13%	96%
Total housing units	4,182	100%	5,930	100%	42%
Total vacant housing units	563	13%	831	14%	48%
Total occupied housing units	3,619	87%	5,097	86%	41%
Total renter-occupied units	2,558	71%	3,559	70%	39%
Total owner-occupied units	1,061	29%	1,537	30%	45%
Total renter occupied: no vehicle available	882	34%	847	24%	-4%
Total owner occupied: no vehicle available	99	9%	96	6%	-3%
Median household income	\$ 35,304	-	\$ 38,883	-	10%
Median home value	\$ 131,703	-	\$ 172,764	-	31%
Median gross rent	\$ 663	-	\$ 816	-	23%

Sources: 2000 U.S. Census Bureau & 2011-2015 American Community Survey Five-Year Estimates

Table A-1.2. Housing affordability indicators on Hilltop, Tacoma, WA

	2000		2010-2014		Percent change
	No.	%	No.	%	
Total occupied households	3253	100%	4704	100%	45%
Total renter households	2331	72%	3365	72%	44%
Total owner households	922	28%	1338	28%	45%
Total extremely low-income households	893	27%	1392	30%	56%
Total very low-income households	1458	45%	2113	45%	45%
Total low-income households	2104	65%	3081	65%	46%
Total low-income renter households	1750	83%	2535	82%	45%
Total low-income owner households	354	17%	546	18%	18%
Total cost-burdened households	1076	33%	2119	45%	97%
Total cost-burdened renters	490	46%	1532	46%	213%
Total cost-burdened owners	586	54%	587	44%	0%
Total housing insecure households	577	27%	1168	38%	102%
Total housing insecure renters	436	75%	966	29%	122%
Total housing insecure owners	141	25%	202	15%	43%

Sources: 2000 & 2010-2014 CHAS data

Table A-1.3. Household composition indicators on Hilltop, Tacoma, WA

	2011-2015	
	No.	%
Total housing units	5,930	100%
Total occupied housing units	5,097	86%
Total family households	2,304	45%
2-person households	854	37%
3-person households	669	29%
4-person households	360	16%
5-person households	238	10%
6-person households	111	5%
7-or-more person households	73	3%
Total non-family households	2,794	55%
1-person households	2,215	79%
2-person households	483	17%
3-person households	88	3%
4-person households	0	0%
5-person households	4	0%
6-person households	0	0%
7-or-more person households	0	0%

Source: 2011-2015 American Community Survey Five-Year Estimates

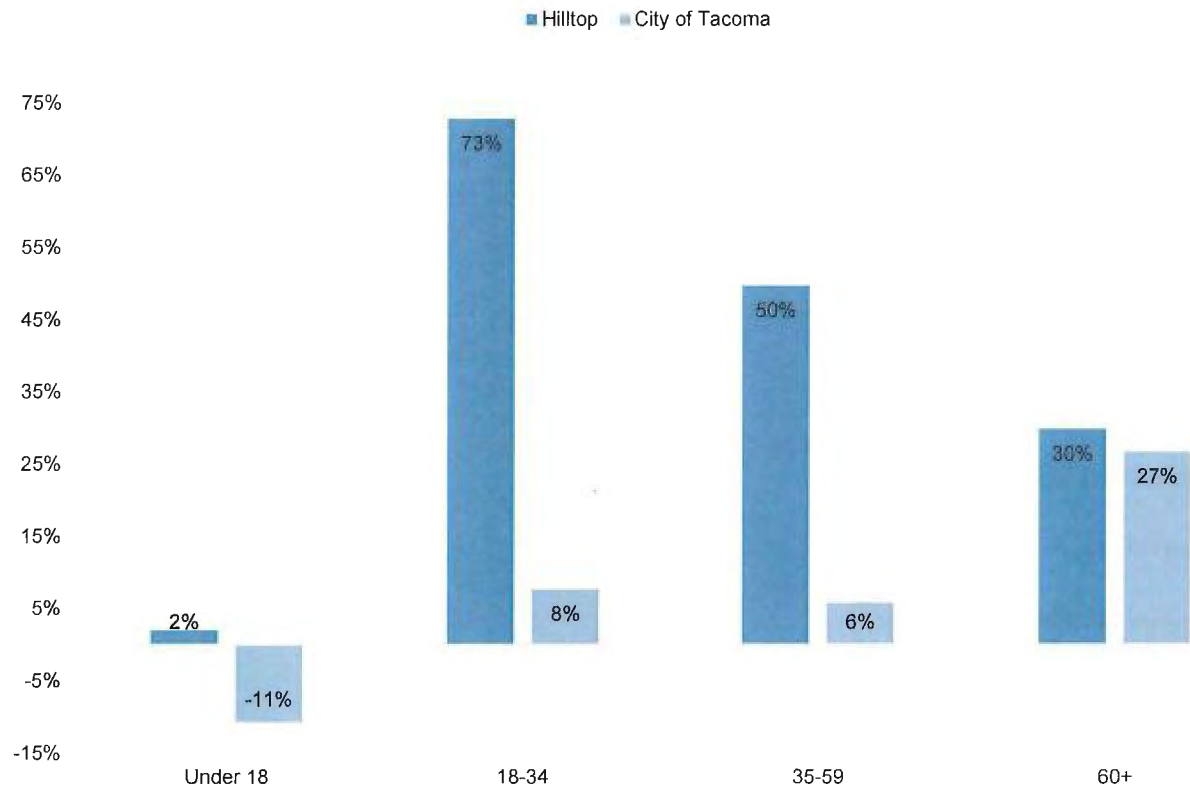
Table A-1.4. Housing stock indicators on Hilltop (2015)

	2011-2015	
	No.	%
Total housing units	5,930	100%
Single family, detached	2,541	43%
Single family, attached	190	3%
Duplex	288	5%
3 or 4 units	479	8%
5 to 9 units	462	8%
10 to 19 units	478	8%
20 to 49 units	916	15%
50 or more units	558	9%
Mobile home	8	0%
Boat, RV, van, etc.	0	0%
Efficiency (no bedroom)	596	10%
1 bedroom	1,853	31%
2 bedrooms	1,323	22%
3 bedrooms	1,411	24%
4 bedrooms	544	9%
5 or more bedrooms	199	3%

Source: 2011-2015 American Community Survey Five-Year Estimates

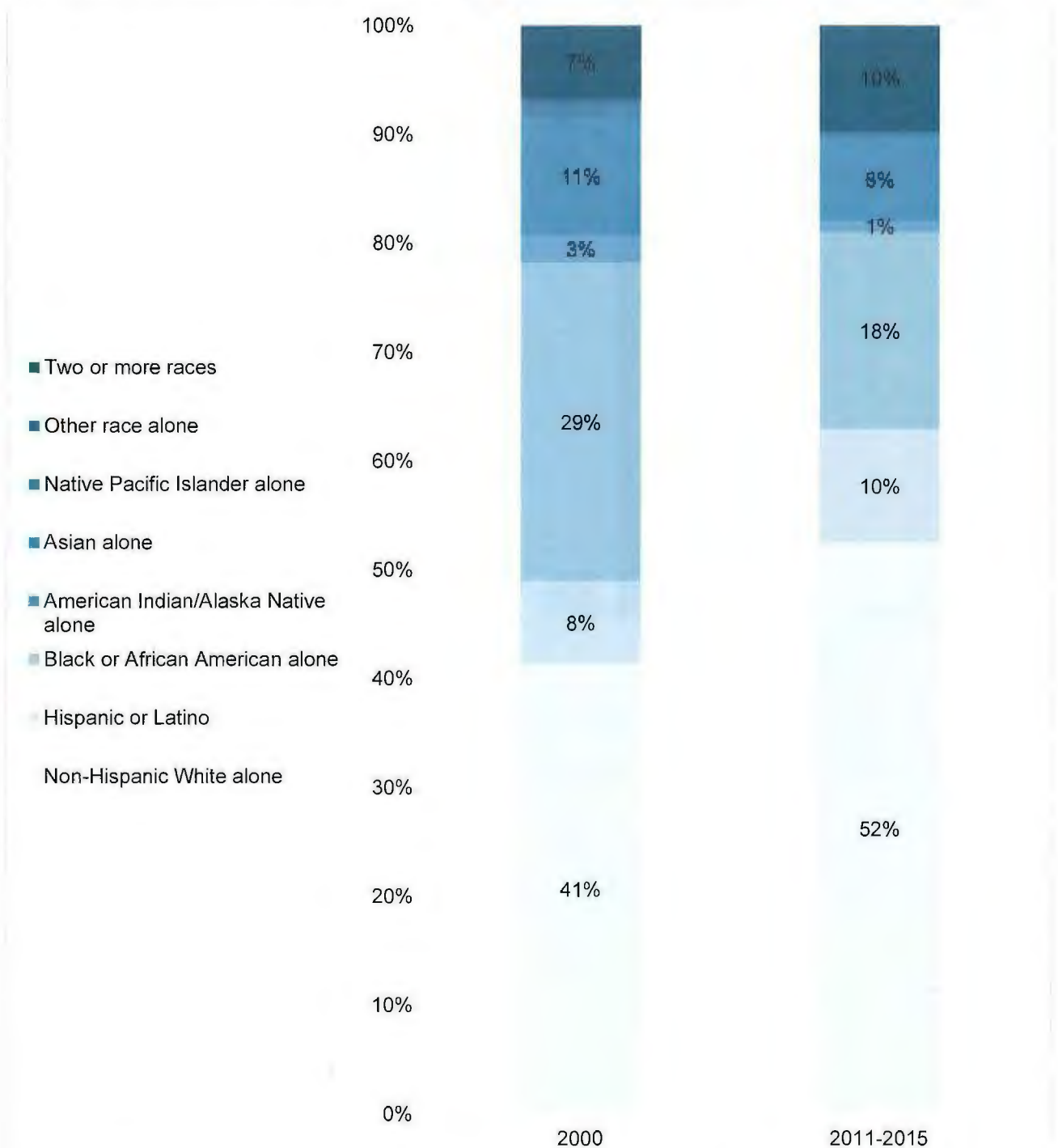
Appendix 2. Supporting figures

Figure A-2.1. Change in Hilltop population by age (2000–2015)



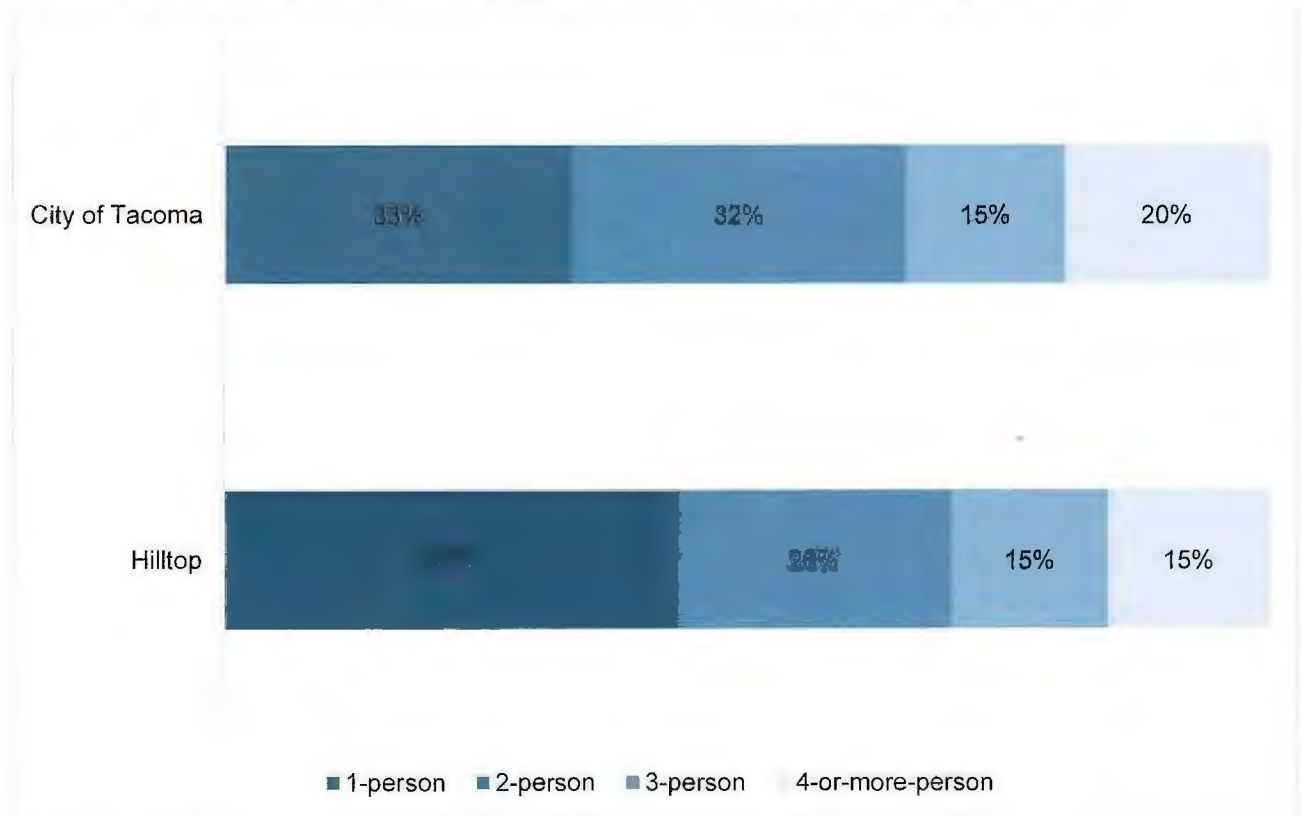
Sources: 2000 U.S. Census Bureau & 2015 American Community Survey Five-Year Estimates

Figure A-2.2. Share of Hilltop population by race/ethnicity (2000 & 2015)



Sources: 2000 U.S. Census Bureau & 2015 American Community Survey Five-Year Estimates

Figure A-2.3. Share of households by size on Hilltop and City of Tacoma, WA (2015)



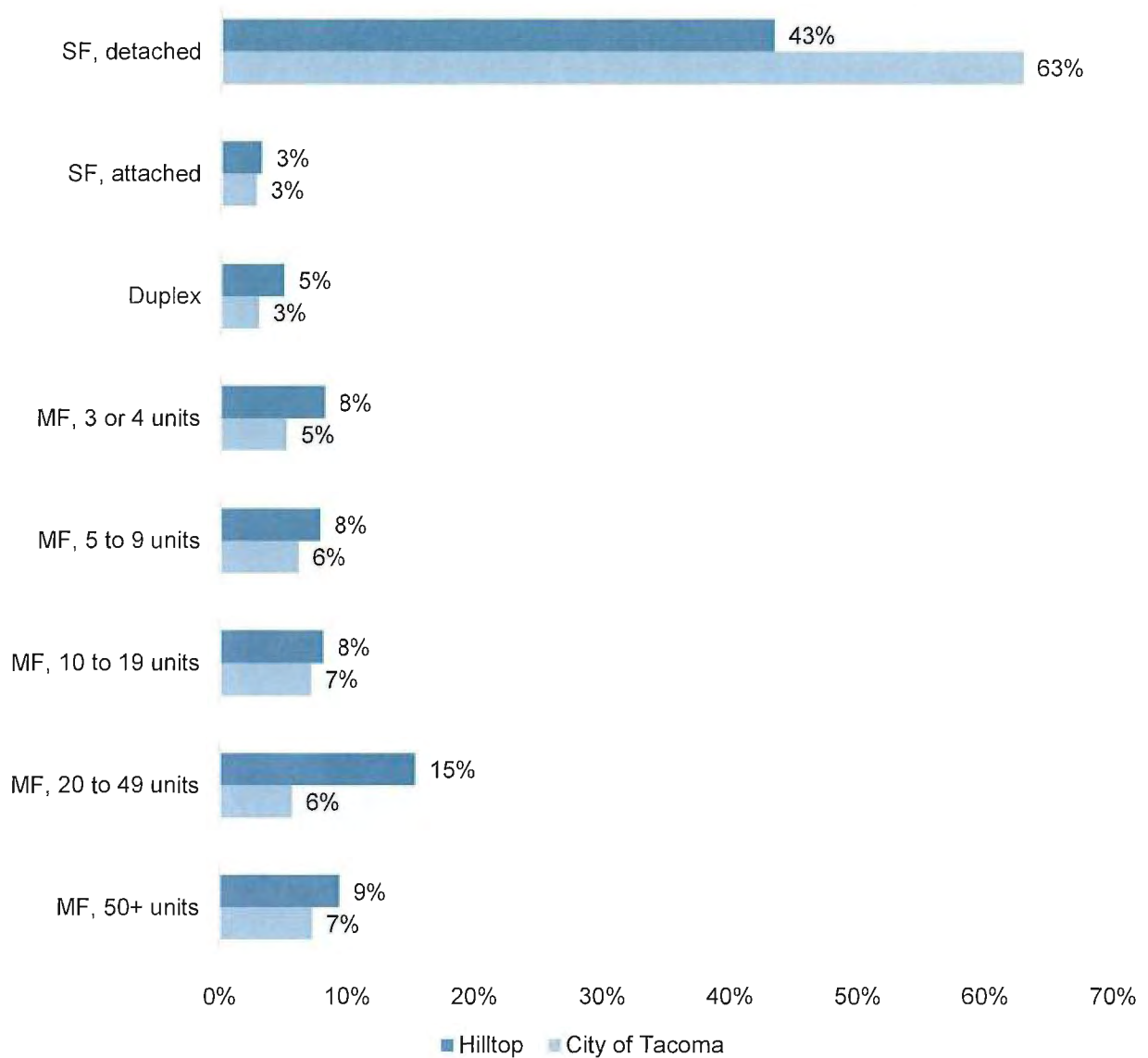
Source: 2015 American Community Survey Five-Year Estimates

Figure A-2.4. Change in Hilltop households by income level (2000–2014)



Sources: HUD 2000 & 2010-2014 CHAS

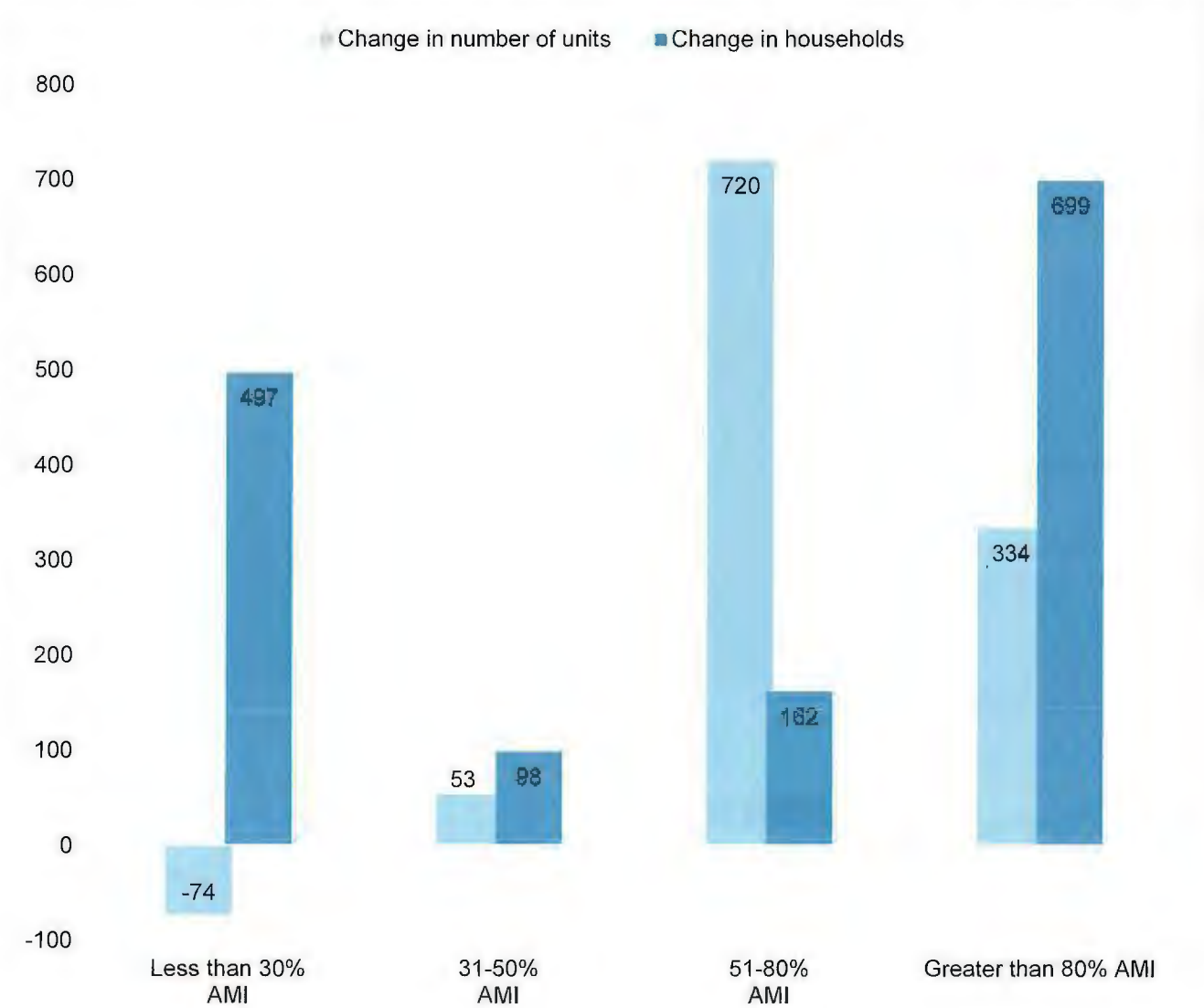
Figure A-2.5. Share of housing types on Hilltop and City of Tacoma (2015)



Source: 2015 American Community Survey Five-Year Estimates

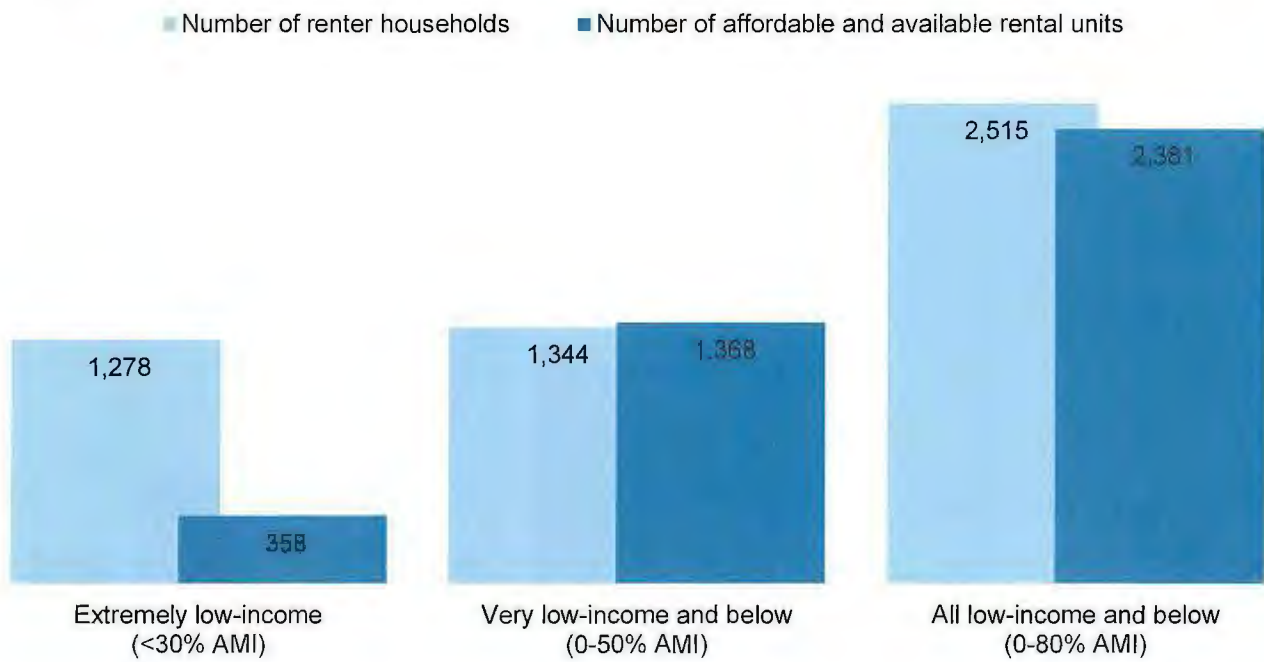
Note: "SF" refers to single-family properties and "MF" refers to multifamily properties.

Figure A-2.6. Change in rental units and rental households by income level on Hilltop (2000–2014)



Sources: HUD 2000 & 2010-2014 CHAS

Figure A-2.7. Total affordable and available rental units by income level on Hilltop (2014)



Source: HUD 2010-2014 CHAS

Figure A-2.8. Change in median housing costs and median household income on Hilltop and City of Tacoma (2000–2015)

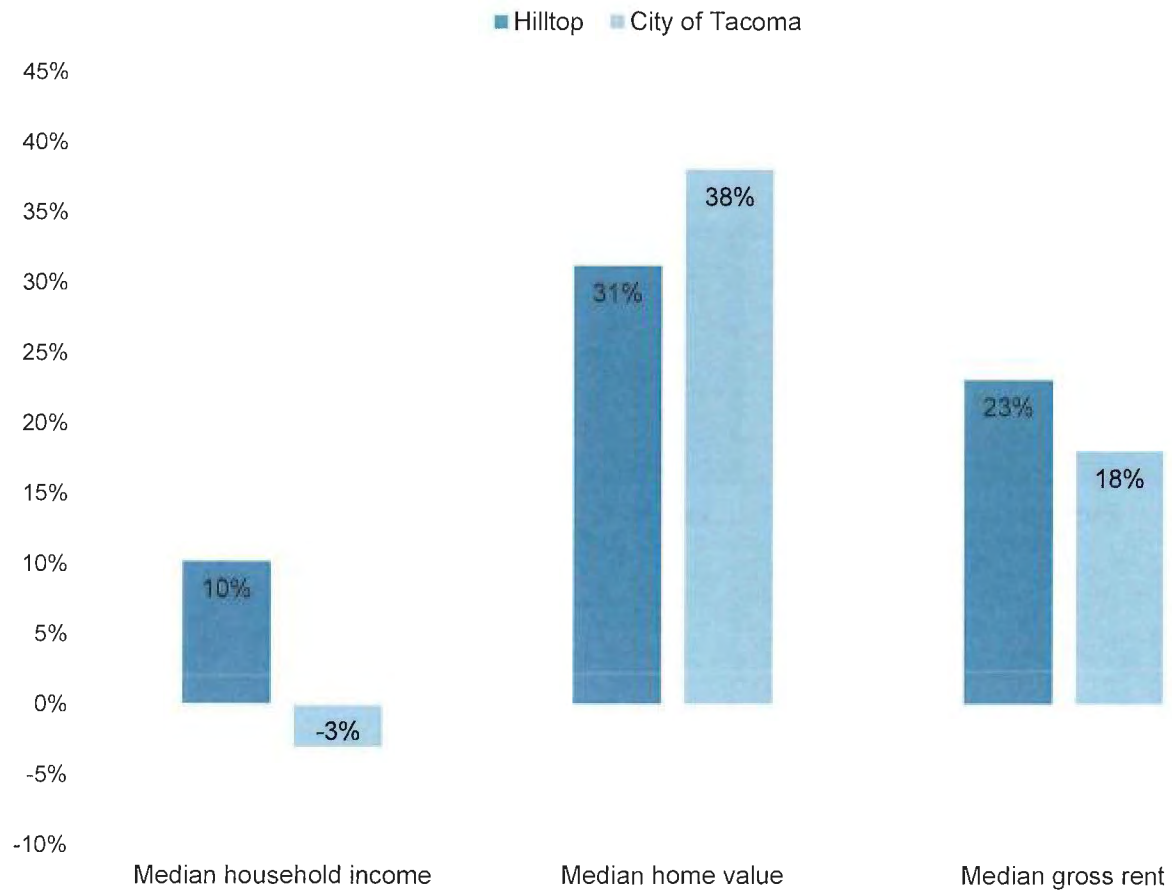


Figure A-2.9. Stages of gentrification-related change on Hilltop (based on rental market)



Figure A-2.10: Stages of gentrification-related change on Hilltop (based on for-sale market)



Appendix 3. HUD FY17 Income Limits

This appendix shows the FY2017 HUD Income Limits for the Tacoma, WA Metro Fair Market Rent (FMR) area.

The table below shows income limits by household income level and family size. Tacoma's FMR area contains all of Pierce County. More information on income limits may be found here:

www.huduser.gov/portal/datasets/il.html.

Table A-3.1. FY17 HUD Income Limits, Tacoma, WA Metro Fair Market Rent Area

Median Income	FY 2017 Income Limit Category	Persons in Family							
		1	2	3	4	5	6	7	8
\$74,500	Very Low (50%) Income Limits (\$)	26,100	29,800	33,550	37,250	40,250	43,250	46,200	49,200
	Extremely Low (30%) Income Limits (\$)	15,650	17,900	20,420	24,600	28,780	32,960	37,140	41,320
	Low (80%) Income Limits (\$)	41,750	47,700	53,650	59,600	64,400	69,150	73,950	78,700

Source: www.huduser.gov/portal/datasets/il/il2017/2017summary.odn

Appendix 4. Methods: Understanding demographic and housing market conditions on Hilltop

This appendix summarizes the methods used to analyze current demographic and housing market conditions on Hilltop. Indicators are organized in the order in which they appear in the report.

Overview

Analysis in this document uses data from the 2000 U.S. Census, U.S. Department of Housing and Urban Development (HUD)'s 2010–2014 Comprehensive Housing Affordability Strategy (CHAS) dataset, and American Community Survey (ACS) 2011–2015 Five-Year Estimates. Wherever available, 2000 data from the full Decennial Census (Short Form 1, SF1) is used; otherwise, 2000 data is from Short Form 3 (SF3) Census estimates. ACS data represent period estimates, or conditions during the full 60-month period over which the data was collected. The CHAS data present custom tabulations of ACS data (or 2000 Census data for the 2000 CHAS dataset), which are provided to HUD by the U.S. Census Bureau. Due to the time lag in conducting those custom tabulations, the latest CHAS data available is from an earlier time period than ACS estimates.

To estimate values for the Hilltop study area, data was gathered or estimated at the smallest geography for which data was available and that fell entirely within the study area. This data was then aggregated to calculate a total value for the entire study area. Indicators using median values were aggregated by weighted averages. When block groups split across the study area boundary and block-level data was not released by the U.S. Census Bureau, block-level estimates were derived from block group data, weighted by either population or housing unit from the Missouri Census Data Center.¹

To compare data across years, 2000 Census data were converted to 2010 Census boundaries using the land area allocation factors provided in the 2000 Census Block Relationship files from the U.S. Census Bureau.² This method allocates 2000 values to 2010 geographies based on the share of the 2000 geography that falls within the 2010 geography. This assumes a standard distribution of the population and housing units within each block. Beyond geographic boundary changes, the U.S. Census Bureau regularly adjusts the Decennial Census and ACS to improve accuracy. Notes are provided below where these adjustments may have impacted comparability of specific indicators across years. For further information about the comparability of U.S. Census Bureau data see:

www.census.gov/programs-surveys/acs/guidance/comparing-acs-data.html.

¹ <http://mcdc.missouri.edu/websas/geocorr14.html>

² www.census.gov/geo/maps-data/data/relationship.html

Indicators

- **Total population and total housing units** data was gathered from the 2000 Census SF1 and the 2011–2015 ACS. Since ACS does not report at the block-level, block estimates for 2011–2015 were derived using population-weighted allocation figures from the Missouri Census Data Center.
- **Total population by race and ethnicity** data was gathered from the 2000 Census SF1 and 2011–2015 ACS. These indicators measure Hispanic; White, non-Hispanic; non-Hispanic Black/African American; non-Hispanic American Indian/Alaska Native; non-Hispanic Asian; and non-Hispanic Native Pacific Islander populations, as well as those populations identifying as non-Hispanic and two or more races or as non-Hispanic and another race not included in the survey question. In Appendix 1, all totals are also presented as a share of the total population. Since ACS does not report at the block-level, block estimates for 2011–2015 were derived using population-weighted allocation figures from the Missouri Census Data Center.
- **Total population by age group** data was gathered from the 2000 Census SF1 and the 2011–2015 ACS to measure the total population falling into the following age groups: Under 18, 18 to 34, 35 to 59, and 60 or over. In Appendix 1, all totals are also presented as a share of the total population. When comparing 2000 Census data to 2011–2015 ACS data, the U.S. Census Bureau notes that the population of a given age is made up of an entirely different group from one time period to the next, so there may be significant increases or decreases that reflect booms or busts in births. For example, the postwar Baby Boomers were aged 36 to 54 in the 2000 Census and aged 47 to 69 in the 2011–2015 ACS, causing a significant increase in older age groups when comparing trends in age over time. Since ACS does not report at the block-level, block estimates for 2011–2015 were derived using population-weighted allocation figures from the Missouri Census Data Center.
- **Total population with a bachelor's degree (BA) or higher** data was gathered from the 2000 Census SF3 and 2011–2015 ACS. This indicator measures the total population aged 25 and older holding a Bachelor's degree or higher. In Appendix 1, the total is also presented as a share of the **total population aged 25 and older**. Since Census SF3 and ACS do not report at the block-level, block estimates were derived using population-weighted allocation figures from the Missouri Census Data Center.
- **Total population in the labor force** data was gathered from the 2000 Census SF3 and 2011–2015 ACS. This indicator measures the total non-military, non-institutional, work-eligible population (individuals aged 16 or older). The U.S. Census Bureau provides two notes of caution in comparing labor force data between the 2000 Census and 2011–2015 ACS: 1) The reference periods are different. While ACS responses are

collected year-round on an ongoing basis, Census' reference period was the week prior to Census Day (April 1, 2000). 2) Data capture errors in the 2000 Census SF3 inflated estimates of people in the labor force, unemployed persons, and percent of unemployed persons in places where colleges are located.

- **The unemployment rate** measures the share of the total population in the labor force that is not employed. **The labor force participation rate** measures the share of the total population in the labor force, either employed or unemployed (seeking work). Since Census SF3 and ACS do not report at the block-level, block estimates were derived using population-weighted allocation figures from the Missouri Census Data Center.
- **Housing unit occupancy and tenure** data was collected both from the 2000 Census SF1 and 2011–2015 ACS, as well as the 2000 and 2010–2014 CHAS datasets. In addition to the time period difference for the 2011–2015 ACS and 2010–2014 CHAS data, estimates may differ slightly between datasets based on differences in the tabulation methods. In comparing 2000 Census and 2011–2015 ACS data, the U.S. Census Bureau cautions that ACS estimates of vacancy tend to be lower than Census estimates of vacancy, which can skew comparisons over time. Even so, ACS data from 2015 suggests the vacancy rate on Hilltop has increased slightly from 2000; factoring in the differences in estimates, that increase would likely grow further.³ In Appendix 1, the share of vacant and occupied housing units is presented as a percent of total housing units, while the share of renter and owner units is presented as a percent of total occupied housing units. Since ACS does not report at the block-level, block estimates for 2011–2015 were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Total households without access to a vehicle** data was collected from the 2000 Census SF3 and 2011–2015 ACS. This indicator measures the total number of households that are transit-dependent and categorized by tenure. In Appendix 1, the total number of renter-occupied households without access to a vehicle is also presented as a share of total renter-occupied households. Similarly, the total number of owner-occupied households without access to a vehicle is also presented as a share of total owner-occupied households. Since Census SF3 and ACS do not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Median household income** data was collected from the 2000 Census SF3 and the 2011–2015 ACS. This indicator measures reported income for the entire household, including the income of the primary householder and that of all other people aged 15 and older in the household. Estimates of median household income were derived for

³ For more information see: https://www.census.gov/content/dam/Census/library/working-papers/2011/acs/2011_Griffin_03.pdf

Hilltop for both 2000 and 2011–2015 by calculating a household-weighted average of median data from both the block and block group levels; block group data were used wherever the block group fell entirely within the study area and block level estimates were used wherever block groups were split across the study area boundary. Since Census SF3 and ACS do not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center. 2000 dollar amounts were converted to 2015 values using the CPI-U-RS inflation adjustment factors provided by the U.S. Census Bureau.⁴ When comparing data between the 2000 Census and the 2011–2015 ACS, the U.S. Census Bureau notes that differing response periods may affect the results; ACS collects data throughout the year and asks for a respondent's income over the "past 12 months," while the 2000 Census collected income data during the last calendar year (1999). In analysis of the differences between Census and ACS, Census estimates were found to be 4 percent higher than ACS estimates. In the case of Hilltop, this may indicate that the percent change in median household income may actually be lower than 10 percent, further underscoring how wages have not kept pace with rising housing costs in the area.

- **Median home value** data was collected from the 2000 Census SF3 and 2011–2015 ACS. This indicator reflects the survey respondent's estimate of how much the property would sell for if it were for sale. Estimates of median home value were derived for the Hilltop neighborhood for both 2000 and 2011–2015 by calculating an owner-occupied household-weighted average of median data from both the block and block group levels; block group data were used wherever the block group fell entirely within the study area and block level estimates were used wherever block groups were split across the study area boundary. Since Census SF3 and ACS do not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center. 2000 dollar amounts were converted to 2015 values using the CPI-U-RS inflation adjustment factors provided by the U.S. Census Bureau.⁵
- **Median gross rent** data was collected from the 2000 Census SF3 and 2011–2015 ACS. This indicator measures the contract rent plus the estimated average monthly cost of utilities. Estimates of median gross rent were derived for Hilltop for both 2000 and 2011–2015 by calculating a renter-occupied household-weighted average of median data from both the block and block group levels; block group data were used wherever the block group fell entirely within the study area and block level estimates were used wherever block groups were split across the study area boundary. Since Census SF3 and ACS do not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center. 2000 dollar amounts were converted to 2015 values using the CPI-U-RS inflation

⁴ CPI-U-RS inflation adjustment factors are available here: <https://www.bls.gov/cpi/research-series/home.htm>

⁵ See previous note.

adjustment factors provided by the U.S. Census Bureau.⁶ The U.S. Census Bureau advises against comparing rent estimates from ACS to those from the 2000 Census, because the 2000 Census (and all earlier Decennial Censuses) did not record rents for renter-occupied, single-family houses on at least 10 acres of land, omitting these properties from the universe of rents in ACS. However, there are only 8 single-family parcels in the City of Tacoma that occupy more than 10 acres of land, and none of those parcels fall within the study area. This constitutes less than 0.001 percent of all parcels in the City. As such, this analysis did make comparisons of gross rent between the two datasets, estimating these methodology differences would have a negligible effect on the results.

- **Total extremely low-income households** data was collected from the 2000 and 2010–2014 CHAS estimates. This indicator measures the total number of households earning less than 30 percent of area median income (AMI). This would be the equivalent of a family of four earning less than \$24,600, per FY17 HUD income limits. In Appendix 1, the share of extremely low-income households is presented as a percent of total occupied households. Since CHAS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Total very low-income households** data was collected from the 2000 and 2010–2014 CHAS estimates. This indicator measures the total number of households earning less than 50 percent of AMI. This would be the equivalent of a family of four earning less than \$37,250, per FY17 HUD income limits. In Appendix 1, the share of very low-income households is presented as a percent of total occupied households. Since CHAS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Total low-income households** data were collected from the 2000 and 2010–2014 CHAS estimates. This indicator measures the total number of households earning less than 80 percent of AMI. This would be the equivalent of a family of four earning less than \$59,600, per FY17 HUD income limits. In Appendix 1, the share of low-income households is presented as a percent of total occupied households. This indicator is also broken down by tenure, reflecting the total number of low-income renter households and total number of low-income owner households, which are also presented as a percent of the total low-income households in the study area. Since CHAS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Total cost-burdened households** data was collected from the 2000 and 2010–2014 CHAS estimates. This indicator measures the total number of households paying more than 30 percent of their income on housing costs. In Appendix 1, the share of cost-

⁶ See previous note.

burdened households is presented as a percent of total occupied households. This indicator is also broken down by tenure, reflecting the total number of cost-burdened renters and total number of cost-burdened owners, which are also presented as a percent of total cost-burdened households in the study area. Since CHAS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.

- **Total housing insecure households** data was collected from the 2000 and 2010–2014 CHAS estimates. This indicator measures the total number of low-income households paying more than 50 percent of their income on housing costs. In Appendix 1, the share of housing insecure households is presented as a percent of total occupied households. This indicator is also broken down by tenure, reflecting the total number of housing insecure renters and housing insecure owners, which are also presented as a percent of the total housing insecure households in the study area. Since CHAS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Household composition** data was collected from 2011–2015 ACS. These indicators measure whether a household is occupied by a family, including how many people are in that family, or an individual living alone or non-related individuals living together (“non-family households”), which is also broken down by household size. As recommended by the U.S. Census Bureau, these indicators were not compared across years because the 2000 Census used different categories to determine family types than ACS. In Appendix 1, the total number of family and the total number of non-family households are also presented as a share of total occupied households. Within the family and non-family designations, household sizes (2- to 7-or-more person households for family households and 1- to 7-or-more person households for non-family households) are presented as shares of total family and total non-family households. Since ACS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Housing type** data was collected from 2011–2015 ACS. These indicators measure how many units are in a housing structure, ranging from detached single-family structures to large multifamily structures with 50 or more units. In Appendix 1, the total housing units in each type are also presented as a share of the total housing units in the study area. Since ACS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.
- **Unit size** data was collected from 2011–2015 ACS. These indicators measure how many bedrooms are in each housing unit, ranging from efficiency units (no separate bedroom) to units with 5 bedrooms or more. In Appendix 1, the total housing units is broken down by bedroom size and then also presented as a share of the total housing

units in the study area. Since ACS does not report at the block-level, block estimates were derived using housing unit-weighted allocation figures from the Missouri Census Data Center.

- **Subsidized housing** data was collected from the National Housing Preservation Database (NHPD). This indicator measures the total number of federally assisted rental properties in the study area, which includes both public housing (which receives federal funding to provide housing for eligible households and is managed by the Tacoma Housing Authority) and privately-owned housing that receives a federal subsidy (“non-PHA”). A key source of financing for non-PHA income-restricted properties is the Low-income Housing Tax Credit (LIHTC), which creates cash equity for property owners in exchange for rent restrictions on a portion of units to ensure affordability for certain income levels (60 percent of AMI or lower, depending on the share of units restricted).⁷ These restrictions are enforced for a minimum of 15 years. While it is possible these properties’ affordability periods could be extended another 15 years, after Year 15, they are typically are considered “at-risk” for conversion to market-rate housing.

⁷ For more information on LIHTC see: <https://www.huduser.gov/portal/datasets/lihtc.html>

Appendix 5: Measuring gentrification

This appendix summarizes the methods used to analyze conditions of gentrification on Hilltop.

Overview

These methods are adapted from the “Gentrification and Displacement Study: Implementing and Equitable Inclusive Development Strategy in the Context of Gentrification,” which was commissioned by the City of Portland Bureau of Planning and Sustainability and conducted by Lisa Bates of Portland State University.¹ The two key differences between the methods employed in this analysis and Bates’ method are: 1) the unit of analysis (block groups instead of census tracts); and 2) the inclusion of rental market conditions, in addition to for-sale market conditions, which resulted in two typologies of gentrification. Block groups were chosen as the unit of analysis to facilitate understanding of the variation in conditions across the study area. Rental market conditions were included in the analysis because of the high share of rental housing on Hilltop and to investigate anecdotal evidence that suggested different patterns of change in the rental and for-sale markets.

This analysis centers around three dimensions of neighborhood change: 1) vulnerability to housing displacement; 2) demographic changes associated with gentrification and displacement; and 3) housing market conditions (both in the rental and for-sale markets).

Vulnerability to displacement

Block groups were assigned a “vulnerability score” between 0 and 4, based on the share of the population in that block group with various characteristics that make it more difficult to withstand housing price increases and resist displacement. One point was added to a block group’s score for exceeding any of the following thresholds:

- Greater than 48.3 percent of households are renters
- Greater than 39.2 percent of the population are communities of color (all residents except for non-Hispanic Whites)
- Greater than 73.0 percent of the population 25 years and older do not have a Bachelor’s degree
- Greater than 46.2 percent of households have incomes at or below 80 percent of the HUD-adjusted median family income (HAMFI)²

Block groups scoring at least 3 out of 4 were designated as “vulnerable to displacement.” These block groups are shaded in pink in Figure A-5.1. Overall, Hilltop has higher-than-average populations that are vulnerable to housing displacement: a high share of renters (59 percent); high share of low-income residents (61 percent); high share of persons of color (46 percent); and high share of residents without a college degree (79 percent).

¹ Bates, Lisa K., “Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification” (2013). *Urban Studies and Planning Faculty Publications and Presentations*. 83. http://pdxscholar.library.pdx.edu/usp_fac/83

² The HAMFI for Tacoma, WA HUD Metro FMR Area in the year in which the income data was collected (FY 2014) was \$67,000. For more information see: <https://www.huduser.gov/portal/datasets/il/il2014/2014MedCalc.odn>

Data on renters, race/ethnicity, and educational attainment was collected from 2011–2015 ACS and data on household income was collected from 2010–2014 CHAS. See Appendix 4 for more information on these indicators.

For the three indicators collected from 2011–2015 ACS, the threshold was calculated by adjusting the citywide average percentage to the lower bound of the reported margin of error (MOE). Adjusting for the MOE allowed for a more sensitive cutoff. For example, the 2011–2015 ACS estimate of the percentage of renters in Tacoma was 49.5 percent \pm 1.2 percent, resulting in a threshold of 48.3 percent. Since CHAS does not publish MOEs, the threshold for share of households with incomes at or below 80 percent of HAMFI was defined as the citywide percentage (46.2 percent).

Demographic change

Demographic change associated with gentrification was measured by an increase between 2000 and 2015 in median income and in the share of populations that identify as White, that are homeowners, and/or that are college-educated. If these increases were observed, it indicates that displacement of vulnerable populations may have already occurred, as new populations have moved in. Block groups in Figure A-5.2 are shaded blue if they experienced increases beyond the citywide average increase in at least three of the four indicators of demographic change. The exact thresholds for this dimension are as follows:

- The share of homeowners either increased or it decreased less than 2.2 percent
- The white population share either increased or it decreased less than 7.5 percent
- The share of the population 25 years and older with a Bachelor's degree increased more than 5.2 percent
- The median household income either increased or it decreased less than 5.5 percent

The City of Tacoma experienced declining values for three of the four variables (homeowners, White population, and median household income). In these cases, a block group was considered to have experienced gentrification-related demographic change between 2000 and 2015 if the block group values increased or decreased less than the citywide average decrease over that time period. A block group was also considered to have experienced gentrification-related demographic change if it did not exceed three of the four thresholds, but exceeded both the threshold for white population increase and increase in the population with a Bachelor's degree.

To calculate the thresholds, data for all indicators was collected from both the 2000 Census and 2011–2015 ACS. All 2000 data was re-allocated to 2010 boundaries using land area allocation factors (see Appendix 4 for more information) and 2000 median household income values were converted to 2010 dollars, using the CPI-U-RS inflation adjustment factors, prior to calculating percent change.

MOEs were available for 2011–2015 ACS estimates, but not for the 2000 Census. Thresholds were calculated by taking the citywide percentage point difference from 2000 to 2015 (for the total White population, homeowners, and individuals with a Bachelor's degree) or the citywide

percent change (for median household income), determining the new MOE³ and adjusting the calculated MOE to the lower bound.

Housing market change

For the for-sale housing market analysis, all block groups were assigned a home value for 2000 and 2015 equal to the ratio of the block group median home value to the citywide median home value. Block groups were designated as having “high” values (or “high” change in values) if they fell within the top two quintiles of home values (or change in home values) citywide. Block groups were designated as having “low” values (or “low” change in values) if they fell within the bottom three quintiles of home values (or change in home values) citywide.⁴ Similarly, for the rental housing market typology, block groups were designated as having “high” rents (or “high” change in rents) if they fell within the top two quintiles of rents (or change in rents) citywide and block groups were designated as having “low” rents (or “low” change in rents) if they fell within the bottom three quintiles of rents (or change in rents) citywide. The quintile cut-offs that were used to determine these designations are shown in Table A-5.1.

Using these designations, block groups were sorted into three distinct gentrification-related housing categories:

1) *Adjacent block groups*

- Had a low 2015 average home value/rent
- Experienced low appreciation in average home value/rent from 2000 to 2015
- Touched the boundary of at least one block group with a high 2015 average home value/rent and/or high appreciation in average home value/rent from 2000 to 2015

2) *Accelerating block groups*

- Had a low 2015 average home value/rent
- Experienced high appreciation in average home value/rent from 2000 to 2015

3) *Appreciated block groups*

- Had a low 2000 average home value/rent
- Had a high 2015 average home value/rent
- Experienced high appreciation in average home value/rent from 2000 to 2015

³ New MOEs were determined using this calculator: <http://pad.human.cornell.edu/acscalc/index.cfm>

⁴ The 2011–2015 ACS did not report median home values for five block groups that fell within the Hilltop study area. Two of those block groups had zero owner households residing within them. In the remaining three block groups, there were a small number of owners, which drove higher margins of error on the home value estimates. The ACS did not report these estimates due to stricter reporting standards for dollar-based medians that were implemented in data year 2015. To approximate the conditions in those three block groups for the gentrification analysis, the 2010–2014 ACS estimates for median home value were used. These approximations were not used to calculate the citywide quintiles. For more information on the ACS reporting standards applied in 2015 see: www.census.gov/programs-surveys/acs/technical-documentation/user-notes/2016-01.html

Table A-5.1. Values for classifying gentrification-related housing market change (2000–2015)

Quintile	Home value ratio (2000)	Home value ratio (2015)	Rent ratio (2000)	Rent ratio (2015)	Percent change in home value	Percent change in rent
0.20	0.77	0.78	0.94	0.91	0.08	0.02
0.40	0.89	0.87	1.05	1.03	0.16	0.12
0.60	1.08	1.13	1.19	1.19	0.26	0.23
0.80	1.32	1.41	1.42	1.42	0.39	0.37
1.00	2.54	3.05	3.44	2.61	1.87	1.65

Change in housing market indicators used data from the 2000 Census SF3 and 2011–2015 ACS. All 2000 data was re-allocated to 2010 boundaries using land area allocation factors (see Appendix 4 for more information) and 2000 median household income values were converted to 2010 dollars, using the CPI-U-RS inflation adjustment factors.

Overall, both the for-sale and rental housing markets in Hilltop are accelerating. Hilltop experienced rent increases as high as 40 percent in some block groups, more than double the citywide increase of 18 percent. And among those block groups that experienced lower rent increases (shaded in yellow in Figure A-5.3), all are directly adjacent to block groups that experienced high rent increases (shaded in orange or red). This kind of direct adjacency can also create housing pressure, as investment in areas with accelerating markets expand outward.

While the rental market in most Hilltop block groups is either accelerating or directly adjacent to an accelerating market, there is one block group in the southern part of the neighborhood that has already appreciated (shaded in red in Figure A-5.4). This means that rents in that block group went from some of the lowest in the City to some of the highest between 2000 and 2015, which may cause further increases in rents in surrounding areas. There is also one block group on Hilltop that did not fall into any of the three categories of rental market change identified above.

In the for-sale market, Hilltop home values increased faster between 2000 and 2015 than home values citywide (31 percent on Hilltop versus 20 percent citywide), but remained below the citywide median for both 2000 and 2015. There are no block groups where the for-sale market has already appreciated, suggesting home values may be increasing at a slower rate than rents.

Figure A-5.1. Areas classified as vulnerable to displacement on Hilltop

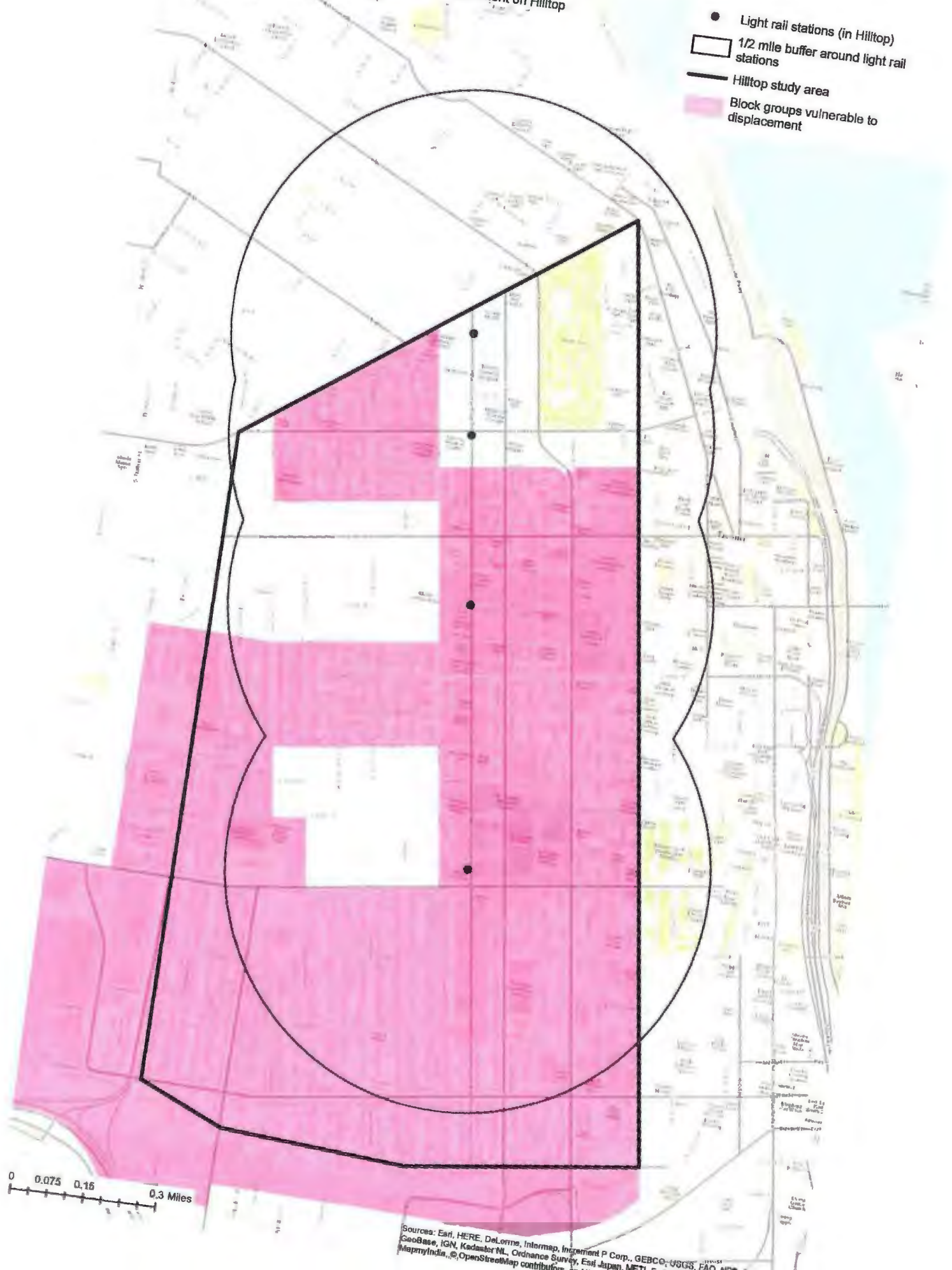
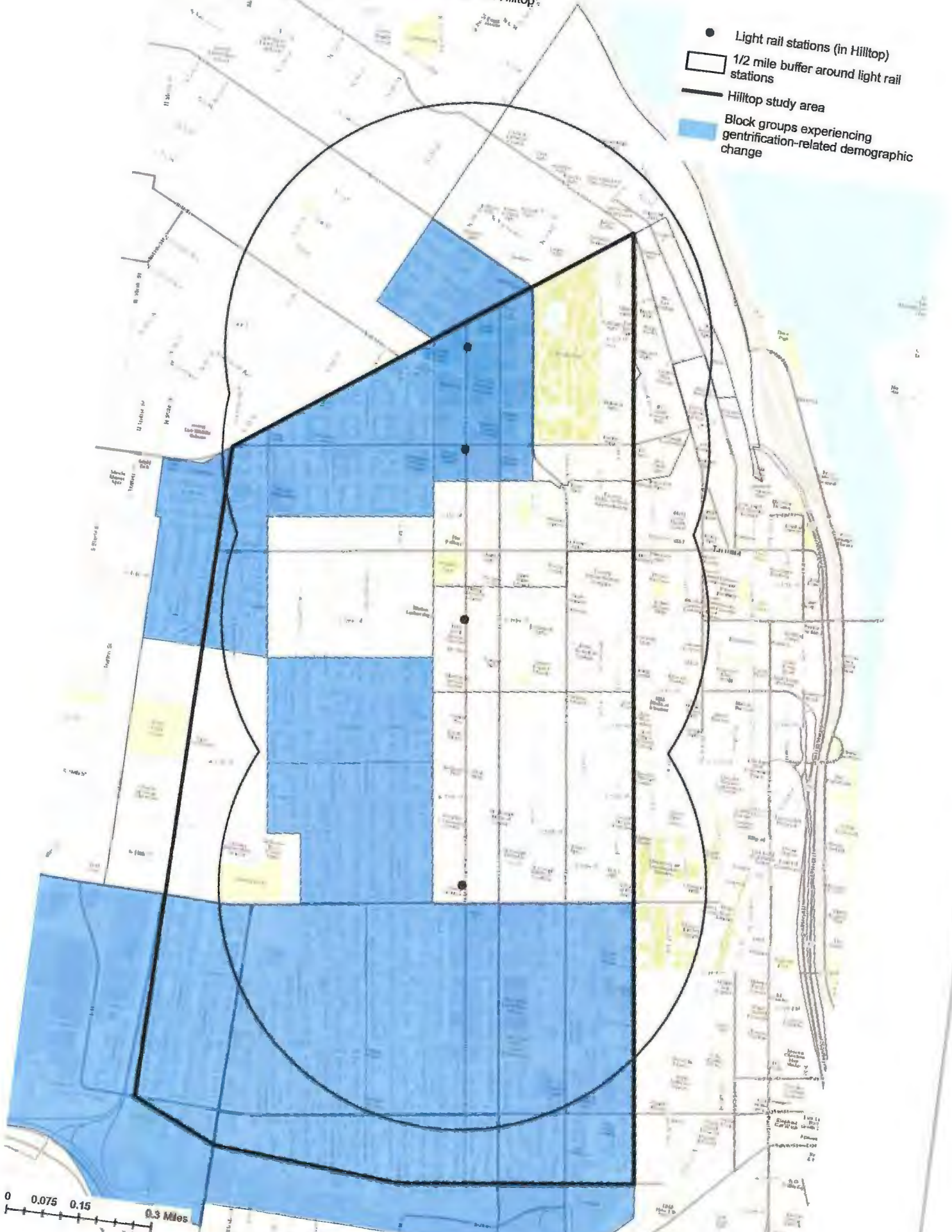


Figure A-5.2: Areas experiencing demographic change on Hilltop

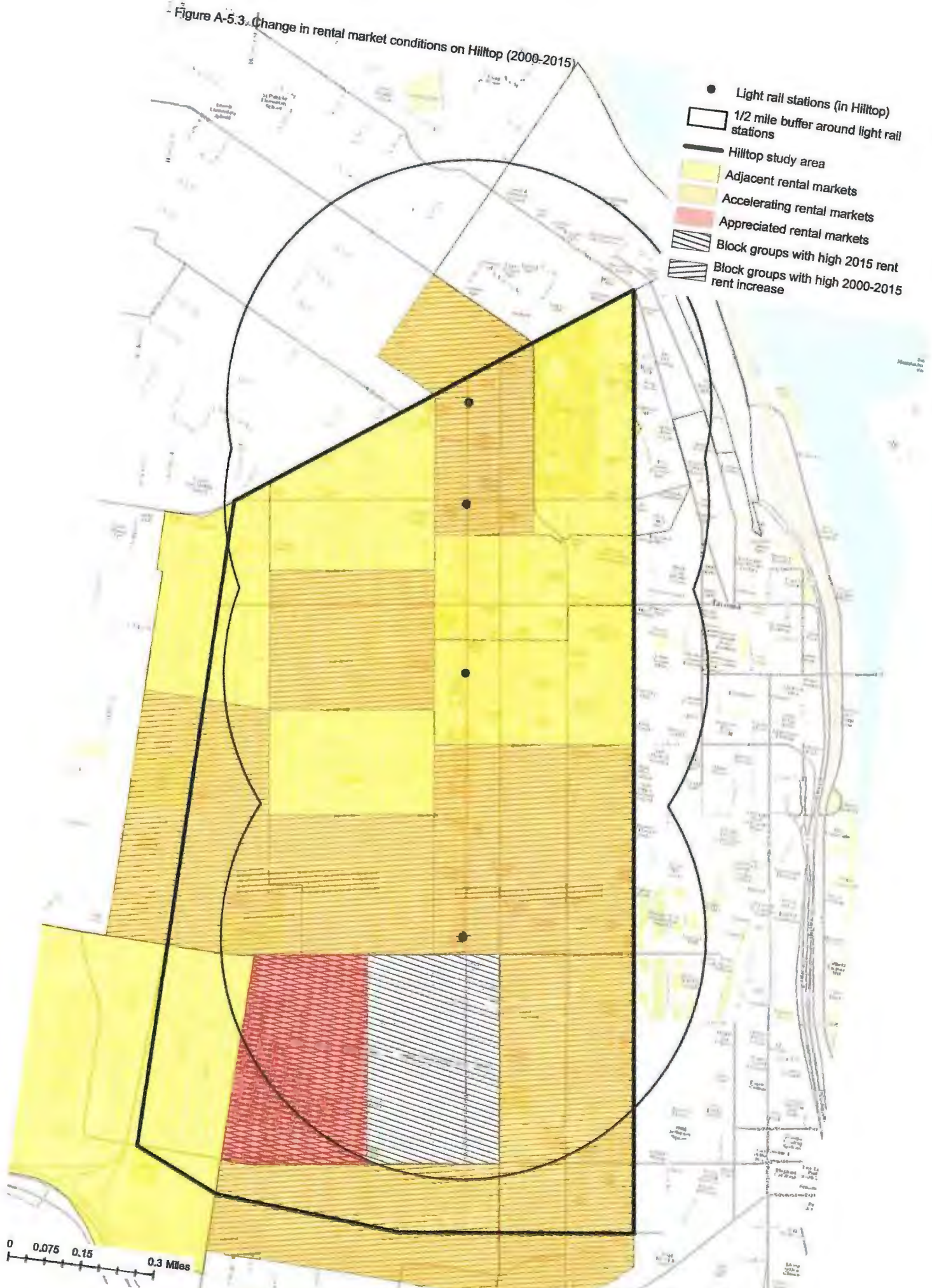


- Light rail stations (in Hilltop)
- 1/2 mile buffer around light rail stations
- Hilltop study area
- Block groups experiencing gentrification-related demographic change

0 0.075 0.15 0.3 Miles

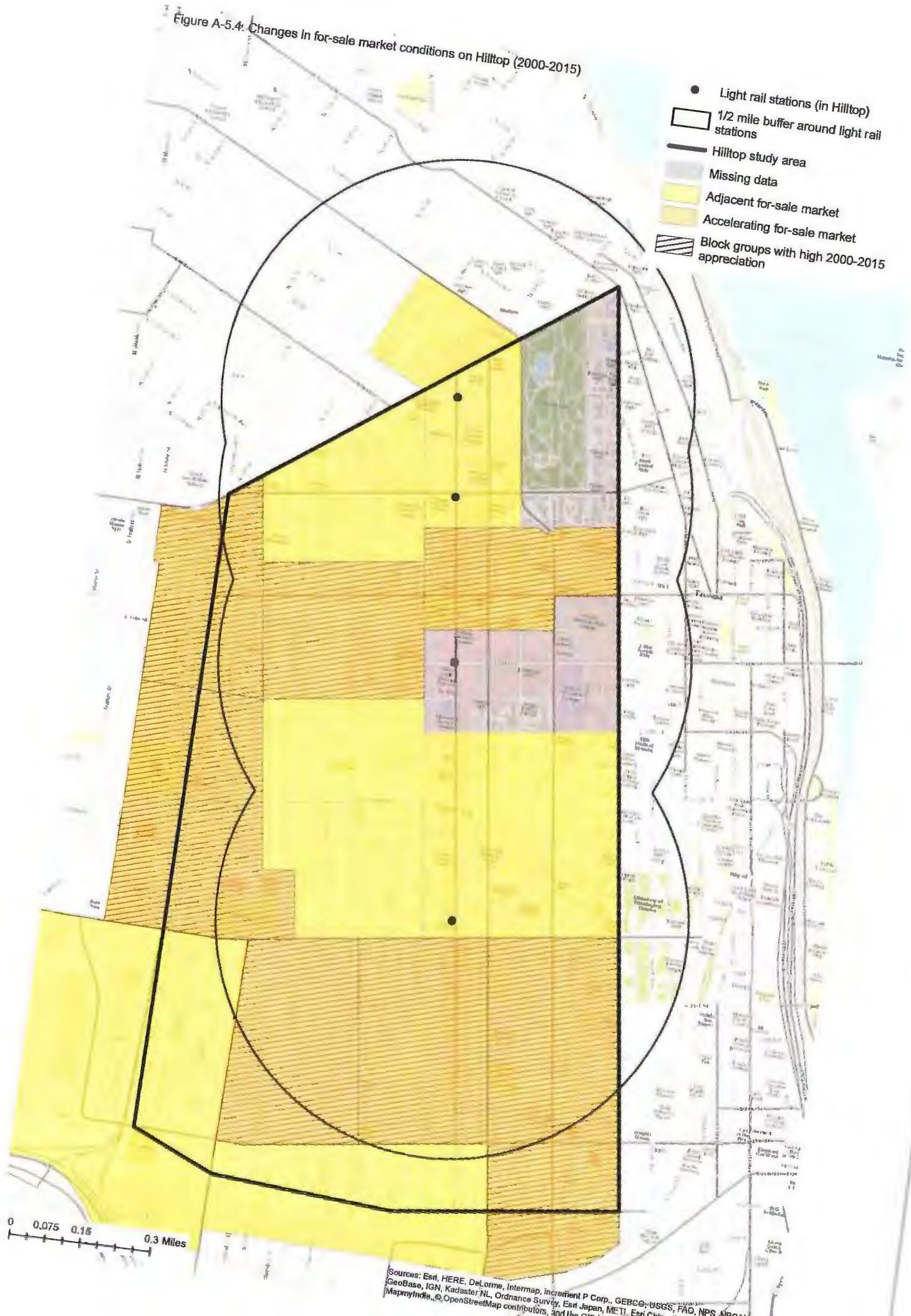
Sources: Esri, HERE, DeLorme, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

Figure A-5.3. Change in rental market conditions on Hilltop (2000-2015)



Sources: Esri, HERE, DeLorme, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRC, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China, MapmyIndia, ©OpenStreetMap contributors, and the GIS User Community

Figure A-5.4: Changes in for-sale market conditions on Hilltop (2000-2015)

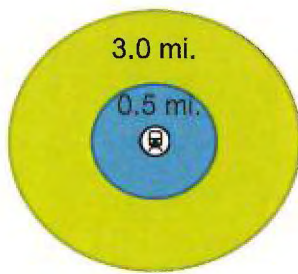


Appendix 6. Methods: Projecting Link's impact on housing costs on Hilltop

This appendix summarizes the methods used to project the change in housing costs and supply on Hilltop based on both general changes in Hilltop's housing market and increases related to the Link extension.

Forecasting changes in housing costs and supply

Increases in property values and rents were calculated using historical market data from CoStar and a statistical model called "difference in difference" regression, based on all home sale prices in Seattle from 2001 to 2017. The primary benefit of using "difference in difference" regression is its ability to isolate the impact of various factors on property values and estimate the specific impact transit may have.



Seattle's Central Link light rail project was used as a case study for comparison. Construction on Seattle's Central Link line began in 2006 and started operations in 2009. The statistical model compared home sales near (within 1/2-mile) and far (within 3 miles) from the station areas and before and after the rail line was constructed. For the purposes of this analysis, areas within 1/2-mile were considered transit-oriented development (TOD) and areas outside of this 1/2-mile and up to 3 miles were considered non-TOD.

The statistical model accounts for other factors that may affect home sale prices, such as year sold, age of home, number of bedrooms, square footage, and neighborhood, among others. Prior to the Central Link extension, home sales within the TOD area were lower than in the non-TOD area, but grew at similar rates. After construction of the Central Link, home values within the TOD area grew at a faster rate than home values in the non-TOD area. The statistical model identified the range of change in home values from 11 percent (at the high end) to less than 1 percent (at the low end).

It's important to note that the projected impact of transit could result in little to no impact on housing costs on Hilltop. However, because of the focus on creating greater affordability and widespread unmet housing needs on Hilltop, this study uses the high end of projected change (11 percent) to understand the largest changes that may occur on Hilltop over the next 10 years.

Based on these observed changes in Seattle, projections were created for Hilltop. Figure A-6.1 below shows the general trend of projected rent increases on Hilltop, along with high, medium, and low increases from the introduction of transit to the area. The general increase is based on average rents as reported by CoStar, projected for an additional 10 years.

To estimate the loss of unrestricted, affordable units on Hilltop, the following three steps were used:

1. **Identify the price at which rental units are affordable to households at various income levels.** This analysis used HUD's methods to calculate income levels and affordable rent levels

by household income level and unit size.¹ Unlike HUD, which include utilities, these forecasts do not account for the cost of utilities. In turn, actual housing costs are likely higher than those used in this estimate and may slightly overestimate the number of affordable units that exist on Hilltop.

2. ***Create an inventory of rental units by size and price.*** The inventory of unrestricted rental units affordable to various income levels was constructed using data from CoStar, a property-level database that tracks rents by unit size. Rents were calculated using “effective rent” data available from this database. To ensure this inventory only included unrestricted units, the property-level data was also compared with property-level data from the National Housing Preservation Database. The CoStar dataset was also cleaned to omit properties that serve special populations, like seniors and students. Missing data for remaining records in CoStar without bedroom size or effective rents was estimated using the proportion of these properties found in the other more detailed CoStar records.

CoStar includes properties for units with five or more units. To account for properties with less than five units, data from the U.S. Census and American Community Survey (ACS) was used. Using data on the number of households by renter tenure by the total number of units in structure and total number of units by bedroom by tenure, the total number of these rental units were identified and then the total rental units identified in CoStar were subtracted from them. This created an estimate of the remaining rental units on Hilltop. The price of these units was then estimated using the same distribution of affordability calculated from CoStar’s property level data.

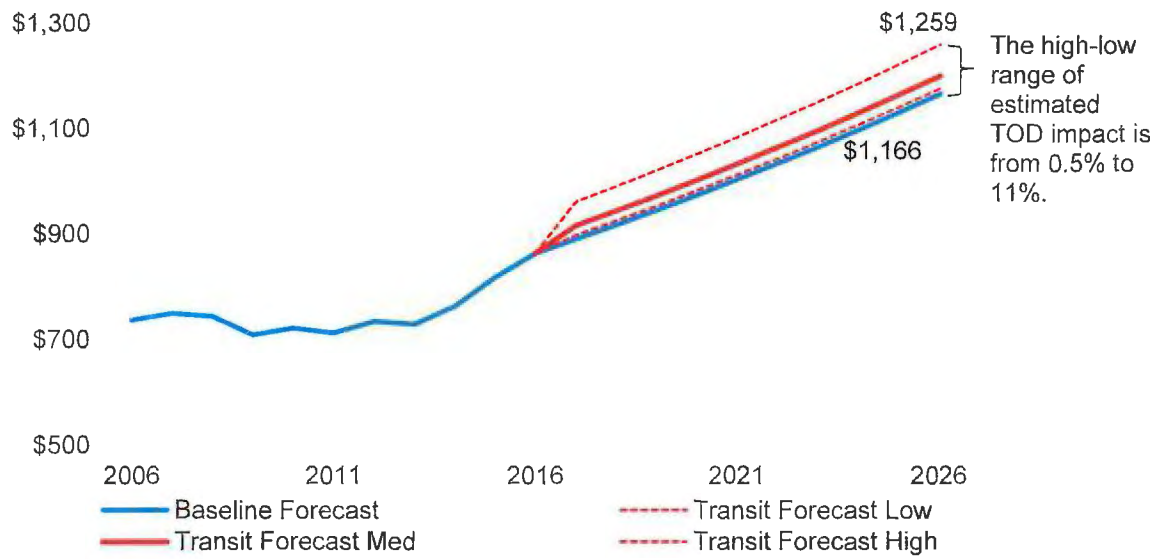
3. ***Estimate the rate at which housing costs are expected to change over the following 10 years (projected from 2016 to 2026) and apply this rate to the inventory.*** Affordable units are classified by what HUD identifies as affordable for various AMI thresholds using data from CoStar on effective rents by bedroom.

To estimate future rents through 2026, the estimated increases (both general and due to transit) are applied to the current rent levels. These same rents, as reported by property, are then multiplied by the increase that is forecasted over 10 years. In this case, the estimated increase in rents was 35 percent without TOD and 46 percent with the introduction of transit. Based on the projected increase in rents, affordable units were re-classified (again based what HUD identifies as affordable for various AMI thresholds).

To understand how projected increases in rents may affect Hilltop’s housing supply over the next 10 years, the original number of units by income level (those that exist today) is compared to the number of units by income level in 2026, to understand net change.

¹ For HUD’s documentation, see www.huduser.gov/publications/pdf/CHAS_affordability_Analysis.pdf.

Figure A-6.1. Projected average rents on Hilltop (2006-2026)





**CITY OF TACOMA, WASHINGTON
OFFICE OF THE CITY COUNCIL
COUNCIL CONSIDERATION REQUEST (CCR)**

TO: City Council

FROM: Mayor Marilyn Strickland and Chief Policy Analyst Anita Gallagher

COPIES TO: Elizabeth Pauli, City Manager; Tadd Wille, Assistant City Manager; Bill Fosbre, City Attorney; Executive Leadership Team; File

SUBJECT: Council Contingency Fund Request for 2018 Race and Pedagogy Conference Youth Summit

DATE: November 28, 2017

ITEM/ISSUE PROPOSED FOR COUNCIL CONSIDERATION:

I ask for your support for the inclusion of the following item on the agenda at the earliest available meeting of the Study Session:

I respectfully request City Council concurrence to direct the City Manager to allocate \$10,000 from the City Council Contingency Fund to support the Youth Summit at the 2018 Race and Pedagogy Conference at the University of Puget Sound.

BRIEF BACKGROUND:

Every four years, the Race and Pedagogy Institute at the University of Puget Sound hosts the Race and Pedagogy National Conference to discuss issues of race and the impacts of race on education. The conference attracts more than 2,000 participants from the region, nation and around the globe. The next convening is scheduled for September 27 through 29, 2018, featuring the theme, "Radically Re-imagining the Project of Justice: Narratives of Rupture, Resilience, and Liberation."

The conference includes a youth-centered summit led by college students that will engage middle and high school students in programming designed to promote critical thinking and facilitate discussion around the conference theme. The objectives of the youth summit are to inspire and facilitate collaborative community relationships among diverse, often marginalized groups, to support student success and close achievement gaps, engage youth in productive dialogue about social issues such as the role of equity, race, class, and representation in education, and teach skills to organize and collaborate with peers to build student organizations. Based on attendance of past summits, it is anticipated that 400 to 600 youth will participate.

The requested \$10,000 sponsorship level would include the following benefits to the City: Six tickets to the conference and receptions, recognition at receptions, City logo featured in conference materials and website, City of Tacoma name on the reader board and included in the university President's Annual Report. The City's sponsorship will cover up to 50% of the projected budget for the 2018 Youth Summit. Past conference sponsors include organizations such as the Office of the Superintendent of Public Instruction, Tacoma Public Schools, and United Way.

This program is aligned with the Tacoma 2025 goal areas of Education, Accessibility and Equity, and Civic Engagement.

FUNDING REQUESTED:

\$10,000 to be set aside for sponsorship of the Youth Summit at the Race and Pedagogy Conference

In you have a question related to the Council Consideration Request, please contact Anita Gallagher at (253) 591-5156 or anita.gallagher@cityoftacoma.org.



SUBMITTED FOR COUNCIL CONSIDERATION BY:

Mayor

SUPPORTING COUNCILMEMBERS SIGNATURES (2 SIGNATURES ONLY)

(Signatures demonstrate support to initiate discussion and consideration of the subject matter by City Council for potential policy development and staff guidance/direction.)

1.



POS # 4

2.



POS # 3

2017-2018 Council Contingency Commitments

2017-2018 Biennium Budget	\$ 500,000
Hilltop Regional Health Center (\$50K 2017, \$50K 2018)	\$ 100,000
<i>Resolution No. 39693 (03/28/2017)</i> <i>To support the Hilltop Regional Health Center expansion, contingent upon the Center securing sufficient funds for building renovations and expansion [Council Member Blocker]</i>	
Developing an Anchor Institutions Strategy	\$ 50,000
<i>Resolution No. 39701 (04/18/2017)</i> <i>To develop an anchor institutions strategy to complete a comprehensive study to align current planning efforts, identify gaps, and achieve Tacoma 2025 related goals [Council Member Ibsen]</i>	
Sister Cities Events for Festival of Sail Delegation	\$ 12,000
<i>Resolution No. 39747 (6/13/2017)</i> <i>For expenses related to events for visiting Sister Cities' delegations during the Festival of Sail 2017 [Mayor Strickland, Deputy Mayor Thoms, and Council Members Ibsen and Loneragan]</i>	
Retail Enhancement Strategy Contract	\$ 25,000
<i>Resolution No. 39776 (08/8/2017)</i> <i>Contract for \$25,000 to develop a Downtown retail enhancement study and recruitment strategy.</i>	
Affordable Housing Public and Private Asset Review and Mapping	\$ 10,000
<i>Resolution No. 39790 (8/22/2017)</i> <i>Contract with Forterra for \$10,000 for a comprehensive review and mapping of public and private land that could be utilized for affordable housing.</i>	
Tacoma Reads Together Events	\$ 15,000
<i>Resolution No. 39817 (9/19/2017)</i> <i>Funding to cover contract with author and to cover community events expenses</i>	
Immigrant Legal Defense Fund	\$ 50,000
<i>Resolution No. 39849 (10/24/17)</i> <i>Subfund creation for deportation hearing defense of immigrants w/o resources and legal Counsel.</i>	
Tacoma Housing Authority Landlord Incentive Pilot	\$ 50,000
<i>Resolution No. 39876 (11/28/17)</i> <i>Project pilot offering incentives to landlords accepting THA housing vouchers</i>	
Total 2017-2018 Approved by City Council Through Legislation	\$ 312,000
2017-2018 Biennium Budget Remaining	\$ 188,000



**CITY OF TACOMA, WASHINGTON
OFFICE OF THE CITY COUNCIL
COUNCIL CONSIDERATION REQUEST (CCR)**

TO: City Council
FROM: Council member Conor McCarthy and Council Assistant Lynda Foster
COPIES TO: Elizabeth Pauli, City Manager; Tadd Wille, Assistant City Manager; Bill Fosbre, City Attorney; Executive Leadership Team; File
SUBJECT: Tacoma Permit Advisory Task Force
DATE: 11/30/2017

ITEM/ISSUE PROPOSED FOR COUNCIL CONSIDERATION:

I respectfully ask the City Council to consider the creation of a Tacoma Permit Advisory Task Force to improve City of Tacoma policies, codes, and procedures for the issuance of residential and commercial permits.

Task Force Assignment:

The Tacoma Permit Advisory Task Force will:

- Make Permit System Recommendations: Meet monthly with City staff to review, discuss, and provide recommendations to City Manager and City Council for the improvement of City policies, codes, and procedures for the issuance of residential and commercial permits. Review best practices in peer communities. Monitor implementation progress and recommend adjustments.
- Review of City Policies Under Consideration: Review and provide recommendations to the City Manager and City Council regarding proposed City policies and laws which affect the permitting system.
- Help Solve Customer Problems: At the specific request of permit applicants, review specific pending project permit questions, issues, and challenges, and provide constructive feedback and potential solutions to applicants and City staff.
- Establish Guiding Principles: Establish guiding principles to guide decisions made by task-force.

Composition:

- The Commercial Building Permit Task Force will be composed of 12-15 members representative of the professionals and laypersons who regularly apply to the City for permits. To the maximum extent practicable, the member composition will be proportioned commensurate with the types of professionals and permit applicants which interface with the City, and including the agency representative who represent the industries:

Meetings:

The Task Force will meet at least monthly, and thereafter, as often as may be necessary to fulfill its mission.

BRIEF BACKGROUND:

Construction is a major economic driver in Tacoma, annually producing millions of dollars in local income and tax revenue, and hundreds of jobs. An efficient, predictable, safe, and customer-orientated permitting process is essential to the growth and transformation of our City by boosting investment and development in our City. The City is responsible for regulating and administering the growth and renewal of its built environment. Having a proficient

permitting regime can truly facilitate and accelerate the revitalization of downtown, the rejuvenation of the single family home stock, the ascension of multi-family and residential infill, and the renaissance of commercial development.

Daily, City staff and the development community, (including contractors, engineers, architects, and homeowners), work hand in hand to co-produce permits which ensure that new structures and places are built safely and meet the City's planning objectives and aspirations. This partnership is destined to improve through honest and relevant dialogue with the permit system's primary users. The Permit Advisory Task Force will provide constructive feedback to City staff and policy makers for the continual improvement of the City's policies, codes, and procedures for the issuance of residential and commercial permits.

In you have a question related to the Council Consideration Request, please contact Lynda Foster at (253) 591.5166 (phone) or Lynda.Foster@CityofTacoma.org (email).

SUBMITTED FOR COUNCIL CONSIDERATION BY: _____


Council Member

SUPPORTING COUNCILMEMBERS SIGNATURES (2 SIGNATURES ONLY)

(Signatures demonstrate support to initiate discussion and consideration of the subject matter by City Council for potential policy development and staff guidance/direction.)

1. 

POS # 5

2. 

POS# 2

**City of Tacoma 2017
City Council Forecast Schedule**

Date	Meeting	Subject	Department	Background
December 4, 2017	Special Joint Port Study Session (TMBN 16, 9:00 AM)	Tideflats Subarea Plan Interlocal Agreement		Special Joint Study Session with the City Council and Tacoma Port Commission related to the draft Interlocal Agreement for the Tideflats Subarea Plan. Representatives from the Pierce County Council and Puyallup Tribal Council will be joining the meeting and discussion.
December 5, 2017	Study Session (TMBN 16, Noon)	Federal Transit Administration Ladders of Opportunity Grant – Final Findings & Recommendations	PDS & CED (with Smart Growth American Representatives)	The City was awarded a grant from the FTA to study and identify transit-oriented economic and housing opportunities in the Hilltop neighborhood. The technical assistance team from Enterprise Community Partners and Smart Growth America will present their findings and recommendations for how the City, local partners, and Hilltop residents can stabilize the neighborhood, including ways to preserve affordable housing, incentivize new development, and capitalize on opportunities for small-scale infill development.
		Biogas Project	ESD-OEPS	Presentation on the Environmental Services proposal to process biogas at the Central Treatment Plant for use as vehicle fuel.
		Tacoma Police Department Hiring Process Update	Police	Briefing on the Police Department's efforts to improve their recruiting and hiring process
		Other Items of Interest: - Two Council Consideration Requests - Proposed Resolution for Creating Commission on Immigrant and Refugee Affairs	Mayor Strickland; Council Member McCarthy; and Council Member Campbell	* Council Contingency Fund Request for \$10,000 for 2018 Race and Pedagogy Conference Youth Summit. * Request to Create Tacoma Permit Advisory Task Force
	City Council Meeting (TMB Council Chambers, 5:00 PM)	Mid-Biennial Budget Modifications Ord. Final Reading Billboard Sign Code Amendments Ord. First Reading	OMB CAO	

**City of Tacoma 2017
City Council Forecast Schedule**

Date	Meeting	Subject	Department	Background
December 12, 2017	Joint Utility Board Study Session (TMBN 16, Noon)	Quarterly Joint Meeting	TPU	
		Joint Executive Session - Pending Litigation	CAO	
	City Council Meeting (TMB Council Chambers, 5:00 PM)	Billboard Sign Code Amendments Ord. Final Reading	CAO	
December 19, 2017	Study Session (TMBN 16, Noon)	Environmental Action Plan	ESD-OEPS	Progress Report, to include briefing on the City's climate goals.
	City Council Meeting (TMB Council Chambers, 5:00 PM)			
December 26, 2017	CANCELLED			

Community Vitality and Safety			
Committee Members: Blocker (Chair), Campbell, Lonergan, Walker Lee, Alternate-Mello Executive Liaison: Linda Stewart; Staff Support - Will Suarez		2nd and 4th Thursdays 4:30 p.m. Room 248	CBC Assignments: • Citizen Police Advisory Committee • Human Services Commission • Human Rights Commission • Housing Authority • Commission on Disabilities • Library Board • Tacoma Community Redevelopment Authority
December 14, 2017	Citizen Police Advisory Committee Interviews	Clerks Office	
Future:			
December 28, 2017			

<i>Economic Development Committee</i>				
Committee Members: Campbell (Chair), Mello, Strickland, Thoms, Alternate-McCarthy Executive Liaison: Tadd Wille; Staff Support - Lynda Foster		2nd, 4th, and 5th Tuesdays 10:00 a.m. Room 248	CBC Assignments: •Tacoma Arts Commission •Greater Tacoma Regional Convention Center Public Facilities District •Foss Waterway •City Events and Recognition Committee	
December 12, 2017	NBD Program Activity Update [Informational Briefing]	Shari Hart, Program Development Specialist, Community and Economic Development	Bi-annual status report on the Neighborhood Business Districts element of the "Economic Development Strategic Framework Plan"; including retail activities, physical improvements, and adaptive reuse and infill development.	
	Foss Waterway Development Authority Interviews	Doris Sorum, City Clerk		
Future:				
December 26, 2017	CANCELLED			

Government Performance and Finance Committee				
Committee Members: Loneragan (Chair), Campbell, Ibsen, Walker Lee, Alternate-Strickland Executive Liaison: Andy Cherullo; Staff Support - Chris Bell		1st, 3rd, and 5th Wednesdays 4:30 p.m. Room 248		CBC Assignments: •Public Utility Board •Board of Ethics •Audit Advisory Board •Civil Service Board
December 6, 2017	Joint Audit Advisory Board			
	JobTax Credit			
Future:				
December 20, 2017				

Infrastructure, Planning and Sustainability Committee				
Committee Members: Mello (Chair), Ibsen, McCarthy, Thoms, Alternate-Blocker Executive Liaison: Kurtis Kingsolver; Staff Support - Rebecca Boydston		2nd and 4th Wednesdays 4:30 p.m. Room 16	CBC Assignments: •Sustainable Tacoma Commission •Planning Commission •Landmarks Preservation Commission •Board of Building Appeals •Transportation Commission	
December 13, 2017	Landmarks Preservation Commission Interviews	Doris Sorum, City Clerk		
	Revolving Loan for Historic Buildings Pilot Program [Informational Briefing]	Reuben McKnight, Historic Preservation Officer, PDS	On May 24, 2017, staff will provide a briefing on the Historic Preservation Rehabilitation and Repair Loan. This low-interest loan was created in 2014 to provide gap financing for commercial projects that involve City Landmarks, and may be used for envelope and systems improvements, tenant improvements, and restoration of historic elements, in amounts ranging from \$20,000 to \$100,000.	
Future:				
December 27, 2017	CANCELLED			