

III. Housing Profile and Analysis

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A. Housing Types

Information on the type of housing available is important to have a clear picture of what Lacey has in its housing stock to meet current and future needs. Review of the 2000 census data indicates that there are a total of 13,210 There were an estimated 14,970 housing units in the city of Lacey in 2006 and an additional 10,700 12,540 housing units within Lacey's Urban Growth Area for a total of 23,910 27,510; memorandum from Veena Tabutt, Thurston Regional Planning, January 24, 2002 data from Thurston Regional Planning, 2008. The housing market between 2003 and 2006 was very active as housing costs escalated as significant development occurred. Spurred by rising costs and shortages of land in Pierce and King County, Lacey's residential development activity rose sharply and by 2006 accounted for almost 50% of the new housing

starts in Thurston County and 80% of the new housing starts in Lacey, Olympia, and Tumwater; see Charts 1B and 1C.

The vast majority of housing units in the City and the Lacey UGA, a total of 16,150 18,400, or 68% 67% of the total, are single family detached houses. Another 5,360 7,000 units, or 22% 25% of the total, are multifamily, and the remaining 2,390 2,200, 10% 8% of the total are manufactured homes; see Chart 2.

The number of units for Lacey alone is 13,210 14,970. Of this total 8,060 8,940 are single family (62% 60%), 4,180 5,100 are multifamily units (32% 34%), and 970 940 are manufactured homes (7% 6%); memorandum from Veena Tabutt data from Thurston Regional Planning, January 24, 2002 2008; See Chart 3.

B. Housing Tenure

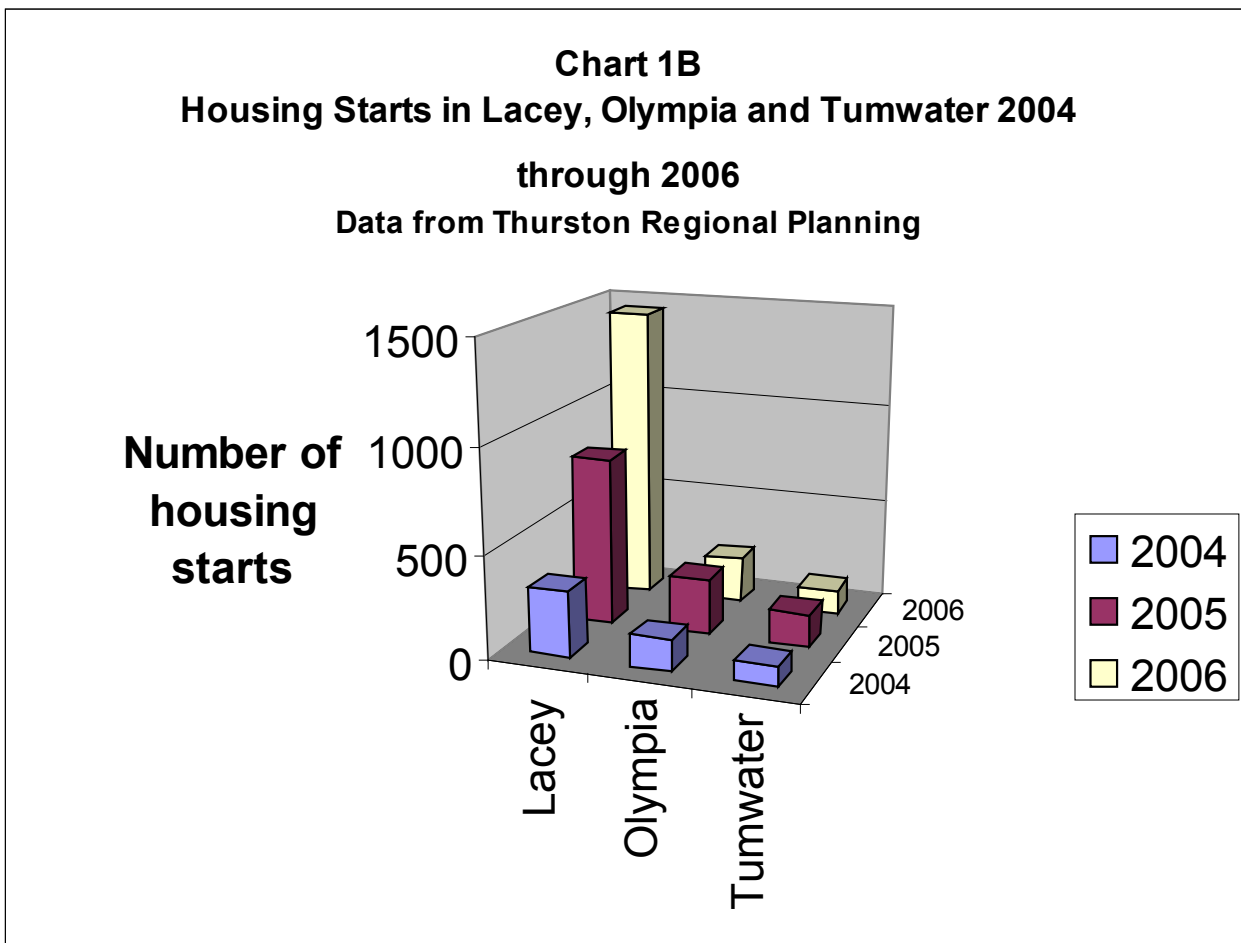
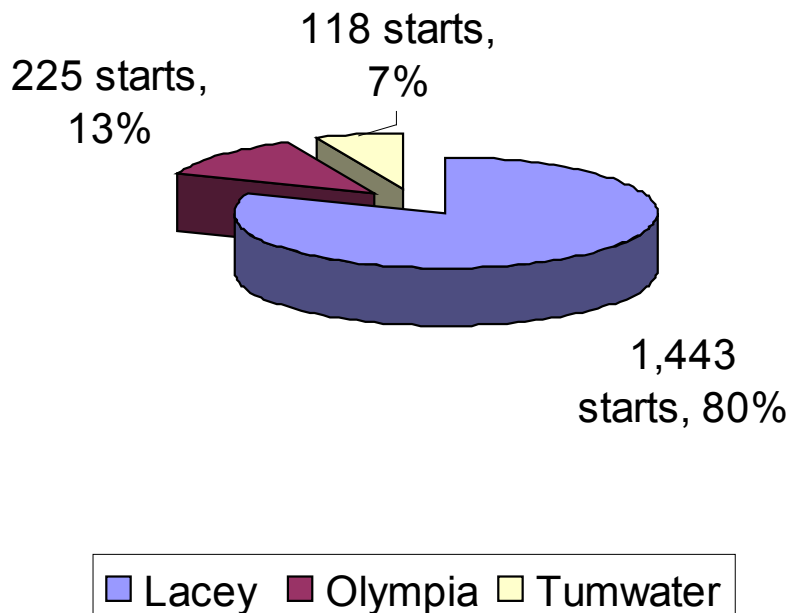


Chart 1C
Housing Starts in Lacey, Olympia and Tumwater 2006
 Data From Thurston Regional Planning



Housing tenure refers to the occupancy of housing units by owners or renters. This information is also important to access a community's needs. ~~2000 census information provides specific information on housing tenure in the city of Lacey.~~ Table 1 shows general housing tenure information for 2000. ~~Statistics show that~~ Out of a total of 12,459 occupied units 6,919 are were owner occupied and 5,540 are were tenant occupied; The Profile, Thurston Regional Planning Council, ~~2002~~ 2007. This amounts to a ratio of 55% home ownership and 45% tenant occupied units. This is a higher percentage of home ownership than either Olympia (50.3%) or Tumwater (48.2%); The Profile, Thurston Regional Planning Council, ~~October, 2002~~ 2007.

The data showing higher home ownership in Lacey supports the impression Lacey staff have had on availability of entry level units matching our income ranges. In the mid nineties, a company doing small lot entry level housing development in Lacey stated that many of the buyers

they were getting were moving out of apartments into their units. The reason given from the real estate representatives of the company was that the difference in rent and a house payment was not much different, and flexible terms for down payments made it extremely economical for tenants to move into home ownership. Additionally, prices for homes in Lacey historically have also been slightly lower in Lacey compared to Olympia.

The Profile of October 2002 2007, lists the average sale price of a house in Lacey as \$142,664 ~~\$266,082~~, compared to \$175,627 ~~\$307,935~~ in Olympia. The figures are probably skewed to some extent, as the figures include houses selling outside Olympia's growth boundaries in an expensive area of the County. This would tend to inflate the prices shown for Olympia sales. A study of purchase prices by Lacey staff in 2002 came up with a smaller \$10,000 spread. This \$10,000 difference could explain some of our higher home ownership ratio, as it is easier to

Chart 2
2007 Preliminary Estimate
Housing Profile By Type for Lacey and the Lacey Urban
Growth Area
Data from The Profile 2007

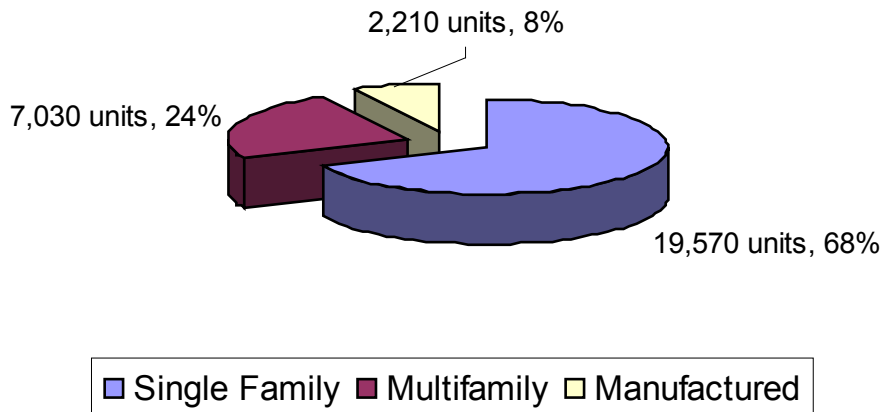
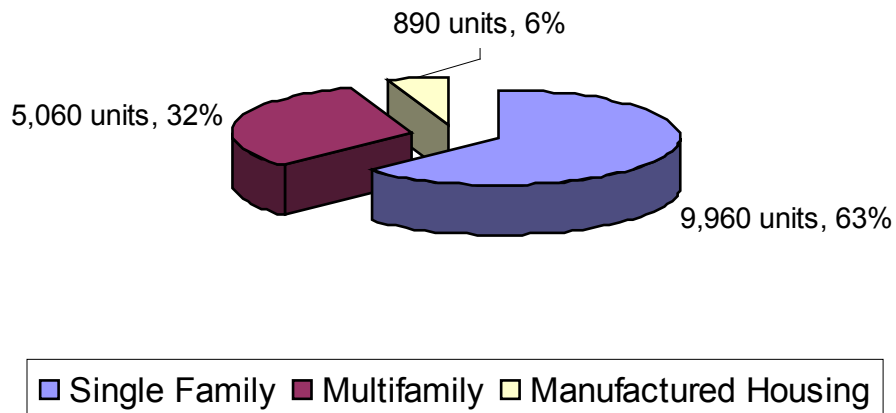


Chart 3
2007 Preliminary Estimate
Lacey Housing Profile By Type of Housing
Data From the Profile 2007





New homes in Campus Pointe in the Meridian Campus Planned Community

Chart 3 B
Average Sale Price of Homes in Lacey
1990 to 2006
Data From The Profile 2007

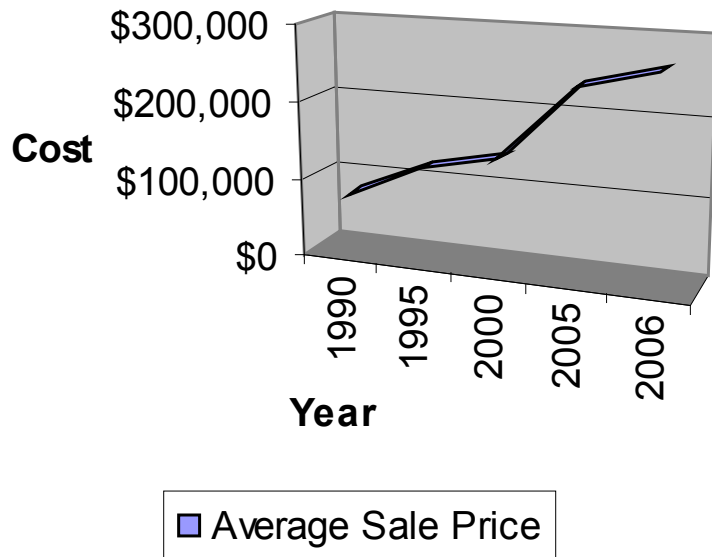


Chart 3C
Average Home and Duplex Rental Costs Per Month
from 2000 to 2006
Data from The Profile 2007

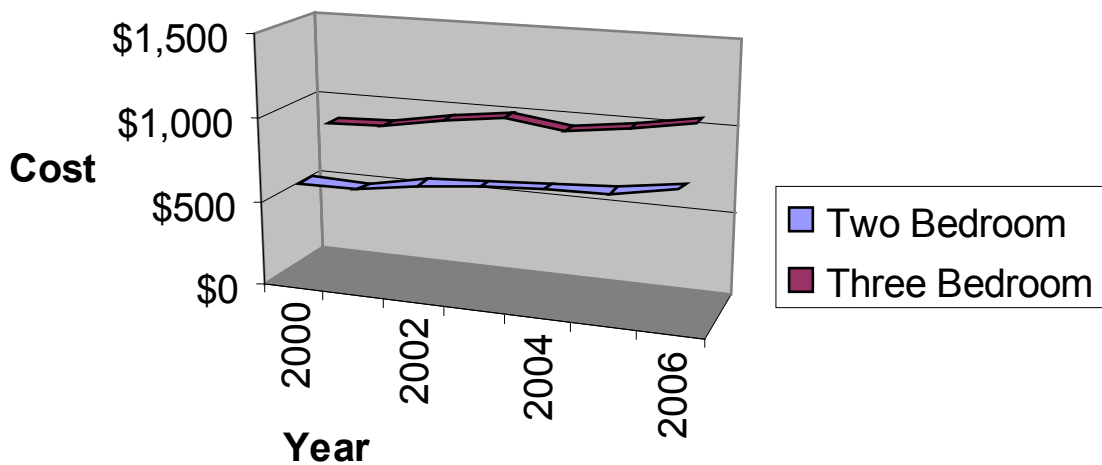


Table 4 Sample of Housing Sales Activity for Lacey					
	Units Sold	Average List Price	Average Sale Price	Average Days to Sale	Average List Unsold Units
1990	191	\$79,387.00	\$78,622.00	70	\$88,209.00
1995	347	\$122,911.00	\$121,275.00	98	\$137,503.00
1996	312	\$126,356.00	\$125,314.00	95	\$132,707.00
1997	292	\$129,262.00	\$127,952.00	100	\$167,743.00
1998	404	\$130,418.00	\$129,245.00	103	\$127,558.00
1999	528	\$136,908.00	\$136,150.00	93	N/A
2000	489	\$143,607.00	\$142,209.00	95	N/A
2001	548	\$143,440.00	\$142,664.00	75	N/A
2005	751	\$236,482.00	\$238,647.00	40	N/A
2006	1252	\$264,243.00	\$266,082.00	56	N/A

Data provided by Olympic Multiple Listing Service. About 75-80 percent of sales activity in Thurston County occurs through Olympic Multiple Listing Service.

purchase a more affordable home in Lacey than it is in Olympia.

C. Vacancy Rates

The 2000 census also provides information on vacancy rates. According to this information, with an average rent of \$580, Lacey has a 2.6% vacancy rate in apartment rentals in the spring of 2001. Based on figures reported in The Profile October 2002, our vacancy rate in all housing units was approximately 5%. In 2007 the vacancy rate for 2 bedroom units was approximately 2.2% and for 3 bedroom units it was 3.4%.

D. Housing Costs and Affordability

Census information is also available regarding cost of housing units. According to 2000 census information and information provided by Thurston Regional Planning, the average value of a single family home in Lacey in 1990 sold for \$78,662 compared with an average house in 2001-2006 that was priced at \$142,664 sold for \$266,082. Chart 3B shows the increase of home sale prices from 1990 through 2006. Table 4 shows the distribution of average prices for

owner-occupied housing units.

Information is also available regarding average rent. Charts from the 2000 census and Thurston Regional's data, reported in The Profile 2007, show the majority of rents for a home or duplex to be between \$605-\$783 for a two bedroom unit and \$899-\$1,061 for a three bedroom unit. Apartment units are renting for approximately \$588 per month. In 2007 a one bedroom (670 square feet) apartment unit was renting for approximately \$650 per month. A two bedroom (843 square feet) unit was renting for approximately \$725 per month. Chart 3C shows the increased cost of rents between 1990 and 2006. Considering rent estimates, property management range estimates are expected to be very accurate for what the actual cost is in the marketplace. In addition to rental and home ownership costs, household income is an important piece of the puzzle in looking at issues of affordability and planning for our community's housing needs. Unfortunately, between census years, estimates of income are only available at the County level. The most recent estimates at the local level for Lacey, Olympia, and Tumwater are from 2000. These figures are not very help-

<p style="text-align: center;">Table 5 Acres of Buildable Land Within Lacey and Lacey's Urban Growth Area</p>	
Zoning Category	Number of Acres
Residential	4184
Commercial	495
Industrial	664

ful in matching purchasing power against today's housing costs.

While statistics are not available for individual cities it may be useful to look at the income statistics for Thurston County. It is also useful to consider that Lacey has traditionally had the highest median household income of local jurisdictions in Thurston County. In 2006, Thurston County's median household income was \$53,850. Using this as a starting point we can consider some simple housing affordability concepts.

In The Profile 2007 there is a discussion of housing affordability and a "housing affordability index." This is a way of measuring a household's ability to purchase a home. When the index is 100, there is a balance between the family's ability to pay and the cost. A higher index indicates it is easier for a family to pay and a lower index indicates it is more difficult.

First time buyer index assumes the purchaser's income is 70% of the median household income and assumes a 10% down payment. It is assumed that 25% of the family's income can be used for principal and interest payments. It assumes first time buyers are purchasing a home that is 85% of the median priced home. Under these assumptions, an index of 126 means a family has 26% more income than the bare minimum needed to purchase a median priced home. An index of 80% means the family has less than the bare minimum required to qualify for a mortgage on a median priced home. The County's affordability index was calculated at 65.3 the first quar-

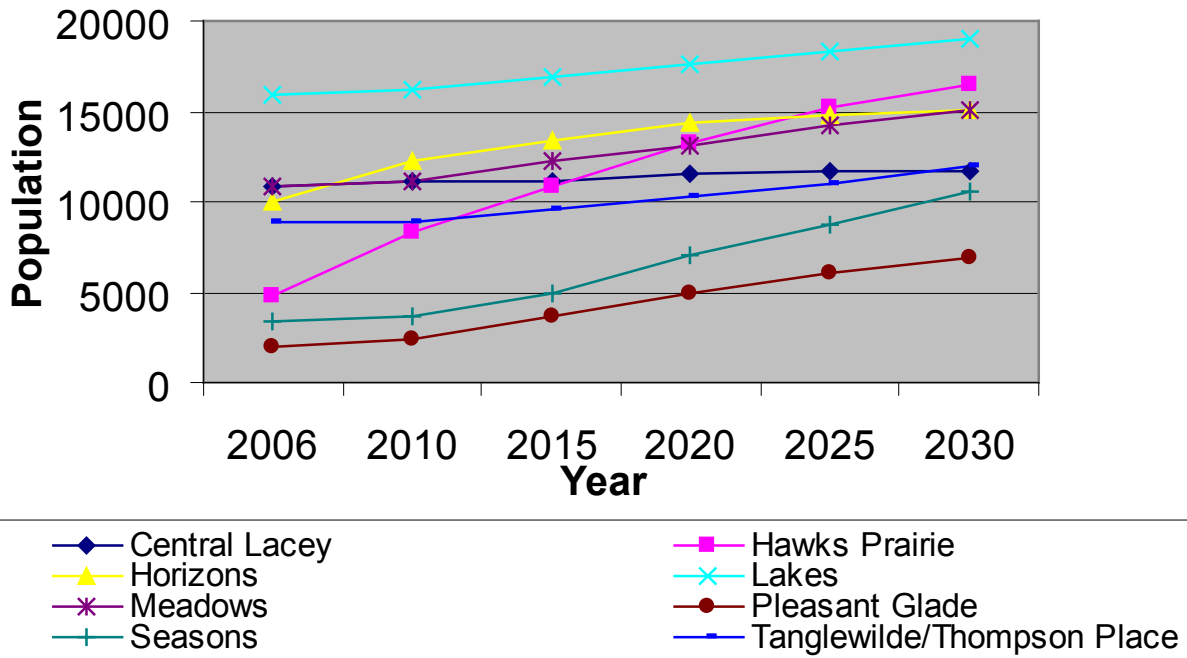
ter of 2007 for a first time buyer. This indicates that the first time home buyer has less household income than required to purchase a home.

Using available figures as reference points the following example of the challenge of housing affordability is provided. The median household income is \$53,850. A first time home buyer at 70% of this median has a household income of \$37,695 with \$785 available per month for housing costs (25% of the monthly budget). The 2007 average sale price of a home in Lacey was \$266,082. The first time home buyer is expected to purchase a home that is 85% of the median priced home or \$226,169. At 6% interest and a 30-year fixed mortgage, a \$226,169 priced house with a little more than 10% down resulting in a mortgage of \$200,000 would have a minimum monthly payment of \$1199.10. This payment is \$414 or 53% more than the first time home buyer's budget.

Affordable housing has come to be defined as 25 to 30 percent of a household's gross income. However, it is commonly known that many households are spending more than this amount on housing. Those who are spending more than this acceptable amount on housing are caught in "shelter poverty" whereby the household reduces costs on medical care, transportation, food, and clothing.

Using the 30% income threshold for rent or house payments, we get \$1,096 available per month for housing for the average Lacey household. Assuming one can make the required

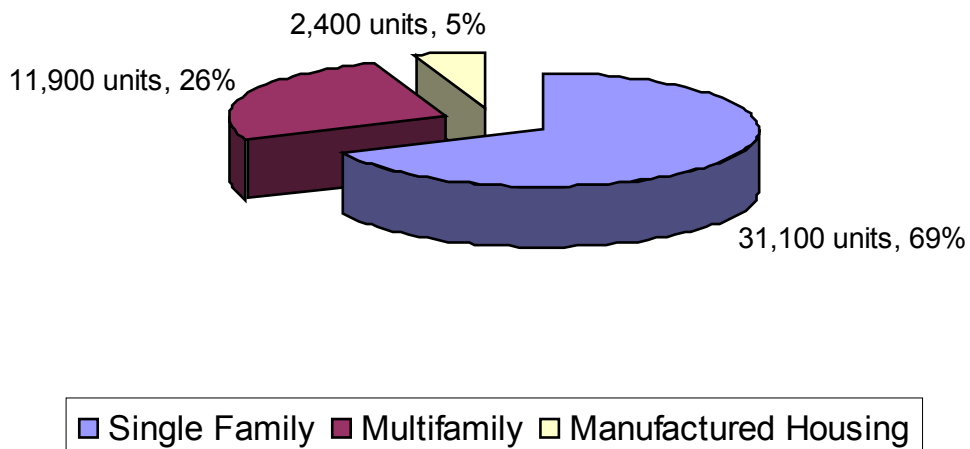
Chart 4
Planning Area Population Projections 2007 to 2030
 Data Provided By Thurston Regional Planning



down payment and monthly payments of \$809, the average family could buy a house around \$145,000 at 6% interest with a 30-year mortgage. If a home buyer could afford a \$1,049 payment a \$175,000 home could be purchased with a 30-

year mortgage at 6% interest. Given today's interest rates and average income, the average household should be able to afford the new homes that are being built in the housing market. The majority of older single family homes-

Chart 5
Forecast Housing Profile For Lacey and Lacey UGA By Type 2030



~~should be even more affordable for our average resident. However, an important consideration is today's interest rates, which are at the lowest point seen for 40 years. If interest rates climbed back into average historic ranges, housing would become more difficult to finance. A \$175,000 home at 10% interest would require a house payment of \$1,535, well out of the reach of our average citizen.~~

One repercussion of a lack of affordable housing at any income level is the decreased household mobility within the housing market. When there is plenty of affordable housing, increased household mobility allows for “filtering” to occur, whereby households with more income move up the household ladder, freeing up structurally sound older homes. This allows an opportunity for new households onto the housing ladder.

The reverse is true when there is not enough affordable housing. Households that are economically viable stay in the units they are in or may even buy down in some cases. Households may also opt to live outside the area of their employment and commute to the city where they are employed, thereby increasing transportation impacts to road systems. Vacancy rates are affected as well, since mobility has been inhibited in the housing market.

In the early 90's the Regional Planning Council reviewed the affordability issue to determine affordable housing need in the County and allocate a “fair share” of affordable housing to each jurisdiction; the Policy and technical memorandum is included as Appendix A. It is expected these issues will be reviewed again in the near future.

E. Vacant Land and Population Allocation

In ~~2002~~ 2007 Regional Planning published the Buildable Lands Report. This study looked at vacant and buildable lands within the County and each jurisdiction's growth area. Results of the study show adequate vacant land to accommodate anticipated population growth. Table 5 shows the number of available acres of land

under general zoning designations.

F. Forecasted Housing Profile

Based upon population estimates for Thurston County and the Buildable Lands Report, Regional Planning has developed a forecast for housing throughout the Urban Growth Area. This study forecasts housing development and allocation over 5-year increments. Thurston Regional has allocated growth to Lacey's eight planning areas to provide an idea of the anticipated growth in each area over the next two decades. Chart 4 displays anticipated growth. Chart 5 ~~and 6~~ illustrates terminal housing figures and percentages forecasted in the year ~~2025~~ 2030. Chart 6 illustrates Housing Profiles of each Planning Area in 5-year increments through 2030.

Units

Chart 6
Housing Profile By Planning Area
City and UGA 2006 to 2030

