

**Remarks of Kim Herman,
Snohomish County Affordable Housing Conference
June 2, 2017**

- **Thank you Mark Smith, Mary Ann Dillon and the board of the Housing Consortium of Everett and Snohomish County for inviting me to speak today.**
- **I want to congratulate Mayor Ray Stephanson on his 2017 Housing Hero Award, which is well deserved. I also want to recognize the presenter, Bob Drewel, who was a strong affordable housing advocate when he was in office.**
- **It is important to say the Congressman Rick Larsen is a strong supporter of affordable housing and we need those in Congress these days.**
- **There are some other important housing partners in Snohomish County that I want to recognize:**
 1. **Ashley Lommers Johnson, Exec. Director of the Everett Housing Authority,**
 2. **Duane Leonard, Exec. Director of the Snohomish Cty Housing Authority; and,**
 3. **Ed Peterson and Fred Safstrom, of Housing Hope,**

Have all been great partners with the Commission.
- **I was really impressed this morning, there were so many public officials introduced I thought we might have to give notice of a public meeting.**
- **There are many other partners represented or here in the room and I am sorry I can't take the time to recognize all of you but I greatly appreciate all of our partners from Snohomish County.**
- **I want to comment on the earlier discussion of the "Housing Snohomish County Project"**
- **I like the approach the Housing Consortium is taking on the Housing Snohomish Project. I have only two Suggestion:**
 1. **The coordination of projects on an annual basis is very important for funding success; and,**

2. **It will be important to review the plan and progress at year 5 to make necessary adjustments.**
- **I would like to do 3 things today:**
 1. **Talk about the challenges we face today trying to deal with affordable housing and Homelessness;**
 2. **Talk about the very efficient and productive affordable housing industry we have in WA; and,**
 3. **Talk about why I chose to make affordable housing my career and why I think it is a career that should appeal to millennials.**
 - **Let's start with the challenges and the impacts of the Great Recession.**
 1. **Between 2008- 2013, while WA was only in the top 10 foreclosure states once, I still estimate WA suffered 90,000 foreclosures.**
 2. **On a national level, for the first time in history, 50%, or two million of the 4 million foreclosures in the US, were purchased by national investment firms who bought up thousands of houses around the country, sight unseen, using computer models, to turn them into rental property and make money.**

While that investment helped spur the recovery, it basically took 2 million homes out of the purchase market and helped contribute to the lack of homes on the market right now.
 3. **If that national % held true in WA, 45,000 houses that would have been on the market during the last few years are now for rent at rapidly increasing rental prices.**
 - **Next, let's look at our state's population.**
 1. **Between 2009 and 2013, it was less than 1% per year.**
 2. **Beginning in 2014, it began to increase, jumping to 1.25%;**
 3. **In 2015 increasing by 1.34%;**
 4. **In 2016 climbing to 1.73%, adding 87,100 people vs 57,600 in 2015.**

- **Net in-migration was the driver to our population growth:**
 1. **Between 2012-2013, driver's license issuances due to in-migration was up 2%**
 2. **Between 2013-2014 it went up 16%**
 3. **Between 2014-2015 it went up 9.4%**
 4. **Between 2015 -2016 it went up 5.4%**
 5. **A total of 32.8% in 3 years!**
 6. **78% of this population growth was going into King, Pierce, Snohomish, Clark and Spokane counties.**
 7. **Just last week, Seattle was named the fastest growing large city in the nation, adding 3.3% more people in 2016.**

- **During this same period, WA's housing stock was falling behind demand:**
 1. **In 2006, the highest year of the housing boom, our housing stock increased by 50,000 new units.**
 2. **In 2011 that dropped by more than 50% to only 20,000 new units.**
 3. **In 2016, we added 34,400 new units, still well under the decade annual average of 43, 500 new units per year.**
 4. **2017 may be the first year since 2006 that we produce more housing in one year than we have averaged each year for the previous decade.**

- **In the meantime, what has been happening to rents in this region?**
 1. **In July of 2014, it was announced that rents in the Seattle Metro region had gone up 6%, year over year, faster than 81 other US Metro regions; and, we had a vacancy rate of 3.2%**
 2. **In March of 2017, Seattle rents went up 8.3%, year over year, with Pierce and Snohomish Counties up between 7% – 8%.**

3. **At the same time, the average vacancy rate in the state dropped to 3.1%. However, Snohomish County had the highest vacancy rate in the state at 3.7%.**
4. **However, if you think 3.1% is a low vacancy rate, consider this: in the last 60 days Walla Walla had a 1% vacancy rate and downtown Spokane had a vacancy rate of less than ½ of 1%.**

How are people supposed to find affordable housing in that kind of environment?

5. **The average rent in King County this spring was \$1,617; in Snohomish County \$1,325; and in Pierce county \$1,070/mo.**
 6. **In fact, between 2011 and 2017, average rents in Snohomish County went up 38.5% (or, 6.4% per year). For 1 BR units it went up even higher at 50%; and, 2 BR units went up a little less at 28%.**
- **Another question is, “what has all of this done Home Ownership costs?”**
 1. **As reported by the Seattle Times in April of 2017- King, Pierce and Snohomish Counties all set record home prices as the “hottest market in the country!”**
 2. **The King County median house price reached \$625,000 – a 15.7% increase in 12 months- more than double the lowest median price during the great recession.**
 3. **At the same time, Snohomish County had a median price of \$440,000, a 17.3% year over year increase; and**
 4. **Pierce County had a median price of \$297,000, with a mere 10% increase.**
 5. **These were the fastest price increases in the last 6 months of any metro county in the nation!**
 6. **In May 2017, houses in Seattle were on the market an average of 7 days before selling.**
 7. **Pierce and Snohomish houses were on the market between 10- and 15 days on average before selling.**
 8. **A normal market supply is a 4 mo. to 6 mo. supply of housing. The Puget Sound region has been averaging less than a 60 day supply for the last year.**

We simply don't have enough affordable housing for sale to meet the demand of our growing population!

- **Now, three final challenges:**

1. **Study after study has shown that incomes have not kept up with the inflation in housing costs.**

While the top 2 % of wealthy people in the nation have benefitted from 80% of the wealth increase over the past 20 years, the middle class has gotten smaller and the bottom 10% of income earners in the nation have gotten poorer.

In WA between 2000 and 2014, real income went down 2.4% while rents went up by 7.8%.

2. **Second, we can't forget the Opioid crisis. I don't have the statistics on that problem in this region but believe me, it is contributing to our homeless problems here, just as it is across the nation.**
3. **Third, I won't even try to elaborate on the challenges coming out of DC, what with "skinny budgets," tax reform, Russian election meddling and who knows what else being talked about tomorrow.**

You heard enough about those challenges from Congressman Rick Larson this morning.

- **Those are the challenges. I recite them because I have been saying for several months now that our current affordable housing and homeless problems are caused by Macro-Economic Forces that no City or County in Washington, nor the State itself, have enough money to overcome.**
- **Most people just don't understand that every major city in the nation is suffering the same affordable housing and homeless problems and expecting each city individually to solve its own problems is overlooking what is truly a national crisis and needs a national response.**
- **So let me move on to my SECOND SUBJECT: why I say Washington has an efficient and productive affordable housing industry.**
- **There are six primary legs to Washington's Affordable Housing Industry:**

1. In 1939 we started creating and supporting locally controlled Public Housing Authorities.
2. In 1983 we became the 49th State to create a Housing Finance Agency (Commission) or HFA as they are known in other states.
3. In 1986 we created the sixth State Housing Trust Fund in the nation.
4. We now collect a \$48 document recording fee on every real estate transaction in the state to support our programs aimed at preventing and stopping homelessness. I will talk more about this a little later.
5. Compared to most other states, we have an over- abundance of very qualified and experienced nonprofit housing development organizations across the state.

Did you know, for example, we have the fifth largest senior housing provider in the nation, managing over 5,000 units, residing in Seattle and working across Puget Sound?

6. Finally, we have a steady group of for-profit developers and service providers in Washington that have made a business out of producing affordable housing.
- Obviously, there are other significant players in the state, including major city and county housing agencies, other state agencies and foundations that are largely active in partnership with the primary players.
 - And, you can't forget that we have had major federal support through HUD, USDA and most recently, the Veterans Administration.
 - We now have three cities that have passed housing levies in the state, Seattle (5 times), Bellingham and Vancouver, once each.
 - But, for the sake of time, let me talk about what the primary players have accomplished.
 - When I came back to WA State from the other Washington after being gone for 11 years, we formed the Washington Coalition for Rural Housing, which was a forerunner of the Washington Low Income Housing Alliance.
 - In 1980 we did a survey of the subsidized affordable housing in Washington; all 26,000 units of HUD, USDA, Housing Authority and nonprofit owned subsidized units that made up the affordable rental housing sphere at that time.

- **The second thing we learned was that the only state supported housing program, other than housing authorities, was a small home repair program for Social Security recipients.**
- **That was it!**
- **Of course, the population back then was just over 4.1 million people. However, 1980 was one of the largest growth years in our history, with a population increase of 3.25% that year!**
- **Now, let's look at what has happened between 1980 and 2017 based on the effectiveness and productivity of our primary affordable housing players.**
- **First, according to the 2015 Affordable Housing Needs Study, while the state's population had increased by only 73% from 1980, we had increased the number of subsidized rental housing units in the state to 134,393 units, more than 5 times as many subsidized units as existed in 1980.**
- **And, because those numbers were actually based on the number of subsidized units in 2014, I believe we have added another 15,000 subsidized units to that number over the past two years.**
- **So, let's look at the growth of the primary affordable housing programs in the state up to the current time.**
- **The 37 Public Housing Authorities in Washington own over 60,000 subsidized housing units that have been developed since they were created.**
- **These reflect housing units created leveraging different financing options including tax exempt bonds, housing tax credits, private investments, state funds and other sources to build mixed-income and affordable rental housing for working families, seniors, people with disabilities and formerly homeless families.**
- **Washington's housing authorities were responsible for completing five of the most successful Hope VI public housing redevelopment projects in the nation, which contributed \$2 billion to the region's economy and produced over 5,000 units of low and moderate income housing over five years.**
- **In addition, two additional Hope VI look-alike projects were completed in Bremerton and Tacoma by housing authorities using a combination of federal, state and local funds.**

- Since 2012, the state's housing authorities have increased their issuance of tax exempt bonds to build, purchase and refinance new and existing affordable housing projects from \$12 million to an estimated \$258 million this year.
- Washington housing authorities are the 3rd highest bond issuing housing authorities of any state, behind only California and New York.
- In addition, our Public Housing Authorities administer the federal rental voucher programs in Washington that serves 92,000 households across the state.
- 94% of these households are either families with children, seniors or handicapped persons.
- However, 74% of the non-senior, non-handicapped households are low-income working families.
- The HUD voucher programs they administer represent an annual investment of \$756 million in rental assistance, which is paid largely to private sector landlords along with a smaller percentage of nonprofit housing organizations across the state.
- Washington was the 6th state to create a Housing Trust Fund in 1986.
- The HTF has invested over \$1 billion of State funds to leverage more than \$5 Billion in other financing assistance to help create 47,000 units of affordable housing statewide.
- The Housing Trust Fund serves primarily households earning less than 50% of area median income and provides housing to 78,000 of the state's most vulnerable residents.
- The Housing Trust Fund has financed housing in every county in the state and while 90% of the funds go to finance rental housing, 10% has gone towards homeownership.
- Now, I haven't talked much about the programs to prevent and end homelessness but let me touch on those for a moment as they relate to the Department of Commerce, which operates the Housing Trust Fund and the primary homeless programs.
- It was estimated that in 2016 there were almost 21,000 homeless people in Washington.

- We also know that during the 2015-2016 school year there were approximately 30,700 homeless students in our schools.
- What you may not know is that in 2014 state and local governments in Washington spent \$196 million to support homeless and housing assistance programs;
- 56% of that came from the state and local document recording fees, 36% was from federal sources and 8% came from local donations.
- This is an extraordinary commitment of funds to try and address our State's homeless problems but, as we know, the homeless numbers have trended up since the beginning of the great recession.
- Personally, however, I don't believe this is because these homeless dollars are being mismanaged or misspent, as some people have claimed. That doesn't mean, however, that we can't learn to do things differently in the future if it will have a greater impact on the problem.
- **What About the Washington State Housing Finance Commission?**
- Since our creation in 1983, the Housing Finance Commission has financed:
 1. Over 60,000 single family homes for low and moderate income families in every county in the state, valued at more than \$6.75 Billion.
 2. We have finance almost 107,300 units of affordable rental housing valued at more than \$7.7 Billion dollars.
 3. Together these housing units house an estimated 350,000 low and moderate income people in Washington. That's more than the population of Thurston County.
- In Snohomish County alone, we have provided almost \$968,500,000 in first mortgage funds to help almost 6,300 households to buy a home.
- We have provided just over 2,500 of these home buyers more than \$21.6 million in down-payment assistance to help them buy their homes.
- We have provided \$1,593,000,000 to finance a total of almost 15,000 units of affordable multifamily housing in the county, including 90 projects that are still being monitored by the Commission at the current time.

- **And, we know that over 60% of these multifamily units have been developed and owned by the private sector developers that have participated in our rental housing programs since we began operations in 1983.**

And we also know there are 8-10 for-profit developers and owners that participate in our multifamily financing programs that make it their business to produce affordable housing and they are in it for the long haul, owning and managing these projects for the 40 year life of our Regulatory Agreements.

- **And just to let you know, yes, the Commission is participating in the building boom that is going on in this region by having two of its biggest financing years ever in 2015 and 2016, financing more than 10,000 single family homes across the state and more than 10,600 multifamily affordable apartments at the same time.**
- **Combined, this represents an investment of \$3,865,000,000 in the last two years and we are continuing to invest at a similar rate so far in 2017.**
- **Now, the good news is that all of us in affordable housing have been producing affordable housing and fighting homelessness efficiently and effectively for years but given the challenges I outlined earlier, you have to be in the industry to know where look to see the difference.**
- **Have we closed the gap – NO! But since the 2015 Needs Study we have added 16,300 affordable units; however, population growth has probably kept the gap close to the same.**
- **For people earning less than 30% of area median income, there are only 28 affordable units for every 100 families.**
- **For people earning less than 50% of area median income, there are slightly more, 51 affordable units for every 100 families.**
- **Finally, let me address my final topic, why I chose to make affordable housing my career.**
- **When I was a kid growing up in Spokane, I had the opportunity to learn carpentry from my dad, firsts when we got rid of our coal burning furnace in the basement and built bedrooms for me and my brothers. We did this twice as our house grew over the years and we got older and didn't want to share rooms.**
- **In addition, I helped build our lake cabin in Idaho, again more than once, as we expanded and changed it over the years.**

- While my older brother loved to work on motors, that wasn't my thing – whenever I took a motor apart and tried to put it back together, there were always parts left-over.
- My thing was carpentry, so when I went into Peace Corps after college, I was assigned to rural community development, building schools, an agricultural warehouse and rural access roads.
- So, when I came out of Peace Corps and was looking at available jobs, I gravitated to the affordable housing programs in rural America, joining the Community Action Agency in Fauquier County, Virginia as a Rural Housing Specialist.
- That got me started in a career in affordable housing that took me to Mississippi running a Self-Help Housing program for African American farm workers;
- to the Rural Housing Alliance in DC, where I provided technical assistance to rural housing programs building housing for farmworkers in 28 states;
- Which brought me back to Washington to work for HUD on rural housing and then on to housing jobs in Yakima, Portland and finally to my current position as Director of the Commission.
- All of it focused on building, developing and financing affordable housing for low and moderate income people.
- Originally, what I liked about affordable housing was the reinforcement of being able to see a product of my work.
- I can still go back to Virginia and Mississippi and see the houses I helped build there.
- In fact, when my son Scott rode his motorcycle around the nation three years ago, he stayed with a friend of mine in Mississippi who showed him some of the houses I built there. Unfortunately, he also showed him some of the bars I used to drink in !
- Here in Washington, I can drive into most of the counties in the state and see multifamily housing that we have financed and know there are also thousands of homes we helped people buy.
- But, that isn't the only reason I now believe being in the affordable housing business is a wonderful way to make a living.

- **In the last 15 years there have been a great number of studies about the relationship of housing to health, educational outcomes and civic participation of families that are living in affordable and stable home situations.**
- **We know that without stable housing, children miss more school, need to repeat grades more often, and require more special education services.**
- **We know that the social determinants of health, the conditions of the environment in which people live, learn, work and play, are responsible for 60% of the US population's health status.**
- **We know that worry about how to pay the rent or the mortgage causes isolation, depression and anxiety among parents, which is damaging to their health.**
- **We know that parents in stable, affordable housing spend more time with their children, participate more in school and civic activities and suffer less damaging stress and anxiety in their lives.**
- **In summary, we know that a stable decent home provides more than shelter to its residents- it provides them opportunities for their current well-being and the future well-being of their children.**
- **So, while I may have gotten into a career in affordable housing because it gave a feeling of satisfaction to see the housing that I could help build; I now have a different perspective on my career.**
- **Basically, besides being in an interesting, challenging and satisfying career helping people have a stable home,**
- **where else could you work and realize you are contributing to the health of hundreds, even thousands of families;**
- **Where else could you work and realize you are improving educational outcomes and future opportunities for hundreds, even thousands, of children.**
- **Where else could you work and know that what you do is providing hundreds, even thousands, of parents the opportunity to play a greater role in their children's education and fulfill their civic responsibilities.**

- **These are the things I have learned and think about now and why I consider my career in affordable housing to be one of the most challenging, satisfying and rewarding careers that young people can consider when thinking about what they want to do with their lives.**
- **Personally, I can't think of a better way to spend your life then helping people have a decent, safe and affordable place to call home.**
- **Thank you!**