

Housing Strategy: NE Spokane

Spokane OZ TA

Cooperative Agreement No.: C-20-TA-MD-008

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Submitted To:

Northeast Community Center

Attn.: Jene Ray

Associate Director

4001 N Cook Street

Spokane, WA 99207

JRay@NECommunityCenter.com

May 13, 2024

Authors: Jennifer Stoloff, Russ Davis, Gabrielle Flanders, and James Kim.

May 13, 2024

Jene Ray
Associate Director
Northeast Community Center
4001 N. Cook Street
Spokane, WA 99207
JRay@NECommunityCenter.com

Reference: Cooperative Agreement No. C-20-TA-MD-0008; Work Plan No. ECO-O-20-201-00; "Spokane OZ TA" (Project No. 4021-201).

Dear Ms. Ray:

Econometrica is pleased to submit this Housing Strategy: NE Spokane, produced under the above-referenced contract.

If you wish to discuss any aspect of this submission, please feel free to contact me at (240) 204-5159 or JStoloff@EconometricaInc.com.

Sincerely,

Econometrica, Inc.



Jennifer Stoloff
Project Manager

cc: Contract File

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List of Acronyms

Acronym	Definition
ADU	Accessory Dwelling Unit
AADU	Attached Accessory Dwelling Unit
ACS	American Community Survey
BOCA	Building Opportunity and Choices for All
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CLT	Community Land Trust
DADU	Detached Accessory Dwelling Unit
Fannie Mae	Federal National Mortgage Association
GMA	Growth Management Act
HAI	Home Affordability Index
HAP	Housing Action Plan
HCO	Housing Counseling Organization
IZ	Inclusionary Zoning
LEC	Limited Equity Cooperative
MDI	Minority Depository Institution
MF	Multifamily Housing
NAR	National Association of Realtors
RDA	Regional Development Authority
SEH	Shared Equity Homeownership
SMC	Spokane Municipal Code
RCW	Revised Code of Washington

Executive Summary

ES.1. Overview

This report analyzes current housing conditions and proposes affordable housing development strategies for Northeast (NE) Spokane, Washington, with a focus on the Hillyard neighborhood. The proposed strategies would add housing to NE Spokane without displacing current residents. Spokane has already eased the barriers to adding housing in the form of small multifamily developments and accessory dwelling units (ADUs) in formerly single-family-only zoned areas. The core policy recommendation is to use an organizing nonprofit, such as a community development corporation (CDC), to act as the organizational center for the various strategies designed to prevent displacement and increase the supply of affordable housing.

Spokane has amended its laws and put into effect emergency ordinances when needed to try to keep up with housing demands and expand the supply of affordable housing. The removal of single-family zoning was part of Building Opportunity and Choices for All (BOCA) and will continue in the permanent ordinance Building Opportunity for Housing, which allows the development of denser housing options, a strategy that could increase affordable housing. Further development is still needed to meet the housing needs of the city. Affordability is a priority when developing housing to ensure it is available to people at all income levels and to mitigate economic and other types of displacement.

While gentrification remains a risk in Hillyard, there are many promising strategies, such as inclusionary zoning, shared equity housing, and community land trusts that can preserve and even increase the supply of affordable housing. New housing development could use the power of a CDC-led community land trust to preserve long-term affordability and combine it with shared equity housing as a way to allow low-income families to enter the housing market as homeowners, increasing their wealth and equity in the process.

Based on the results of a local survey conducted in the spring of 2024, the residents in NE Spokane are open to the types of development options suggested in this report (see Section 5.2 and 6.Appendix B). Homeowners are interested in the options for ADUs, and possibly expanding their homes. Prior to the survey, 52% of homeowners had considered adding an ADU or separate living area for a parent or child. Almost half of renters were considering buying a home. Respondents have been in NE Spokane an average of about 18 years and mostly like living in their neighborhoods. Safety concerns were mentioned often, however, but despite that, the commitment to the area was strong. Because many families are lower-income, homeownership may not be a viable option without supports, which could be in many forms, as discussed throughout the report. Similarly, homeowners would need financial support and guidance through the complicated development processes that would help add affordable housing to Northeast.

ES.2. Housing Market

The U.S. housing market is in a state of flux, and any housing strategies must take that into consideration. Nationally, home prices reached a historic high at the end of the summer of 2023. The home affordability index (HAI) is currently below 100, meaning that the typical family cannot afford to buy a median-priced home. Incomes are not keeping up with the rising costs of homes,

which makes purchasing a home difficult for potential buyers everywhere. Moreover, in the second quarter of 2023, Washington State experienced a downturn in its housing market, with declines in both sales and new building permits compared to the previous year. As of October 2023, Spokane continues to have a low housing supply. The result is heightened competition, with buyers and investors seeking to profit from rental income opportunities.

The real estate market analysis for Hillyard in October 2023 indicates a competitive environment with rising home prices, despite affordability challenges. In Hillyard, 34% of the housing stock was built before 1940, compared to 25% in Spokane and 12% in the United States as a whole. Despite the age of the housing stock, occupancy rates are high and rents are relatively low compared to other parts of Spokane. The average income is also lower compared to other parts of the city and the United States overall. Older housing stock and relative affordability make Hillyard a prime target for real estate investment.

ES.3. Policy Environment

The Washington State Growth Management Act (GMA) is a series of regulations for cities and counties to follow when designing comprehensive plans for population growth. The GMA, which was enacted in 1990, outlines 14 goals with respect to city planning and environmental protection.¹ Because Spokane is a “fully planning” county, it is required to follow the development plans outlined in the GMA.² A key goal of the GMA is to increase “middle housing” in Washington by adding 1 million new homes by 2044. Middle housing is defined as “buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing”.³ This type of housing should focus on areas that were primarily designated for detached single-family homes. The goal of increasing middle housing is to add housing options at various income levels. The increase in housing “intensity” should be focused in areas that are a walkable distance from jobs and services or are near public transport.

In 2021, the City of Spokane adopted a Housing Action Plan (HAP).⁴ The HAP was developed to address Spokane’s current issue of low vacancies and increasing housing prices. The goals included in the plan are (1) increasing the housing supply for all income levels, (2) preserving housing affordability and quality, (3) increasing access to housing and homeownership, and (4) growing partnerships that will support housing initiatives. Spokane projects that by the year 2037, 68,000 additional housing units will be needed for the growing population in the area.

¹ Municipal Research and Services Center of Washington (MRSC). Growth Management Act. <https://mrsc.org/explore-topics/planning/gma/growth-management-act>.

² Washington State Department of Commerce. *Housing Memorandum: Issues Affecting Housing Availability and Affordability*, p. 34. June 2019.

<https://www.ezview.wa.gov/Portals/1976/Documents/Guidance/Commerce%202019%20Housing%20Memo%20-%20Primer%20on%20Housing%20Economics%20.pdf>

³ Engrossed Second Substitute House Bill 1110, p. 5. May 2023. <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

⁴ City of Spokane. Spokane Housing Action Plan. July 2021.

<https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

Although housing prices and rents in Spokane are more affordable than in other cities in the region, such as Coeur d'Alene and Boise, prices have increased greatly since 2010, but household income has not kept pace. In 2018, 40% of households in Spokane were “cost-burdened,” spending over 30% of their income on housing. To reduce the number of families who are cost-burdened, more middle housing needs to be developed. Only 9% of housing in Spokane is multifamily and almost 70% is single-family detached homes.

ES.4. Infill Development Strategy

The proposed development strategy focuses on the residential areas of Hillyard. The infill plan includes the steps needed for Hillyard to pursue a strategic vision built on incentives for owners and renters to support individual housing upgrades and neighborhood infrastructure improvements. The plan describes how a dedicated development support organization, such as a CDC, can be created to provide education, support economies of scale, and provide access to resources. The infill plan includes measures to track progress and suggests ways to incentivize and encourage current residents to participate.

ES.4.1. Preventing Housing Displacement

Hillyard has a large number of low-income residents who are potentially at risk of economic displacement if housing costs increase. The Washington State Department of Commerce provides strategies that cities and counties can adopt to minimize displacement, including just cause eviction protections, tenant relocation assistance, mobile home park preservation and relocation assistance, property tax assistance programs, and grants or loans to directly support small businesses.⁵ The CDC can help with landlord–tenant issues by referring renters to appropriate legal representation or social service agencies and provide housing counseling for those interested in home ownership. Spokane’s HAP includes an assessment that identifies areas in Spokane at high risk of displacement, which also coincides with historic patterns of residential segregation, such as redlining.

ES.4.2. Paths to Homeownership

Benefits of infill development are discussed in terms of both how homeowners can maximize their investments and also how renters can become homeowners. The report suggests six potential approaches: rent-to-own from current landlords, rent-to-own new units, fractional homeownership, co-develop property, assisted home purchases, and foreclosure programs. All of these approaches can be included in the overall infill plan managed by the local CDC. An inclusive and flexible approach to homeownership will benefit all residents and potentially strengthen community ties.

ES.4.3. Development Goals and Challenges

Examples of the investment potential of the Hillyard area are additional rental revenue, property valuation increases, and service-based revenue streams. One way to provide investment education is through an online dashboard that gives estimates of properties’ investment values. As prices and rents change, homeowners can get an up-to-date assessment of how much value they could create

⁵ Washington State Department of Commerce. Guidance for Developing a Housing Action Plan: Public Review Draft, p. 155. https://www.ezview.wa.gov/Portals/_1976/Documents/housing-resources/Guidance%20for%20Developing%20a%20Housing%20Action%20Plan_Public%20Review%20Draft_062420.pdf

with the property. There are relatively few vacant lots in Hillyard, but there are opportunities for ADUs and additions to existing houses.

Most housing stock in Hillyard is older and small (one bedroom). The area is somewhat distant from downtown and other employment centers and is disrupted by I-395. Still, the goals of protecting current residents, adding larger housing units (two and three bedrooms), and beautification/walkability can be met with a mix of resident-led development, capacity building for small developers, and the addition of greater density on the main commercial corridor.

ES.4.4. Strategic Approach

Structured Resources Pursuit Group. The proposed strategic approach requires resources, which can be compiled by the CDC. Because government cash subsidy programs are scarce, community members should take the lead in coordinating development efforts through the CDC. Existing community anchors, such as the Northeast Community Center (NECC) and neighborhood associations could also serve in this role. The coordinating organization and leaders could provide resources for the community and work with residents and city departments.

Special Area Designations. Many government community revitalization programs are limited to, or at least targeted to, areas of special need. The CDC should create a list of all special area designations that Hillyard qualifies for, together with information about the funding cycles, eligible uses of funds, and application procedures. The likelihood of receiving funds is much higher for communities in special districts.

Work with Housing Development and Financing Entities. Organizations with greater access to funds include Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Housing Counseling Organizations (HCOs), and Regional Development Authorities (RDAs). The Hillyard CDC should seek relationships with each type of organization that might be useful in implementing the strategic plan. In cases with a high return on investment, the Hillyard CDC might serve as the eligible organization.

Build Capacity for Small and Single-Family Developers. Single-family homeowners and small developers do not have the scale to get the lowest costs. Several proven methods can help create a base of capable small-scale developers; these include training, technical assistance, model documents, mentors, step-by-step guides, access to city officials, and shared services for accounting and legal services.

Create Several Hillyard-Specific Small-Developer Business Models. The CDC could aggregate and swap land, mitigate regulatory burdens, and provide some aspects of economies of scale by working with many small developers to share services and financing costs. Land could be collected and swapped to provide a single-family developer or a single-site developer with cheaper land. If the lot has to be cleared, possibly including demolition, the city could provide equipment, labor, and free disposal. Construction costs could be lowered if the CDC provides services such as free architectural drawings and engineering support, donations of materials, or labor from training programs for trades. The hours of developer time could be reduced by providing model documents, technical assistance in negotiating with and monitoring contractors, and other forms of technical assistance. Finally, fixed costs could be spread among many small developers to get lower financing costs or legal services.

Create Capacity Within the Hillyard CDC for Zoning and Permitting Assistance. Assistance with regulatory requirements translates to dollar contributions. For more dollar impact, the city should do more than just drop or modify individual requirements: it should eliminate whole sections of procedures and provide affirmative assistance with burdensome regulations. The Hillyard CDC could break down the entire permitting process and requirements into a list of tasks for the developer. Each task would be assigned a cost estimate to the developer, a time delay burden to the developer, levels of policy priorities, a justification for why it cannot be waived if that is the decision, and a commitment to provide technical assistance in the permitting, financing, and construction phases of development.

Create a Hillyard CDC-Specific Community Assistance Portfolio. Beyond permitting and regulation, for each type of assistance, the Hillyard CDC would create a budget, a management plan, and a performance monitoring plan that describe the potential in Hillyard: the number of families, the number of housing units involved, the dollar amounts needed and realistically available, the mechanisms for encouraging participation by current owners and residents, and programs that can provide resources.

Create Economic Development Capacity. Any densification of Hillyard beyond about a 5% housing unit increase is likely to impose burdens on the community infrastructure. These include the need for parking, utilities, commercial and retail services for residents, and schools. The Hillyard CDC should compile a list of needed infrastructure improvements and check with the providers of community services to understand how the increased burdens and costs are estimated, and the timelines needed to match improvements to the increases in housing density.

ES.5. Summary

The strategic plan begins with a proposal for resident-led infill development, facilitated by a CDC or other nonprofit organization. The strategy includes a vision for systematic future development that would benefit the current and future residents of Hillyard. Current homeowners have the potential to realize additional value from their properties by creating rental units or upgrades they can enjoy. For renters, eviction protections and options to buy their homes from their landlords are suggested. Renters are a large part of the community and can benefit from both housing and economic development if some protections are put in place. The CDC would have a capacity building role by providing education and resources for community members. It could also help set up a land bank, legal services, and simplified permitting processes in cooperation with the city and other stakeholders.

The strategy recommended here depends on residents as developers to improve their properties and add more bedrooms, more units, and mixed-use development, and to leverage job-related ties to a more compact industrial zone. The level of development is at “mid-scale,” and the strategy can work within the current physical and socio-economic characteristics of Hillyard’s sub-neighborhoods. It will also meet the “middle housing” goals of the city and state. With any housing strategy, rising property values will eventually create pressures for gentrification, but a community that is financially educated will be able to protect itself from displacement, while at the same time benefiting from valuation increases, improved amenities, and upgraded infrastructure.

1. Introduction

The purpose of this report is to provide housing development strategies for Northeast (NE) Spokane, Washington, with a focus on the Hillyard neighborhood. The report provides background information on the overarching community issues, followed by a summary of current housing market conditions, the local and state policy environment, and a detailed analysis and description of infill development strategies, including financing options. The final section presents policy recommendations.

1.1. Goal of the Study

The goal of the study was to develop a plan that would add housing to NE Spokane without displacing current residents. The Hillyard neighborhood is home to many of the city's lower-income households. It has a disproportionately large number of older and smaller housing units, which are primarily single-family, detached dwellings. The area has opportunities to change its character by adding small-scale multifamily units in the form of duplexes, triplexes, and fourplexes, constructing accessory dwelling units (ADUs), and demolishing and rebuilding deteriorated houses. Implementation of such a program should commence slowly and methodically, following the lead of the neighborhood residents. However, the area could greatly benefit from greater density, which would support more local retail and possibly other businesses.

The concern is that in NE Spokane, which is a lower-priced market, gentrification could take hold and long-time residents could be forced out. Because the direction of area housing market and population trends is not known, a methodical plan to slowly increase "middle" housing is a good approach. Middle housing is defined as "buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing"(p. 5).⁶ Strategies such as community land trusts, shared-equity housing, and limited equity cooperatives may be considered to preserve and increase affordability for current and future residents.

Higher density zoning carries the risk of gentrification because housing costs in Hillyard, while still high, are more affordable than in many other neighborhoods in Spokane. Adding newer "higher-end" homes could increase property values, adding burden to lower income homeowners and pricing out renters. These families do not have many affordable options in Spokane. The leaders of development in Hillyard should work with the City of Spokane to find ways to protect the most vulnerable families. The goal is to minimize the involuntary displacement of families while still providing improvements to the neighborhood and increasing overall housing supply and quality.

1.2. Current Resources

The City of Spokane has already put in place new regulations to facilitate the development of small multifamily units (duplexes, triplexes, quadplexes) in areas that previously allowed only single-family housing. The Building Opportunities and Choices for All (BOCA) interim ordinance⁷ is

⁶ Engrossed Second Substitute House Bill 1110, p. 5. May 2023. <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

⁷ <https://my.spokanecity.org/housing/building-opportunity/>

being consolidated as Building Opportunity for Housing, which will be part of the Comprehensive Plan. Together with the previously adopted Housing Action Plan,⁸ Spokane is actively taking steps to encourage infill and affordable housing development. Parking requirements have been eased, ADUs are easier to develop, and middle housing is more feasible. The subarea plan⁹ underway for Hillyard has a similar focus as this report and divides the area into similar subareas as in the Housing Development and Infill Strategy proposed in this report.

1.3. Organization of the Report

This report describes a housing strategy to encourage affordable housing development. The remainder of the report is organized as follows.

Chapter 2 reviews the literature on approaches to prevent displacement by increasing the housing supply and housing options, including tools for increasing affordable housing, such as inclusionary zoning, shared/limited equity cooperatives, and community land trusts.

Chapter 3 presents an overview of the current housing market at the national, state, and local levels. It provides details about Hillyard's population and some details about its real estate market. The chapter provides some basic characteristics of the families in Hillyard compared to the rest of Spokane, Washington State, and the United States overall.

Chapter 4 reviews relevant state and local policies on affordable housing. These include Washington State's Growth Management Act and policies on zoning, density, housing types, parking, displacement, and affordability and how each of these is managed in Spokane. The emphasis on middle housing and avoiding displacement is carried through from the state laws to local ordinances.

Chapter 5 is the core of the report; it provides details about how to create a housing development and infill strategy. While it focuses on Hillyard, the principles could be applied to any neighborhood in NE Spokane. It divides Hillyard into three main areas—industrial, residential, and commercial. The focus is on strategies to increase the affordable housing supply in the residential area, with minimal displacement of current families. Details about the current neighborhood are presented together with a projection for the infill plan. A lead organization is proposed, probably in the form of a community development corporation, that could provide education and guidance, and facilitate various real estate transactions. While community land trusts are not a key focus of the report, they are one of several approaches that could help maintain affordability in Hillyard, together with small-developer-led renovations and new construction. The goal is to empower current residents in Hillyard to realize the value of their homes and neighborhood.

Chapter 6 provides a brief conclusion to the report.

⁸ <https://my.spokanecity.org/housing/spokane-housing-action-plan/>

⁹ <https://my.spokanecity.org/projects/hillyard-subarea-plan/>

2. Background

The current housing strategy presents approaches to prevent displacement by increasing the housing supply and housing options in NE Spokane. Potential tools for increasing affordable housing include inclusionary zoning, shared equity housing, limited equity cooperatives, and community land trusts. The removal of single-family zoning, which was included in BOCA and will continue in the permanent ordinance, allows for the development of denser housing options, which could increase affordable housing. Removing single-family zoning requirements is a relatively new approach, and literature on the subject is limited.

2.1. Gentrification and Displacement

Gentrification is a commonly used term, first used by Glass in the “Introduction” to *London: Aspects of Change*.¹⁰ In that chapter, Glass describes many of the same phenomena observed in cities and urbanizing areas today: a mix of immigrants, a need for center city housing by middle and upper class households, the inevitable clash of cultures between longer-term, lower-income families and those moving to be closer to the amenities and conveniences of center city living. The similarities to Spokane include pressures in the housing market, a lack of housing supply, and rising prices, which threaten the enclaves of affordable housing in NE Spokane and particularly in the Hillyard neighborhood.

While gentrification can also bring neighborhood amenities and economic development that are beneficial to all residents, the risk to residents of Hillyard is displacement, which can include the uprooting of local cultures and norms. Displacement can be defined as “the forced or involuntary relocation of residents, including ... from [areas] where a tenant would ... want to remain if not for socioeconomic or environmental pressures.”¹¹ In his early work, Freeman looked at the relationship between displacement and gentrification and concluded that the issue is that more people are moving into gentrifying neighborhoods rather than current residents being displaced,¹² but the timing of this process is unclear. Many years of public disinvestment can cause displacement long before the signs of gentrification are apparent. Federally sponsored “urban renewal” often followed long periods of disinvestment. Urban renewal programs, together with freeway construction, physically devastated many neighborhoods.¹³ In fact, freeway construction is underway now in the Hillyard area, creating a large physical barrier between different parts of the neighborhood.

There is evidence that displacement can precede gentrification and may be an early warning sign. For example, as people start to buy properties, rehabilitate them, and charge higher rents, current residents may be forced to move due to a lack of affordability. This process sets the stage for a

¹⁰ Glass, R. 1964. “Introduction.” In R. Glass, E. Hobsbawm, H. Pollins, W. Ashworth, J.H. Westergaard, W. Holdford, et al., *London: Aspects of Change*. London: MacGibbon & Kee.

¹¹ Dorazio, J. 2022, September 26. *Localized Anti-Displacement Policies*. Retrieved from CAP 20 Center for American Progress: <https://www.americanprogress.org/article/localized-anti-displacement-policies/>

¹² Freeman, L. 2005. “Displacement or Succession? Residential Mobility in Gentrifying Neighborhoods.” *Urban Affairs Review*, 40(4), 463–491. doi:10.1177/1078087404273341

¹³ Zuk, M., Bierbaum, A. H., Chapple, K., Gorska, K. and Loukaitou-Sideris, A. 2018. “Gentrification, Displacement, and the Role of Public Investment.” *Journal of Planning Literature*, 33(1), 31–44. doi:10.1177/0885412217716439

higher-income resident group and the amenities that they bring.¹⁴ Some studies find that communities experiencing some form of gentrification are actually more stable than expected, but this may be because families see the positive changes and double up or undertake other strategies to remain in the neighborhood.¹⁵ In the academic literature, much hinges on the exact definition of “gentrification”; however, in the context of Spokane, it is important to look at the processes, some already in motion, that could disadvantage families in NE Spokane. According to Bates, assessing the risk of displacement is critical.¹⁶

2.2. Inclusionary Zoning

Inclusionary Zoning (IZ) generally means a mandatory or discretionary requirement to include affordable units in any type of new development. The goal of IZ programs is to integrate lower income families into higher-income neighborhoods and allow them better access to the amenities in those areas, such as higher quality schools, parks, retail options, and, potentially, jobs. While IZ is usually not considered a way to prevent gentrification, it may be a means for people to stay in their neighborhoods as they are priced out of other options. The evidence on the success of IZ is mixed.¹⁷ The oldest programs, around since the mid-1970s, have produced the most units, but their contribution to the total amount of affordable housing is relatively small.¹⁸ Perhaps because of the small number of units produced, the evidence that IZ causes a decline in other affordable housing programs is also weak.¹⁹

The literature demonstrates that IZ has produced relatively few units. The least productive programs are voluntary; those that have mandates are more productive. One limitation of IZ is that the required term for affordability can vary from 30 years or less to the life of the building. IZ units also primarily serve people with area median incomes (AMIs) in the 50–80% range. This means that very low-income families may need additional subsidies to afford IZ units. There is limited evidence that IZ increases affordability and racial integration.²⁰

2.3. Shared Equity Homeownership and Community Land Trusts

Shared equity homeownership (SEH) is an approach that allows lower-income families to have some of the benefits of homeownership with a lower buy-in requirement. The downside is that families will not build as much equity in the private market. This approach can also be combined with community land trusts to create stable, long-term, affordable housing communities.²¹ In their

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Bates, L. K. 2013. *Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification*. Urban Studies and Planning Faculty Publications and Presentations. doi:<https://doi.org/10.15760/report-01>

¹⁷ Freeman, L. and Schuetz, J. 2017. “Producing Affordable Housing in Rising Markets: What Works?” *Cityscape: A Journal of Policy Development and Research*, 19(1), 217–236. Retrieved from <https://www.jstor.org/stable/10.2307/26328307>

¹⁸ Ibid.

¹⁹ Wang, R. and Fu, X. 2022. “Examining the Effects of Policy Design on Affordable Unit Production Under Inclusionary Zoning Policies.” *Journal of the American Planning Association*, 88(4), 550–564. doi:10.1080/01944363.2022.2027263

²⁰ Ramakrishnan, K., Treskon, M. and Greene, S. 2019. *Inclusionary Zoning: What Does the Research Tell Us About the Effectiveness of Local Action?* Washington D.C.: Urban Institute.

²¹ Ehlenz, M. M. 2014. *Community Land Trusts and Limited Equity Cooperatives: A Marriage of Affordable Homeownership Models?* Lincoln Institute of Land Policy.

review of SEH, Ehlenz and Taylor provide a comprehensive overview of its effectiveness as a tool for affordable homeownership.²² There is extensive research documenting that homeownership can help families build wealth—and also that families with assets (wealth) are more likely to be homeowners. The policy (and research) question is how these benefits can be transferred to low-income and minority families who have been shut out of the mortgage market and thus have much less access to homeownership.²³ Even when minority families do buy homes, the terms are often unfavorable (predatory lending), the locations have depreciating values, and the costs are disproportionate (higher than usual mortgage payments).²⁴ Families are placed at risk of default and foreclosure, and they may be in a worse situation than if they had continued to rent. SEH is a path to homeownership that requires a smaller investment from families and where the risk is shared by a nonprofit entity.²⁵ This can take several different forms and can be done in conjunction with a Community Land Trust (CLT), which can provide more protections and ensure long-term affordability.²⁶

A key feature of SEH is that it can allow for permanent affordability. Another feature is some type of “stewardship” by a nonprofit organization and a board with membership from the residents and the broader community.²⁷ The stewardship aspect helps to ensure that the mission of the housing development is maintained and also that any issues are discussed and can be resolved in the public interest. SEH can serve as an opportunity to build wealth. Generally, SEH will result in less appreciation than in the conventional market but more than renters would accrue, for example, by investing in the stock market.²⁸ SEH allows for some limited appreciation when the unit is sold, which is usually tied to any improvements the owner makes. Although this equity restriction is subject to criticism, the benefits are many, including avoiding predatory lending, mitigating rapid appreciation that could exacerbate gentrification, and, in depreciating markets, mitigating “equity erosion”²⁹ and even preventing foreclosure.

There is some concern that a minimum portfolio of about 300 units is necessary for a successful SEH project due to funding requirements.³⁰ This scale would be difficult to achieve in Hillyard.

²² Ehlenz, M. M. and Taylor, C. (2019). “Shared Equity Homeownership in the United States: A Literature Review.” *Journal of Planning Literature*, 34(1), 3–18. doi:10.1177/0885412218795142

²³ Rothstein, R. 2017. *The Color of Law: A Forgotten History of How Our Government Segregated America*. New York, London: Liveright Publishing Corporation.

²⁴ Zuk, M., Bierbaum, A. H., Chapple, K., Gorska, K., and Loukaitou-Sideris, A. 2018. “Gentrification, Displacement, and the Role of Public Investment.” *Journal of Planning Literature*, 33(1), 31-44. doi:10.1177/0885412217716439

²⁵ Theodos, B., Temkin, K., Pitingolo, R., and Emam, D. 2015. *Homeownership for a New Era: Baseline Report on the Cornerstone Homeownership Innovation Program*. Washington D.C.: Urban Institute.

²⁶ Ehlenz, M. M. 2014. *Community Land Trusts and Limited Equity Cooperatives: A Marriage of Affordable Homeownership Models?* Lincoln Institute of Land Policy.

²⁷ Ehlenz, M. M. and Taylor, C. 2019. “Shared Equity Homeownership in the United States: A Literature Review.” *Journal of Planning Literature*, 34(1), 3–18. doi:10.1177/0885412218795142

²⁸ Temkin, K., Theodos, B., and Price, D. 2010. *Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls*. Washington D.C.: The Urban Institute. Retrieved from <https://www.urban.org/sites/default/files/publication/29291/412244-Balancing-Affordability-and-Opportunity-An-Evaluation-of-Affordable-Homeownership-Programs-with-Long-term-Affordability-Controls.PDF>

²⁹ Ehlenz, M. M. and Taylor, C. 2019. “Shared Equity Homeownership in the United States: A Literature Review.” *Journal of Planning Literature*, 34(1), 3–18. doi:10.1177/0885412218795142

³⁰ Theodos, B., Temkin, K., Pitingolo, R., and Emam, D. 2015. *Homeownership for a New Era: Baseline Report on the Cornerstone Homeownership Innovation Program*. Washington D.C.: The Urban Institute.

2.4. Conclusion

Although gentrification remains a risk in Hillyard, the literature suggests many promising strategies that can help preserve and even increase affordable housing and avoid displacement of the current residents. Spokane has already eased the way to add housing in the form of small multifamily development. That form of housing could use the power of a community land trust to preserve long-term affordability and combine it with SEH as a way to allow low-income families to enter the housing market as homeowners, increasing their wealth and equity in the process.

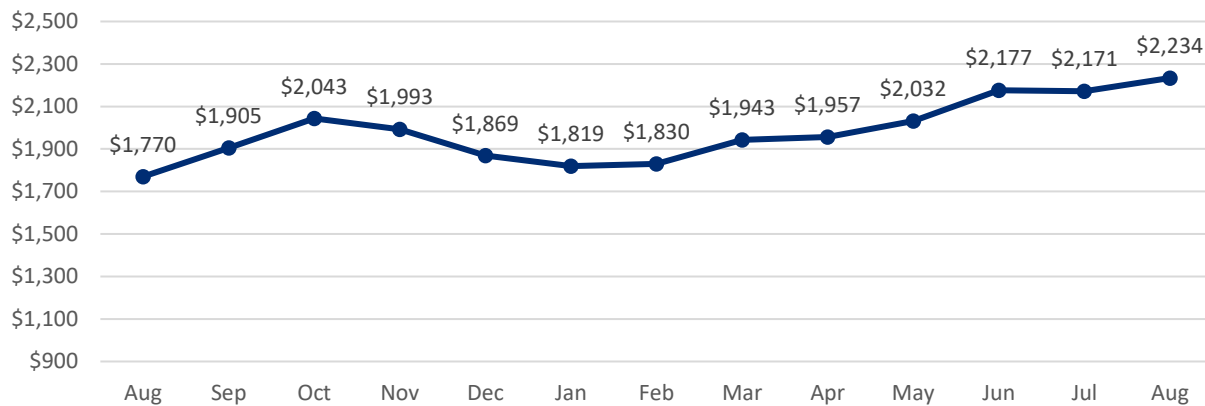
3. Housing Market Conditions

This section reviews national, state, and local housing market conditions. An overview is helpful in understanding why some types of developments and markets are more or less accessible in Spokane.

3.1. National Housing Market

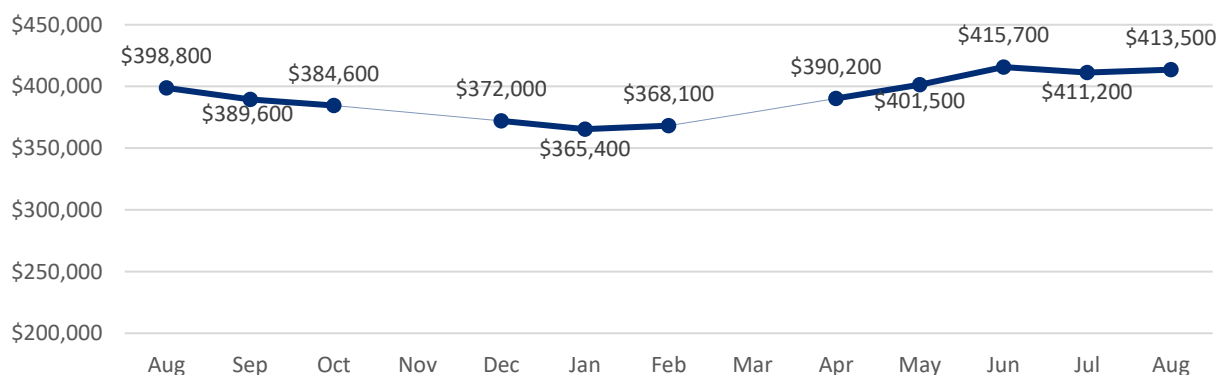
At the national level, home prices reached a historic high at the end of the summer of 2023. The National Association of Realtors (NAR) found that monthly mortgage payments went up by 2.9% in August 2023 compared to the previous month, even though the median price of single-family homes dropped slightly (0.8%). New homeowners had to pay an average of \$63 more for their mortgages compared to the previous month. As shown in Exhibit 1, this increase is a continuation of an annual trend of declining affordability. Compared to August 2022, monthly mortgage payments in August 2023 increased by 26.2% (from \$1,770 to \$2,234) (see Exhibit 1), while median family income only rose by 4.7%. The median existing-home sales price increased by 3.7% in 1 year, rising from \$398,800 to \$413,500 (Exhibit 2).

Exhibit 1. National Monthly Mortgage Payments (August 2022–August 2023)



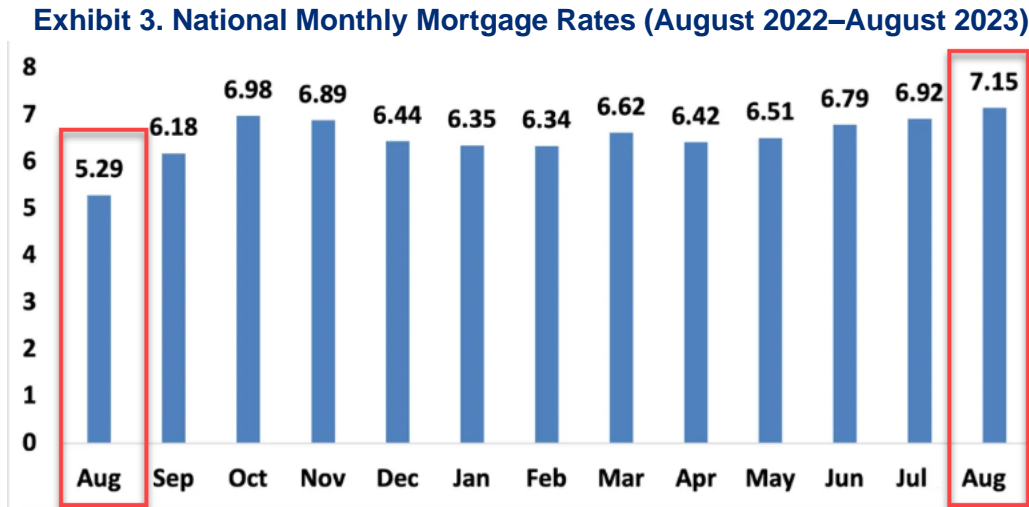
Reproduced from Hyman, M. (2023, October 19). *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

Exhibit 2. National Monthly Median Home Prices (August 2022–August 2023)



Reproduced from Hyman, M. (2023, October 19). *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

Interest rates for mortgages in 2023 topped 7% for the first time since July 2001. As shown in Exhibit 3, mortgage rates rose from 5.29% to 7.15% in 1 year, causing many potential sellers to keep their homes off the market to avoid losing their lower mortgage rates, and to take on new, more expensive loans. This trend may restrict supply in the market.

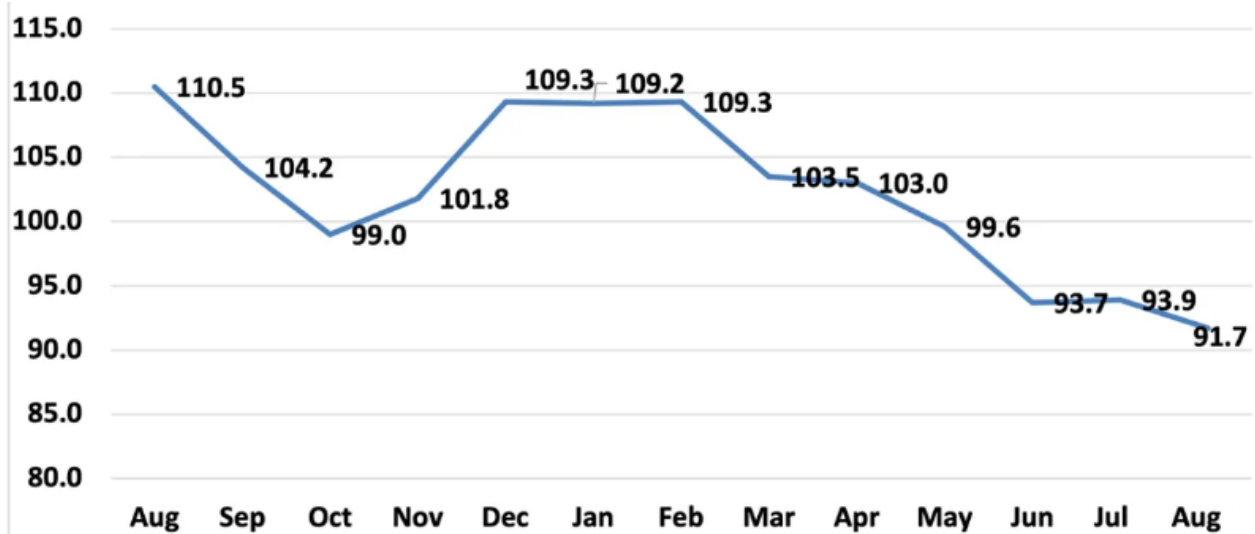


Source: Hyman, M. (2023, October 19). *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

The current national affordability index reflects market trends, as shown in Exhibit 4. A Home Affordability Index (HAI) value of 100 means that a family earning the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index of 120 means that a family earning the median income has 20% more income than required to pay the mortgage on a median-priced home, assuming a 20% down payment.³¹ The affordability index in late 2023 is below 100, meaning the typical family cannot afford to buy a median-priced home. As shown in Exhibit 4, the HAI has experienced double-digit declines from a year ago. The value of 91.7, in August 2023, is the lowest level the affordability index has reached since 1989. Incomes are not keeping up with the rising costs of homes, making purchasing a home difficult for potential buyers. Affordability was down in all four regions in the United States (Northeast, Midwest, South, West) in August 2023 compared to July 2023.

³¹ Hyman, M. (2023, October 19). *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

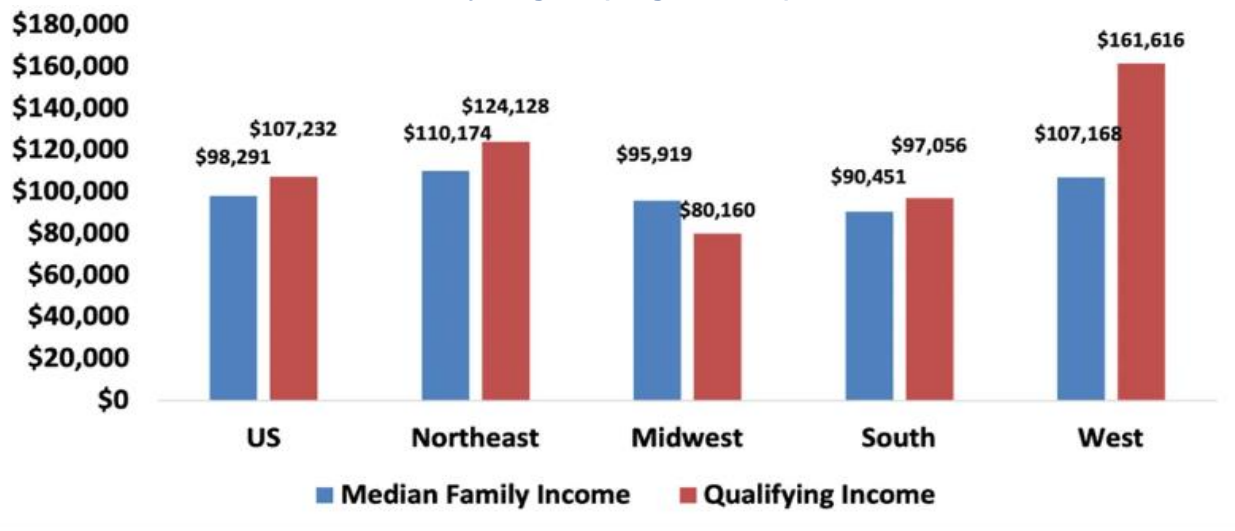
Exhibit 4. National Housing Affordability Index (August 2022–August 2023)



Source: Hyman, M. (2023, October 19). *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

As shown in Exhibit 5, the West was the least affordable region, followed by the Northeast, South, and Midwest.

Exhibit 5. National Median Family Income and Qualifying Income by Region (August 2023)



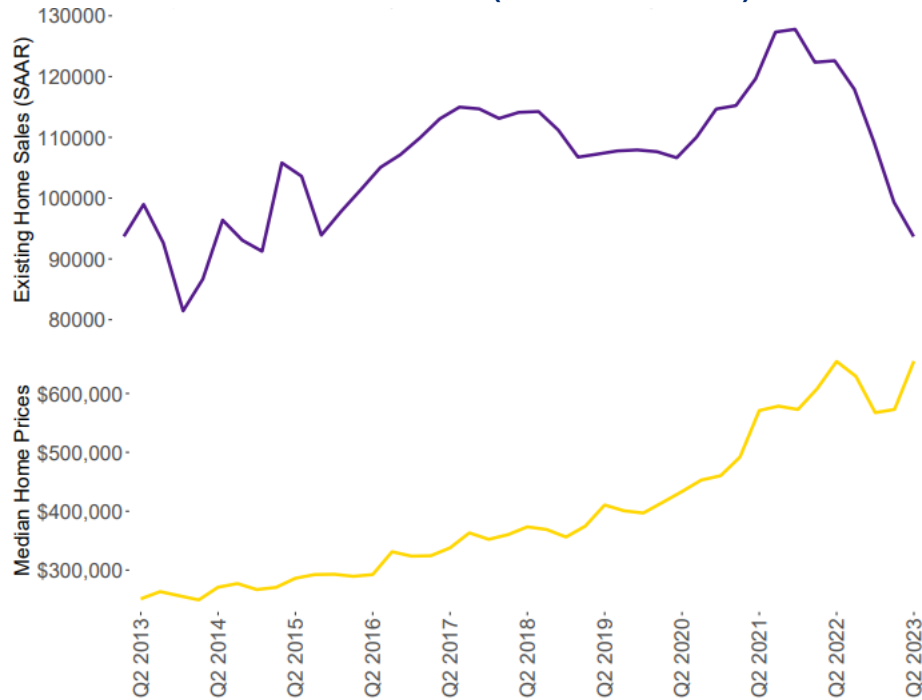
Source: Hyman, M. 2023, October 19. *Housing Affordability Hits Historical Low in August 2023*. National Association of Realtors. <https://www.nar.realtor/blogs/economists-outlook/housing-affordability-hits-historical-low-in-august-2023>.

In 2024, a variety of factors will influence the overall economy and, by extension, the housing market. While it is uncertain when the Federal Reserve Board will start cutting interest rates, home prices could continue their upward trend. Homebuyer demand is strong due to seasonal trends, a healthy labor market, wage growth, and other demographic trends. Other macroeconomic factors, such as the ongoing budget crisis and possible government shutdowns, can affect the market as a whole. Another concern is the increased presence of investment companies entering the residential real estate market, which will reduce the housing market supply for the average homeowner.

3.2. Washington State Housing Market

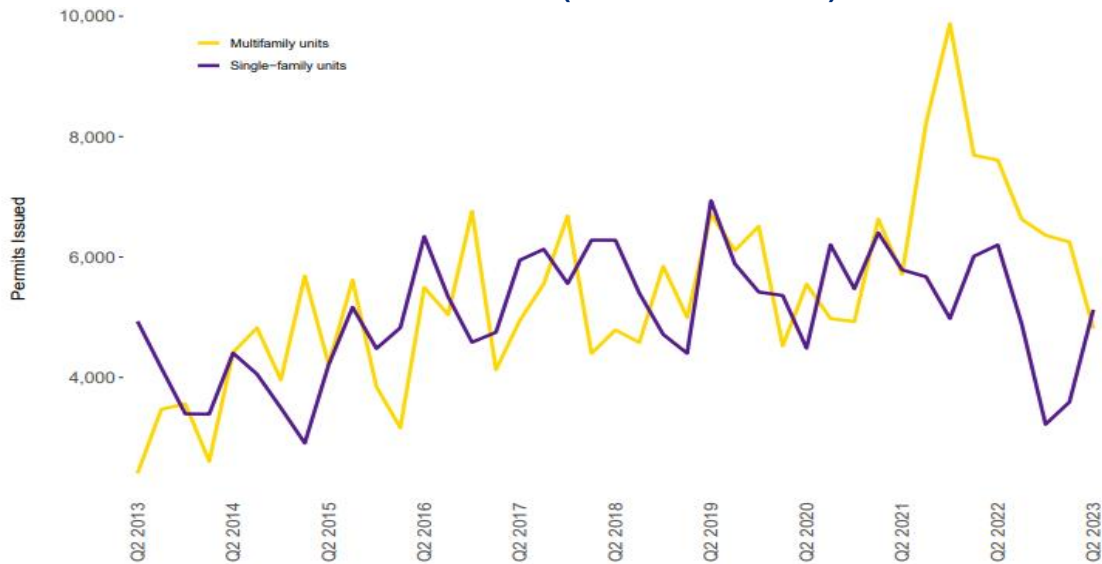
In the second quarter of 2023, Washington State experienced a downturn in the housing market, marked by a decline in both sales and new building permits compared to the previous year. As shown in Exhibit 6, existing home sales reached a seasonally adjusted annual rate of 93,680 units, reflecting a 5.7% decrease from the previous quarter and a substantial drop (23.6%) for the year. Building permit activity saw a decrease of 28%, authorizing a total of 9,939 new units, with 5,125 designated as single-family units (Exhibit 7).

Exhibit 6. Existing Home Sales and Median Home Prices, Washington State, 10-Year Time Trend (Q2 2013–Q2 2023)



Source: Washington Center for Real Estate Research. 2023, August. *Washington State's Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/08/Housing-Market-Report-Q2-2023.pdf>.

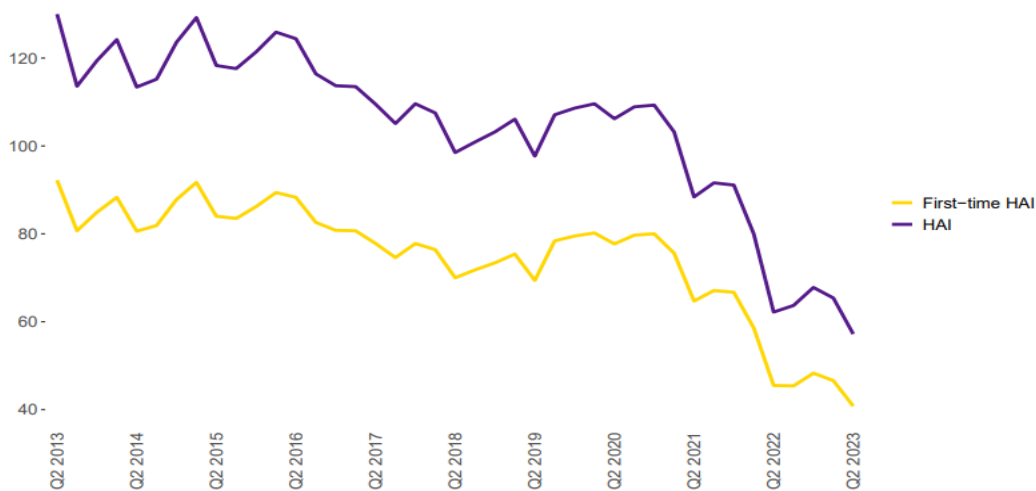
Exhibit 7. Building Permits Issued, Washington State, 10-Year Time Trend (Q2 2013 – Q2 2023)



Source: Washington Center for Real Estate Research. (2023, August). *Washington State’s Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/08/Housing-Market-Report-Q2-2023.pdf>.

Exhibit 8 shows that the median price of homes sold in Washington State during this period was \$654,900, representing a modest 0.1% increase from the same quarter in the previous year. Despite this slight uptick, the statewide all-buyer housing affordability index worsened, settling at 57.2%. Thus, given the same down payment and mortgage, a middle-income family had only 57.2% of the income required to purchase a home at the median price. Exhibit 8 The exhibit shows that affordability further diminished for first-time buyers, with the housing affordability index dropping by 5.8 points to 40.8.

Exhibit 8. Housing Affordability Index (HAI), Washington State, 10-Year Time Trend (Q2 2013–Q2 2023)

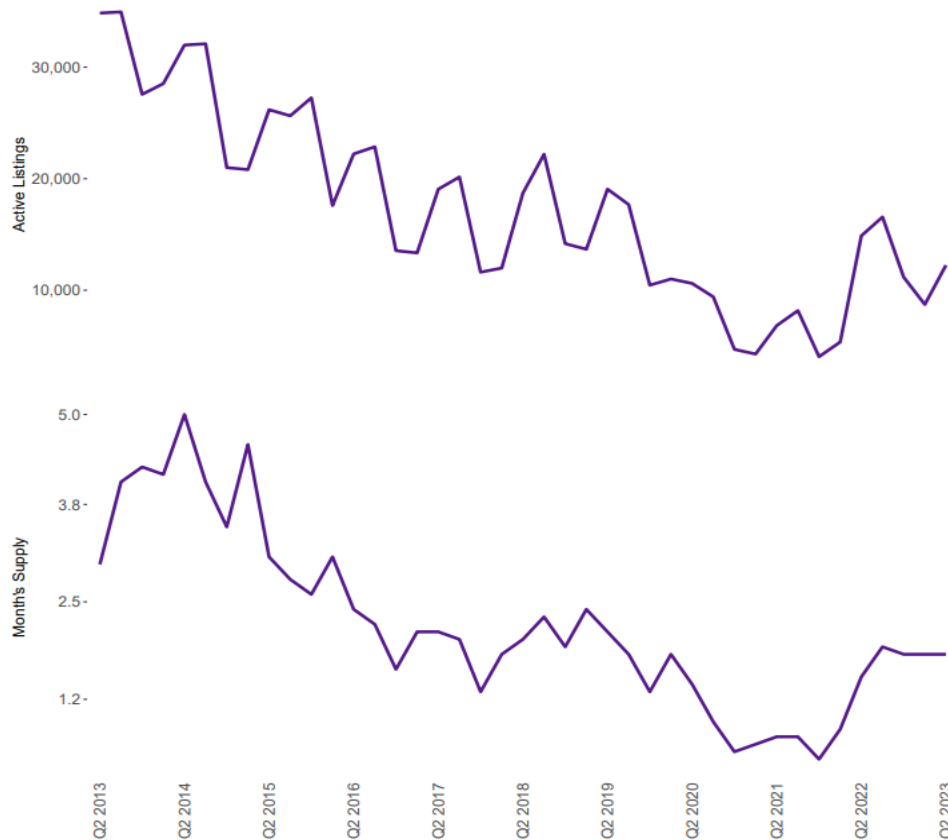


Source: Washington Center for Real Estate Research. 2023, August. *Washington State’s Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/08/Housing-Market-Report-Q2-2023.pdf>.

Note: This index considers a less expensive home, a lower down payment, and a lower income, illustrating that households earning 70% of the median household income had only 40.8% of the income needed to purchase a typical starter home.

In terms of housing inventory, Washington State had 12,243 single-family homes available for sale at the end of the quarter. This represented a substantial increase (40.4%) from the previous quarter but a 17.7% decline from the same period a year earlier. The inventory level equates to a 1.8-month supply, indicating that demand exceeded the available supply of homes on the market (Exhibit 9).

Exhibit 9. Available Inventory, Washington State, 10-Year Time Trend (Q2 2013–Q2 2023)



Source: Washington Center for Real Estate Research. (2023, August). *Washington State's Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/08/Housing-Market-Report-Q2-2023.pdf>.

3.3. Spokane Housing Market

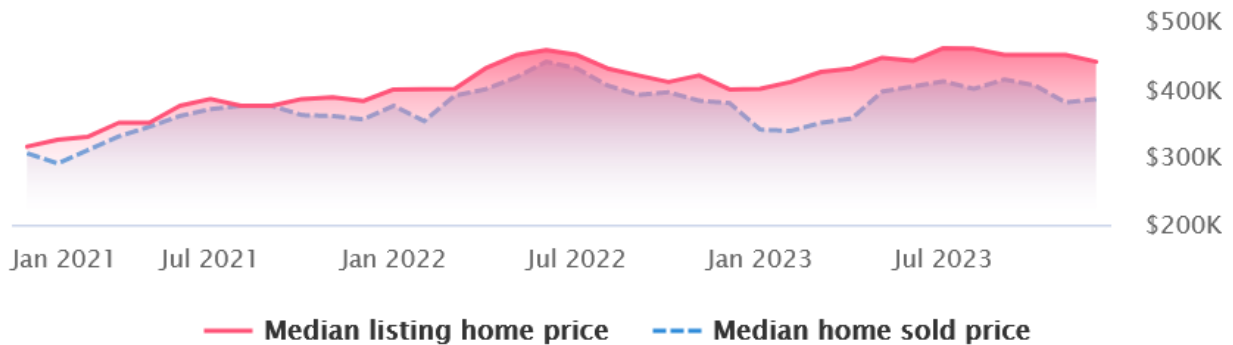
Spokane is the second largest city in Washington State (after Seattle) and is characterized by its healthy economy. With a large number of manufacturing companies and healthcare facilities, unemployment rates are consistently below the national average. The city itself has a population of approximately 230,000, and its metropolitan area has a population of more than 600,000.

As of October 2023, Spokane continues to experience a seller's market, in which housing supply remains low. The result is heightened competition, with buyers and investors seeking to profit from rental income opportunities vying for the limited housing inventory.

The Spokane housing market also has escalating prices and reduced days on the market for properties. As shown in Exhibit 10, Realtor.com® reported a 7.1% year-over-year increase in the median listing home price. Prices reached a peak of \$449,900, with homes typically selling close to their asking price at a median of \$380,000. Data from the Spokane Association of Realtors show

a 12.8% decrease in home sales in October 2023 compared to the previous year, but median closed prices have increased by 1.2% to reach \$399,000, reinforcing the ongoing seller’s market in the region. Notably, new home prices in Spokane have been on an upward trajectory since 2013, growing at an average annual rate of 8% through 2020. A shortage in housing supply has been a primary driving force behind the continuous increase in home values over the decade, often resulting in multiple offers on the same properties and bidding wars that drive up prices. The tight market has resulted in rising prices and limited rental availability, impacting both the cost of purchasing a home and the rental rate, which ultimately affect housing accessibility for residents.

Exhibit 10. Spokane Median Listing Home Price vs. Median Home Sold Price



Source: Realtor.com. *Spokane, WA 2023 Housing Market*. https://www.realtor.com/realestateandhomes-search/Spokane_WA/overview.

January 2023 saw a year-over-year increase in median days on the market, increasing from 10 to 44 days. February had a larger increase, from 6 to 41 days. The number of days a house spends on the market has steadily declined since February. In October 2023, homes in Spokane typically sold after 21 days on the market, compared to 20 days in the previous year.

In April 2023, 35.3% of homes in Spokane sold above the asking price. The data showed a shift in previous buyer behavior because most homes in Spokane sold within 0.2% of the list price. The sale-to-list price ratio remained stable, rarely dipping below 99%, signaling a market in which homes generally sell for close to their asking price. In the first half of 2022, a higher percentage of properties sold above list price, with as many as 64.3% selling for more than the asking price. The drop in the ratio may be attributed to the impact of higher interest rates on mortgages, which might have limited buyers’ willingness to offer above list price. Many homes continued to receive multiple offers, some with waived contingencies, underlining the competitiveness of the Spokane market. In October 2023, homes still tended to sell for approximately the list price and changed to a sale pending status in approximately 22 days. A portion of homes secured approximately 1% above the list price and were pending in just 6 days. With a sale-to-list price ratio of 99%, Spokane remains a seller’s market. Homeowners are likely to obtain the list price for their properties.

In April 2023, the Spokane housing market experienced a drop in the number of homes sold, down by 35.4% year over year, the largest decrease of the year thus far; the smallest year-over-year drop, 20.9%, occurred in March 2023. This downward trend in sales may be due to a low supply of homes; inventory at the end of October 2023 totaled 1,108 units, representing a 2.5-month supply.

Exhibit 11. Housing Market Snapshots, Washington State, Q2 2022

County	SAAR	% Change by qtr	% Change by year	Building Permits	% Change by year	Median Resale Price (\$)	% Change by year	HAI	First-time HAI
Skagit	2,160	0.0	-6.5	173	140.3	\$577,100	16.0	79.1	57.9
Skamania	340	9.7	13.3	21	-4.5	\$485,700	30.2	69.3	50.8
Spokane	7,880	-4.0	-9.4	691	-24.9	\$467,500	18.7	65.5	47.9
Stevens	890	0.0	-3.3	82	1071.4	\$355,700	25.2	66.0	48.3
Thurston	6,100	0.7	12.5	534	9.2	\$526,200	15.7	77.1	56.4

Source: Washington Center for Real Estate Research. 2022. *Washington State's Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2022/09/wshmsq222.pdf>.

Exhibit 12. Housing Market Snapshot, Washington State, Q2 2023

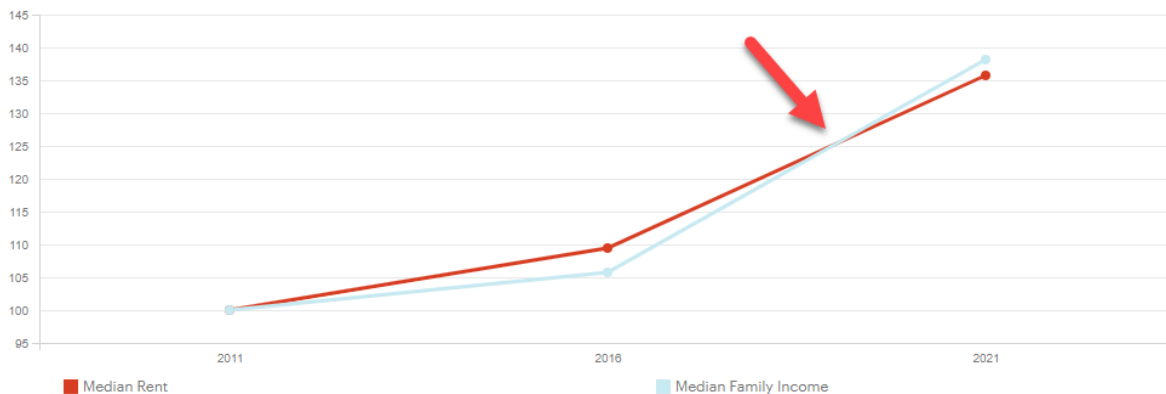
County	SAAR	% Change by qtr	% Change by year	Building Permits	% Change by year	Median Resale Price (\$)	% Change by year	HAI	First-time HAI
Skagit	1,810	-4.2	-16.2	191	10.4	\$569,600	-1.3	51.3	36.6
Skamania	270	3.8	-20.6	14	-33.3	\$450,000	-7.4	79.5	56.7
Spokane	6,530	-5.9	-17.1	877	26.9	\$440,500	-5.8	69.6	49.7
Stevens	720	1.4	-19.1	111	35.4	\$315,800	-11.2	86.9	62.0
Thurston	4,310	-8.9	-29.3	352	-34.1	\$508,000	-3.5	71.2	50.8

Source: Washington Center for Real Estate Research. 2023, August. *Washington State's Housing Market*. University of Washington. <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/08/Housing-Market-Report-Q2-2023.pdf>.

In April 2023, the median home listing price in Spokane was below the national average. An improvement in affordability in Spokane County is unique to Washington State, where the HAI increased slightly over the course of a year. This trend is shown in the Housing Market Snapshots displayed in Exhibit 11; the HAI reached 69.6 and the first-time HAI was 49.7, compared to 65.5 and 47.9, respectively, in the same quarter of the previous year (Exhibit 12).

Spokane has a robust rental market. The demand for rental properties remains consistently high, driven by a diverse pool of tenants, including students and individuals relocating for job opportunities. Exhibit 13 shows that, from 2011 to 2021, Spokane incomes have increased faster than rents, indicating that the city is becoming more affordable.

Exhibit 13. Comparison of Trends in Rent and Income, Indexed (2011–2021)



Source: PolicyMap. *Local Housing Solutions: Housing Needs Assessment Report*. https://www.policymap.com/report_widget?type=fur&area=predefined&sid=10192&pid=697030193.

3.4. Hillyard Neighborhood

The analysis of Hillyard Neighborhood in Spokane used 5-year American Community Survey (ACS) estimates to examine housing and demographic characteristics. To estimate the characteristics of the Hillyard area, we used census tracts 2.01, 2.02, and 16. These tracts encompass most of Hillyard, although tract 16 also includes part of the Bemiss neighborhood. We selected these tracts because they most closely capture the economic and housing status of Hillyard as a whole. We compared the characteristics of the Hillyard neighborhood to city, state, and national benchmarks, including occupancy rates, housing unit age distribution, population demographics, and income levels.

As of May 2023, the U.S. Census Bureau reported approximately 3,491 total housing units in the Hillyard neighborhood, 96.6% of which were occupied. The majority of units (62.5%) were built from 1940 to 1999, 33.9% were built in 1939 or earlier, and only 3.6% were built in 2000 or later (see Exhibit 14). The share of pre-1940 housing in Hillyard (33.9%) is somewhat larger than in the rest of Spokane (25.3%), and much larger than in the rest of Washington State (9.9%) or the nation as a whole (12.2%). The percentage of occupied units in Hillyard is similar to that in the rest of the city and the state, although almost 10 percentage points higher than in the nation overall. Hillyard has an average household size of two to three individuals for both owner-occupied and renter-occupied units, which is similar to household size in Spokane, the state, and the nation.

Exhibit 14. Housing Characteristics

	Hillyard	Spokane	Washington State	United States
Total Housing Units	3,491	99,933	3,170,695	139,647,020
Occupied units	3,373 96.6%	94,105 94.2%	2,931,841 92.5%	124,010,992 88.8%
Renter-occupied	1,715 50.8%	40,555 43.1%	1,066,944 36.4%	43,858,831 35.4%
Owner-occupied	1,658 49.2%	53,550 56.9%	1,864,897 63.6%	80,152,161 64.6%
Average household size, renter-occupied unit	2.52	2.13	2.34	2.42
Average household size, owner-occupied unit	2.10	2.46	2.67	2.69
Vacant units	118 3.4%	5,828 5.8%	238,854 7.5%	15,636,028 11.2%
Built 1939 or earlier	1,183 33.9%	25,241 25.3%	312,355 9.9%	17,104,646 12.2%
Built 1940 to 1999	2,183 62.5%	61,112 61.2%	2,068,355 65.2%	93,158,676 66.7%
Built 2000 to 2019	125 3.6%	13,410 13.5%	782,140 24.7%	29,122,300 20.9%
Built 2020 or later	0 0%	170 0.2%	7,845 0.2%	261,398 0.2%
Median number of rooms	5*	5.5	5.5	5.5
0 bedrooms	29 0.8%	3,592 3.6%	125,390 4.0%	3,689,027 2.6%

	Hillyard	Spokane	Washington State	United States
1 bedroom	519 14.9%	14,872 14.9%	366,961 11.6%	15,148,431 10.8%
2 bedrooms	1,293 37.0%	29,919 29.9%	771,578 24.3%	35,550,059 25.5%
3 bedrooms	1,178 33.7%	28,290 28.3%	1,175,392 37.1%	54,676,196 39.2%
4 bedrooms	415 11.9%	16,744 16.8%	572,191 18.0%	24,012,829 17.2%
5 or more bedrooms	57 1.6%	6,516 6.5%	159,183 5.0%	6,570,478 4.7%

Source: U.S. Census Bureau. 2021. Housing characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP04). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

*Medians for the Hillyard area refer to the median of medians from census tracts 2.01,2.02, and 16.

Hillyard has a total population of approximately 7,925. Most people living in Hillyard identified as one race (92.4%) (rather than two or more races). In the single-race population in Hillyard, 81.3% of people are white and 4.0% are Black, while compared to Spokane as a whole is 83.1% white and 2.4% Black. The United States as a whole is more diverse than Spokane, with 68.2% of the population identifying as white and 12.6% as Black. A small population in Spokane identifies as Asian, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, or some other race, which makes up 7% of the total population. The largest minority group in Spokane is Hispanic or Latino (6.8%).

Exhibit 15. Population Characteristics: Sex, Age, Race

	Hillyard	Spokane	Washington State	United States
Total population	7,925	225,709	7,617,364	329,725,481
Male	4,290 54.1%	112,003 49.6%	3,831,964 50.3%	163,206,615 49.5%
Female	3,635 45.9%	113,706 50.4%	3,785,400 49.7%	166,518,866 50.5%
Median age	34*	36.4	37.9	38.4
Under 18	1,874 23.6%	47,516 21.1%	1,680,460 22.0%	74,234,075 22.5%
18 to 65 years	5,052 63.7%	142,960 63.3%	4,759,132 62.5%	202,602,785 61.4%
65 years and over	999 12.6%	35,233 15.6%	1,177,772 15.5%	52,888,621 16.0%
Race—single race identified	7,326 92.4%	208,725 92.5%	6,961,770 91.4%	306,686,059 93.0%
White	6,446 81.3%	187,495 83.1%	5,465,011 71.7%	224,789,109 68.2%
Black or African American	320 4.0%	5,488 2.4%	293,401 3.9%	41,393,012 12.6%
American Indian and Alaska Native (AIAN)	92 1.2%	3,264 1.4%	90,789 1.2%	2,722,661 0.8%
Asian	94 1.2%	6,538 2.9%	682,711 9.0%	18,782,924 5.7%

	Hillyard	Spokane	Washington State	United States
Native Hawaiian and Other Pacific Islander	169 2.1%	2,161 1.0%	50,902 0.7%	615,557 0.2%
Some other race	205 2.6%	3,779 1.7%	378,956 5.0%	18,382,796 5.6%
Two or more races	599 7.6%	16,984 7.5%	655,594 8.6%	23,039,422 7.0%
Hispanic or Latino	761 9.6%	15,342 6.8%	1,007,881 13.2%	60,806,969 18.4%

Source: U.S. Census Bureau. 2021. Demographic and Housing Estimates in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP05). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

Approximately 58.6% of the population over 16 years of age in Hillyard were in the labor force, and 3.5% were unemployed. The U.S. Census collected data from workers 16 years and older (approximately 3,281 in Hillyard) on their choice of commute to their jobs and reported that 78.6% were driving alone using a car, truck, or van; 12.1% were carpooling; 3.3% were taking public transportation; and 2.8% were working remotely at home.

In Hillyard, the majority of households (61.3%) had an income of less than \$50,000 a year. Almost a third of all households were making \$50,000 to \$149,999, and less than 1% were making over \$150,000 or more. Hillyard is a low-income community relative to the city, state, and nation. In Spokane, 45.3% of households made between \$50,000 and \$149,000 a year; in Washington State, the corresponding figure was 48.4%. In Spokane, 10.4% of households made \$150,000 or more per year.

Exhibit 16. Employment and Income

	Hillyard	Spokane	Washington State	United States
Population 16 years old and over	6,188	182,768	6,120,915	264,087,642
In labor force	3,629 58.6%	113,584 62.1%	3,958,572 64.7%	167,869,126 63.6%
Civilian Employed	3,410 55.1%	106,041 58.0%	3,701,656 60.5%	157,510,982 59.6%
Total households	3,373	94,105	2,931,841	124,010,992
Income: \$49,999 or less*	2,068 61.3%	41,639 44.2%	860,818 29.4%	45,607,423 36.8%
Income: \$50,000 to \$149,999	1,234 36.6%	42,661 45.3%	1,419,118 48.4%	56,978,892 45.9%
Income: \$150,000 or more	71 0.8%	9,805 10.4%	651,905 22.2%	21,424,677 17.3%
Median Income	\$39,756.00 [†]	\$56,977	\$82,400.00	\$69,021.00
Mean Income	\$50,711.00	\$77,244	\$111,431.00	\$97,196.00

Source: U.S. Census Bureau. (2021). Economic Characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP03). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

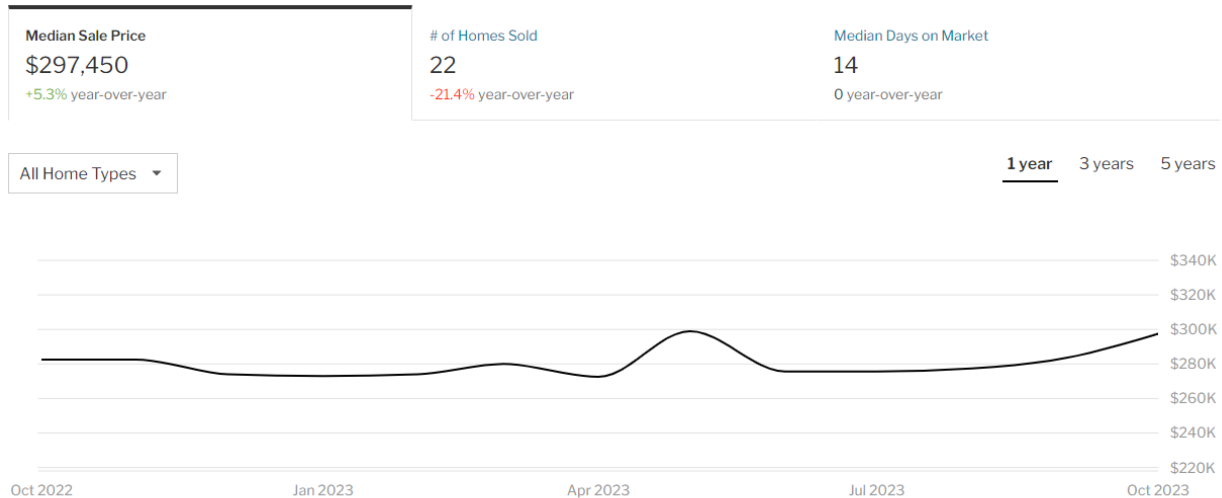
*Income includes benefits reflected in 2021 inflation-adjusted dollars.

[†]Medians for the Hillyard area refer to the median of medians from census tracts 2.01, 2.02, and 16.

3.4.1. Real Estate Market in Hillyard

As of October 2023, the real estate landscape in the Hillyard neighborhood of NE Spokane has experienced many changes. As shown in Exhibit 17, home prices in the area have risen 5.3% in comparison to October 2022, with a median selling price of \$297,450. The median sale price per square foot has decreased by 24.4% since the same period last year, however, settling at \$161. The speed at which homes are selling in Hillyard is similar to 2022, with homes selling on average after 14 days.

Exhibit 17. Hillyard Housing Market Trends (October 2022–October 2023)



Based on Redfin calculations of home data from MLS and/or public records.

Source: Redfin. *Hillyard, Spokane Housing Market: House Prices & Trends*. <https://www.redfin.com/neighborhood/539684/WA/Spokane/Hillyard/housing-market>.

Hillyard remains a seller’s market as of October 2023, as more people are looking to purchase than there are homes available. This competitive market environment is driving home prices up as buyers compete for a limited number of available properties, which can result in faster sales. In the northwest section of Hillyard, the current vacancy rate stands at 1.5%, underscoring the high demand for housing; this figure is lower than 90.1% of neighborhoods nationwide. The tight housing supply in northwest Hillyard contributes to the competitive and seller-favorable real estate conditions observed in the region.

One measure of home affordability is selected monthly homeownership costs as a percent of household income (SMOCAPI), which consists of mortgage payments, real estate taxes, various insurances, utilities, fuels, mobile home costs, and condominium fees (U.S. Census). A general rule is that housing costs should be no more than 30% of gross income.³² Of the 1,513 housing units that have mortgages in Hillyard, 67.2% of mortgage holders have housing costs less than 30% of their total household gross income. Therefore, the other 32.8% are at risk of financial hardship. Hillyard is slightly less affordable compared to the nation as a whole, in which 72.8% of the population has housing costs less than 30%.

³² The Central Wisconsin Economy. Monthly Home-ownership Costs as a Percent of Household Income Without Mortgage. http://www.thecentralwisconsinconomy.org/SMOCAPI_No_Mortgage.html

Exhibit 18. Affordability: Monthly Costs for Homeowners and Renters

	Hillyard	Spokane	Washington State	United States
Total Owner-Occupied Units with a Mortgage*	1018	36,767	1,261,097	49,524,905
SMOCAPI (Below 30%)	684 67.2%	27,019 73.5%	896,447 71.1%	36,048,785 72.8%
SMOCAPI (30% or higher)	334 32.8%	9,748 26.5%	364,650 28.9%	13,476,120 27.2%
Total Occupied Units Paying Rent*	1,698	39,324	1,011,420	40,811,805
Median Rent (\$)	\$851 [†]	\$956	\$1,439	\$1,163
GRAPI (Below 30%)	836 49.2%	19,518 49.6%	524,128 51.8%	20,642,403 50.6%
GRAPI (30% or higher)	862 50.8%	19,806 50.3%	487,292 48.2%	20,169,402 49.4%

Source: U.S. Census Bureau. 2021. Housing characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP04). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

*Total populations of both owner-occupied housing units with a mortgage and those paying rent excludes units where SMOCAPI/GRAPI cannot be computed.

[†]Medians for the Hillyard area refer to the median of medians from census tracts 2.01,2.02, and 16.

SMOCAPI = Selected monthly owner costs as a percentage of income; GRAPI = Gross rent as a percentage of household income.

The northwest Hillyard subarea currently has an average rental price of \$1,585,³³ which is more affordable than 89.4% of neighborhoods in Washington State. There are approximately 1,698 units in Hillyard where residents are paying rent. The median rent in Hillyard is \$851, which is much lower than the national average of \$1,163. Spokane remains relatively affordable in comparison to many other major cities, with a median two-bedroom unit rent of \$1,047, below the national median of \$1,106. Nevertheless, the county as a whole has experienced an increase in rents, with a 4.3% rise compared to the same time in 2019, as reported by Apartment List in October 2020. Similar to the way SMOCAPI is used for housing units with mortgages, the U.S. Census Bureau reports gross rent as a percentage of household income for renters (GRAPI). Hillyard renters are evenly split, with about half having housing costs below 30% of gross income and half having housing costs above 30% of gross income. This division is similar to that in Spokane County, Washington State, and the United States as a whole.

3.5. Conclusion

The Hillyard area has a somewhat higher percentage of Black and minority residents than other parts of Spokane, but it is still over 80% white. Homes in Hillyard are older, with 34% of the housing stock built before 1940, compared to 25% in Spokane overall and 12% nationally. Despite the age of the housing stock, occupancy rates are high and rents are relatively low compared to other parts of Spokane. The community is also lower income, compared to other parts of Spokane and to the nation overall. The real estate market analysis for October 2023 indicates a competitive environment with rising home prices, despite affordability challenges as shown by the SMOCAPI and GRAPI data. Hillyard is a prime target for real estate investment in the coming years due to its older housing stock and relative affordability.

³³ NeighborhoodScout. Hillyard Northwest, Spokane, WA 99208, Neighborhood profile. <https://www.neighborhoodscout.com/wa/spokane/hillyard-northwest#overview>.

4. State and Local Policies on Housing Development and Affordability

This chapter discusses the laws and regulations at the city and state level that are relevant to housing development in Spokane. Some of these laws have been updated in recent years. State and local policies are often similar, but there are some key differences. These policies cover zoning, housing types, density requirements, parking, displacement, affordability, and permit processing.

4.1. Introduction

The Washington State Growth Management Act (GMA) is a series of regulations for cities and counties to follow when designing comprehensive plans for population growth. The GMA was first enacted in 1990 and outlines 14 goals with respect to city planning and environmental protection.³⁴ Because Spokane is a “fully planning” county, it is required to follow development plans as outlined in the GMA.³⁵ One goal of the GMA is to increase “middle housing” in Washington State by adding 1,000,000 new homes by 2044. Middle housing is defined by the GMA as “buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing.”³⁶ This increase in housing should focus on areas that were primarily designated for detached single-family housing. The goal of increasing middle housing is to add housing options at various income levels. The increase in housing “intensity” should focus on areas that are a walkable distance from jobs and services or are near public transport. Adding middle housing will increase accessibility to jobs and services while also preserving undeveloped land areas. This falls in line with the other goals of the GMA of reducing urban sprawl and promoting transport systems.

In 2021, the City of Spokane adopted the Housing Action Plan (HAP).³⁷ This plan includes four goals: increasing housing supply for all income levels, preserving housing affordability and quality, increasing access to housing and homeownership, and growing partnerships that will support housing initiatives. The HAP was developed to address Spokane’s current issue of low vacancies and increasing housing prices. By the year 2037, 68,000 housing units are projected to be needed to keep up with the growing population of Spokane. The growth strategy in Spokane focuses on higher density housing development in centers and corridors. Centers and corridors in Spokane include neighborhood centers, district centers, employment centers, corridors, and a regional center.³⁸ Increasing housing density within these areas is intended to promote businesses, employment, and public transportation.

³⁴ Municipal Research and Services Center of Washington (MRSC). Growth Management Act. <https://mrsc.org/explore-topics/planning/gma/growth-management-act>.

³⁵ Housing Memorandum: Issues Affecting Housing Availability and Affordability, p. 34. June 2019. <https://www.ezview.wa.gov/Portals/1976/Documents/Guidance/Commerce%202019%20Housing%20Memo%20-%20Primer%20on%20Housing%20Economics%20.pdf>

³⁶ Engrossed Second Substitute House Bill 1110, p. 5. May 2023. <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

³⁷ *Spokane Housing Action Plan*. July 2021. <https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

³⁸ *Centers and Corridors Study*. <https://my.spokanecity.org/projects/centers-and-corridors-study/>

Housing prices and rents in Spokane are more affordable than in other cities in the region, such as Coeur d'Alene and Boise. However, prices have still increased greatly since 2010 while there has not been a similar increase in household income. In 2018, 40% of households in Spokane were cost burdened, meaning they spent over 30% of their income on housing costs. With low vacancy rates, more middle housing needs to be developed for the public to have access to housing without being cost burdened. Only 9% of housing in Spokane consists of multifamily units, such as townhouses, whereas single-family detached homes make up almost 70%. The reason is that lower density residential zones limited or did not allow attached housing. Allowing small-scale multifamily housing would create more affordable housing and more housing choices. Building townhouses and duplexes aligns with the goals of the GMA to increase missing middle housing.

The Building Opportunity and Choices for All (BOCA) program was a 1-year program created in 2022 in response to the housing supply emergency in Spokane.³⁹ The BOCA program temporarily modified the residential zoning ordinances to allow for middle housing in zones that either limited or did not allow them. In 2023 and 2024, amendments based on BOCA were made to the Spokane Municipal Code (SMC) that permanently modified certain zoning and development standards.

The following sections discuss zoning, density requirements, housing types, parking, displacement, and affordability.

4.2. Zoning

4.2.1. State Policies

To reach the minimum density requirements, the city must allow a minimum of six of the nine types of middle housing: duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing (p. 11).⁴⁰ In addition, accessory dwelling units (ADUs) may be used to reach the minimum density requirements.

4.2.2. Local Policies

Zoning types in Spokane include Residential Agriculture (RA), Residential 1 (R1), Residential 2 (R2), Residential Multifamily (RMF), and Residential High Density (RHD).⁴¹ These zones are distinguished by the types of housing allowed and density requirements. RA zones are mainly used for farming and single-unit residences. R1 zones are low-density residential zones; R2 zones are similar, with a slightly higher density goal. RMF zones are residential zones with a higher density than R2 and encourage larger multifamily unit structures, along with smaller-scale multifamily housing. RHD zones are the highest-density zones and allow more multifamily housing, including high-rise apartments. Previously, Spokane had Single-Family Residential (RSF), Residential Single-Family Compact (RSF-C), and Residential Two-Family (RTF) zones, but these were replaced by R1 and R2. Under the BOCA program, attached homes were allowed in all residential zones, with changes in the codes governing existing building coverage, floor area ratio, and height maximums.⁴²

³⁹ Building Opportunity and Choices for All. <https://my.spokanecity.org/housing/building-opportunity/>

⁴⁰ Engrossed Second Substitute House Bill 1110. May 2023. <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

⁴¹ Building Opportunity for Housing Code Amendments, p. 91. November 2023. <https://static.spokanecity.org/documents/projects/shaping-spokane-housing/building-opportunity-for-housing/ord-c36459.pdf>

⁴² Building Opportunity & Choices for All: Interim Zoning Pilot Project. August 2022.

<https://static.spokanecity.org/documents/housing/building-opportunity/boca-attached-housing-info-sheet.pdf>

4.3. Density Requirements

4.3.1. State Policies

Under the GMA, when housing is added, there are minimum density requirements. In the lowest-density residential zones, a minimum of four units per lot should be developed. The minimum is raised to six units per lot if the lot is within one-quarter mile of a major transit stop or if at least two of the units are affordable housing. These minimum density requirements are superseded where local zoning permits higher densities. Alternatively, the previous density development requirements can be used for at least 75% of lots that are mainly designated for single-family detached housing. The remaining 25%, where the density requirements do not apply, must be areas that have been granted an extension of the implementation timelines due to risk of displacement or lack of infrastructure capacity; have critical areas or their buffers; are within one mile of a major airport, or are at risk for flooding, wildfires, or geological hazards in the next 100 years. These lots cannot include areas where the exclusion would result in discriminatory or racial disparity, areas within a half-mile walking distance of a major transit stop, or areas that have been historically redlined. The Department of Commerce will provide technical assistance as the city implements these density requirements, with a focus on cities with the greatest need.⁴³

4.3.2. Local Policies

The SMC adheres to the state policies of a minimum of four units per lot; however, the HAP suggests raising the minimum to six units per lot.⁴⁴ Typically, in the lowest-density zones, six units per lot is only permitted in areas close to a major transit stop or if two of the units are affordable housing, so this change would eliminate those requirements. RA and R1 zones have a minimum density of four units per acre, R2 zones have a minimum density of 10 units per acre, and RMF and RHD zones have a minimum density of 15 units per acre. In areas with more than two acres, the maximum density for RA and R1 zones is 10 units per acre, and R2 zones have a maximum of 20 units per acre.⁴⁵ An emergency ordinance in effect as of January 2024 has temporarily limited the number of units in R1 and R2 zones to four per lot. This ordinance was passed in response to the Federal National Mortgage Association (Fannie Mae) not allowing mortgages for residential properties with more than four units, and appraisals where there are more than four units are usually considered commercial rather than residential.⁴⁶ RMF and RHD zones do not have any maximum density standards. Density is calculated by dividing the lot area by the minimum unit area. If this calculation results in a fraction, the allowed density rounds up to the next whole number.⁴⁷ If the calculated density is 5.3, the density allowed would be 6. In addition to density regulations, there are also regulations for building coverage. Primary and accessory structures cannot exceed 65% of the lot area in R1 zones, 80% in R2 zones, and 100% in RMF and RHD zones.⁴⁸ Bonuses for coverage maximums may be given (1) if the housing development is within

⁴³ Engrossed Second Substitute House Bill 1110. May 2023 pp. 9–11. <https://lawfilesexternal.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

⁴⁴ Spokane Housing Action Plan, p. 6. July 2021. <https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

⁴⁵ Building Opportunity for Housing Code Amendments, p. 102. November 2023. <https://static.spokanecity.org/documents/projects/shaping-spokane-housing/building-opportunity-for-housing/ord-c36459.pdf>

⁴⁶ Special Meeting Notice/Agenda of the Spokane City Council, pp. 37–38. December 2023. <https://static.spokanecity.org/documents/citycouncil/special-notices/2023/12/special-notice-city-council-Special-Legislative-Session-2023-12-14.pdf>

⁴⁷ Building Opportunity for Housing Code Amendments, p. 108. November 2023. <https://static.spokanecity.org/documents/projects/shaping-spokane-housing/building-opportunity-for-housing/ord-c36459.pdf>

⁴⁸ Ibid, p. 103.

one-half mile of public transit or (2) if the development meets affordability criteria, including (a) funding through state or federal affordable housing programs, qualifying for the Multiple-Family Housing Property Tax Exemption, or qualifying for the Sales and Use Tax Deferral Program for Affordable Housing; or (b) if at least 25% of the units in the development are designated as affordable for low-income households.⁴⁹ Low-income households have an income that is 80% or less of the area median income when adjusted for household size. This criterion encourages the development of affordable housing by increasing the coverage allowed in the lot.

4.4. Housing types

4.4.1. State Policies

Under the GMA, to reach the minimum density requirements, cities need to permit a minimum of six of the nine types of middle housing: duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing.⁵⁰ In addition to the nine types of middle housing listed, ADU may be used to reach the minimum density requirements. An ADU can be a separate building from the main house, or it can be attached, such as a basement unit. To be considered an ADU, the unit must have its own bathroom, kitchen, and sleeping area. For jurisdictions the size of Spokane, state policies mandate the allowance of at least four units on all residential lots, with at least six units near transit or for development meeting affordability requirements.

4.4.2. Local Policies

In the City of Spokane, the nine middle housing building types specified in the GMA, as well as single-unit residential buildings and ADUs, are permitted on most residentially zoned lots, excluding the RA zone, which is a lower-intensity residential agricultural zone only permitting single-unit homes and ADUs. Prior to recent housing regulation changes, the majority of Spokane only permitted single-unit homes and smaller ADUs, limiting housing options.

With the expanded housing options, there are a number of ways a homeowner can add more units to their property. The most common way is through the addition of an ADU. ADUs are permitted in rear setbacks of a property and have utilities extending from the primary home on the property, making them ideal for smaller backyards. Currently there is a maximum of one ADU per lot, with City staff anticipating the allowance of a second ADU by 2026 to comply with state legislation.

In addition to ADUs, which by their name are accessory to the lot, typical standalone units may also be built. Recent regulations allow at least four units on most residential lots in the city. For a property with an existing home on the lot, these additional units can look like a detached unit outside of the rear setback, a duplex or triplex, or an attached unit to the existing home. While allowing for flexibility, different housing types have different building and engineering requirements that prospective builders should consider before deciding on a project.

⁴⁹ Ibid, pp. 109–110.

⁵⁰ Engrossed Second Substitute House Bill 1110. May 2023, p. 11. <https://lawfilesexternal.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

4.5. Parking

4.5.1. State Policies

Parking requirements in Washington State vary based on the size of the housing units and their location. Under the GMA, a middle housing development within one-half mile of a major transit stop does not require off-street parking.⁵¹ For a middle housing development on a lot less than 6,000 square feet, a maximum of one off-street parking space is required for each unit. If the lot is more than 6,000 square feet, then a maximum of two off-street parking spaces may be required. These parking requirements can be amended by cities and counties for housing developments planned in urban growth areas.

4.5.2. Local Policies

Local parking requirements are mainly consonant with those outlined in the GMA. In the SMC, for middle housing built on lots with less than 6,000 square feet in R1 and R2 zones, a maximum of one off-street parking space per unit may be required.⁵² At least two parking spaces are required for units with four or more bedrooms on lots greater than 6,000 square feet. For residential developments built near major transit stops, there are no parking requirements. For other residential buildings, a minimum of one parking space per unit is required plus one additional space for each bedroom after the first three bedrooms. ADUs with one bedroom or less do not require additional off-street parking. For ADUs with more than one bedroom, one additional off-street parking space is required for each additional bedroom. These requirements are null where the ADU is within one-quarter mile of public transport.⁵³ Housing developments that are built near public transport reduce the need for parking spaces, which can free up space for more housing or left as open areas. Increasing the use of public transportation is also better for the environment by reducing personal vehicle mileage and potentially reducing greenhouse gas emissions. Reducing parking requirements can also lower housing costs.

4.6. Addressing Displacement

4.6.1. State Policies

The Washington State Department of Commerce recognizes three types of displacement: physical, economic, and cultural.⁵⁴ Physical displacement occurs when a lease is terminated, an eviction notice is given, or covenants on income-restricted housing have expired. Economic displacement occurs when residents are forced to relocate due to increased housing costs. Cultural displacement occurs when neighbors or culturally related businesses leave the area, influencing people to relocate. When creating new housing developments, it is essential to recognize and minimize the risk for all types of displacement. Under Revised Code of Washington (RCW) 36.70A.070(2), an anti-displacement analysis is required in a city's comprehensive plan, together with a plan for implementing anti-displacement policies.⁵⁵ When housing costs increase, lower-income households are generally at the greatest risk for displacement. The Washington State Department

⁵¹ Engrossed Second Substitute House Bill 1110, p. 12. May 2023. <https://lawfilesex.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

⁵² Building Opportunity for Housing Code Amendments, pp. 186–190. November 2023. <https://static.spokanecity.org/documents/projects/shaping-spokane-housing/building-opportunity-for-housing/ord-c36459.pdf>

⁵³ Ibid, p. 193.

⁵⁴ Spokane Housing Action Plan, p. 16. July 2021. <https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

⁵⁵ Engrossed Second Substitute House Bill 1110, pp. 15–16. May 2023.

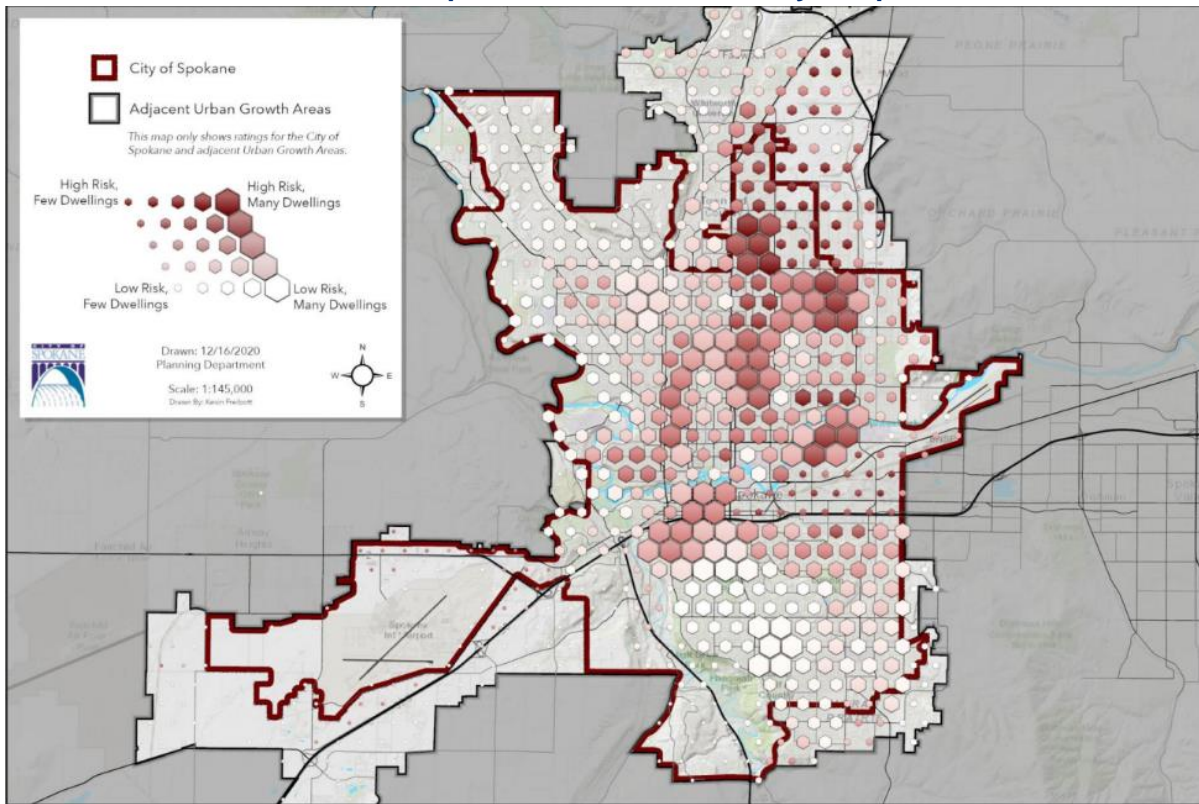
<https://lawfilesex.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf>

of Commerce provides strategies that cities and counties can adopt to minimize displacement. Some of these include just cause eviction protections, tenant relocation assistance, mobile home park preservation and relocation assistance, property tax assistance programs, and grants or loans to directly support small businesses.⁵⁶

4.6.2. Local Policies

For Spokane’s HAP, an analysis was conducted to assess displacement risks and housing needs. The analysis followed the guidelines in the Washington State Department of Commerce methodology for Housing Action Plans, but key variables were not available for the entire city. An alternative but comparable method was therefore used: the Social Vulnerability Index (SVI) produced by the federal Agency for Toxic Substances and Disease Registry.⁵⁷ The intended use of the SVI was for assessing the support levels needed by communities during and after hazardous events. The factors that influence the SVI overlap with the factors that influence displacement, making it a reasonable alternative. Some of these factors include poverty level, income, employment status, race, age, housing type, and housing structure.

Exhibit 19. Displacement Risk in the City of Spokane



Source: Spokane Housing Action Plan, p. F-10. July 2021. <https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

⁵⁶ Washington State Department of Commerce. Guidance for Developing a Housing Action Plan: Public Review Draft, p. 155. https://www.ezview.wa.gov/Portals/1976/Documents/housing-resources/Guidance%20for%20Developing%20a%20Housing%20Action%20Plan_Public%20Review%20Draft_062420.pdf

⁵⁷ Spokane Housing Action Plan, p. 16. July 2021. <https://static.spokanecity.org/documents/projects/spokane-housing-action-plan/spokane-housing-action-plan-final-with-appendices-2021-07-26.pdf>

Exhibit 19 shows the areas in Spokane that are at the highest risk for displacement compared with the number of dwelling units in that area. Combining the number of units with the risk level gives insight into the potential impact of displacement. Areas with high levels of risk and few housing units do not impact as many people as an area of high risk with many housing units. The HAP further explains how the areas with the highest risk of displacement coincide with areas that were historically redlined. When building housing developments within areas at high risk for displacement, extra efforts should be taken to minimize the risk.

An additional factor that may influence the risk for displacement is lead paint exposure. Lead paint is found in many older homes built prior to 1978. Older homes that are in poor condition have the highest risk for lead exposure due to peeling paint. These homes would likely be available to low-income households. Minority families may face discrimination when applying for housing and have fewer options than other groups, leading to less desirable housing. The lead exposure risk also is an indicator of the age of homes in an area and their renovation needs.⁵⁸

4.7. Affordability

4.7.1. State Policies

Increasing middle housing rather than detached single-family homes helps to promote affordability by increasing the number of units available at different sizes and price points. Washington State has a Housing Trust Fund (HTF) to support affordable housing.⁵⁹ The Housing Preservation Program allocates funds under the HTF to facilitate housing improvements and preservation for multifamily rental projects that are part of the HTF. For the 2021-2023 budget, \$20 million was allocated to the program.⁶⁰ However, these funds may not be used to create new units. Funding for affordable housing also comes from the Affordable Housing for All Surcharge.⁶¹ The surcharge is a fee charged at the county level when recording a legal document, with 40% of the funds allocated to the state and 60% to the local government. All of these programs assist with the upkeep and availability of affordable housing in Washington.

4.7.2. Local Policies

Maximizing affordable housing is one way to mitigate economic displacement by limiting potential increases in housing costs. In Spokane, to maximize the availability of affordable housing, surplus public property may be disposed of to build affordable housing units.⁶² Another avenue for creating more affordable housing is to enact an affordable housing levy. The levy is an additional property tax based on the value of the property.⁶³ The levy proceeds are used to finance housing for very low-income households. A multifamily tax exemption (MFTE) is another avenue to increase affordable housing and encourage the development of multifamily units. New multifamily units are able to defer taxes for 8 or 12 years, depending on how many units are

⁵⁸ Ibid, p. F-15.

⁵⁹ Washington State Department of Commerce. Housing Trust Fund. <https://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/>

⁶⁰ Washington State Department of Commerce. Housing Preservation Program. <https://www.commerce.wa.gov/building-infrastructure/housing/housing-preservation-program/>

⁶¹ Washington State Department of Commerce. Operations and Maintenance Program. <https://www.commerce.wa.gov/building-infrastructure/housing/ahah-psh/operations-and-maintenance-fund/>

⁶² Spokane Municipal Code, Title 12, Ch. 12.10. <https://my.spokanecity.org/smc/?Section=12.10.060>

⁶³ Master Builders Association of King and Snohomish Counties. *MBAKS Housing Toolkit*, p. 7. March 2024. <https://www.mbaks.com/docs/default-source/documents/advocacy/issue-briefs/mbaks-housing-toolkit.pdf>

designated for low-income households. This approach has been employed by the Cities of Everett and Marysville to encourage the development of multifamily housing.

4.8. Permit Processing

4.8.1. State Policies

In 2023, the RCW was updated to include a section requiring the Washington State Department of Commerce to establish a consolidated permit review grant program. Grants would be awarded to local governments that have taken measures to actively consolidate their permit review process. This includes “issuing final decisions on residential permit applications within 45 business days or 90 calendar days.”⁶⁴ To verify that the local governments receiving this grant continue to meet this standard, quarterly reports with the maximum decision timelines must be sent to the Department of Commerce. A grant program has also been created to encourage local governments to convert their permit review process from paper filing systems to online systems. Final legislation is expected in August 2024 to evaluate the need, feasibility, and barriers to a statewide digital permit review system.

4.8.2. Local Policies

In line with state recommendations, Spokane has an online permit system.⁶⁵ Online systems are more efficient because no transportation time is needed and any permit progress updates can be easily accessed. Another way to streamline permit processes would be to eliminate the design review part or conduct an administrative design review instead of a full design review. The purpose of a design review is to see if the proposed building matches the aesthetic and standards of the surrounding existing buildings.

4.9. Conclusion

This chapter has highlighted the main regulations governing housing development in Washington State. Spokane has amended laws and put into effect emergency ordinances when needed to try to keep up with housing demand and expand the supply of affordable housing. Further housing development is still needed to meet the housing needs of the city. Affordability is a priority when developing housing to ensure that housing is available to people at all income levels and to mitigate economic and other types of displacement.

⁶⁴ Second Substitute Senate Bill 5290, p. 2. 2023. <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/Senate/5290-S2.SL.pdf?q=20230519130553>

⁶⁵ <https://aca.spokanepermits.org/CitizenAccess/default.aspx>

5. Housing Development and Infill Strategy

5.1. Introduction

Hillyard can be thought of as having three different areas for development purposes. The industrial Eastside has a targeted plan in the works and is physically separated from the rest of Hillyard. The central commercial corridor does not have a unified plan but will be affected by developments along the highway and transportation access to the south and east. This chapter focuses on the residential Westside and Southeast and introduces a strategic vision to guide that development (Exhibit 20).

Exhibit 20. Strategic Vision of an Organized “Resident-Led Infill Strategy”

ENCOURAGE	DISCOURAGE
<ul style="list-style-type: none"> • Financially knowledgeable residents • Homeowner modernization and upgrades • Rental renovations and upgrades • Conversion to 2-, 3-, or 4-unit structures • Multifamily development along Market St. • Accessory dwelling units (ADUs) • Exterior beautification • A resident-led support organization 	<ul style="list-style-type: none"> • Predatory development • Development that reduces density • Property abandonment and vacancies • Absentee landlords • Displacement-based gentrification • Neighborhood neglect and deterioration

This chapter describes the development of these strategic objectives, how Hillyard can pursue them, and how the actions required can be quantified. A community provided with tools to pursue self-interested development and avoid outside exploitation will be well prepared to accept infill development.

“Encouraging” and “discouraging” are synonyms for “incentives.” Both owners and renters can be incentivized to support individual housing upgrades and neighborhood infrastructure improvements. We describe how a dedicated development support organization, such as a community development corporation, can be created to provide education, economies of scale in support, and access to resources.

The first section of this chapter reviews the sub-communities in Hillyard, provides measures to track progress, and discusses how to incentivize and encourage current residents. The next section explains how to design a development strategy, available resources, obtaining and deploying resources, and mapping the potential in Hillyard. The conclusion maps and examines the current state of Hillyard.

5.2. Housing Needs of Families in Northeast Spokane

In March 2024, the Northeast Community Center fielded a survey to learn about the housing needs of families living in NE Spokane. For the full results of the survey, please see Appendix B. Some of the key findings include:

- A majority of homeowners are interested in exploring adding an ADU for additional income and to provide more housing. They are also interested in programs to support financing an ADU.
- Most renters had some interest in buying a house in NE Spokane, and 95% of renters would like to buy a house if they had Down Payment Assistance.

- There are many reasons why households want to stay in their neighborhood, including proximity to shopping, an easy commute to work, and neighborhood schools.
- Renters have more people and more children in their homes, with fewer bedrooms than homeowners.

There were 173 responses to the survey. The majority of respondents (95) were renting their home, and 78 were homeowners. The plurality of respondents lived in Hillyard (29.5%), followed by Nevada Heights (15.7%), Bemiss (15.1%), and Logan (13.2%). These four neighborhoods accounted for about 74% of all survey respondents (Exhibit 21).

Exhibit 21. Respondent Neighborhood

Neighborhoods	Count	%
Bemiss	24	15.1
Chief Garry Park	17	10.7
Hillyard	47	29.6
Logan	21	13.2
Minnehaha	5	3.1
Nevada Heights	25	15.7
Shiloh Hills	6	3.8
Whitman	7	4.4
Other	7	4.4
Total	159	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

The characteristics of respondents were similar to those found in the data in the Census tracts for Hillyard (as described in Chapter 3). The income levels of the survey respondents were relatively low; 39.2% of respondents had incomes under \$35,000 a year, compared to 41.5% in the Hillyard tracts and 30% in Spokane (Exhibit 22).

Exhibit 22. Annual Household Income Comparison

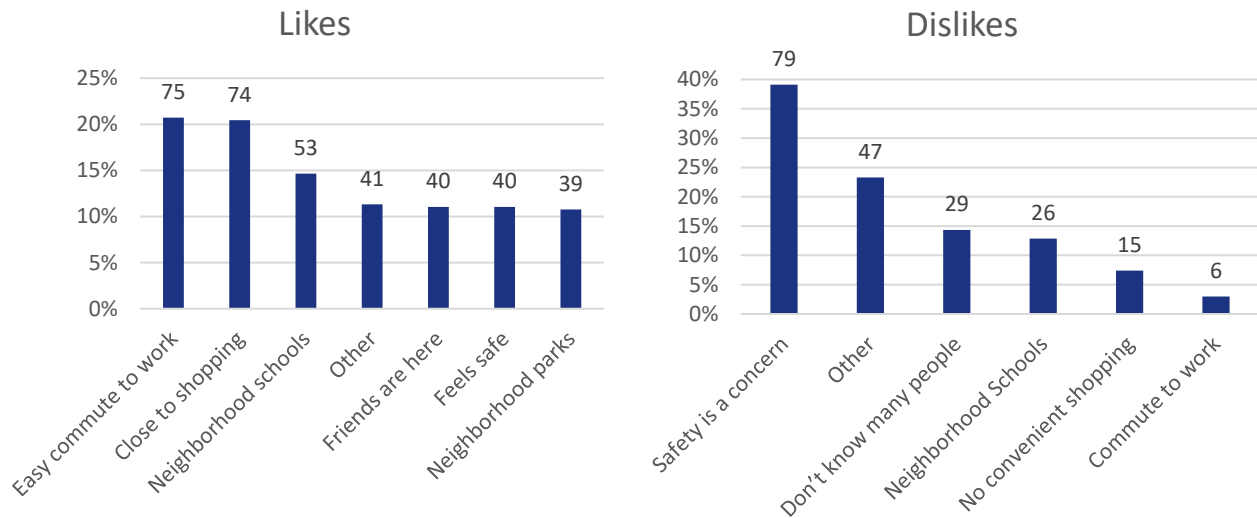
Income Levels	NE Spokane Survey*	Hillyard+	Spokane+	Washington State+	U.S. +
Total households	158	3,373	94,105	2,931,841	124,010,992
Less than \$34,999	62 39.2%	1400 41.5%	28,242 30.0%	565,801 19.3%	31,444,655 25.4%
\$35,000 to \$49,999	32 20.3%	668 19.8%	13,397 14.2%	295,017 10.1%	14,162,768 11.4%
\$50,000 - \$74,999	33 20.9%	451 13.4%	17,546 18.6%	479,273 16.3%	20,845,331 16.8%
\$75,000 to \$99,999	19 12.0%	446 13.2%	12,109 12.9%	391,503 13.4%	15,895,589 12.8%
Over \$100,000	12 7.6%	408 12.1%	22,811 24.2%	120,0247 40.9%	41,662,649 33.6%

*Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

*Source: U.S. Census Bureau. (2021). Economic Characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP03). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>. Income includes benefits reflected in 2021 inflation-adjusted dollars.

Respondents were asked what they liked or disliked about their current neighborhoods. The most popular responses were “easy commute to work” (20.7%) and “close to shopping.” (20.4%). When asked what they did not like about their neighborhood, the most frequent answer was “safety is a concern” (39.1%). The housing plans recommended in this report do not directly address safety concerns, but adding more homes and working with the community can address safety concerns by adding feelings of neighborhood cohesion and generally making the area busier and more populated (Exhibit 23).

Exhibit 23. Likes and Dislikes for Current Neighborhood



Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Respondents reported living Spokane for an average of 18.2 years, with a median of 10 years. More than a third of respondents had lived in Spokane for at least 20 years. The length of stay in Spokane was similar among renters and owners but was slightly higher for renters. The mean and median number of people per household were 3.6 and 3.5, respectively. The number of people in the home was also similar, with an average of 3.7 people per household among renters and 3.6 among owners (Exhibit 24).

Exhibit 24. Owner and Renter Characteristics

	Owners (78/45.1%)	Renters (95/54.9%)	Total (173)
	Mean (Count)	Mean (Count)	Mean (Count)
How long in Spokane	17.5 (75)	18.7 (94)	18.2 (169)
Number of people in home	3.6 (77)	3.7 (93)	3.5 (170)
Number of people under 18	1.3 (75)	1.7 (94)	1.6 (169)

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Among renters, slightly less than half were considering buying a house. Most renters said yes or maybe to considering buying a house in NE Spokane. The majority also said they would consider buying a house if given assistance with a down payment (Exhibit 25).

Exhibit 25. If Renters Would Consider Buying

	Yes		Maybe		No		Total	
	Count	%	Count	%	Count	%	Count	%
A house at all	47	49.0	n/a	n/a	49	51	96	100.0
A house in NE Spokane	38	41.8	31	34.1	22	24.2	91	100.0
A house with down payment assistance	66	72.5	20	22.0	5	5.5	91	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

When renters were asked what type of support they would need to buy a house in NE Spokane, 48.1% selected cash for a down payment. The next most popular answer, with 26.2% of respondents, was help with credit, legal, or bankruptcy issues. This was followed by 20.2% who selected homeownership counseling. A small number of the “other” responses mentioned needing monthly assistance or generally more affordable options.

Exhibit 26. Type of Support Needed to Buy a House in NE Spokane

Support Type (may select multiple options)	Count	%
Cash for a down payment (one time grant)	88	48.1
Help with legal, credit or bankruptcy issues	48	26.2
Homeownership counseling	37	20.2
*More affordable housing options	2	1.09
*Monthly financial assistance	3	1.64
Other	5	2.73
Total	183	100.0

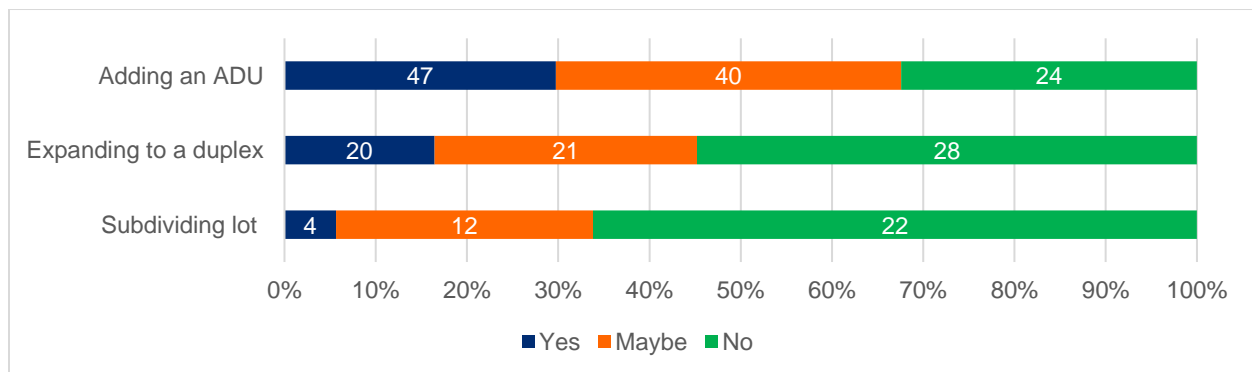
Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

* Derived from responses to the “Other” category.

Among the homeowners in Spokane, over half have considered adding an ADU to their property prior to taking the survey (Appendix B, Exhibit 56). While the majority were not interested in subdividing their lot to add another home, some were open to expanding their home into a duplex (Exhibit 27).

Many were also open to learning more about subdividing, duplex conversions, and ADUs (42% yes, 29% maybe) (Appendix B, Exhibit 56). Approximately half of the homeowners said they would need between \$1,000 and \$1,5000 in monthly rent payments to add a duplex or ADU to their property (Appendix B, Exhibit 57).

Exhibit 27. If You Own Your Home Would You Consider...



Source: Spring 2024 North Spokane Resident Housing Needs Survey.

The information from the survey suggests that residents in NE Spokane are open to the types of development options suggested in this chapter. Homeowners are interested in the options for ADUs, and possibly expanding their homes. Prior to the survey, 52% of homeowners had considered adding an ADU or separate living area for a parent or child (Appendix B, Exhibit 55). Almost half of renters were considering buying a home. Respondents had been in the area a long time and liked living in their neighborhoods. Safety concerns were mentioned often, but nevertheless commitment to the area was strong. Because many of the families are lower-income, homeownership may not be a viable option without supports, which could be in many forms, as discussed throughout this chapter. Similarly, homeowners would need financial support and guidance through the complicated development processes proposed.

5.3. Strategies in Hillyard Sub-communities

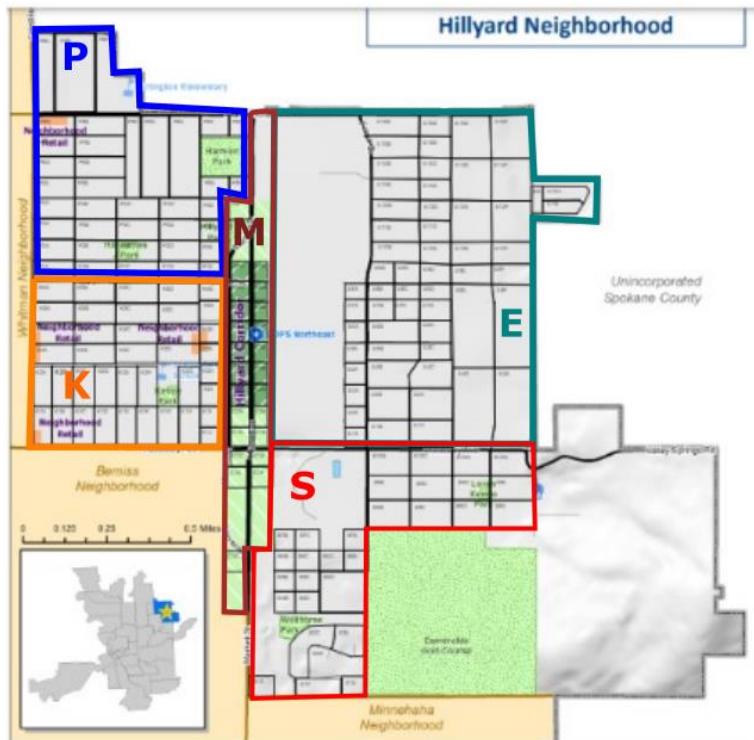
This section discusses various development and financing strategies that could shape the future of the Hillyard residential neighborhood specifically (see Exhibit 28) and NE Spokane more generally. The vision includes the totality of the policy outcomes: what the neighborhood will look like, who will live there, and who will benefit from growth. Neighborhood characteristics are described above in Chapter 3, “Housing Market Conditions.”

The recommended strategy can be described as “upgrade infill” (see Exhibit 28), a process that depends on residents as developers to improve current properties: more space, more units, increasing small-footprint multifamily units for renters, adding mixed-use development along the Market Street corridor, and leveraging job-related ties to a more compact industrial zone on the east side of the highway. This mix will support long-term residents and include new commercial development. The level of development is at “mid-scale,” and the strategy can work within the current physical and socio-economic characteristics of Hillyard’s sub-neighborhoods. It will also meet the “middle housing” goals of the city and the state.

This approach differs from mainstream “infill” development. Traditionally, infill means collecting large parcels of vacant or deindustrialized land inside urban areas, clearing large tracts, and building large-scale, high-density projects. This approach cannot be applied to residential Hillyard, because there is very little vacant land, there are more suitable large tracts nearby, and the resident population already has relatively affordable housing.

The resident-led approach also differs from “disruptive gentrification.” Gentrification can fuel displacement and rent increases and capture much of the value of rising home prices. However, many of these problems can be avoided if upscaling and densification are done by current homeowners and if renters can benefit from local landlords and new rental units. In any strategy, rising property values will eventually create pressures for gentrification, but a financially educated community will be able to protect itself from the worst depredations, while benefiting from the valuation increases, improved amenities, and upgraded infrastructure.

Exhibit 28. Hillyard Sub-neighborhoods



P – “Parks.” The northwest sector is the most residential, with prominent parks and multifamily infill west of Market Street.

K – “Kehoe.” The southwest sector is older residential and the only sector not bordering on county land.

M – “Market.” The Market Street corridor is commercial/retail. The I-395 freeway bisects Hillyard, with two vehicle crossings a mile apart. Pedestrian crossings are planned but are not in place.

E – “Eastside.” This sector is mostly industrial with some isolated single-family homes and a trailer park.

S – “Southeast.” This sector is newer, higher-end single-family residential.

As shown in Exhibit 28, Hillyard’s sub-neighborhoods are separated by major rail lines and roads, primarily I-395, which creates an east–west divide. Within sub-neighborhoods

there are opportunities for different types of development. Kehoe, Parks, and Southeast have the most residential units and are best suited for “upgrade infill” (bigger and newer houses). The industrial Eastside and Market Street corridor are suited for “multi-lot infill” with primarily industrial uses. The Market Street corridor is the prime area for mixed retail, commercial, and large multifamily development.

5.4. High-Level Measures to Track Progress

Two scenarios are presented in Exhibit 29, “Status Quo” and “Upgrade Infill.” The scenarios are based on general assumptions about Hillyard’s developable space (vacant lots, open back yards, obsolete houses), building activity in similar cities, building costs, financing availability, and support from the community and the city. Based on discussions with city officials, local affordable housing developers, and community leaders, the “Build and Upgrade” scenario would meet the needs of most people in Hillyard and in the city as a whole.

A balanced, feasible portfolio of new units over the next 10 years could consist of 200 multifamily units, 200 units of two- to four-unit multifamily housing, 75 units of infill development on currently vacant lots and land where obsolete or deteriorated housing has been removed, and 25 accessory dwelling units (ADUs). The total is 500 new residential units, an increase of about 15%. Adding units with larger bedroom sizes would support the current community.

The ideal model will encourage local single-family homeowners to reap the benefits of densification, such as reducing homeowner displacement and providing current renters with new units and lower-cost units. There are several challenges, including insufficient capital, permitting obstacles, and land availability. The proposed program suggests using a capacity building approach for owners likely to

develop only one site. Capacity building would include access to capital, education, and streamlined procedures.

Exhibit 29. Development Scenarios

	"Status Quo"	[Projected **] "Upgrade Infill"	Comments
Characteristics			
As of:	2023	2030	Projected*
SF development approach	No intervention	Upgrade Infill	Assumes supporting CDC
MF development	None	10 of 5–20 unit rentals	Infill footprint
Projected Housing			
Housing Stock			
Average age (years)	52	57	New build is a fraction of old
Density (units/sq. mile)	2,400	2,520	Residential West is 0.66 sq mi
Bedrooms/unit	2.30	2.50	600 1-BRs are in rental MF
# of SF (1–4) structures	2,195	2,300	Most SF dev. is replacement
# of multifamily units	500	590	Most new MF will be infill
Annual Housing Production			
MF > 50 units	0	0	Outside of SF infill plans
MF > 10 units	0	40	Units, not properties
MF > 4 units	0	50	Units, not properties
SF 1–4 unit development	0	100	From vacant or outmoded lots
SF 1 unit expansion	0	100	Including lot splits
SF – ADU attached (AADU)	0	40	Based on no. of Seattle permits
SF – ADU detached (DADU)	0	20	Based on no. of Seattle permits
SF New block development	0	40	Some blocks are open in SE

Sources: Structure counts and area are from Google Maps; age, bedrooms, units from City-Data.com (Hillyard, Spokane), 2021 data.

* Approximations based on certain assumptions regarding strategic decisions, funding available, market conditions, and contingencies. The strategic planning process involves modifying the base assumptions and using them to estimate the effect. See the pro forma estimates (Exhibit 34) for one vision of a Hillyard redevelopment effort.

Potential market incentives and government subsidy programs are discussed in more detail below (Section 5.4, and Exhibit 30). The main drivers of market-rate housing development will be (1) market rents in Hillyard, (2) land costs elsewhere in Spokane (a measure of whether Hillyard will be able to attract new residents), and (3) construction costs in Hillyard. Although some housing subsidy programs are deep enough to pay for the construction of new housing, such subsidies are rare and should not be relied on for more than a small portion of a development initiative. The strategic plan for Hillyard requires a wide range of shallow subsidies to support small-scale upgrades and infill, rather than large projects driven by grants and tax credits.

One part of the program is the formation of a dedicated organization, such as a community development corporation (CDC), to coordinate development efforts. Existing community organizations in Hillyard may also provide leadership or support the establishment of a new CDC. Another type of nonprofit or community organization could play the lead role, but for the purposes of this discussion we consider a CDC as the primary organization. The term “CDC” is not a strictly legal one, but rather a general designator for a nonprofit organization that supports community development. With a 501(c)(3) status, CDCs are exempt from taxes and excluded from lobbying or engaging in profit-making projects. They must be nonpartisan and cannot be controlled by the local government. They can, however, work with local agencies to support local development and to reduce regulatory and permitting burdens. CDCs can accept tax-deductible contributions and

grants. They are generally focused on community education, research, facilitation of community discussions, support for community development activities, and quality of life improvements.

Hillyard has a large number of renters, many of whom are low-income. Development planning means putting policies in place to protect renters as the neighborhood changes. Some options include preventing evictions and protecting renters (current and new) from large rent increases. Average dollar rent levels may be expected to rise over time and as neighborhoods are upgraded, but the number of affordable units should stay the same or be increased.

5.5. How to Incentivize Current Residents

5.5.1. Help Homeowners Maximize Their Investment

Hillyard homeowners, like most Americans, may find that their home is their largest asset. Until they are educated on ways to realize the investment potential of homeownership, they may not be motivated to act to produce financial gains. Examples of the investment potential include additional rental revenue, property valuation increases, and service-based revenue streams.

One way to further that investment education is to provide an online series of estimates of their properties' investment values. Exhibit 30 illustrates what an online "dashboard" might look like. As prices and rents change, the homeowner can get an up-to-date assessment of how much value they could create with the property. For example, if they convert to a duplex, add a revenue-generating addition, or cooperate with neighbors on a multifamily property development, they can estimate the costs and potential revenue of their actions. A CDC can lower the homeowner's or developer's costs by aggregating services, providing technical assistance, and providing access to lenders and investors. The CDC itself could sponsor the dashboard software.

How Read Exhibit 30 (see below). The left side of Exhibit 30 shows the assumptions in bold blue letters and numbers. The assumptions that apply to all properties are shown at the upper left; these can be automatically populated online by the sponsoring CDC. Similarly, sources such as Zillow can generally be used to populate the "property-specific" assumptions. The homeowner can then adjust the "investment-specific" assumptions and track the resulting investment potential over time. The potential investment opportunities are shown in the panels on the right. These panels are designed to give estimates of the most important costs for different property upgrades, including the cash needed up front, monthly cash flow, and future sales.

Exhibit 30. Example of a Homeowner Investment Potential “Dashboard”

Hillyard-wide Assumptions

Land price	350,000	\$/acre, vacant
Construction cost	150	\$/square foot
Development costs	20,000	\$/unit
Rent	1.30	\$/square foot
Home purchase	150	\$/square foot
Mortgage interest	7.00%	%/year, 30 year
Future inflation	1.00%	%/year

Property-specific Assumptions:

Lot size	7,000	Square feet
Housing unit size	1,400	Square feet
Downpayment	20.00%	%/total cost
Monthly maintenance	10.00%	%/rent

Investment-specific Assumptions:

1. Duplex Addition

Own unit already?	Yes
Self live in one unit?	Yes
Year of sale	20

2. Upgrade House and Sell

Upgrade cost Pct of value	50.00%
Sale premium over value	20.00%

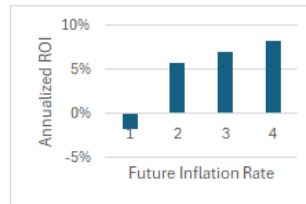
3. ADU

New unit size ADU	800	Square feet
Self live in one unit?	Yes	
Year of sale	20	

4. Develop to MF w/Next Door

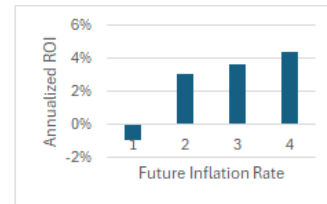
# of Units in MF	8	
New unit size	800	Square feet
Year of sale	20	

1. Duplex Addition (Rental)



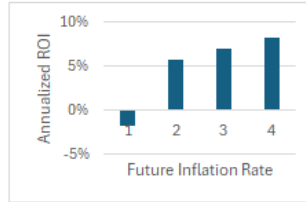
Cash investment	57,667
Mo. revenue	1,820
Monthly debt+maint	(1,704)
Mo. free cash flow	116
Total up-front cost	288,333
Mortgage	230,667
Year of sale	20
Sale price	326,959
Annualized ROI	6%

2. Upgrade House and Sell



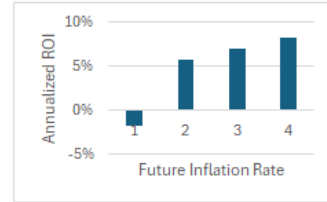
Cash investment	21,000
Mo. revenue	0
Monthly debt+maint	0
Mo. free cash flow	0
Total up-front cost	105,000
Mortgage	84,000
Year of sale	20
Sale price	117,869
Annualized ROI	3%

3. Auxiliary Dwelling Unit (ADU)



Cash investment	39,667
Mo. revenue	1,820
Monthly debt+maint	(1,066)
Mo. free cash flow	754
Total up-front cost	198,333
Mortgage	158,667
Year of sale	20
Sale price	224,063
Annualized ROI	26%

4. Develop MF w/ Next Door Neighbor



Cash investment	219,333
Mo. revenue	8,320
Monthly debt+maint	(6,481)
Mo. free cash flow	1,839
Total up-front cost	1,096,667
Mortgage	877,333
Year of sale	20
Sale price	1,260,304
Annualized ROI	14%

The four right-hand “results” panels in Exhibit 30 above are not the only investment possibilities. There could also be panels for activities such as (1) reconfigure lot lines with neighbors, (2) add an internal live-in unit; (3) renovate/upgrade/modernize, (4) add an addition but stay in the property, (5) arrange rent-to-own agreement with a rental tenant, or (6) do nothing and wait.

The CDC sponsoring such a dashboard could provide training and coaching sessions, introductions to lenders and possible equity investors, and assistance in negotiating with contractors or addressing permitting matters. Procedural and legal safeguards would have to be put in place so that the CDC would not be considered a legal financial advisor. The role of the CDC is a capacity builder.

The program must also consider the possibility that land values and rents will fall. In that case, the CDC would become even more valuable by providing community protection services, education against predatory outsiders, and buffering against common disinvestment and social problems.

5.5.2. Help Renters Become Homeowners

The CDC would also bring current renters into the infill development process, assisting them with buyouts of their current absentee landlords, purchasing new units being developed around them, or taking the lead in new development. Renters can also be introduced to contractors working for local developers. In addition, the CDC can arrange for other housing support services, such as housing counseling, financial literacy programs, and mortgage process support. Renters can also be referred to appropriate legal representation or social service agencies as needed.

Elements of Capacity Building for Homeowner and Small Site Developer Property Improvement

- Model documents
- Mentoring, coaching, advising
- Representation before official boards
- Meetings with other developers
- Software tools for cost estimation, rental conversion, refinancing, etc.
- Introductions to financing sources
- Opportunities to share resources and operating functions
- Assistance with recruiting, outreach, and other resources

Based on Census data (Exhibit 14) and the NE Spokane Housing Needs survey (Exhibit 24), between 50.8% and 55% of the families in Hillyard are renters out of about 1,715 households (Exhibit 15). According to one study, at the national level, 77% of renters say they prefer renting to homeownership,⁶⁶ though in the Housing Needs survey the number of renters interested in homeownership was 49%. When buying a house with downpayment assistance as an option, up to 94.5% of renters could be interested in homeownership (72.5% responded yes, and 22% responded maybe) (Exhibit 25). We estimate that between 394 and 840 current renters in Hillyard may be interested in homeownership. The Hillyard infill development process can offer renters various paths to homeownership, as detailed below:

1. **Rent-to-Own (their Current Unit).** The possible strategy for a renter would be to buy from their current landlord. There would be no moving costs, lower transaction costs, and possibly no downpayment. The advantages to the community would be stability of residents and ability of long-term residents to stay in their homes.

The National Association of Realtors (NAR) estimates that 10 million Americans have at one time been part of a rent-to-own contract. The NAR website provides links to case studies of rent-to-own initiatives in Arizona, Kansas, Nevada, and Pennsylvania, as well as other articles about the process.⁶⁷ The NAR estimates suggest that up to 15% of the nation’s 70 million homeowners⁶⁸ started as renters in their own units. While rent-to-own can be a good option, there are risks, and the sector has been historically plagued by fraud.⁶⁹ Many

⁶⁶ *US Renting Statistics*, The Zebra. <https://www.thezebra.com/resources/research/renting-statistics/>

⁶⁷ *Lease-Option Purchases*. National Association of Realtors. <https://www.nar.realtor/lease-option-purchases>

⁶⁸ *Housing Supply Chartbook*, Urban Institute, 2020.

https://www.urban.org/sites/default/files/publication/101553/housing_supply_chartbook_1.pdf

⁶⁹ <https://www.kmuw.org/2024-01-22/rent-to-own-contracts>

rent-to-own buyers lose their accumulated equity due to missed rent payments, job loss, or transfer. Others find that they cannot go ahead with a permanent mortgage because the house does not meet acceptable codes and standards.

The promotion of rent-to-own initiatives in Hillyard must include a strong educational component, the use of modern documents with strong renter protections, close attention to physical condition and financeability, and possibly a cash-flow stabilization plan.

2. **Rent-to-Own (a New “Infill” Unit).** Instead of entering into rent-to-own agreements with their existing homes, renters may team up with owners of single-family detached homes who are adding duplex additions, second units, or ADUs. The advantages would include the ability to join with fellow community members, possibly friends or relatives, and to have a buyer for the new unit lined up before construction starts. Community development groups can act as intermediaries to introduce interested parties to each other, to provide homeowners education, and to provide assistance with documents, financing, and approvals.

Benefits of Prioritizing Renters
<ul style="list-style-type: none"> • Show commitment to the whole community, not just homeowners. • Provide multiple pathways to success for low-income families in the community, • Develop models that can be used elsewhere in Spokane. • Give homeowners low cost sales options. • Promote community bonds between owners and renters.

3. **Fractional Homeownership.** For renters lacking funds for a downpayment or for full monthly mortgage payments, a home purchase could be supported with a co-ownership structure. An outside investor could put up a portion of the downpayment and monthly payments in return for future equity ownership or repayments when the homebuyer’s income increases. The CDC or similar entity can provide the education and counseling aspects, and supervise the terms and conditions of the co-investment agreements.

This financing approach is similar to the “shared equity housing” model discussed earlier in the report. In this approach, a nonprofit sponsor plus a community board builds the home, arranges financing for it, and supervises the buyer. The buyer builds equity, with a cap to maintain affordability for future owners. Common incentives include the donation of low-cost land from a community land trust. These types of deals may require more scale than is available in Hillyard alone and would be more successful as part of an initiative including additional neighborhoods in NE Spokane.

4. **Co-Develop a Single-Family Property.** Many of the renters in Hillyard are in the building trades and similar jobs. Plumbers, carpenters, electricians, and other tradespeople who are interested in buying a home can join forces with single-family homeowners interested in adding more units to their lots. This can save costs and provide a buyer for the new unit. Non-trade assistance can also be provided in soft skills such as purchasing, accounting, marketing and/or finishing. This is a “sweat-equity” model where contribution of labor forms part of the downpayment on a home.
5. **Assisted Single-Family Home Purchase.** This category is standard assistance to low-income homebuyers. The community CDC can provide credit counseling, homeownership education, financial literacy programs, downpayment assistance, access to affordable housing mortgage originators, construction and renovation financing, legal assistance, and cash flow stability programs.

6. **Tie-Ins to Foreclosure-Related Housing Programs.** Many government-related mortgage programs have special provisions that give priority to renters when a house in the program falls into foreclosure or loss mitigation measures. The community CDC can act as an intermediary and counseling entity to equip local renters to take advantage of these home purchasing opportunities.

5.6. Designing the Strategy

5.6.1. Land Inventory

Strategy development includes an informal inventory of site types in Hillyard to better understand the neighborhood. Although there are relatively few vacant lots, there are opportunities for ADUs and additions to existing houses. (See Section 5.8, below for details on the portions of the neighborhood that can be filled by the different development types.) Based on permitting levels from other cities, this discussion estimates the number of ADUs that would be appropriate for Hillyard. For example, in Seattle, about 0.2% of owners of single-family lots have requested an ADU in the past 4 years.⁷⁰ This suggests that in Hillyard about 5 ADUs per year would be practical, for a total of 50 units over 10 years.

5.6.2. Constraints and Limitations

Hillyard is a low- to moderate-income area. Many homes are in substandard condition, with more debris in yards and less tree cover than in other parts of Spokane. Work on planting trees and incentivizing debris clearance would make Hillyard more attractive to both current and future residents.

The land in Hillyard is fragmented, with the Eastside area cut off by the railyard, and now by I-395. While the Eastside area is primarily industrial, some scattered residential units are present. Providing more car and pedestrian connections would help to mitigate obstacles while also encouraging land swaps to move residential uses to other areas, allowing larger-scale industrial activity.

Low Stock of Recent, Large Single-Family Homes. Additional units will have to come primarily from higher-cost additions rather than renovations. *Mitigations:* More flexible financing (loans) for expansions, technical assistance to homeowners, streamlined permitting, incentives where possible.

Small, One-Bedroom Housing Designs. Hillyard has a much higher percentage of housing units built prior to 1940 than the rest of Spokane (34% vs. 25%, see Exhibit 14, above). The age of the housing stock and the modest income of neighborhood families have resulted in a lower adoption of best design principles as well as a low level of maintenance and upkeep. *Mitigations:* Street-by-street assistance to community organizations for upgrades, more flexible financing (loans) for expansions, technical assistance to homeowners, streamlined permitting, incentives where possible.

Transportation Challenges: Distance from Downtown, Disruption from I-395. Over 90% of Hillyard residents commute to work in private cars, including a small number of carpools (U.S. Census). Property values could rise if constraints caused by distance, the freeway, and parking considerations could be lifted. *Mitigations:* Cross-freeway transportation improvements; improved

⁷⁰ City of Seattle. *Accessory Dwelling Units: 2022 Annual Report*. March 2023.

<https://www.seattle.gov/documents/Departments/OPCD/OngoingInitiatives/EncouragingBackyardCottages/OPCD-ADUAnnualReport2022.pdf>

public transportation options; improved alternative routes for non-car commutes and short trips, such as vision-zero street designs; discussions with transit authorities to develop connections to higher-income employment centers (downtown or otherwise).

5.6.3. Goals and Objectives

For local housing development initiatives, the Revised Code of Washington (RCW) recommends using best practices for design, services, environment considerations, diversity, etc. The primary goals for Hillyard include the following best practices:

Protect Current Residents. As the neighborhood develops, the risk of gentrification increases. Strong block and community associations are necessary to allow current residents to have a say about new development. The city should provide protections that will avoid displacement of low-income residents, both owners and renters.

Increase “Living Space” Metrics. There are different ways to measure how well a community is meeting the housing needs of its residents. The Hillyard CDC can track quality measures and design incentives appropriately. Some examples of quality measures include (1) crowding (the number of people per room), (2) large family support (number of bedrooms per home, yard space, parks), and (3) units with code violations or deficiencies, other measures. As described in the RCW, the main approaches for increasing density and creating livable communities are: (1) increased unit sizes per lot, (2) multifamily lot collection, (3) ADUs, (4) land swaps and land banks, (5) responsible buyouts, and (6) support for larger household sizes. The purpose of tracking housing quality measures is to identify ways in which community home values can be increased.

Improve Community Quality of Life. A resident-led effort may focus on community quality of life objectives such as walkability, beautification, tree cover, amenities, parking, and environmental and safety features. A significant aspect of the Hillyard CDC’s work will be mediating these design matters between the needs of the various stakeholder groups: residents, community groups, the City of Spokane, financing entities, and developers.

5.6.4. Identify Parties Responsible for Implementation

A major recommendation of this study is to form a Hillyard CDC or similar entity to manage resources and provide education for small developers. The CDC would organize people and resources to improve the neighborhood. It could combine resources from existing community groups or be a completely new entity. The CDC would provide leadership, administration, tracking, and a corporate voice for community development activity. It can also provide a vehicle for public sector financing for demonstration projects.

5.6.5. Hillyard Development Principles

Resident-led development. The CDC can empower existing homeowners to do small-scale, single-lot development. Possible activities include:

- Education (how to develop).
- Information support (data on markets and financing).
- Capacity-building (shared operational services such as pooling resources for development tasks).
- Streamlined permitting and governance.
- Financial incentives.

If homeowners and small site developers have alternative business models, financing options, and permitting negotiating ability, they are much more likely to take the risk to add a new unit (ADU) or make needed home improvements (e.g., repair or replace roofs, siding, HVAC).

Support increased single-family square footage, including duplex, triplex, and fourplex developments. Hillyard has many small houses. These units, often less than 1,200 square feet, are not usable for large families; they attract absentee landlords and lower the appraised values of surrounding homes. Spokane’s adoption of new building codes (based on BOCA) allows for the development of denser, attached housing styles.

Support capacity building for small site developers. The Urban Land Institute pioneered the creation of “do-it-yourself” development manuals with model documents and templates. The Hillyard development coordinators and the CDC could use such tools to help small site developers engage in low-cost and low-risk property improvements.

Greater density along the commercial corridor. Multifamily housing development (more than four units) requires assistance in gathering land and ensuring access to transportation and basic retail, such as grocery stores. Large-scale multifamily structures should be concentrated along the Market Street corridor. The area within three walking blocks of Market Street would be prioritized for multifamily housing, commercial, and retail development.

5.7. Necessary Resources

Resources for revitalization can be collected from many different sources, but many will only pay for narrow purposes (e.g., land acquisition but not land clearance, resident counseling but not resident legal representation). The Hillyard CDC will need funds for its own operations, for project work it initiates, and for facilitating resources it wishes to bring to the community.

Exhibit 31 lists the funding programs that Hillyard might qualify for, divided into six categories by use. Note that resources may be cash grants, in-kind contributions such as land and structures, technical assistance, loans at below market rates, discounts on property purchases, and participation in development profits.

Startup Costs and Capacity Building for the Hillyard CDC. Government programs for capacity building, such as assistance with legal compliance, accounting, and administrative needs, would be directed either to the CDC entity or to the small site developer or homeowner in Hillyard. It would be easier for the small developers to obtain assistance; many programs, such as the HUD Housing Counseling Assistance and GSE technical assistance grant programs. For example, the Federal Home Loan Mortgage Corporation (Freddie Mac), prioritizes low- and median-income buyers.

Recruiting volunteers with the required skills is an often overlooked resource. Many participants in the housing industry would be particularly interested in working on actual development projects as an outlet for their creativity and to develop their skills.

Land Bank Resources. The first resource category is funds for land acquisition and repositioning, which is expected to be a major activity of the Hillyard CDC. These functions are often organized into the corporate form of a land bank, which could be a nonprofit affiliate of the Hillyard CDC.

Land banks typically begin with seed money for organization and are started by a local corporate philanthropic organization or a city or county government. An amount between \$25,000 and \$50,000 plus volunteer staff should be sufficient.

The basic business model of a land bank is to take over land and housing that is in some way distressed; foreclosure, abandonment, physical obsolescence, unpaid taxes, title problems, and ownership disputes are common triggers. The land bank arranges for clearing any problems in return for (1) immediate transfer of ownership; (2) committing to manage the property in the community interest, including maintaining lawns and structures; and (3) conveying the property to a small-scale developer, possibly at a below market price, to incentivize a redevelopment that is in line with the community's strategy.

Single-Family Rehabilitation and Upgrades. The CDC could financially support same-structure infill (e.g., expansions, sub-lot division, unit additions, ADUs) in two ways. First, it could facilitate equity and debt for small-scale developers from third parties. Second, it could provide the financing. Direct financing would require more CDC institution building to support more staff. A CDC that creates in-house capacity for financing will have much more control over the end patterns of housing.

Multifamily Construction and Development. Multifamily development requires resources and expertise likely to be beyond the Hillyard CDC's internal capacity. The CDC, however, can be a liaison between responsible for-profit and nonprofit developers. It can develop relationships with the city, state, lenders, and community groups and act as a development facilitator.

Community Infrastructure. Hillyard contains many industrial sites, old and new. It also contains a major freeway (under construction) and remnants of a major railyard. All of these require infrastructure investment, and there are federal, state, and local government programs to remedy past problems and assist with redevelopment. Section E in Exhibit 31 cannot list all of the grant and loan programs associated with these features of Hillyard—there are dozens of such programs—but it would be worthwhile for the Hillyard CDC to have an annual review of new money available.

Resources for Residents. With a redevelopment plan that depends on popular support and private sector small developers, the Hillyard CDC could help to create demand for new and expanded housing by supporting education to increase financial literacy of lower-income families.

Exhibit 31. Potential Resources for Hillyard Development

#	Source of Funds	Resource Description	Comments Related to Hillyard	Type	Priority
A. Startup and Capacity Building Funds for a Hillyard CDC					
1	Local Spokane	Neighborhood organizations	Poll groups for volunteers, space, etc.	In-kind	1
2		City government	Seek small cash grant for organization	Grants	1
3		Corporate charitable donors	Seek small cash grant for organization	Grants	1
4		State-based local programs	WA State CERB, others	Grants	1
5	Federal – HUD	HUD CDBG grants	Can be used for any capacity purpose	Grants	2
6		HUD Section 108 Loans	CDC could borrow against future grants	Loans	2
7		Neighborhood Stabilization Program	Funds for planning, community outreach	Grants	2
8		Community Compass	Capacity Building	Grants	1
9	Other Federal	Economic Development Initiative (EDI)	Community Project Funding Grants	Grants	2
10		HUD Housing Counseling Programs	Funds for training and technical assistance	Grants	2
11	Nonprofits	NeighborWorks	Funds for training and technical assistance	Grants	3
12	CDFIs	Capacity building grants, TA programs	CDC would set up or engage a CDFI	Grants, TA	3
B. Land aggregation and improvements (Land Bank)					
13	Local govt.	Tax foreclosure acquisitions	Requires transfer from city	Service fees	1
14		Management fees	CDC/LB provides property management	Service fees	1
15	Mortgage banks	Take over foreclosure process	Allows assistance to troubled owners	Risk transfer	1
16		Take over REO	Banks seek to avoid steep holding costs	Risk transfer	2
17		Provide financing, sales referrals	LB would take brokerage fees, etc.	Service fees	3
18		Provide special servicing	Loss mitigation services on delinquent loans	Service fees	1
19	Land lenders	FHLB land acquisition loans	For financing of property portfolio	Loans	1
20		Regional and local bank financing	CRA and other community lending programs	Loans	1
21	Property Income	Clean, clear properties, then sell	Income from property value increases	Sales income	3
22		Lease income while properties are held	Possible lease to neighbors, parking, park	Leasing	3
23	Federal – HUD	HUD CDBG grants	Use as seed money for future income	Grants	3
24		HUD Section 108 loans	Leverages CDBG funds	Loans	1
25		Neighborhood Stabilization Program	Funds for planning, community outreach	Grants	2
26		HUD Homes Program	Discounted purchases of HUD REO	Discounts	1
27	Federal Cleanup	Brownfields cleanup grants	See HUD Navigator for Announcements	Grants	1
28		Environmental improvement funds	See HUD Navigator for Announcements	Grants	1
29		Highway and rail impact funds	See HUD Navigator for Announcements	Grants	1
30	Philanthropy	Local corporate charity – non-cash	Could arrange land swaps, gifts, other	In-kind	2
31		Local corporate charity – cash	Generally small amount for startup costs	Grants	3
32		Equipment loans for demolition, etc.	Includes trucks, disposal, cleanup, landscape	In-kind	3
33	Other resources	Community Land Trust management	Property management for Spokane CLT	Service fees	3
C. SF Rehabilitation and Upgrades					
34	Federal – HUD	Neighborhood Stabilization Program	Rehabilitation of obsolete properties	Grants	2
35		FHA Revitalization Area Sales	Transfer of surplus FHA properties	Discounts	2
36		[Similar programs from VA, GSEs]	Acquire FHA-foreclosed homes at discount	Discounts	3
37		FHA Mortgagor Program	CDC can apply for FHA financing	Discounts	2
38		HUD Homes Program	CDC can take/manage FHA properties	Discounts	1
39		FHA Secondary Financing	CDC can act as a lender with FHA backing	Discounts	3
D. MF Construction and Development					
40	Federal - HUD	FHA Mortgagor Program	CDC can apply for FHA financing	Discounts	2
41		FHA Secondary Financing	CDC can act as a lender with FHA backing	Discounts	3
42		FHA Mortgagor Program	CDC can apply for FHA financing	Discounts	2
43	Fed Tax Credits	Low Income Housing Tax Credit	The largest source of MF development funds	Tax credits	2

#	Source of Funds	Resource Description	Comments Related to Hillyard	Type	Priority
E. Community Infrastructure					
44	WA State CERB	Planning grants	Community planning assistance	Grants	1
45		Committed Partner Loans, Grants	Infrastructure acquisition, repair, upgrade	Loans, grants	1
46		Prospective Development Program	New jobs-related public infrastructure	Loans, grants	1
47	Historic Trust	National Trust grant program	Repairs, replacement for qualifying property	Tax credit	1
48	Fed Tax Credits	New Markets Tax Credit			
F. Resources for Residents, with Hillyard CDC as the Initiator					
49	HUD – Housing	Recovery Housing Program	Supports family recovery from homelessness	Grants, TA	1
50	NeighborWorks	Housing Counseling Program	Assistance with paperwork, representation	TA	1

5.8. Obtaining and Deploying Resources

Step 1: Create a Structured Resources Pursuit Group. The “Build and Upgrade” approach requires resources. Government cash subsidy programs are scarce and usually are not available for single-family infill development. The Hillyard CDC could compile resources and help disburse funds via different assistance programs. Community members should take the lead in coordinating development efforts via the CDC. Existing community anchors, such as the Northeast Community Center (NECC) and neighborhood associations, could also serve in this role. The coordinating organizations and leaders would provide resources for the community and work in coordination with city departments.

The Hillyard CDC would provide ongoing facilitation via the following:

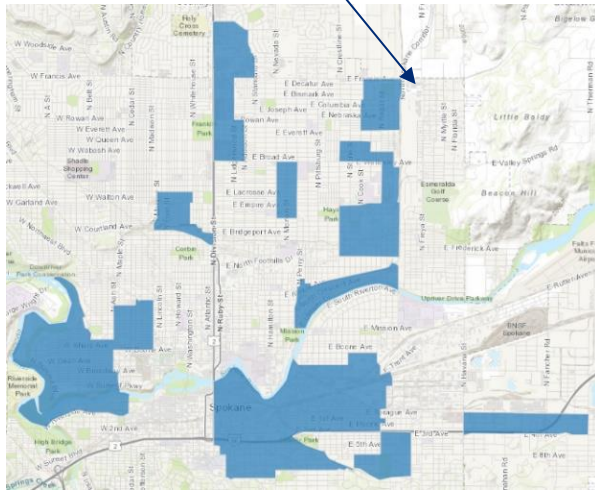
- Meetings with prospective project participants.
- Capacity development.
- Resources support.
- Zoning and permitting support.
- Economic development support.
- Performance tracking.
- Identification of new development and possible participation in its management.

Step 2: Pursue Hillyard Special Area Designations. Many government community revitalization programs are limited to, or at least targeted to, areas of special need. There are many areas specially designated for assistance across federal and state governments. The CDC should create a list of all special area designations that Hillyard qualifies for, together with information regarding the funding cycles, eligible uses of funds, and application procedures. The likelihood of receiving funds is much higher for communities in special districts.

Exhibit 32 shows that Hillyard is in an area eligible to receive grants and other assistance from HUD for the cleanup of areas with obsolete houses and vacant lots.

Exhibit 32. HUD Revitalization Areas: Example of a Designated Area Useful for Fundraising

Hillyard (west of freeway)



Other area designations Hillyard may qualify for:

- CRA Community Assessment Area
- Opportunity Zone
- HUB Zone
- Persistent Poverty Area
- Economically Distressed Area
- HRSA Medically Underserved Population: Low Income
- Homeless Area
- HHS Medicaid Population Area
- Historic Preservation Zone
- Brownfields Development Zone

Step 3: Work with Housing Development and Financing Entities. Just as many government and private sector funding programs are designed for certain designated geographic areas, many are designated for certain types of organizations. Organizations with greater access to funds include Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Housing Counseling Organizations (HCOs), Regional Development Authorities (RDAs), and community development corporations (CDCs). The Hillyard CDC should seek relationships with each type of organization that might be useful in implementing the strategic plan. In cases with a high return on investment, the Hillyard CDC might serve as the eligible organization.

Step 4: Participate in Demonstration Programs. Some programs give higher funding priorities to projects and initiatives that promise to test new development models, engineering approaches, or financing combinations. The Hillyard CDC may wish to explore experimental initiatives that would have a higher probability of success.

Step 5: Capacity Building For Small Single-Family Developers. Single-family homeowners or small developers do not have the scale to get the lowest costs, and they typically lack the experience to meet the costs of larger developers. Small-scale developers can be assisted via training, technical assistance, model documents, mentors, step-by-step guides, access to city officials, shared services for accounting and legal services, and other proven methods of creating a base of capable small-scale developers.

The Hillyard CDC should establish goals, milestones, and timelines for identifying and building to useful levels a targeted number of local single-site developers. Approximately 40–50 small developers could meet the single-family needs of Scenario 3.

Step 6: Create Several Hillyard-Specific Small-Developer Business Models. Modern, larger footprint houses are constructed only where economic conditions support the costs. Historically this has meant building on the outskirts of a city where land costs are low, regulation is light, economies of scale lower the costs of construction, and high paying jobs are nearby. Hillyard is close to the edge of town and does have job opportunities nearby.

The CDC could aggregate and swap land, mitigate regulatory burdens, and provide some aspects of economies of scale by working with many small developers to share services and financing costs. Exhibit 33 presents a simple model of a single house built on a vacant (or obsolete) lot in Hillyard. It shows four places where a CDC could provide assistance. The assumptions for these two scenarios may not be indicative of current Hillyard conditions; they are shown to illustrate where outside help could reduce hard costs.

Exhibit 33. Example of a Simple Model for Small-Scale/Single-Owner Infill Development in Hillyard

	Owner/Developer Share	Alternative Scenario	Community Assistance
Land Cost			
Lot size (acres)	0.1	0.05	Land bank contribution
\$ per acre	\$500,000	\$500,000	
Clearance	\$15,000	\$5,000	City equipment, labor share
Net land	\$65,000	\$30,000	
Construction Cost			
Square feet	1,800	1,800	
\$ per square foot	\$150	\$125	Reduced regulatory requirements
Net construction	\$270,000	\$225,000	
Financing Costs			
Months in development	6	6	
% per annum	10%	10%	
Net financing	\$16,750	\$12,750	
Soft Costs			
Hours of developer time	400	200	Capacity building technical assistance
\$ per hour labor rate	\$50	\$50	
Fixed soft costs (% of total)	5%	3%	Reduced permitting burden
Net Soft Costs	\$36,750	\$17,650	
Total Development Cost	\$388,500	\$285,400	
Surrounding Comparables	\$300,000	\$300,000	
Profit (Loss)*	(\$88,500)	\$14,600	

*Includes the value of the developer’s time. To the extent the developer is the owner, the “loss” might be considered payment for labor.

Land could be collected and swapped to provide a small single-family or single-site developer with cheaper land. If the lot has to be cleared, possibly including demolition, the city could provide equipment, labor, and free disposal. Construction costs could be lowered if the CDC provides services such as free architectural drawing and engineering support, donations of materials, or labor from training programs for trades. The hours of developer time could be reduced by providing model documents, technical assistance in negotiating with and monitoring contractors, and other forms of technical assistance. Finally, fixed costs could be spread among many small developers to get lower financing costs or legal services.

Step 7: Create a Pro-Forma Budget Model to Set Fundraising Targets. Exhibit 34 (Pro Forma Operations) shows some of the assumptions and resulting production for a Hillyard CDC. This CDC has four lines of business: a land bank, a single-family/small-scale-developer support division, a multifamily development division (partnering with private developers on five- to eight-unit infill properties), and a technical assistance/housing counseling division. Numbers in bolded blue are assumptions.

Exhibit 34. Example of Pro Forma Operations of a Hillyard CDC

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Assumptions					
Land bank plots managed	5	10	15	15	15
- Hours/project	200	200	200	200	200
- Costs per project	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
- Profit (loss) per property	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
SF projects	10	20	20	20	20
- Hours/project	100	100	100	100	100
- Costs per project	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
- Profit (loss) per property	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
MF / Commercial projects	1	1	2	2	3
- Hours/project	300	300	300	300	300
- Costs per project	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
- Profit (loss) per property	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Compensation per staff hour	25	25	25	25	25
G&A hours expended:					
Administration	500	600	700	800	900
Grantwriting / fundraising	1,000	1,000	2,000	2,000	2,000
Community outreach	1,000	1,000	2,000	2,000	2,000
Technical assistance	1,000	1,000	2,000	2,000	2,000
Annual Fixed Costs	\$ 10,000	\$ 15,000	\$ 20,000	\$ 20,000	\$ 20,000
Projects hours expended:					
Land bank operations	1,000	2,000	3,000	3,000	3,000
SF "missing middle" projects	1,000	2,000	2,000	2,000	2,000
MF / Commercial	300	300	600	600	900
Total staff hours expended	5,800	7,900	12,300	12,400	12,800
Staff (FTE)	3.0	4.1	6.4	6.5	6.7
Labor costs	145,000	197,500	307,500	310,000	320,000
Cash Inflows					
Sales of properties					
Land	0	150,000	300,000	450,000	450,000
SF Housing	0	600,000	1,200,000	1,200,000	1,200,000
MF Housing	0	120,000	120,000	240,000	240,000
Grants	\$ 300,000	\$ 50,000	0	0	0
Fees for services	0	25,000	25,000	50,000	50,000
Loans	\$ 500,000	\$ 400,000	0	0	0
Total Cash In	800,000	1,345,000	1,645,000	1,940,000	1,940,000
Cash Outflows					
Start-up costs	50,000	0	0	0	0
Staff compensation	145,000	197,500	307,500	310,000	320,000
Property Acquisition					
Land bank	100,000	200,000	300,000	300,000	300,000
SF projects	400,000	800,000	800,000	800,000	800,000
MF / Commercial	100,000	100,000	200,000	200,000	300,000
Loan repayments	0	0	0	\$ 300,000	\$ 200,000
	795,000	1,297,500	1,607,500	1,910,000	1,920,000
Net Cash Flow	5,000	47,500	37,500	30,000	20,000
Housing Units Produced	23	38	51	51	59
				Total housing	222
				\$ grants required per housing unit:	\$ 1,577

Step 8: Create Capacity Within the Hillyard CDC for Zoning and Permitting Assistance. As suggested by the development model in Exhibit 34, assistance with regulatory requirements translates to dollar contributions. For more dollar impact, the city should do more than just drop or modify individual requirements: it should eliminate whole sections of procedures and provide affirmative assistance with burdensome regulations.

The Hillyard CDC could break down the entire permitting process and requirements into a list of tasks for the developer. Each task is assigned a cost estimate to the developer, a time delay burden

to the developer, levels of policy priorities, a justification for why it cannot be waived if that is the decision, and a commitment to providing technical assistance in the permitting, financing, and construction phases of Hillyard development.

Step 9: Create a Hillyard CDC-Specific Community Assistance Portfolio. Beyond permitting and regulation, for each type of assistance described above in Exhibit 31, the Hillyard CDC would create a budget, a management plan, and a performance monitoring plan that describe the potential in Hillyard: the number of families, the number of housing units to be involved, the dollar amounts needed and realistically available, the mechanism for encouraging current owner/resident participation, and programs that can provide resources.

Step 10: Create Economic Development Capacity. Any densification of Hillyard beyond a minimal amount (about a 5% housing unit increase) is likely to impose burdens on the community infrastructure. These include the need for parking, utilities, commercial and retail services for residents, and schools. The Hillyard CDC would make a list and check with the providers of community services to understand how the increased burdens and costs are estimated, and the timelines needed to match the timing of infrastructure improvements to the increases in housing density.

5.9. How to Map Redevelopment Potential for the Major Block Types in Hillyard

The maps in this section preliminarily identify potential building sites to help track the factors driving development. Depending on the availability of public data, the maps will show available land, incomes, densities, housing values, and household types. Based on public data, some “before” maps are included. With more detailed information, maps can track the current state of a neighborhood. Hillyard has three basic types of blocks: (1) industrial blocks on the east side, (2) a commercial corridor running the length of Hillyard and parallel to I-395 and the railroad tracks, and (3) residential blocks to the west of Market Street and south of East Wellesley Avenue.

5.9.1. Industrial Blocks

East of Market Street and I-395 are large blocks of land intended for industrial use (Exhibit 35). Interspersed in the area are some single-family structures and a mobile home park. This land can be useful for Spokane’s industrial development because it has a major interstate connection and is on the edge of town in an area with a history of industrial use. The existing single-family homes impede the development of large-scale industry, and some of the current small-scale industrial sites pose possible environmental contamination issues. The goal in this area is to focus on industrial uses and explore relocation options for the current residents.

Exhibit 35. Typical East Side “Industrial” Block



Characteristics of these blocks:

- Mix of industrial, residential, and vacant lots.
- Few trees, little residential appeal, no retail.
- Possible environmental contamination.

Redevelopment strategies include:

- Trading use permits with other blocks to consolidate use types.
- Land bank to collect specific types of land.
- Environmental remediation and certification.

5.9.2. Residential Blocks

Exhibit 36 shows a typical residential block west of Market Street. The task with such blocks is making it economically feasible for current single-family housing owners and small-scale developers to pursue basic types of infill development:

1. Develop new construction on empty lots.
2. Demolish and rebuild obsolete housing (>60 years, <1,200 square feet, physically deficient).
3. Expand family homes to support larger family sizes, either with additions or ADUs.
4. Redevelop with 2- to 4-unit multifamily housing.
5. Redevelop with 5+ unit multifamily housing (will require multiple lots).
6. Redevelop with multi-lot amenities (park, parking lot, etc.).
7. Redevelop with multi-lot retail.
8. Upgrade alleyways (required for ADUs that front on an alley).

Exhibit 36. Typical West and Southside “Residential” Block



Characteristics of such blocks:

- Mix of small and medium-sized single-family homes and vacant lots.
- Few trees, ineffective landscaping, unsightly debris.
- Obsolete, deteriorating housing.
- Unpaved alleys.

Redevelopment strategies:

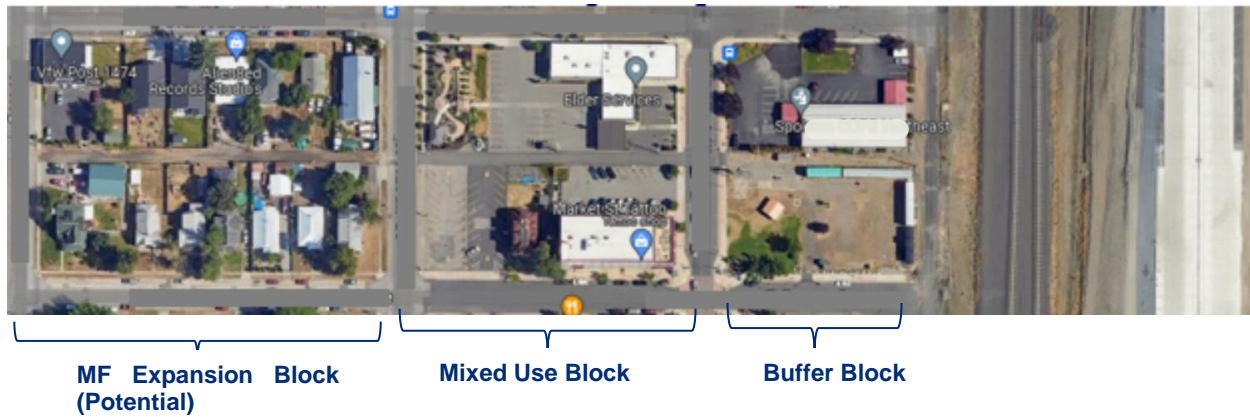
- Create prepackaged development kits for each type of redevelopment listed above (including model documents, architectural plans, pre-filled applications, etc.).
- Land bank to collect specific types of land.
- Environmental remediation and certification.

5.9.3. Commercial Blocks

Exhibit 37 shows a typical commercial block. The fundamental tasks for such blocks are a challenge:

1. Upgrade the commercial and retail fronts on Market Street to be more attractive to current residents, newcomers, and visitors to the community.
2. Support the highest and best use of real estate that fronts along the railyard/freeway.
3. Encourage mixed use (commercial, retail, and multifamily housing) in the buffer block west of Market Street.
4. Encourage the development of “small footprint” multifamily housing in the block west of Haven Street. This process has already begun at the northern end of the Market Street corridor.

Exhibit 37. “Commercial” Blocks and neighboring constraints



Redevelopment strategies:

- Recruit high-end visible retail anchors.
- Identify possible “buffer structures” for the railyard/freeway side blocks to shield traffic noise (possible structures: parking garages, light utility warehouses, tree barriers, storage facilities).
- Create land bank to collect specific types of land.
- Pursue environmental remediation and certification.

5.10. “Carrying Capacity” of Neighborhoods

Determining the potential short-term capacity for new units in the different neighborhoods involves examining various development characteristics (Exhibit 38). Longer-term capacity, perhaps in the wake of a major employment increase or in-migration, would be higher because the financial incentives for density would be higher.

Exhibit 38. Development Characteristics of the Neighborhoods

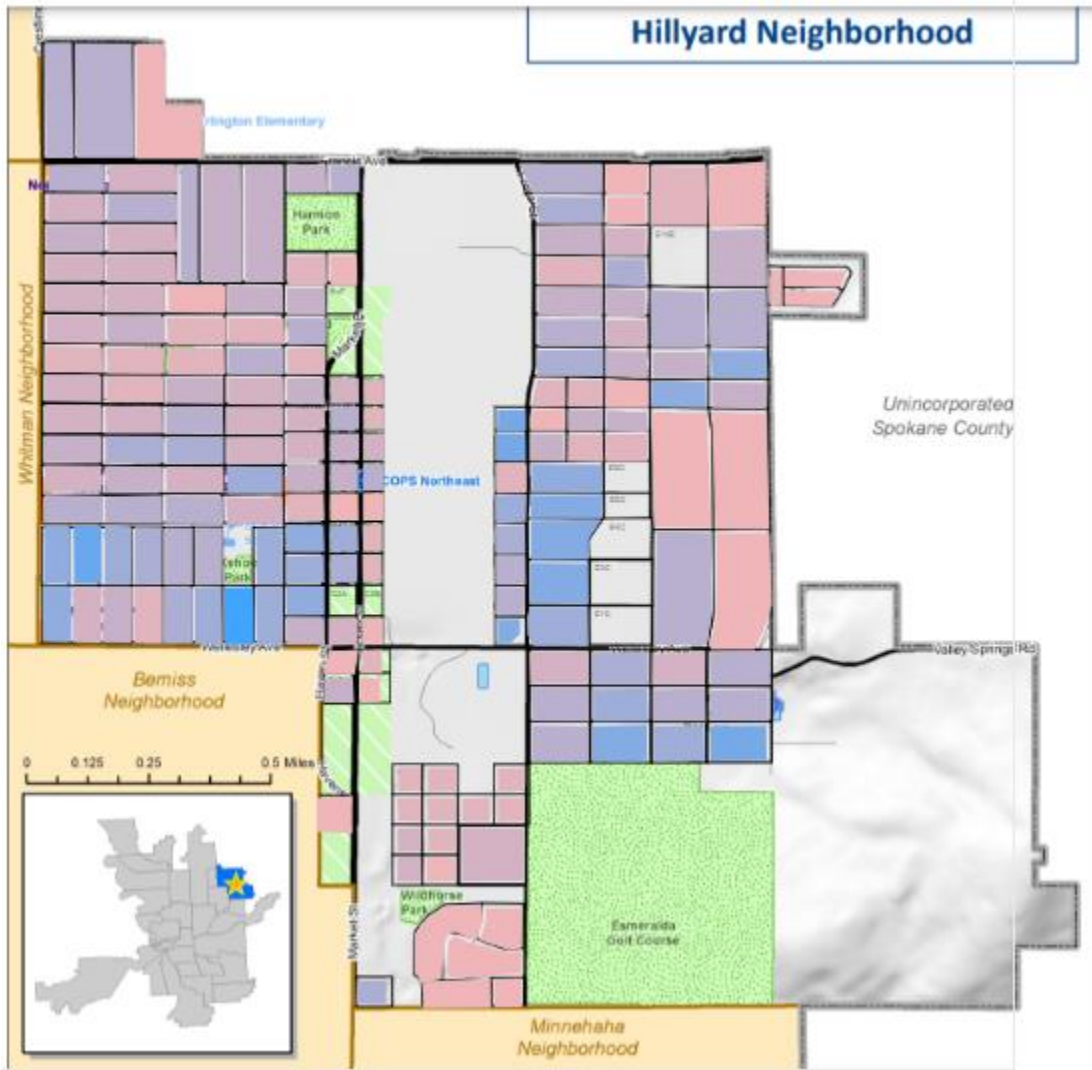
Characteristics	Kehoe	Parks	Market St.	Eastside	Southeast	Total
# of SF units	791	793	42	267	246	2,139
# of vacant lots, “legacy homes”	178	87	39	168	77	549
# of ADU sites	24	6	0	2	0	32
# of blocks	39	39	21	58	20	177
# of blocks near Market St.	6	6	22	0	0	34
# of 2-4 unit MF properties	5	2	2	0	0	9
# of 5+ unit MF properties	4	5	5	6	0	20
# of blocks >2 blocks from retail	28	72	22	58	35	215
Development considerations						
Borders county land (blocks)	0	7	0	14	5	26
Borders highway (blocks)	0	5	22	8	6	41
East of highway (blocks)	0	0	0	58	20	78
Potential environmental issues?	No	No	No	Yes	Yes	–

5.11. Current State Maps of Hillyard: Block-by-Block Characteristics

The potential for infill development units will be limited by the amount of land available for different uses. In particular, the current patterns of vacant/obsolete, multifamily, and ADU-capable lots are critical in this regard.

As shown in Exhibit 39, the primary sites for the redevelopment of vacant/obsolete properties will be in the Kehoe neighborhood, the southern near side of the industrial east side, and the southeast residential zone between the industrial area and the golf course.

Exhibit 39. Current Locations of Vacant/Obsolete Properties in Hillyard

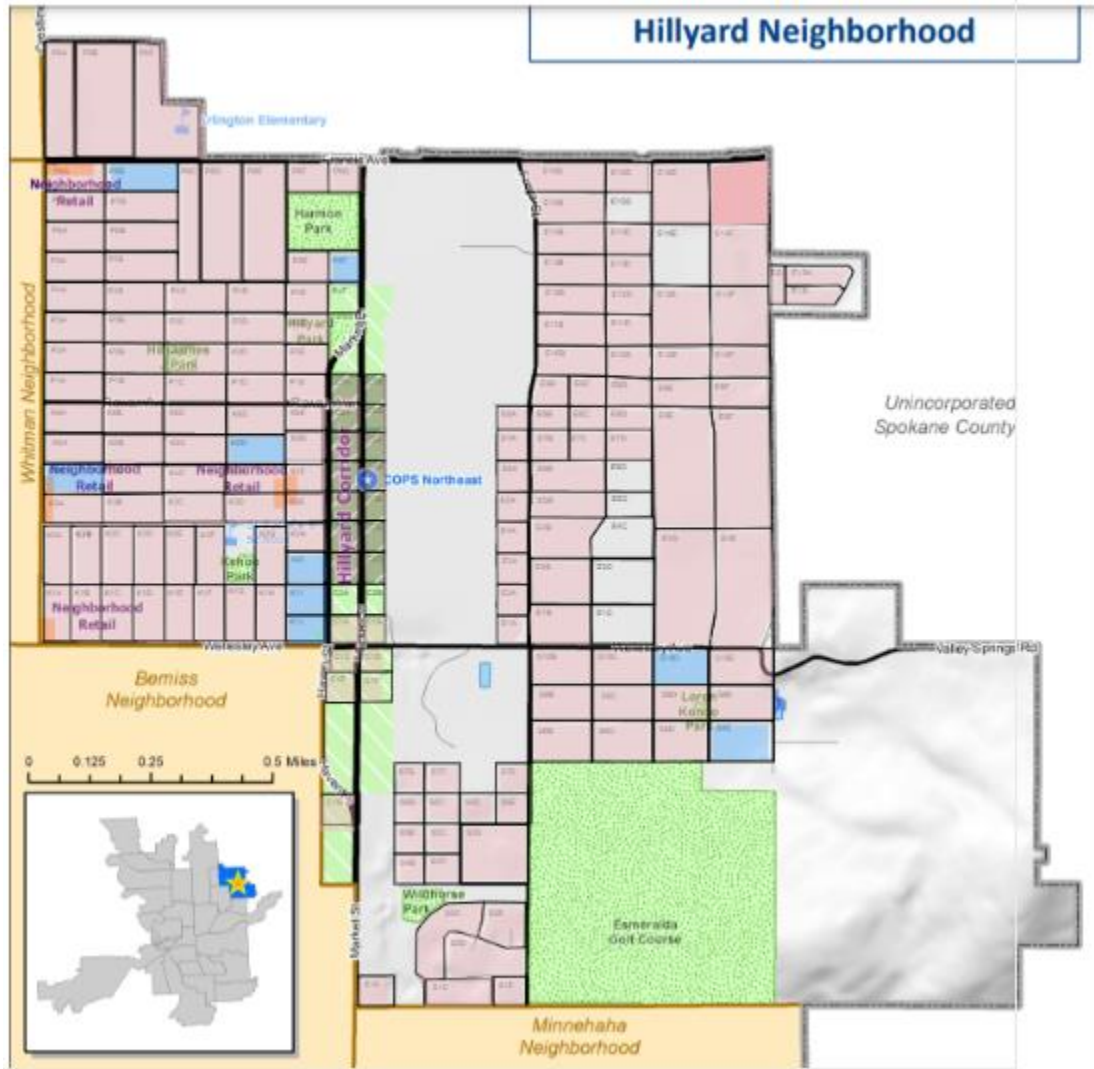


Blue shades = vacant/obsolete housing; darker shades = more availability.

This map was produced from a review of the lots in Hillyard using Google Maps, Zillow, and Google Street View. The map contains the plots of about 550 vacant/obsolete lots. If the Hillyard CDC incentivized approximately half of these lots to be redeveloped over 7 years, it would mean redeveloping about 40 properties per year. If the Hillyard CDC land-banked half of these, 140 properties at an investment of \$10,000 per lot, that would require raising \$1.4 million over 7 years

from the sources listed above in Exhibit 31. A community land trust is a mechanism that could be used to bank the land and preserve affordability.

Exhibit 40. Current Locations of Multifamily Properties (5+ units)



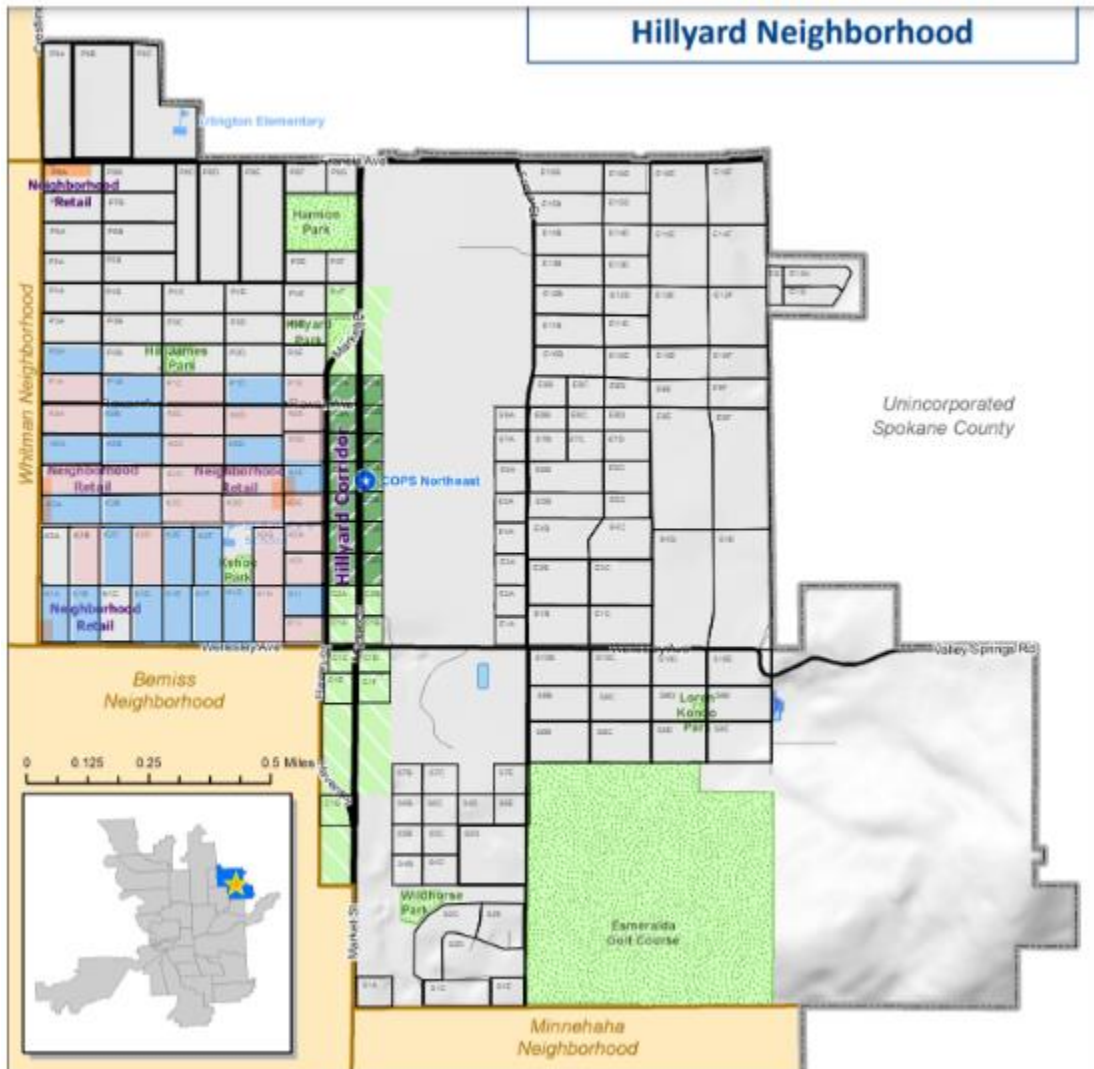
Blue = blocks with multifamily housing.

Hillyard has very little multifamily housing. There are a few 5- to 10-unit properties along the Market Street Corridor, set back a block or two (Exhibit 40). From the appearance of the parking lots, residents commute by car to work, which is in line with data for the general Hillyard community. Developing new multifamily housing will require (1) land collection of at least three contiguous lots, (2) rents that are competitive with the surrounding single-family detached housing rents, and (3) some solution to the requirements for parking spaces. The new regulations in Spokane remove some or most of the requirements for off-street parking, which can increase the space for housing and lower costs.

One of the existing multifamily properties, an 8-plex is for sale at an asking price of \$1.15 million. This property is a candidate for either demolition or redevelopment into a multifamily property that uses the parking lot next door for more units and consolidates units to produce more bedrooms.

Construction of additional ADUs is another strategy. A lot is defined as “ADU-capable” if (1) at least half of the lot is unused, and (2) it has an entrance on an alley or is accessible from the street. There were only about 75 of these lots, which are concentrated around Kehoe Park and St. Patrick’s Church (Exhibit 41). This is also where most of the vacant lots and obsolete housing are located, so the best use of the land may be full redevelopment rather than an ADU. The exhibit shows examples (in blue) of where half-lots are vacant or on an alley.

Exhibit 41. Current Locations of “ADU-Capable” Lots



Blue = ADU-capable lots.

6. Conclusion

This report begins with a general discussion of affordable housing issues and provides specifics on the housing market and state and local laws. The recommended infill-development strategy is resident led and can be facilitated by a CDC or other nonprofit organization. The proposed strategy includes a vision for future development that is systematic and would benefit the current and future residents of Hillyard and other areas of NE Spokane. The model lays out the development goals, the types of properties that could be built, and the likely best locations.

While gentrification is a risk in Hillyard, there are promising strategies that can help preserve and even increase affordable housing and avoid displacement of the current residents. By removing most single-family zoning, Spokane has eased the way to add small multifamily developments throughout the city. Infill development in NE and Hillyard could use the power of a community land trust to preserve long-term affordability and combine it with shared equity housing as a way to allow low-income families to enter the housing market as homeowners, increasing their wealth and equity in the process.

Reviewing American Community Survey data shows that the Hillyard area has a somewhat higher percentage of Black and minority residents than other parts of Spokane, but is still over 80% white. Homes in Hillyard are older, with 34% of the housing stock built before 1940, compared to 25% in Spokane overall and 12% nationally. Despite the age of the housing stock, occupancy rates are high, and rents are relatively low compared to other parts of Spokane. The community is also lower income, compared to other parts of Spokane and to the nation overall. Hillyard is a prime target for real estate investment in the coming years due to its older housing stock and relative affordability.

Spokane has amended laws and put into effect emergency ordinances when needed to try to keep up with housing demand and expand the supply of affordable housing. Further housing development is still needed to meet the housing needs of the city. Affordability is a priority to ensure that housing is available to people at all income levels and to mitigate economic and other types of displacement.

The strategic plan begins with a proposal for resident-led infill development, facilitated by a CDC or other nonprofit organization. The strategy includes a vision for systematic future development that would benefit the current and future residents of Hillyard. Current homeowners have the potential to realize additional value from their properties by creating rental units or upgrades they can enjoy. For renters, using current eviction protections and introducing options to buy their homes from their landlords are suggested. Renters are a large part of the community and can benefit from both housing and economic development using the protections available in Spokane. The CDC would have a capacity-building role by providing education and resources for community members. It could also help set up a land bank, legal services, and simplified permitting processes in cooperation with the city and other stakeholders.

The strategy recommended here depends on residents as developers to improve their properties and add more bedrooms, more units, and mixed-use development, and to leverage job-related ties to a more compact industrial zone. The level of development is at “mid-scale,” and the strategy

can work within the current physical and socio-economic characteristics of Hillyard’s sub-neighborhoods. Renters can also benefit from both housing and economic development. The strategy recommendations will also meet the “middle housing” goals of the city and state. With any housing strategy, rising property values will eventually create pressures for gentrification, but a community that is financially educated will be able to protect itself from displacement while at the same time benefiting from valuation increases, improved amenities, and upgraded infrastructure.

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Appendix B. Northeast Spokane Resident Housing Needs Survey

This appendix includes tabulations for the questions in the resident housing needs survey and a short discussion of some of the findings.

B.1. Summary of Survey Findings

The Northeast Community Center fielded a “Resident Housing Needs Survey” in Spring 2024 (February 27–March 19). The goal of the survey was to learn about the living conditions and housing needs of families. The link to respond to the survey was shared via Facebook posts to the ZONE page on February 27, 2024, and the NECC page on February 28, 2024. On February 29, 2024, an email with a link to the survey was sent to approximately 4,316 residents via NECC’s mailing list. Additional outreach included a blog post on NECC’s website (March 1, 2024), a second ZONE Facebook post (March 11, 2024), an email to NECC partners (March 13, 2024), and a second NECC Facebook post on March 13, 2024. Results of the survey were shared via a ZONE blog post, emails to partners and residents, the ZONE Facebook page, and the NECC and ZONE LinkedIn accounts.

There were 173 responses to the survey. The majority of respondents 95 (55%) were renting their homes and 78 (45%) were homeowners (Exhibit 42, Exhibit 43).

Exhibit 42. Do You Own or Rent Your Home?

	Count	%
Own	78	45.1
Rent	95	54.9
Total	173	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Exhibit 43. Comparison to ACS Data-Renter/Owner

	NE Spokane Survey*	Hillyard+	Spokane+	Washington State+	U.S. +
Total Housing Units (Occupied)	173	3,373 96.6%	94,105 94.2%	2,931,841 92.5%	124,010,992 88.8%
Renter-occupied	78 45.1%	1,715 50.8%	40,555 43.1%	1,066,944 36.4%	43,858,831 35.4%
Owner-occupied	95 54.9%	1,658 49.2%	53,550 56.9%	1,864,897 63.6%	80,152,161 64.6%

*Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

+Source: U.S. Census Bureau. 2021. Housing Characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP04). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

The plurality of respondents lived in Hillyard (29.5%), followed by Nevada Heights (15.7%), Bemiss (15.1%), and Logan (13.2%). These four neighborhoods accounted for about 74% of all survey respondents (Exhibit 44).

Exhibit 44. Which Part of NE Spokane Do You Live In?

	Count	%
Hillyard	47	29.6%
Nevada Heights	25	15.7%
Bemiss	24	15.1%
Logan	21	13.2%
Chief Garry Park	17	10.7%
Whitman	7	4.4%
Other	7	4.4%
Shiloh Hills	6	3.8%
Minnehaha	5	3.1%
Total	159	100.0%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Approximately 60% of the heads of households were between the ages of 35 and 54 years old, and 16% were over 64 years old (Exhibit 45).

Exhibit 45. Age of Head of Household

Age Group in Years	Count	%
18–24	2	1.2%
25–34	17	9.9%
35–44	53	31.0%
45–54	51	29.8%
55–64	20	11.7%
Above 64	28	16.4%
Total	171	100.0%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Respondents could choose multiple options for race. Of those that identified as a single race, 78% chose white. This is higher than the U.S. level, but it is similar to Hillyard, as defined in Chapter 3 of the report. The percentage of survey respondents who identified as Hispanic was 9.3%, similar to Hillyard at 9.6%. See Exhibit 46. The NE Spokane survey results do not accurately reflect the language, racial, and cultural backgrounds of all residents because the survey was only available in English.

Exhibit 46. Single Race Comparison

	NE Spokane Survey*	Hillyard+	Spokane+	Washington State+	U.S. +
Race—single race identified	155	7,326 92.4%	208,725 92.5%	6,961,770 91.4%	306,686,059 93.0%
White	121 78.1%	6,446 81.3%	187,495 83.1%	5,465,011 71.7%	224,789,109 68.2%
Black or African American	5 3.2%	320 4.0%	5,488 2.4%	293,401 3.9%	41,393,012 12.6%
American Indian and Alaska Native (AIAN)	7 4.5%	92 1.2%	3,264 1.4%	90,789 1.2%	2,722,661 0.8%
Asian	0 0.0%	94 1.2%	6,538 2.9%	682,711 9.0%	18,782,924 5.7%

	NE Spokane Survey*	Hillyard+	Spokane+	Washington State+	U.S. +
Native Hawaiian and Other Pacific Islander	2 1.3%	169 2.1%	2,161 1.0%	50,902 0.7%	615,557 0.2%
Some other race	0 0.0%	205 2.6%	3,779 1.7%	378,956 5.0%	18,382,796 5.6%
Two or more races	20 12.9%	599 7.6%	16,984 7.5%	655,594 8.6%	23,039,422 7.0%
Hispanic or Latino	15 9.3%	761 9.6%	15,342 6.8%	1,007,881 13.2%	60,806,969 18.4%

*Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

+Source: U.S. Census Bureau. 2021. Demographic and Housing Estimates in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP05). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>.

Income levels for survey respondents were low compared to the nation. Approximately 60% of survey respondents reported an annual household income of less than \$50,000. People in this income group make up 61.3% of Hillyard, 44.2% of the city of Spokane, 29.4% of Washington State, and 36.8% of the United States. (Exhibit 47.)

Exhibit 47. Annual Household Income, Survey and Census Areas

	NE Spokane Survey*	Hillyard+	Spokane+	Washington State+	U.S. +
Total households	158	3,373	94,105	2,931,841	124,010,992
Less than \$34,999	62 39.2%	1400 41.5%	28,242 30.0%	565,801 19.3%	31,444,655 25.4%
\$35,000 to \$49,999	32 20.3%	668 19.8%	13,397 14.2%	295,017 10.1%	14,162,768 11.4%
\$50,000 - \$74,999	33 20.9%	451 13.4%	17,546 18.6%	479,273 16.3%	20,845,331 16.8%
\$75,000 to \$99,999	19 12.0%	446 13.2%	12,109 12.9%	391,503 13.4%	15,895,589 12.8%
Over \$100,000	12 7.6%	408 12.1%	22,811 24.2%	120,0247 40.9%	41,662,649 33.6%

*Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

+Source: U.S. Census Bureau. (2021). Economic Characteristics in Hillyard, Spokane County, Washington State, United States: 2017-2021 ACS 5-Year Estimates Data Profiles (DP03). Retrieved from <https://api.census.gov/data/2021/acs/acs5/profile>. Income includes benefits reflected in 2021 inflation-adjusted dollars.

Respondents reported living Spokane for an average of 18.2 years with a median of 10 years. Over a third of the respondents have lived in Spokane for at least 20 years (Exhibit 48). The length of stay in Spokane was similar among renters and owners, but it was slightly higher for renters than owners. The mean and median people per household were 3.6 and 3.5, respectively. The numbers were similar among renters and owners, with an average of 3.7 people per household among renters and 3.6 among owners. The frequencies of the different household sizes is presented in Exhibit 49.

Exhibit 48. Mean Owner and Renter Characteristics, Time in Spokane, Number of People and Children in Home

	Owners (78)	Renters (95)	Total (173)
	Mean (Count)	Mean (Count)	Mean (Count)
How long in Spokane (years)	17.5 (75)	18.7 (94)	18.2 (169)
Number of people in home	3.6 (77)	3.7 (93)	3.5 (170)
Number of people under 18	1.3 (75)	1.7 (94)	1.6 (169)
Number of Bedrooms	3.1 (77)	2.4 (89)	2.8 (166)

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Exhibit 49. Total Number of People In Your Home

Number of People	Count	%
1	15	8.8%
2	40	23.5%
3	30	17.6%
4	37	21.8%
5	24	14.1%
6	11	6.5%
7	11	6.5%
8+	2	1.2%
Total	170	100%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Approximately 73% of respondents had at least one child under the age of 18 years old living with them (Exhibit 50).

Exhibit 50. Number Of People in Your Home Under 18

Number of People	Count	%
0	45	26.6%
1	44	26.0%
2	35	20.7%
3	32	18.9%
4	12	7.1%
5	1	0.6%
Total	169	100%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

The most popular reasons people liked living in Spokane were the easy commute to work and the closeness to shopping, followed by neighborhood schools (Exhibit 51). The “other” option included free-response text for reasons related to money, family and community, and location. The number one reason respondents did not like Spokane was perceived safety concerns (Exhibit 52).

**Exhibit 51. What Do You like about Living in Your Current Neighborhood?
(Select All That Apply)**

	Count	%
Easy commute to work	75	20.7
Close to shopping	74	20.4
Neighborhood schools	53	14.6
Friends are here	40	11.0
Feels safe	40	11.0
Neighborhood parks	39	10.8
Community or family*	11	3.0
Affordability*	7	1.9
Location*	5	1.4
Other	18	5.0
Total	362	100

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

* Derived from responses to the “Other” category.

**Exhibit 52. What Don’t You like about Living in Your Current Neighborhood?
(Select All That Apply)**

	Count	%
Safety is a concern**	83	41.1%
Don’t know many people in the neighborhood	29	14.4%
Schools	26	12.9%
No convenient shopping	15	7.4%
Homeless	8	4.0%
Commute to work	6	3.0%
Walkability / traffic / parking*	5	2.5%
Cost of Living*	5	2.5%
Neighbors	3	1.5%
Other	22	10.9%
Total	202	100.0%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

* Derived from responses to the “Other” category.

** Some responses to “Other” elaborated on safety concerns. For respondents that already selected “Safety is a concern,” their responses were left in “other,” but if they did not already select safety, their response was added to “safety is a concern.”

Among renters, slightly less than half were considering buying a house. About 75% of renters answered yes or maybe to whether they would consider buying a house in NE Spokane, and 95% said yes or maybe to buying a house if assistance with a down payment were available (Exhibit 53).

Exhibit 53. If You Rent, Would You Consider Buying...

	Yes		Maybe		No		Total	
	Count	%	Count	%	Count	%	Count	%
A house at all	47	49.0	n/a	n/a	49	51	96	100.0
A house in NE Spokane	38	41.8	31	34.1	22	24.2	91	100.0
A house if you had assistance with a down payment	66	72.5	20	22.0	5	5.5	91	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

When asked what type of support would be needed to buy a house in NE Spokane, almost 93% of all renters chose cash for a down payment (Exhibit 54). The next most popular answer, with half of the respondents, was help with credit, legal, or bankruptcy issues. As mentioned previously, about 60% of the respondents had an income of less than \$50,000, so cash financial assistance is presumably an obstacle for homeownership among renters.

Exhibit 54. Which of the Following Types of Support Would You Need to Buy a House in Northeast Spokane?

Support Type	Count	%
Cash for a down payment (one time grant)	88	48.1
Help with legal, credit or bankruptcy issues	48	26.2
Homeownership counseling	37	20.2
*More affordable housing options	2	1.09
*Monthly financial assistance	3	1.64
Other	5	2.73
Total	183	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

* Derived from responses to the “Other” category.

Among the homeowners, over half have considered adding an ADU to their property (Exhibit 55).

Exhibit 55. Have You Considered Adding an ADU Or Separate Living Unit To Allow A Parent Or Child To Live On The Property You Own?

	Count	%
Yes	40	52.6%
No	36	47.4%
Total	76	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

While the majority did not want to subdivide their lot to add another home, some were open to expanding their home into a duplex. Over two-thirds of the homeowners were also open to learning more about subdividing, duplex conversions, and ADUs (Exhibit 56).

Exhibit 56. If You Own Your Home, Would You Consider...

	Yes		Maybe		No		Total	
	Count	%	Count	%	Count	%	Count	%
Reading more information about subdividing/duplex add-ons/ADUs to learn about your options?	32	42.1%	22	28.9%	22	28.9%	76	100.0%
Subdividing your lot to build another home?	4	5.6%	20	28.2%	47	66.2%	71	100.0%
Expanding your home into a duplex (i.e., adding or remodeling to create separate unit attached to house)?	12	16.4%	21	28.8%	40	54.8%	73	100.0%
Adding an Accessory Dwelling Unit (aka tiny home or ADU) to your lot?	22	29.7%	28	37.8%	24	32.4%	74	100.0%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Approximately half of the homeowners said they would need between \$1,000 and \$1,500 in monthly rent payments to add a duplex or ADU to their property (Exhibit 57).

Exhibit 57. How Much in Monthly Rent Payments Would You Need to Receive to Consider Adding Another Living Unit (Second House, Duplex or ADU) on Your Property?

Amount of Rental Payment	Count	%
\$1–\$500	2	4.8
\$501–\$1,000	10	23.8
\$1,001–\$1,500	20	47.6
\$1,501–\$2,000	10	23.8
Total	42	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

The number of reported bedrooms per home ranged from one to five, with an average of 2.8 (Exhibit 58). Two respondents who identified as homeless are not included in this average. The average number of people per bedroom was 1.3. When looking at the average number of people per bedroom by the number of bedrooms, the average was 1.5 or less for all homes except one-bedroom homes, where the average was 2.4 people per bedroom.

Exhibit 58. Number Of Bedrooms in Your Home

Bedrooms	Count	%
1	15	8.9
2	55	32.5
3	55	32.5
4	33	19.5
5	7	4.1
Other	4	2.4
Total	169	100

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

The following tables provide some basic demographic information about the respondents to the survey, including marital status, age of the head of household, race/ethnicity (for multiple race respondents), and household income, with a category not included in the previous exhibit.

Exhibit 59. Marital Status

Marital Status	Count	%
Single or Never married	31	18.6
Married	64	38.3
Separated	2	1.2
Divorced	35	21.0
Living with Partner	19	11.4
Widowed	10	6.0
Prefer not to say	6	3.6
Total	167	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Exhibit 60. Age of Head of Household

Age Group in Years	Count	%
18–24	2	1.2%
25–34	17	9.9%
35–44	53	31.0%
45–54	51	29.8%
55–64	20	11.7%
Above 64	28	16.4%
Total	171	100.0%

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Exhibit 61. What Is Your Race/Ethnicity (Can Select Multiple)

Race/Ethnicity	Count	%
White/Caucasian	140	72.5
Black or African American	13	6.7
American Indian or Alaska Native	19	9.8
Asian	2	1.0
Pacific Islander/Native Hawaiian	4	2.1
Hispanic or Latino	15	7.8
Total	193	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.

Exhibit 62. Annual Household Income

Income	Count	%
Under \$20,000	27	15.9
\$20,000 to \$34,999	35	20.6
\$35,000 to \$49,999	32	18.8
\$50,000 to \$74,999	33	19.4
\$75,000 to \$99,999	19	11.2
Over \$100,000	12	7.1
Prefer not to say	12	7.1
Total	171	100.0

Source: Spring 2024 Northeast Spokane Resident Housing Needs Survey.