Community Engagement Report:

Barriers and Policy Considerations for Accelerating Housing Production

Tacoma City Council Member John Hines
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Introduction

Tacoma is among the fastest growing cities in Washington. As our population has expanded, housing scarcity has nearly tripled home prices and doubled rents. While continued growth is vital for Tacoma's future, soaring housing costs have pushed too many of our residents to spend more of their income on housing or risk being displaced from their community.

In response to our housing crisis, the City of Tacoma has taken innovative steps. In 2018, we created our Affordable Housing Action Strategy, which focuses on how we can create homes, preserve homes, help people stay in their homes and communities, and reduce housing barriers for our most vulnerable community members.

By 2019, we began working on the Home in Tacoma Initiative to advance the development of a diverse range of housing projects by amending our zoning regulations and development standards citywide. Home in Tacoma went into effect in 2025, and we are already seeing housing permit applications increase significantly, a wider range of housing types being developed, and a citywide distribution of projects.

These actions and more have laid the groundwork for housing growth in Tacoma and while signs of progress are emerging, we also know that zoning and strategy alone do not build housing.

The new – and urgent – challenge for Tacoma is to accelerate the movement of projects from concept to permit, from permit to construction, and from construction to occupancy.

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The City of Tacoma faces an urgent need to accelerate housing production. If we cannot quickly increase our housing supply, we risk the growth of far more costly and damaging problems that are more complicated to resolve. To ensure we are well positioned to make real progress, we need to first gain a deeper understanding of the barriers that developers face moving housing projects from concept to completion.

- This report identifies a range of barriers that are slowing housing production, as well as several policy considerations for how we could reduce those barriers.

- The insights and conclusions in this report are drawn from discussions with dozens of local housing developers and financiers, many with decades of experience building in Tacoma.

- A second report outlining a model for a new Affordable Housing Accelerator Program based on the lessons highlighted by developers is forthcoming and aims to help ensure all our residents can find a home in Tacoma.

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Escalating Off-site Improvement and Infrastructure Costs

Developers in Tacoma describe a housing production environment in which multiple factors are squeezing projects from several directions at once. Projects are grappling with rising construction costs, higher interest rates, new state and local requirements, expanding landlord-tenant laws, extended site development timelines, growing impact fees and system development charges, high inflation, low investor confidence, and more.

Increasing costs for off-site improvements and city-related infrastructure requirements are quickly becoming the most common financial challenges housing developers face. In Tacoma, a developer can often be required to take on a range of improvements that each add unique costs, such as alley paving, sidewalk and frontage improvements, ADA curb ramps, stormwater upgrades, sewer and water connections, water meters, water main extensions, power infrastructure, transformers, undergrounding, and other utility-related updates.

While larger development projects may be able to absorb off-site improvement and infrastructure costs and navigate bureaucratic hurdles effectively, ballooning budgets and surprises in the process are likely to stall small infill, missing-middle, affordable, and non-profit projects. A system that inadvertently favors a small handful of large project developers, risks stifling the hundreds of small-scale developers who can create thousands of units.

When is a developer paying for the direct impact of their project, and when are they being asked to fix a broader public infrastructure problem?

Compounding Regulations Hindering Projects

Many off-site improvements and infrastructure requirements produce public benefits beyond the individual project, suggesting that placing the full cost on the first project that triggers the requirements may unintentionally discourage housing production by raising costs. Developers grow frustrated when cities lack frameworks that can help distinguish between improvements directly caused by a project and improvements that primarily advance broader public infrastructure goals.

Developers and architects pointed to specific regulations, particularly new parking requirements, as adding costs, reducing unit count, complicating site design, triggering additional drainage or access requirements. These regulations all too often come without assistance to ensure projects can still pencil. There is an important distinction between parking that the market demands and parking the city requires. If a developer believes tenants, buyers, lenders, or the market require parking, they may still include it. But when the city requires more parking than the project would otherwise provide, that requirement becomes a housing cost and an unfunded mandate placed on developers.

Parking can be especially challenging for small infill sites and missing-middle projects where even a few required stalls can change the layout or reduce the number of homes that can fit on a lot. Parking reform should continue to be understood not only as a transportation or land-use issue, but as part of housing finance.

How can we streamline regulations, address key impediments, and reduce unfunded mandates to make it easier for housing projects to pencil?

Uncertainty and Prolonged Timelines Create Financial Risks

Developers repeatedly shared that cost is a challenge and that uncertainty is a cost multiplier, especially when interest rates are high. Developers can find themselves heading into projects without clear information about the full range of potential city-related and utility-related costs, making projects far more difficult to finance. Several developers described situations where major utility or infrastructure costs only became clear late in the development process, sometimes after significant money had already been spent on land acquisition, architecture, engineering, legal work, financing, consultants, or construction. Tacoma's permit fee tools can help estimate permit fees, but they do not fully capture infrastructure or utility-related costs.

When costs are identified late, developers may have already used contingency dollars, closed on financing, or moved too far into the process to adjust. They may also miss opportunities to apply for grants, adjust their contingency budget, seek additional financing, redesign the project, or decide earlier whether the project is viable.

When site development reviews take time, developers face increasing and often unanticipated costs. Even with robust staff relationships, developers still stressed that the site review process can take too long or feel too unpredictable. Time matters in development because every month of delay increases carrying costs, consultant costs, financing costs, and risk. This is especially difficult in the current market, where interest rates are higher and capital is more cautious. When interest rates are lower, developers can afford to have a higher tolerance.

Can we reduce the time between project concept and clear cost certainty?

Payment Timing Becoming Increasingly Vital for Success

Developers are not just concerned about the total amount of costs alone. The question of when costs must be paid is just as important and can create significant barriers to projects. Developers raised repeated concerns about fees and charges that must be paid before a project begins generating revenue. This includes impact fees, system development charges, utility connection costs, and other up-front development costs. When these costs are due early in the process, they increase the amount of capital needed before a project reaches certificate of occupancy. That can make a project harder to finance, especially when interest rates are high and equity is expensive or cautious.

Smaller homes may be more affordable to buyers, but they also generate less revenue, suggesting each additional cost in the development process can sink a project. If the infrastructure burden for a smaller project is comparable to a larger project, the math can become difficult to justify for developers very quickly. Smaller units do not automatically solve affordability if fixed site and infrastructure costs remain high. Missing-middle housing is especially vulnerable because smaller projects have less room to absorb surprise costs, process delays, parking requirements, utility issues, or site constraints.

How can Tacoma maintain housing production, especially for smaller projects that provide critical missing middle housing, amid higher interest rates and relatively flat rents?

Livability Concerns Damaging Investor Confidence

Developers flagged that public safety, street conditions, downtown amenities, commercial vacancy, and landlord-tenant laws all factor into investor confidence and housing project feasibility. In Tacoma's downtown, developers raised concerns about tenant retention due to safety concerns, commercial vacancies, property damage, security costs, and insurance costs. Tenant retention, in turn, plays a key role in whether investors feel comfortable deploying capital. The finance connection is straightforward: risk affects the cost and availability of capital.

Housing downtown is easier to lease, finance, and market when the surrounding neighborhood feels safe, active, convenient, and complete. A housing project does not exist in isolation. Its feasibility depends in part on whether people want to live in that location and whether lenders and investors believe the neighborhood will attract and retain residents. Developers pointed to local grocery stores and other daily-needs retail as vital for livability.

Restrictive landlord regulations can create a perception of risk for equity investors. Developers shared concerns that Tacoma is being viewed by some investors as a riskier place to own and operate rental housing due to new regulations. That perceived risk can affect whether capital chooses Tacoma, what return investors require, how lenders evaluate projects, and how buyers value completed buildings.

How can Tacoma maintain balance between strong tenant protections while also preserving enough investor confidence to finance and build new rental housing?

Policy Considerations: Moving from Concept to Permitted

- ***Enhance information transparency and provide access to early infrastructure and utility cost reviews.*** A cross-departmental early review process to determine rough cost ranges or known triggers before permit issuance could help clarify information about likely off-site, infrastructure, and utility costs upfront.

- ***Develop an infrastructure proportionality framework to distinguish between project-specific impacts and broader public infrastructure benefits early on.*** If an improvement primarily serves the broader public, the city could consider paying, sharing, deferring, reimbursing, or constructing the improvement directly.

- ***View parking reform and parking benefit districts as key ingredients for a housing production strategy.*** Reducing or eliminating counterproductive—and unfunded—parking mandates may be one of the lowest-cost ways to improve feasibility, especially for small infill and missing-middle projects.

- ***Build missing-middle implementation tools, such as pre-reviewed plan libraries.*** Tacoma could explore more pre-reviewed models, standard code pathways, or early screening tools for common missing-middle projects, including 4-unit, 6-unit, 8-unit, cottage housing, conversions, and small infill projects. The city could also use the successes of the Accessory Dwelling Unit Accelerator Program to look for ways to create more pre-reviewed plans for our missing middle housing types.

Developers are not simply saying Tacoma should remove requirements for development. They are saying the system needs to be more predictable, proportional, and financeable if the city wants to see more housing produced.

Policy Considerations: Moving from Permitted to Construction

- ✓ ***Create different financial assistance tools for different housing types.*** One of the clearest lessons from developers is that different types of housing projects need different types of financial support. There is no cookie-cutter program that will work perfectly for every project. Tacoma should instead design a menu of tools that recognize the differences between market-rate multifamily, workforce housing, nonprofit affordable housing, permanent supportive housing, affordable homeownership, and missing-middle infill.

- For some market-rate or workforce projects, the biggest issue may be timing. A bridge loan, low-interest loan, fee deferral, or payment-over-time structure could help reduce pressure during construction and move costs closer to certificate of occupancy.

- For nonprofit affordable housing, permanent supportive housing, deeply affordable housing, or affordable homeownership, loans may not be enough. If a project serves residents at lower incomes, there may not be enough revenue to repay a loan later. In those cases, grants, reimbursements, matching funds, or other permanent cost reductions could be more useful.

- A matching model may be useful in some cases, especially if costs are known early enough. If a developer knows the city can cover a certain portion of infrastructure costs, the developer may be able to seek other funding sources to match the city's contribution. But that only works if the cost is identified early enough to be included in the funding plan.

Policy Considerations: Moving from Construction to Occupancy

✓***Improve, expand, and support fee deferral or payment-over-time options, while also considering assessing fees as a lien against some projects.*** This could also include enhancing Tacoma's Local Improvement District program as a pathway for more infrastructure improvements. Focus should be on providing opportunities for projects to spread infrastructure costs over a longer time frame or defer payment until certificate of occupancy is issued.

✓***Explore a housing infrastructure assistance fund.*** A fund to help with infrastructure or off-site improvement costs for projects that are close to feasible but face specific cost barriers is important for ensuring housing projects do not stall. Eligible costs could include missing sidewalks, ADA curb ramps, alley improvements, frontage improvements, water or sewer connections, stormwater upgrades, electrical infrastructure, impact fees, and system development charges.

✓***Create a specific tool for assistance with electrical infrastructure costs.*** Existing state tools may help with water and sewer costs, but electrical infrastructure remains a gap. Tacoma could explore a city or Tacoma Public Utilities-related tool for electrical costs connected to affordable housing, missing-middle housing, and downtown housing production.

✓***Enhance tenant interest by linking downtown housing production to downtown livability***. If Tacoma wants more housing downtown, the city will need to focus on public safety, cleanliness, grocery access, daily-needs retail, ground-floor activation, parks, open space, and small business support.

Tacoma has a range of interests it is trying to balance as it advances housing production, including infrastructure longevity, tenant protections, and public safety. If Tacoma wants more housing, especially more affordable housing, workforce housing, ownership housing, and missing-middle housing, we need to develop a system that is predictable, proportional, and financeable.

Thank you to the housing developers and financers who shared vital insights for this project and their hard work building Tacoma's bright future.