
Analysis of Systemic Disparities in Achievable Housing Options City of Tacoma

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Prepared for: City of Tacoma



City of Tacoma
W A S H I N G T O N

Final Report

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Tacoma Housing Disparity Study

Executive Summary

This report summarizes findings from analyzing race-based disparities associated with homeownership in the City of Tacoma, Washington. The City has supported anti-racism efforts through a variety of actions including the adoption of two Resolutions (40622 and 40697). Resolution 40697 set forth this housing disparity study. The goals of this study are to analyze systemic disparities in homeownership opportunities among Black households in Tacoma and identify strategies to address impacts of discrimination on homeownership opportunities in Tacoma.

A focus on rectifying racial inequities will support building up Tacoma to become a place where everyone, regardless of race or ethnicity, has an opportunity to secure stable housing and generate wealth through homeownership. Many cities have prioritized strategic action to promote opportunities that make homeownership more attainable for a broader range of underserved residents. Historic disinvestment, discrimination, exclusionary planning, and legal practices reduced homeownership opportunities for communities of color, preventing them from accessing homeownership benefits.

The team evaluated current homeownership programs and identified strategies to address impacts of discrimination on homeownership opportunities in Tacoma. We used a cohesive racial and social equity framework to guide the process, the analysis of data and housing program/policy changes, and the evaluation of outcomes. The team analyzed quantitative data from a variety of sources and combined that analysis with qualitative findings from community engagement to build a deeper understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. Targeted community engagement specifically illuminated the housing experiences, conditions, current programs/policies, and potential opportunities for homeowners of color. The concluding recommendations highlight options to redesign the City's homeownership housing programs and associated strategies to address historic inequities creating racial disparities in the City. Overall, the project team found clear disparities associated with Black populations owning homes which are not currently addressed by the existing housing programs available in the City of Tacoma. The following sections highlight the high-level findings from the analysis and public engagement and the summary of the recommendations for the City to consider, prioritize, and refine.

Summary of Disparity Study Results

Tacoma has a healthy growing economy and diverse residents. However, this wealth has not been spread equitably since communities of color remain on the margins of the rising economy with income gaps, racially disparate unemployment rates, challenges finding affordable housing options, increased rates of displacement, and declining rates of home ownership. The following list summarizes key disparities:

- From 1990 to 2020, Black households have experienced a stark trend of decreased homeownership growth for Black households. All other racial groups have either experienced increases or stable rates of home ownership over the past few decades while in contrast, Black households were more likely to become renters and lose ownership of homes.
- Educational attainment impacts a person's ability to secure jobs with higher pay and greater benefits. Tacoma has significantly lower shares of persons with a bachelor's degree or higher for almost every race category in comparison to state levels. Around 18.9 percent of Black Tacoma residents have a bachelor's degree or higher in contrast to 33.4 percent of White residents.

- Household income often limits the housing options that will be feasible and affordable for someone to purchase. Due to a host of systemic factors including access to education, Black households in Tacoma have the lowest median income compared to all the other races/ethnicities.
- Between 2000 and 2019, Black households have bought more homes in the northern and southern portions of the City but are moving out of owned homes in the center of the City. Similarly, Black households are moving out of rentals in the center of the City while White households are renting more homes in the central and northern portions of the City. The findings indicate that the central, west end, and eastside areas of Tacoma are showing signs of being at risk for gentrification, early/ongoing gentrification, or advanced gentrification.
- A household is considered “ownership-ready” when they are not cost-burdened and earning a total household income greater than 100 percent of the 2019 AMI for Pierce County (\$80,200). The highest homeownership ready rates include Pacific Islander and Native Hawaiians, American Indian/Alaskan Native, Black, and other householder categories. An estimated 11.6 percent of Black householders renting a home were identified as being ready for homeownership opportunities. A few categories, including White and Asian, had the highest share of owner-owned households, at over 50 percent of the total category.

The findings from analyzing Home Mortgage Disclosure Act (HMDA) data helps to describe disparities and challenges associated with securing a mortgage.

- HMDA analysis of 2020 data showed that Black, Hispanic, and other minority applicants are relatively less successful than White applicants in obtaining mortgage financing in the City of Tacoma. A review of the final outcomes of applications, showed that White applicants, as well as Two or More Minority race applicants had the highest rates of accepted mortgage loan applications in 2020 while Black/African American applicants had the lowest rate. Only 51 percent and 54 percent of applications submitted by Black and Hispanic applicants, respectively, resulted in a mortgage loan approval while in contrast 65 percent of White applicants’ loan requests were approved.
- Further analysis of the primary reasons for the denial of mortgage loans in 2020 for Tacoma applicants showed that the most prevalent denial reasons overall are debt to income ratio (28 percent) and credit history (23 percent).¹
- Looking at primary reasons for denial by race, credit history is a more prevalent denial reason for Black and American Indian/Alaska Native applicants at 33 percent and 32 percent respectively. The top five reasons for denials of Black/African American applicants are credit history (33 percent), debt to income ratio (20 percent), credit application incomplete (17 percent), other/length of residence or temporary residence (14 percent), and collateral (10 percent). For Hispanic applicants, nearly 31 percent were denied due to debt-to-income ratio and around 28 percent for credit history.

Key findings from the analysis of Tacoma Down Payment Assistance Program (2013-2019) participation and interviews with program staff indicated the following:

¹ Debt to income ratio refers to monthly debt payments exceeding the acceptable share of monthly income. Credit history is determined by the presence of credit, whether there is delinquent or poor credit, garnishment, bankruptcy, and other reasons attached to the applicant credit history.

- Most of the program participants (73 percent) are single parents and most tended to be White (almost 70 percent). Black participants had the second largest share of total participants making up 19 percent of the total program participants.
- In total, the program has helped 63 households over the last six years and on average, about 10.5 households per year. They currently rely on passive forms of marketing and do not offer a way to provide feedback which can be useful for finding ways to improve the program.

Targeted Engagement Results

A range of Tacoma individuals affiliated with non-profit organizations, community-based organizations, realtors, housing programs, service providers, homeowners, and housing lenders were interviewed as a part of this project. The findings helped to deepen the understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. Many interviewees described the ways in which historic racism in lending and housing policies directly and indirectly contribute to present-day displacement challenges impacting Black residents and their ability to keep their homes. Beyond the systems of discrimination themselves, the narratives associated with this history continues to impact many Black family's approach to planning for homeownership, with many believing it perpetually beyond reach. Additionally, respondents described impediments to homeownership access such as rising home prices, low inventory, and challenges associated with income, credit, and the lack of wealth. Interviewees spoke to the need of providing education, counseling, and wrap-around services in addition to financial support.

Recommendations for the City of Tacoma to Consider

In light of these findings, various potential implications and strategies should be considered to address homeownership disparities. Recommendations based on the findings from previous task work including the review of existing conditions, analysis of disparities and mortgage trends, evaluation of the existing homeownership programs, and engagement of stakeholders were developed for the City to consider, prioritize, and finalize. These suggestions and strategies should be considered a menu of options for the City to consider, refine, and prioritize. The recommendations cover a broad range of strategies focused on education, program enhancements, policy changes, services, new tools, and performance tracking of strategies and plans. The recommendations are organized under the following nine goals and are not ordered in any rank or priority.

1. Activate Additional Programs and Policies that Prioritize Keeping People in their Homes.

One of the barriers to homeownership, or maintaining homeownership, is the ability to manage finances and prepare for all the needed financial demands of homeownership. Programs could be supported that provide financial and home buying education. Trusted persons in the community could be used to help implement the program. Comfortable and familiar environment for financial counseling could be established. In addition, anti-harassment education material tailored for a variety of audiences should be provided to help keep current homeowners in their homes. Lastly, existing home repair and weatherization programs should be expanded to help keep existing homeowners in housing.

2. Expand the Supply of For Sale Housing that is More Affordable to Middle to Low Income Households

As a part of the Affordable Housing Action Strategy, the City is working to improve regulations and policies to relegalize middle housing development which could help provide additional housing options more affordable to a broader range of incomes. Gaining increased access to affordable housing available for purchase would help address the issue of mortgage application denials related to insufficient income for the proposed housing purchase (such as the debt to income reason for denial).

3. Improve the Homeownership Promotion Programs, Expand Program Support

Modifications to the Downpayment Assistance Program for Tacoma residents should be considered. The program could support alternative homeownership models including Limited-Equity Housing Cooperatives and Community Land Trusts (shared ownership) that tend to offer housing options more affordable to low and middle-income households. In addition, the program could be recalibrated to help prevent displacement and provide more culturally accessible services/materials. Although the funding source for this program restricts eligibility parameters, potential modifications to the existing Down Payment Assistant Program could broaden participation. Restrictions associated with the maximum purchase price, household income limits, and repayment period timing could be revisited.

4. Provide Support to Help More Households become Homeowner Ready

Education on the mortgage process and requirements could be provided well in advance of buying a home to help applicants become homeowner ready. Home buying best practices such as not waiving an inspection, credit requirements, and on what to expect during the home buying process is needed. Applicants could gain education on the common reasons for mortgage application denials and ways to overcome these challenges.

5. Educate on and Promote Program Opportunities

Education could be provided to Tacoma residents on available programs and tactics could be employed to broaden the reach of the education to better target underserved populations. The City's programs rely on word of mouth and passive forms of marketing, and they should expand the channels for how they are communicating program opportunities and ensure the content is accessible and easy to understand. In addition, the City should provide a way for users to provide feedback on the existing programs to identify possible improvements.

6. Help Applicants Prepare for and Successfully Navigate through the Mortgage Application Process

Although the City might not be able to change mortgage application requirements, there are some common concerns to recognize regarding the requirement to have sufficient credit history. Support could be provided to increase awareness regarding credit and help people build sufficient credit history and remedy poor credit issues. A support program could be developed to help applicants provide evidence of a solid credit history through other factors that banks might ignore such as mobile phone and utility bill payment history. Another strategy could be developed to help build capacity and willingness among service providers to assist potential homebuyers with the mortgage application process and the financial lending process. These providers could walk potential applicants through the requirements of a mortgage proactively to help applicants sufficiently address these requirements prior to submitting applications.

7. Provide Mortgage Loss Mitigation Support

Another strategy could focus on education and communication providing warnings about predatory loans (certain subprime loans) and the risks associated with payday loans. Interactive communication in a comfortable setting is preferred since this is a more complex discussion. This discussion could be paired with a flyer or presentation providing tips that can be referred to after the discussion. Translated material and interpretation for languages spoken within the community should be provided to broaden access.

Based on data analysis and interviews findings, foreclosures continue to burden Tacoma homeowners and often lead to the loss of homeownership. Tacoma has offered a new foreclosure prevention program which provides counseling and up to four months of mortgage assistance (\$6,000 cap) paid directly to the loan servicer, bank or mortgage company of households who live in Tacoma, have experienced loss of employment or reduction in wages due to COVID-19, and have an income at or below 80 percent of the Area Median Income for Pierce County. This program should be assessed and evaluated to determine if parts of the program could be extended after the pandemic (such as temporary mortgage assistance for those located in high-risk displacement areas).

8. Develop Alternative Homeownership Program Options

Alternative forms of homeownership, which often provide more affordable housing options, can help extend opportunities to historically marginalized populations and support their economic stability. The Tacoma Affordable Housing Action Strategy recognized the need for the City to explore ways to launch a Community Land Trust with nonprofits taking the lead. In addition to maintaining continued support of this effort, the City could consider implementing additional measures, such as auditing their Code to identify ways to reduce barriers and provide incentives to support alternative homeownership options including the construction of new housing and the conversion of existing housing. Developers might be hesitant to risk the extra time and expense of securing financing for this type of housing and they might be waiting for more examples. The City could consider ways to further support this housing through a pilot program demonstration, or through education to community nonprofits and developers providing examples and tips for how to effectively develop and finance these homes (training, planner support).

9. Establish Equity Homeownership Targets, Monitoring, and Tracking

Consider establishing a results-based accountability framework for housing planning such as the Government Alliance on Race and Inequality (GARE) plan which ensures the results and performance of housing strategies are monitored and evaluated to help continually make progress towards achieving goals. According to GARE, racial equity is realized when race can no longer be used to predict life outcomes, and outcomes for all groups are improved.

Implications and Next Steps

Overall, the City should consider the recommendations and determine ways to refine and prioritize strategies. The strategies could be reviewed to determine staff requirements and resource needs, who should execute strategies, and the preferred timing for implementation. Performance metrics should be developed for prioritized strategies to help monitor performance and ensure meaningful progress is made towards addressing systemic homeownership disparities and advancing equity conscious remedies.

1. Introduction and Project Approach

Introduction

Many cities have prioritized strategic action to promote opportunities that make homeownership more attainable for a broader range of underserved residents. Owning a home brings vital benefits associated with stability, improved wellbeing, and generation of wealth. Historic disinvestment, exclusionary planning, and legal practices reduced homeownership opportunities for communities of color, preventing them from accessing these benefits. These impacts linger and affect a growing community as the region becomes more diverse. About 81 percent of new residents in the Puget Sound region identify as people of color, much of them filling critical needs in the workforce (PSRC, 2019). Disparities exist as concentrations of poverty disproportionately burden Native and Indigenous peoples and people of color. Gentrification and displacement of affordable housing has also become a concern for Tacoma, particularly in the central region of the City. A major way to mitigate displacement is to increase the homeownership rate, particularly for low-income households and households of color. Displacement predominantly affects renters, leaving homeowners more protected, in large part because they have fixed mortgage payments that cannot change without warning.

A focus on rectifying racial inequities will support building up Tacoma to become a place where everyone, regardless of race or ethnicity, has an opportunity to secure stable housing and generate wealth through homeownership. Bridging the racial wealth divide in Tacoma necessitates a robust effort to increase homeownership opportunities more among people of color. The persistent inequities shown in the disparity analysis provided here speak to the need to take robust action to improve access to homeownership.

In partnership with the City of Tacoma, ECONorthwest and BDS Planning have analyzed systemic disparities associated with homeownership. The team evaluated current race-neutral homeownership housing programs and identified strategies to address impacts of discrimination on homeownership opportunities in Tacoma. The overarching goal for this work is to eliminate inequities and advance equity conscious remedies that could be implemented.

The project team used a cohesive racial and social equity framework to guide the process, the analysis of data and housing program/policy changes, and the evaluation of outcomes. The team analyzed quantitative data from a variety of sources and combined that analysis with qualitative findings from community engagement to build a deeper understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. Targeted community engagement specifically illuminated the housing experiences, conditions, current programs/policies, and potential opportunities for homeowners of color. The qualitative findings provide a broader understanding of the reasons and influences associated with different outcomes of the quantitative data analysis. The concluding recommendations highlight options to redesign the City's homeownership housing programs and associated strategies to address historic inequities creating racial disparities in the City.

How this Report is Organized

This report is organized into five sections, as outlined below.

- Section 1) Introduction and Project Approach. This section provides a City profile and outlines the engagement method and equity analysis framework used for the analysis and engagement work. This section sets the stage for how we approached this project.
- Section 2) Existing Conditions Assessment. This section provides a summary of the review of the housing and equity planning efforts and homeownership programs relevant to Tacoma. These documents were reviewed to gain policy guidance and determine the existing conditions associated with housing equity planning. This section also contextualizes the recommendations proposed for consideration in section five.
- Section 3) Analysis of Demographics, Mortgage Trends, and the Tacoma Homeownership Program. This section provides the results of the analysis of key community demographics, housing, and home mortgage data. Key findings are shared in this section that describe disparities by race/ethnicity associated with homeownership and the degree to which homeownership opportunities are accessible to Tacoma residents.
- Section 4) Engagement Findings. This section provides the themes of input that we gained from interviewing a set of stakeholders. These findings deepen the understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. In addition, this section describes the barriers and opportunities associated with homeownership to help shape what the recommendations should strategically address.
- Section 5) Preliminary Recommendations. Based on the findings from previous task work, this section proposes a set of preliminary recommendations for the City to consider and refine.
- Section 6) Conclusion. Synthesis of findings, recommendations, and next steps. Conclusions is the synthesis of the findings.

City of Tacoma Profile

The City of Tacoma is a highly desirable place to live, offering a high quality of life, a prime location, a vibrant downtown, and various community, cultural, and natural amenities. Tacoma is located south of Seattle and the SeaTac International Airport and north of Olympia in Pierce County along the Puget Sound waterfront. One of the largest ports in the state, the Port of Tacoma, a hub for international trade and rail, is located at the northern edge of the City along Commencement Bay. In addition, the Joint Base Lewis-McChord, hosting Army and Air Force operations, is located south of Tacoma.

Incorporated in 1875, Tacoma's early development was associated with railroad access, lumber, and agricultural products, and then expanded to include shipyard activity at the Port of Tacoma (established in 1918). After a period of booms and busts and decline during the mid-twentieth century, City leaders began to revive Downtown Tacoma in the 1990s with substantial reinvestment. Transformative projects emerged such as the establishment of the University of Washington-Tacoma branch and the iconic Museum of Glass in the heart of the city, cleanup and restoration of the Thea Foss Waterway along the urban waterfront, restoration of various historical buildings, and the addition of light rail, all of which helped to revitalize Downtown Tacoma. This spurred city growth by around 12 percent from 176,664 persons in 1990 to 198,397 in 2010 (US Census). By 2015, the City of Tacoma became the second largest city in the Puget Sound region and the third largest City in the State of Washington. Today Tacoma is recognized as a prime employment center and matured Metropolitan City (as designated by PSRC).

As of 2019, the U.S. Census estimates that Tacoma is home to a total of 217,827 persons and the median age is 35.9 years. This population resides in diverse neighborhoods, as shown in the map below. These eight neighborhoods are recognized as neighborhood council districts by the City and these neighborhood districts convene regular meetings to help foster collaborations between the neighborhood residents and the City. A diverse mixture of communities of color reside in Tacoma, comprising around 41 percent of the total population (see the following exhibit).

Exhibit 1. City of Tacoma Population, by Race/Ethnicity, 2019

Source: U.S. Census, American Community Survey (ACS), 2019

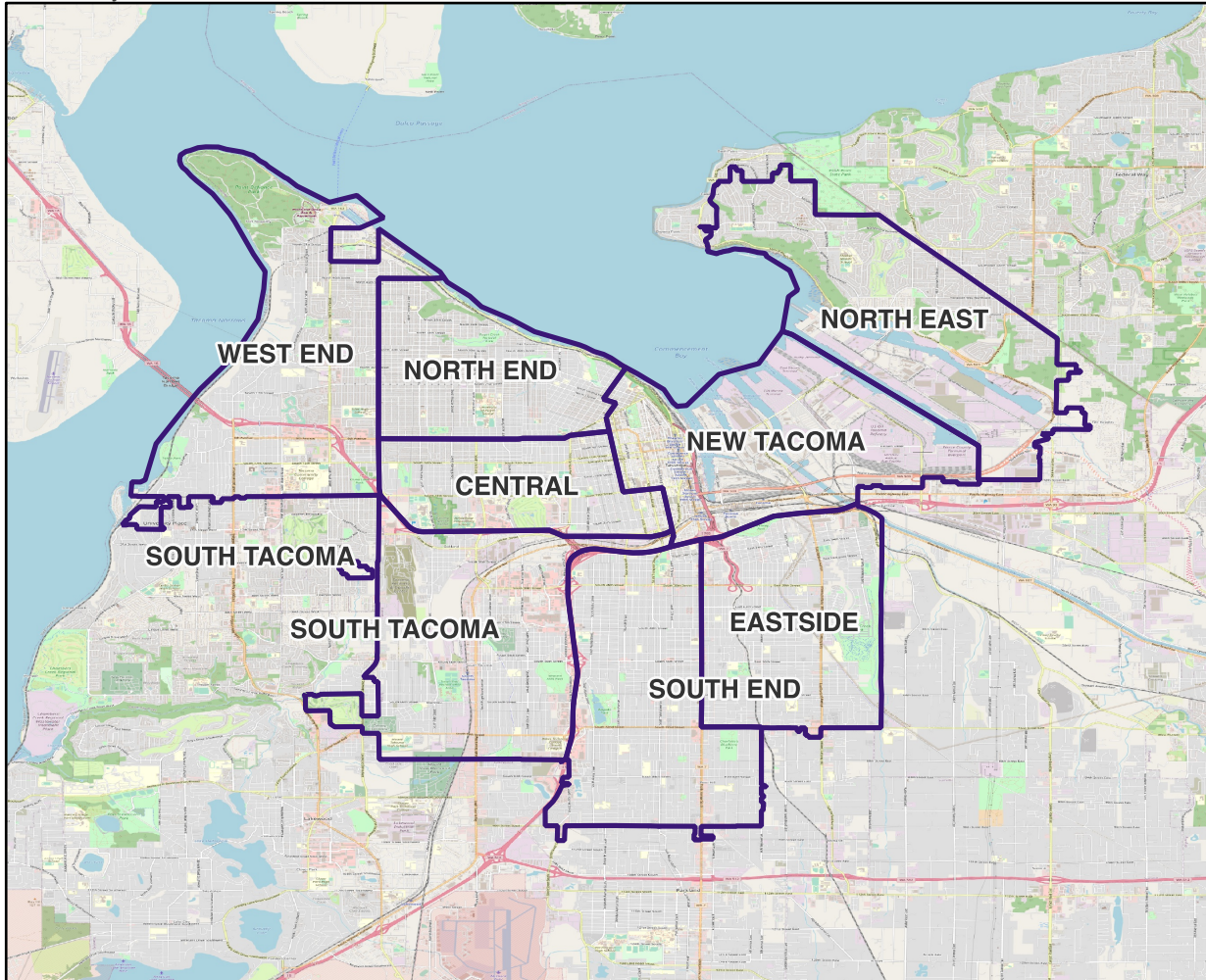
Race/Ethnicity	Population	Share
White	124,612	59%
Hispanic/Latino	25,516	12%
Black or African American	21,668	10%
Asian	18,395	9%
Multiple	17,153	8%
Pacific Islander & Native Hawaiian	2,195	1%
American Indian & Alaskan Native	2,684	1%
Other	646	0%

Tacoma continues to grow alongside the broader Puget Sound region growth. This growth along with slow housing production (among other influential factors) have contributed to a region-wide scarcity of affordable housing and steadily increasing costs for housing. Like other Puget Sound cities, Tacoma's housing market has not kept pace with this growth, and as a result, housing costs and rental rates have deterred many first-time homeowners and low-to-middle income households from living in Tacoma. Finding safe, adequate, affordable housing for all household incomes has become highly challenging in the City of Tacoma. With its vibrant downtown, great neighborhoods and schools, and accessible open

spaces including popular highlights like the Point Defiance Zoo and Mount Rainier to the east, Tacoma is poised to attract more residents for the years to come.

Exhibit 2. City of Tacoma Neighborhood Councils

Source: City of Tacoma GIS data, ECONorthwest



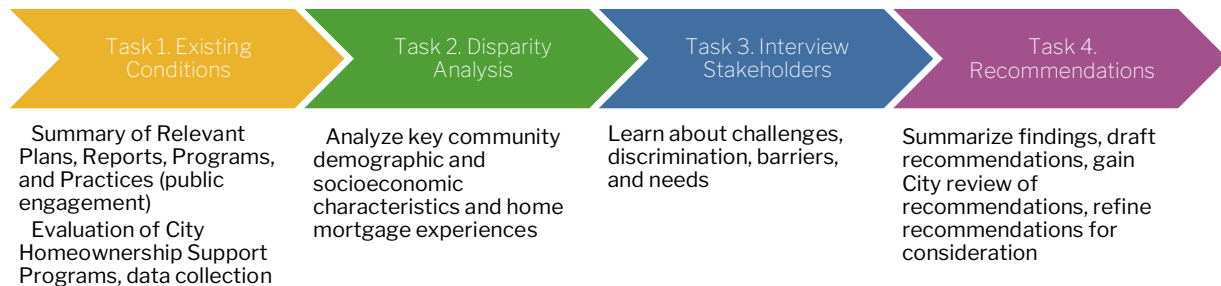
Overall Project Approach

The overarching goal for this work is to help eliminate inequities and advance equity conscious homeownership promotion strategies. The objectives for this project are as follows:

- Survey the best available data on Tacoma disparities by race/ethnicity to determine the degree to which homeownership opportunities are accessible to different Tacoma residents.
- Describe barriers to homeownership and the associated inequities and identify opportunities to inform recommendations.
- Include a comparative evaluation of potential actions to address inequities and advance equity including race-conscious remedies that could be incorporated into City plans.

This Housing Equity project approach consisted of four tasks. As shown below, the first task for this work was to assess the existing conditions to develop a comprehensive picture of relevant homeownership and housing equity planning efforts to date. The next step was to analyze key community demographic and socioeconomic characteristics and home mortgage experiences. The project team assisted the City by evaluating existing disparities associated with homeownership access and the available support programs in the City. Then the team interviewed a set of stakeholders to deepen the understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. The concluding recommendations were informed by the findings of the earlier tasks. The recommendations focus on highlighting options to redesign the City’s homeownership housing programs and identifying a range of strategies to promote more equitable homeownership and address racial disparities in the City.

Exhibit 3. Housing Equity Project Approach



Targeted Engagement

Stakeholder Engagement Purpose & Methods

Public input describing personal housing experiences and homeownership challenges is crucial for understanding the on-the-ground situation. Engaging in community conversations augments quantitative information and helps build a richer understanding of the needs that have not been met and where there are potential opportunities to pursue.

The project team implemented a targeted approach to its public engagement. Given the clear priority to identify housing options and outcomes that address systemic disparities, the engagement process intentionally focused on the experiences of the communities most negatively impacted by the existing conditions of homeownership in Tacoma.

To obtain these insights, the project team identified and conducted interviews with key private, non-profit, and public stakeholders who support, provide assistance for, or are concerned with access to housing and homeownership outcomes for communities of color in Tacoma with an emphasis on Black Tacoma residents. The interviews engaged participants in a conversation about the communities they serve, homeownership access and displacement, existing challenges and possible solutions, and ways for the City of Tacoma to provide meaningful support and ongoing engagement.

A synthesis of key findings and observations are summarized in Section 4, Engagement Findings. Interview questions are provided in the Appendix.

Equity Analysis Framework Approach

Cities that plan with equity in mind must ensure that proposed policies and regulations will serve and benefit all residents of a community in ways that reduce or eliminate inequity. We used a racial equity approach in our research process to ensure we identified racial disparities, why they exist, and how to address them. We also used this approach to help develop recommendations to promote homeownership equity. This framework illustrates the circular nature of equity planning, decision-making and implementation of actions (see Exhibit 3) and a second method focused on planning that asks a series of questions to explore evidence associated with the problem, context, and solutions (Cohen, S., Morrison, S., Price, 2020).² These methods guided the team on what issues to look for in the data analysis.

This approach is similar to the Government Alliance on Race and Inequality’s (GARE) toolkit used by many local governments for analyzing and addressing policies, practices, and procedures to reduce inequities.³ According to GARE, racial equity is realized when race can no longer be used to predict life outcomes, and outcomes for all groups are improved. A results-based accountability framework is used to guide the analysis of workforce demographics, hiring, retention, and promotion; contracting practices; jurisdiction commitment, leadership, and management; community access and partnership; and data, metrics, and on-going focus on improvement within a local government. At a basic level, a GARE plan would include the following elements:

- **Results:** Community level conditions the jurisdiction is aiming to impact.
- **Community Indicator:** Community indicators are the means by which the jurisdiction can measure impact in the community. Community indicators should be disaggregated by race.
- **Outcome:** A future state resulting from a change at the jurisdiction, department, or program level. Strong outcomes articulate a clear improvement or define how much improvement will take place.
- **Action:** They are the specific things a jurisdiction will do to achieve the outcomes.
- **Performance Measure:** A quantifiable measure of how well an action is working. Different types of measures include 1) Quantity—How much did we do? 2) Quality—How well did we do it? 3) Impact—Is anyone better off?

² King County Equity and Social Justice Strategic Plan, 2016-2022: <https://kingcounty.gov/elected/executive/equity-social-justice/strategic-plan.aspx> and Cohen, S., Morrison, S., Price, K. (2020). Center for the Study of Social Policy.

³ Curren R., Nelson, J., Marsh, D.S., Noor, S., Liu, N. “Racial Equity Action Plans, A How-to Manual.”: Haas Institute for a Fair and Inclusive Society, University of California, Berkeley, 2016. Government Alliance on Race and Inequality – GARE Racial Equity Action Plans Toolkit.

The results and outcomes are akin to a plan vision and the performance measures and community indicators ideally should be structured to help test whether the results and outcomes are achieved. The challenge of implementation can be supported by gaining stewardship from community partners (such as local nonprofits) and leadership buy-in and by prioritizing clear communication helping to normalize racial equity and build a shared understanding. Race Forward calls for past and current inequities to be acknowledged and accounted for before beginning to enact change (PSRC, 2019).

Exhibit 4. Equity Impact Review Process

Source: Portland Public Schools



A racial equity lens approach addresses key questions to better recognize and mitigate inequities and disparities. Evaluation focuses on:

- **Distributional Equity:** Fair and just distribution of benefits and burdens to all affected parties and communities across the community.
- **Process Equity:** Inclusive, open, and fair access for all stakeholders to decision processes that impact community and operational outcomes.
- **Cross-Generational Equity:** Promotes policies that create fair and just long-term distribution of benefits and burdens including equitable income, wealth, and health outcomes.

Exhibit 5. Evidence for Planning

Source: Cohen, S., Morrison, S., Price, K. (2020). Center for the Study of Social Policy.



Evidence of Problem Questions:

- What are people experiencing?
- How widespread is the experience and how acute is it?
- What inequities exist across population groups?
- What are the causes of the problem, including systemic and institutional factors?

Evidence about Context:

- What perspectives do different groups have about the problem (e.g., residents, community leaders, organizations, elected officials, etc.)?
- How might contextual characteristics and perspectives affect potential solutions?
- What has made other efforts successful or unsuccessful in this community?

Evidence about Solutions:

- What if any common elements have been identified across interventions that have shown success?
- What has been learned from past system and community change efforts to solve the problem both about impact and addressing inequities?
- Given community context, which approaches are more likely to be successful and why?

2. Existing Conditions

City of Tacoma Efforts to Date Related to Equity & Housing

Housing and Equity Planning Efforts Relevant to Tacoma

This section assesses the existing conditions to develop a comprehensive picture of homeownership and housing equity planning efforts relevant to the City. Doing this will help build a foundation of understanding of the current public agency efforts to date, and existing community circumstances and conditions, prior to proposing recommendations.

The City of Tacoma is in the midst of numerous planning projects addressing the need for more housing options affordable to all income levels and more opportunities for homeownership. From the Puget Sound Regional Council (PSRC) to city-specific policies and planning efforts, there are numerous reports, projects, findings, and data points all demonstrating that the City needs to provide housing and homeownership opportunities more equitably across race and income.

The Tacoma Office of Equity and Human Rights has been set up to promote an Equity and Empowerment Framework that applies across all the City's business and activities.⁴

The five Framework goals:

1. The City of Tacoma workforce reflects the community it serves.
2. Purposeful community outreach and engagement. We will work with community partners and businesses to promote equity and inclusion within Tacoma and throughout the region, producing measurable improvements and disparity reductions.
3. Equitable service delivery to residents and visitors.
4. Support human rights and opportunities for everyone to achieve their full potential.
5. Commitment to equity in policy decision making. We will be transparent and collaborative with internal and external individuals and groups, holding ourselves and our partners accountable for measurable improvements and outcomes.

Various ongoing housing planning and affordable housing planning efforts are at play in the region and City. In fact, due to a strategy recognized in Tacoma's 2018 Affordable Housing Action Strategy (AHAS), the City developed an interactive tool referred to as the Equity Index which maps 29 different variables linked to an Equity rating.⁵ The tool provides data about improving access to livability, accessibility, economy, education, and environmental health opportunities. Another AHAS action led to the adoption of two anti-racism ordinances (40622 and 40697). Resolution 40622, affirms Tacoma's commitment to a comprehensive process that will establish new practices based on community and expert opinion as well as past reform efforts, centering the voices of those most impacted by systemic racism. Resolution 40697- Tacoma Housing Disparity Study: Analyzing systemic disparities in homeownership opportunities among Black households in Tacoma and identifying strategies to address impacts of discrimination on homeownership opportunities in Tacoma. These resolutions help to affirm the City's recognition of systemic racism and their commitment to comprehensive and sustained transformation of

⁴ [Tacoma Equity and Empowerment Framework](#). In addition, the [Tacoma-Pierce Health Department](#) is examining how health outcomes vary among different population groups. A recent assessment (2015) found health incomes varied dramatically based on zip codes and that race/ethnicity, income, and education level all impact health outcomes.

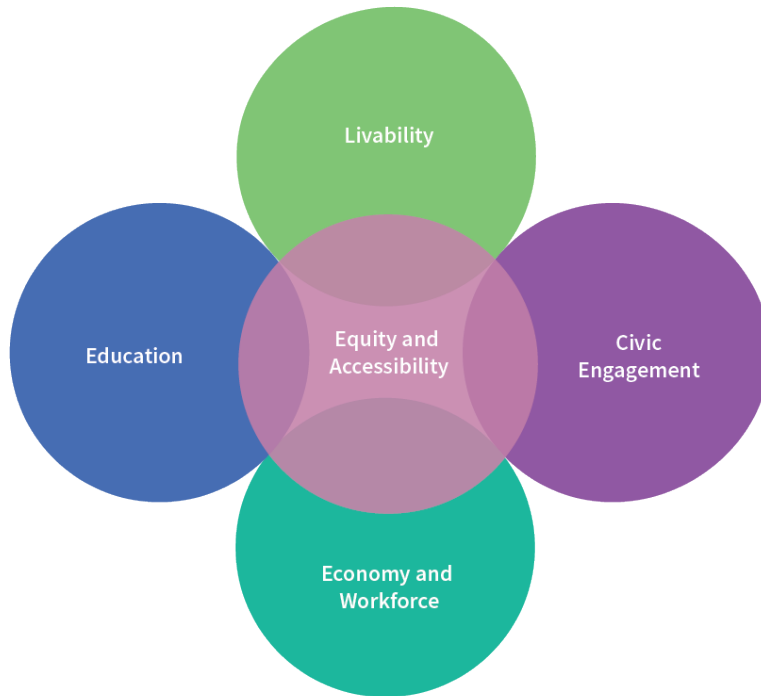
⁵ [AHAS](#) and [City of Tacoma Equity Index](#)

all the institutions, systems, policies, practices, and contracts impacted by systematic racism, with initial priority given to policing. The City is prioritizing anti-racism efforts through reform of institutions that perpetuate systematic racism.

The City has also prioritized equity and access to opportunity, services, facilities, and financial stability as one of the five focus areas in the 2025 Strategic Plan.

Exhibit 6. City of Tacoma 2025 Strategic Plan Graphic

Source: City of Tacoma.



Another report useful for understanding homeownership and associated barriers (described in the table below) is the Analysis of Impediments to Fair Housing Choice (2020). This report summarizes key federal and state fair housing laws regarding discriminatory practices in mortgage lending.⁶ Tacoma has an equivalent ordinance to the Fair Housing Act (Chapter 1.29, Tacoma Municipal Code).

While not an exhaustive list, the reviewed plans are described in Exhibit 5 starting with the state and region, and then narrowing in on Tacoma-specific plans.

⁶ Key Federal Law: Regarding mortgage lending, no one may take any of the following actions based on race, color, national origin, religion, sex, familial status, or handicap (disability): Refuse to make a mortgage loan; refuse to provide info regarding loans, impose different terms or conditions on a loan such as different interest rates, points, or fees; Discriminate in appraising property; Refuse to purchase a loan, or Set different terms or conditions for purchasing a loan. Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act. Washington State has adopted a fair housing law which is substantially equivalent to federal law and extends protection to the same populations. In addition, Washington State law extends protection on the basis of marital status, sexual orientation (2006 addition), and military or veteran status (honorable discharge) (2007 addition).

Exhibit 7. Key Plans and Programs Relevant to the City of Tacoma

Source: Summarized by ECONorthwest.

Plan	Geography	Agency	Description, Key Findings
Growth Management Act (GMA) and Related Laws (2017 RCW Update)	Washington State	Department of Commerce	The GMA is a series of laws established to manage urban growth in Washington State. The GMA identifies 14 goals, which provide comprehensive planning guidance to jurisdictions that are required to meet GMA goals, rules, and compliance requirements.
VISION 2050, PSRC (2020)	Puget Sound Region (King, Kitsap, Snohomish, and Pierce counties)	Puget Sound Regional Council	VISION 2050 provides guidance for countywide planning policies and local comprehensive plans. PSRC reviews and certifies comprehensive plans to ensure consistency ⁷ and they guide the allocation of regional and federal transportation funding. Equity is recognized more directly in the plan particularly related to housing and displacement. More detail is provided below on how equity is addressed.
City of Tacoma Consolidated Plan 2020-2025 Planning cycle	City of Tacoma	City of Tacoma, Department of Community and Economic Development	The Consolidated Plan for Tacoma and Lakewood is a coordinated report assessing housing needs and strategies. Housing stock details were described such as Tacoma's large share of housing units built before 1950 (40% owner units, 34% renter units) and their lower median home values and median contract rents (below Pierce County and the state). HOME and CDBG funds will assist 735 low- and moderate-income households in the area through new homes production and rental and homeownership unit rehabilitation to increase their habitability and accessibility.
City of Tacoma Affordable Housing Action Strategy (2018)	City of Tacoma	City of Tacoma, Enterprise Community Partners and BERK Consulting	Tacoma's Affordable Housing Action Strategy (AHAS) identifies policies and actions to accommodate the city's housing needs. Various strategies aim to create more homes for more people and to support homeownership such as by increasing participation in existing first-time homebuyer programs, using city-owned land for housing, and adopting policy improvements to make it easier to build less costly, small-scale, or missing middle homes. A key action supports community land trusts, an alternative homeownership models that provides affordable housing in perpetuity by leasing land to families living on it. Some organizations in the City have begun to explore using this model for long-term affordability of homeownership opportunities. Other noteworthy actions: local tax relief to stabilize low-income homeowners and integrating of culturally competent and trauma informed practices in new and existing programs. ⁸

⁷ Consistency means that no feature of a plan or regulation is incompatible with any other feature of a plan or regulation. Consistency is indicative of a capacity for orderly integration or operation with other elements in a system.

⁸ We also reviewed a staff report update to the HAP (2021). One of the implemented actions is the release of the Equity Index tool.

<p>City of Tacoma Analysis of Impediments to Fair Housing Choice Update July 2020</p>	<p>City of Tacoma</p>	<p>City of Tacoma</p>	<p>This report provided a great summary of federal and state laws associated with housing programs and provided reporting to comply with the CDBG fund requirements (every five years). A key section provides fair housing analysis of race and ethnicity demographics.</p> <p>A key housing sales and financing finding based on analysis of the Home Mortgage Disclosure Act (HMDA) data (2018) showed Black and Native Hawaiian/Pacific Islanders as having the highest rates of mortgage loan lending denials: 30 and 34 percent, respectively. Their review of the 2018 HMDA data demonstrates that Black, Hispanic, and other minority applicants are relatively less successful than white applicants in obtaining certain types of mortgage financing. This report also describes predatory lending risks.⁹</p>
<p>Proposed Strategies to Increase Housing Affordability & STEM Displacement on Hilltop (2020)</p>	<p>Hilltop Neighborhood (Central Tacoma, adjacent to Downtown Tacoma)</p>	<p>Enterprise, Smart Growth America, US Department of Transportation Federal Transit Administration</p>	<p>This report discusses housing, gentrification, and displacement issues associated with the Hilltop Neighborhood in Central Tacoma. Many residents, particularly renters, are cost burdened (45 percent) and are struggling to afford the escalating housing costs. Market conditions are changing, and displacement pressure is accumulating and on top of this new light rail planned to be located nearby could exacerbate the situation by further leading to increased housing costs. The report lists key actions for residents, community leaders, City staff, and states that elected officials should move swiftly with to ensure current residents can stay on Hilltop. The actions include identifying a source of revenue for the local Housing Trust Fund, adjusting land use incentives/policies to support equitable transit-oriented development (TOD) in the area, stabilizing residents at risk of displacement, and increasing the availability of more affordable rental and homeownership opportunities.</p> <p>A key action (4.1) calls for the City’s HOME funds to include a scoring process that accounts for specific provisions for geographic targeting or TOD. Updates could include changes to streamline threshold criteria, refining funding priorities including geographic targets, and streamlining and clearly communicating loan terms. The report emphasizes the use of community land trust models due to their ability to strike a balance between wealth building and preserving long-term affordable homeownership opportunities.</p>

⁹ Predatory lending examples: false appraisals to sell properties for more than their worth, knowingly lending more money than borrowers can pay, charging unnecessary fees and higher interest rates than warranted, and pressuring borrowers to accept higher-risk loans such as balloon loans and interest-only payments.

Key Homeownership Programs in Tacoma

The City of Tacoma offers several programs to support homeownership for qualified households. A summary of these programs is provided below.

1. **Tacoma and Lakewood HOME Consortium:** The Tacoma Down Payment Assistance is a loan program that combines the Washington State Housing Finance Commission's Home Advantage first mortgage loan program. This program is intended for first time homeowners with a lower household income. The program allows up to \$20,000 in down payment assistance with payments deferred for 30 years at a 4 percent simple interest rate. The Tacoma HAP reported a decline in HOME funds by more than \$1 million between 2010 and 2017 but today the funds have been replenished. The Council-appointed the Tacoma Community Redevelopment Authority (TCRA) to administer housing, community, and economic development programs using both HOME and Community Development Block Grant funds with support from City staff.¹⁰
2. In partnership with Pierce County and Habitat for Humanity, Tacoma is offering a new **foreclosure prevention program** which provides counseling and up to four months of mortgage assistance (\$6,000 cap) paid directly to the loan servicer, bank or mortgage company of households who live in Tacoma, who have experienced loss of employment or reduction in wages due to COVID-19 and have an income at or below 80 percent of the Area Median Income for Pierce County.¹¹
3. **Home Repair Programs:** The Associated Ministries and Rebuilding Together South Sound receive Community Development Block Grant funds to provide health and safety related housing repair services free of charge to low-income Tacoma homeowners. The Housing Division in coordination with TCRA offers home repair and rehabilitation loans.¹²

Regional Importance of Equity-Focused Analysis

Across the region, equity has become a highly prioritized issue for review and incorporation in planning efforts, particularly those related to housing access. In 2015, Washington State ranked as one of the worst states for income inequality (10th), with a large (and growing) gap between the wealthiest and poorest residents.

Using data that compared the mean of the top 1 percent of earners with the mean of the bottom 99 percent of earners, researchers at the Economic Policy Institute found a 24.2 ratio between them (this means that the top 1 percent earns on average 24 times more than the average earned by the bottom 99 percent). The causes of inequity are varied and complex, but significant attention should be given to remedy the past role of government in codifying, creating, and perpetuating inequities, particularly racially based discriminatory practices (such as exclusionary zoning).

In fact, the State's Growth Management Policy Board prioritized social equity as a critical regional issue for review and incorporation in VISION 2050. In the Puget Sound region, the percentage of people of color grew from 24 percent of the region's population in 2000 to 35 percent of the population in 2016 and

¹⁰ City of Tacoma: <https://www.cityoftacoma.org/cms/one.aspx?portalId=169&pageId=21968>, Washington State Housing Finance Commission Home Advantage Program: <http://www.wshfc.org/buyers/HomeAdvantage.htm>

¹¹ City of Tacoma Housing Division Foreclosure Prevention: <https://www.piercecountywa.gov/4701/Housing-Assistance-and-Programs>

¹² City of Tacoma Housing Division: <https://www.cityoftacoma.org/cms/One.aspx?portalId=169&pageId=32574>

they represent 81 percent of the region’s growth since 2000 (PSRC, 2021).¹³ The region is growing and becoming more diverse over time.

VISION 2050 (adopted in 2020) recognizes racial equity and access to opportunity as crucial regional issues and the plan certification process asks local jurisdictions to respond to how racial equity was considered in the planning process and addressed in the plan. As shown below, the newly adopted VISION 2050 includes several Goals and Policies intended to advance social equity and it calls for member governments to develop and implement a regional equity strategy. PSRC’s regional strategy should include features such as tools and resources to inform policy, best practices for centering equity in local planning work, guidance on how to measure outcomes and develop mechanisms to prioritize funding to address equity and establish an equity advisory group to track implementation, and an equity impact tool or dashboard to evaluate decisions.

Codified Policies Recognizing Equity, in PSRC’s VISION 2050:

- *Prioritize services and access to opportunity for people of color, people with low incomes, and historically underserved communities to ensure all people can attain the resources and opportunities to improve quality of life and address past inequities (MPP-RC – 2).*
- *Support programs to ensure that all residents, regardless of race, social, or economic status, have clean air, clean water, and other elements of a healthy environment and prioritize the reduction of impacts to vulnerable populations that have been disproportionately affected (MPP-En-3-4, En-7-8, En-21).*
- *Address impacts to vulnerable populations and areas that have been or will be disproportionately affected by climate change (MPP-CC-6, CC-8, CC-Action-3, CC-Action-4).*
- *Reduce disparities in access to opportunity and expand employment opportunities to improve the region’s shared economic future (MPP-DP-2, Ec-8, Ec-13).*
- *Support inclusive engagement to ensure land use decisions do not negatively impact historically marginalized communities (MPP-DP-8).*
- *Identify potential physical, economic, and cultural displacement of low-income households and marginalized populations and work with communities to develop anti-displacement strategies in when planning for growth (MPP-H-12, H-Action-6).*
- *Promote homeownership opportunities while recognizing historic inequities in access to homeownership opportunities for communities of color (MPP-H-5).*
- *Identify racial and social equity as a core objective when planning and implementing transportation improvements, programs, and services (MPP-T-9).*
- *Promote affordable and equitable access of public services, including drinking water and telecommunication infrastructure, to provide access to all communities, especially underserved communities (MPP-PS-2, PS-16, PS-22).*

General PSRC Equity Goals for the Puget Sound Region:

- *Equitable outcomes are important, and data should be used to highlight areas of concern and progress.*
- *Authentic engagement with marginalized communities is imperative to developing a more holistic understanding of problems and solutions. Inclusive engagement should include historically underrepresented communities and anti-displacement organizations.*
- *Strategies are necessary ensure marginalized groups do not suffer from undue burdens and enjoy the benefits associated with increased growth.*

¹³ People/persons of color is a term that includes people who identify as Asian, Black or African American, Native Hawaiian, Pacific Islander, American Indian, and Alaskan Native.

Tacoma has become one of the most racially diverse cities in Washington State. Overall, 41.5 percent of Tacoma residents are people of color and among this total share, the largest group is the Black/African American (alone) group at 10.2 percent (ACS 2015-2019, 5 Year Survey). Communities of color in Tacoma are burdened by stark inequities, such as significantly higher rates of unemployment and lower rates of homeownership. This is particularly acute for Black persons. The City has a critical opportunity to assess how local planning and housing and homeownership programs can mitigate past disinvestment and displacement of at-risk populations and improve access to opportunities for the whole community.

A History of Systemic Racism and Discrimination

Like the rest of the U.S., the City of Tacoma has a documented history of redlining neighborhoods in the late 1930s. Although the redlining provides mapped evidence, institutional racism occurred long before.¹⁴ During the first half of the 20th Century, institutional racism was a common practice in land use planning, and it often played out in housing policies especially through redlining practices, racially restrictive covenants, and exclusionary single-family zoning. These practices prevented communities of color from being able to live in high-opportunity neighborhoods and accumulate intergenerational wealth through homeownership, and collectively, these practices led to segregated neighborhoods.

The redlining in Tacoma is estimated to have impacted more than two-thirds of the city residents by limiting access to funds for buying or building a home in areas populated primarily by people of color. These maps were created by the Homeowners Loan Corporation (through the New Deal program) as a way to support the housing market and preclude foreclosures and the economic crises stemming from the Great Depression. The redlined areas were deemed as “definitely declining” and “hazardous” for mortgage lending and they often outlined older, densely built areas encircling areas with communities of color. These maps steered lenders towards investing exclusively in the whitest parts of cities, with lower-density housing, reinforced by restrictive single-family detached zoning preventing rentals, multi-family housing, and single-family attached housing (such as row homes and duplexes, often referred to as missing middle housing) from being constructed.

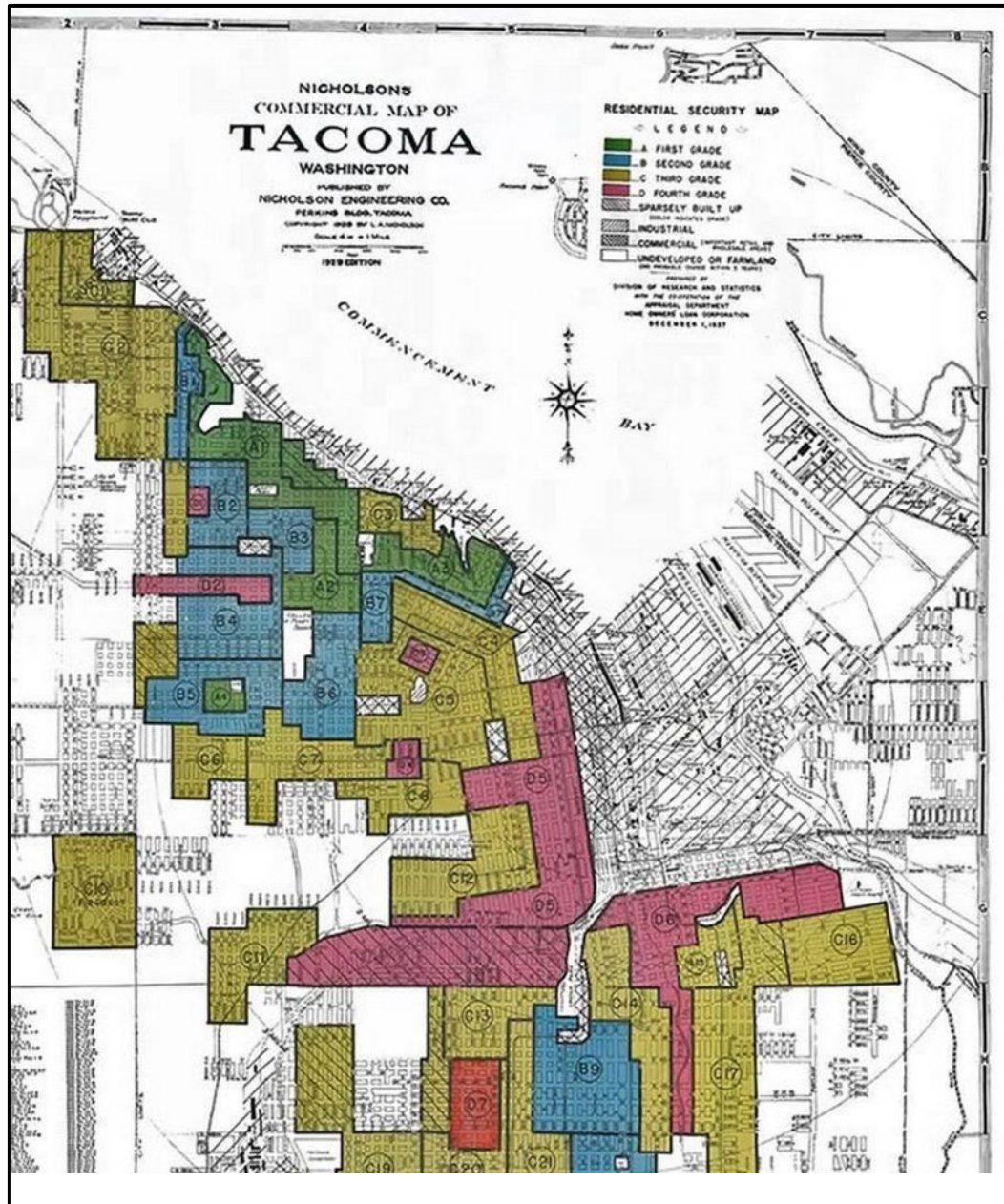
In addition, racially restrictive covenants have been used in certain neighborhoods to prevent homeownership by people of color. These covenants are legal restrictions developers and property owners recorded on residential property deeds to ban property owners from selling or renting the property to specific races, ethnicities, and religions. Although a series of provisions have been enacted by federal and state laws to prohibit racial discrimination in real estate transactions, particularly through fair housing laws in the 1960s, addressing the lingering effects of these discriminatory covenants has been a slow ongoing process, continuing today.¹⁵

Ultimately, this discrimination blocked many people of color from building wealth and led to increased segregation. The HOME in Tacoma project report (2021) describes how Tacoma’s residents of color have reported feeling as if they have fewer opportunities for community engagement and that there is little acceptance for people of diverse backgrounds.

¹⁴ APA PAS. Paul Mogush. (2021). Advancing Racial Equity Through Land-Use Planning.

¹⁵ MRSC. Oskar Rey. (2021). [The Lasting Impacts of Discriminatory Restrictive Covenants.](#)

Exhibit 8. Redlining in the City of Tacoma, 1937 Residential Security Map
Source: Home Owners Loan Corporation



3. Analysis of Demographic, Mortgage Data, and Tacoma Homeownership Program

This section provides the results of assessing key community demographic and socioeconomic characteristics and home mortgage experiences based off current data available from sources such as the U.S. Census Bureau, the City of Tacoma, and the Home Mortgage Disclosure Act.¹⁶ The overarching goal for this analysis is to describe race-based disparities associated with housing and homeownership to help inform recommendations for how to advance equity conscious remedies. The first section offers a summary of key findings, and the next section and the Appendix provides more detail regarding the results of the disparity study.

Key Findings Describing Disparities and Housing

Tacoma has a healthy growing economy and diverse residents, situated in the southern end of the vibrant Puget Sound region. This wealth has not been spread equitably since communities of color remain on the margins of the rising economy with income gaps, racially disparate unemployment rates, challenges finding affordable housing options, increased rates of displacement, and declining rates of home ownership. The following list summarizes key findings.

- The City of Tacoma continues to be home to a much larger Black population in comparison to Washington State (both in 2010 and 2019). The Black population was 10.2 percent in 2019 versus 3.7 percent in the State of Washington.
- Unemployment affects a person’s ability to be approved for a mortgage application. The findings show the highest unemployment rates for Hispanic and Black residents (7.8 percent) in the City (2019). Educational attainment impacts a person’s ability to secure jobs with higher pay and greater benefits. Tacoma also has significantly lower shares of persons with a bachelor’s degree or higher for almost every race category in comparison to state levels. Partially due to reduced access, around 18.9 percent of Black residents have a bachelor’s degree or higher in contrast to 33.4 percent of White residents.
- Household income often limits the housing options that will be feasible and affordable for someone to purchase. Due to a host of systemic factors including access to education, Black households in Tacoma have the lowest median income compared to all the other races/ethnicities. Consequently, this limits the supply of housing that would be affordable to buy.
- Between 2000 and 2019, Black households have bought more homes in the northern and southern portions of the City but are moving out of owned homes in the center of the City. Similarly, Black households are moving out of rentals in the center of the City while White households are renting more homes in the central and northern portions of the City. The findings indicate that the central,

¹⁶ Most of the population demographic data provided in this table was derived from U.S. Census Bureau, American Community Survey (ACS) Public Use Microdata Sample (PUMS) 5-Year Data for 2015-2019. PUMS files are a set of untabulated records about individual people or housing units. Public Use Microdata Areas (PUMAs) are statistical geographic areas defined for the dissemination of PUMS data. PUMAs: nest within states or equivalent entities; contain at least 100,000 people; are built on census tracts and counties; and should be geographically contiguous. For this analysis we analyzed demographic information within three PUMAs most fully encompassing the City of Tacoma: the Pierce County Central – Tacoma City; the Pierce County South Central – Tacoma City South, Parkland and Spanaway; and the Pierce County Northwest – Peninsula Region and Tacoma City West. U.S. Census data does not currently provide information about a multiracial persons preferred racial identity.

west end, and eastside areas of Tacoma are showing signs of being at risk for gentrification, or early/ongoing gentrification, or advanced gentrification.

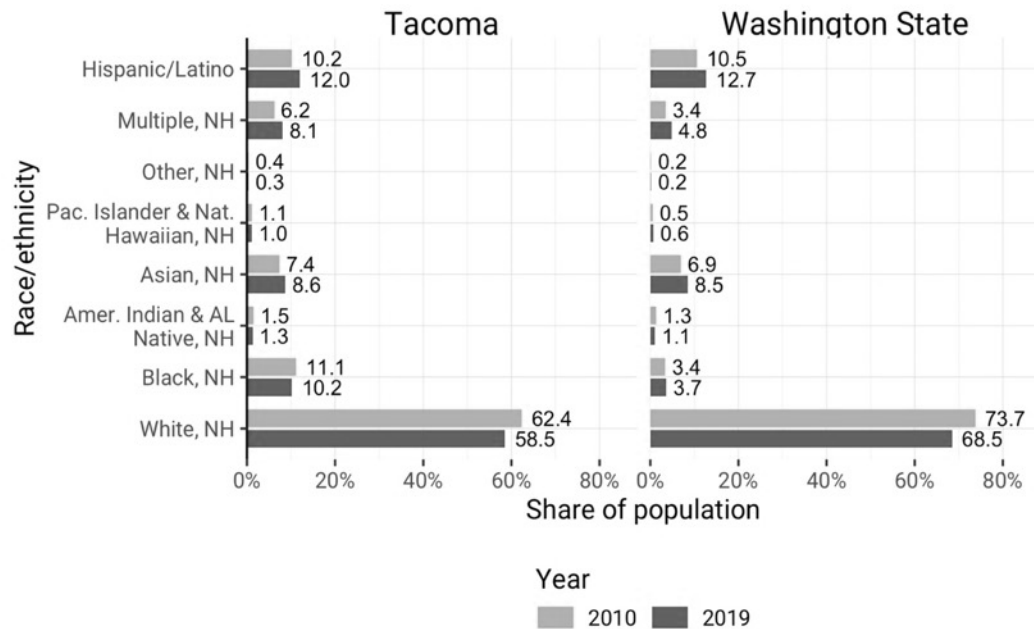
- Black households experienced higher rates of change to become renters, climbing above rates of home ownership from 1990 to 2020. This finding highlights a stark trend of decreased homeownership growth for Black households. All the other races either experienced increases or stable rates of home ownership over the past few decades while in contrast, Black households were more likely to become renters and lose ownership of homes.
- A household is considered “ownership-ready” when they are not cost-burdened and earning a total household income greater than 100 percent of the 2019 AMI for Pierce County (\$80,200). The highest homeownership ready rates include Pacific Islander and Native Hawaiians (PINH), American Indian/Alaskan Native (AIAN), Black, and other (those not fitting in with the householder categories) householder categories. An estimated 11.6 percent of Black householders renting a home were identified as being ready for homeownership opportunities. A few categories, including White and Asian, had the highest owner household shares, at over 50 percent of the total category.

Community Demographics

Key Race/Ethnicity Demographic Trends

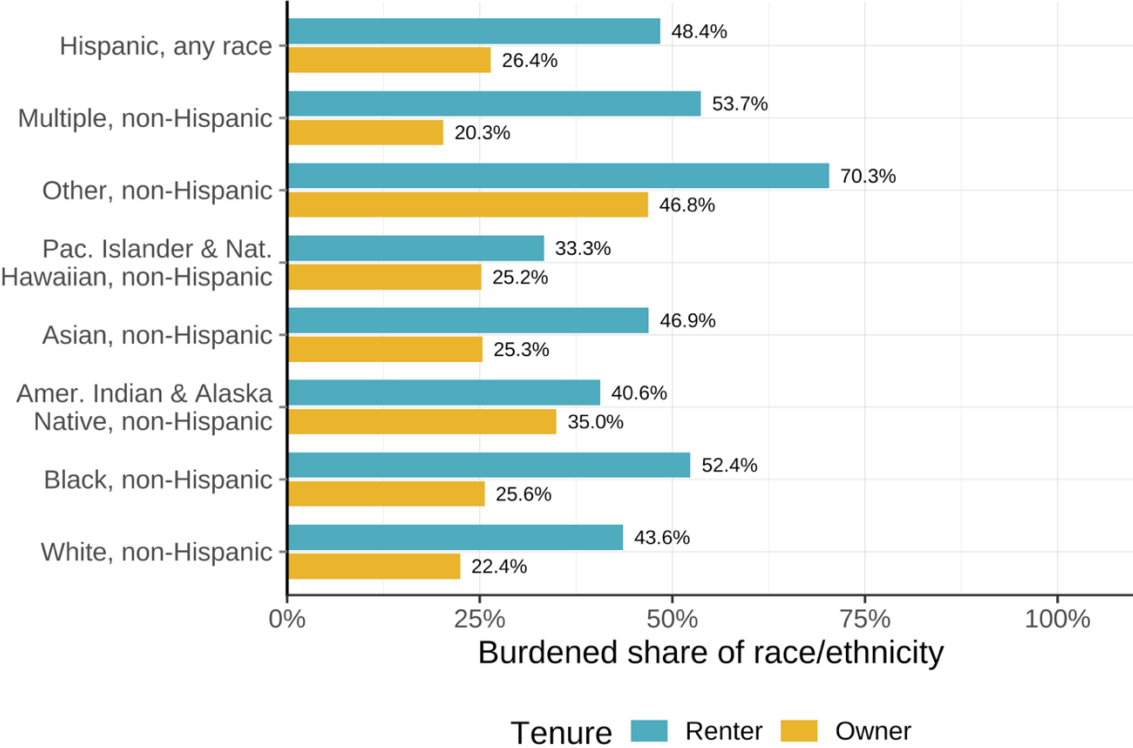
Exhibit 9. Race/Ethnicity, Tacoma and Washington State, 2010 and 2019

Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey) and 2010 Decennial U.S. Census Survey. Note: NH is Non Hispanic



The City of Tacoma’s population has consistently comprised a larger share of the Black population in comparison to Washington State (both in 2010 and 2019). The Black population was 10.2 percent in 2010 in comparison to 3.7 percent in the State. The share of Pacific Islander and Native Hawaiians (PINH) is slightly higher in Tacoma in comparison to Washington State (1.0 percent versus 0.6 percent) but were an overall very low share of the total population in 2019. The other race/ethnicity groups in 2019 in Tacoma were at similar levels to Washington State with the exception of White, Non-Hispanic persons who were 58.5 percent of the population in Tacoma versus 68.5 percent of the population in Washington State.

Exhibit 10. Share of Owner and Renter Burdened Households by Race, Tacoma, 2019
 Sources: U.S. Census, American Community Survey (ACS) PUMS, 2015- 2019 (5 Year Survey).



The US Department of Housing and Urban Development (HUD) guidelines indicate that a household is cost burdened when they pay more than 30 percent of their gross household income for housing (rent or mortgage, plus utilities).¹⁷ Similar to other areas, cost burdening for renters tends to be higher than for owners in Tacoma. This indicates that rentals are unaffordable for many residents in Tacoma.¹⁸ The higher cost-burdening shares for renters versus owners holds true across most race/ethnicity categories except for “Other, non-Hispanic” in Tacoma.

Those categorized as “Other, non-Hispanic” had the highest rate of cost-burdening regardless of tenure in Tacoma. Over half of renters categorized as “Other, non-Hispanic”, “Black, non-Hispanic”, and “Multiple, non-Hispanic” were cost burdened in 2019. Housing cost burden can put low-income households in vulnerable situations and force them to make trade-offs between housing costs and other essentials like food, medicine, or transportation. This unstable condition can also lead to rental evictions, job instability, school instability for children, and homelessness. Because housing at the low-income cost

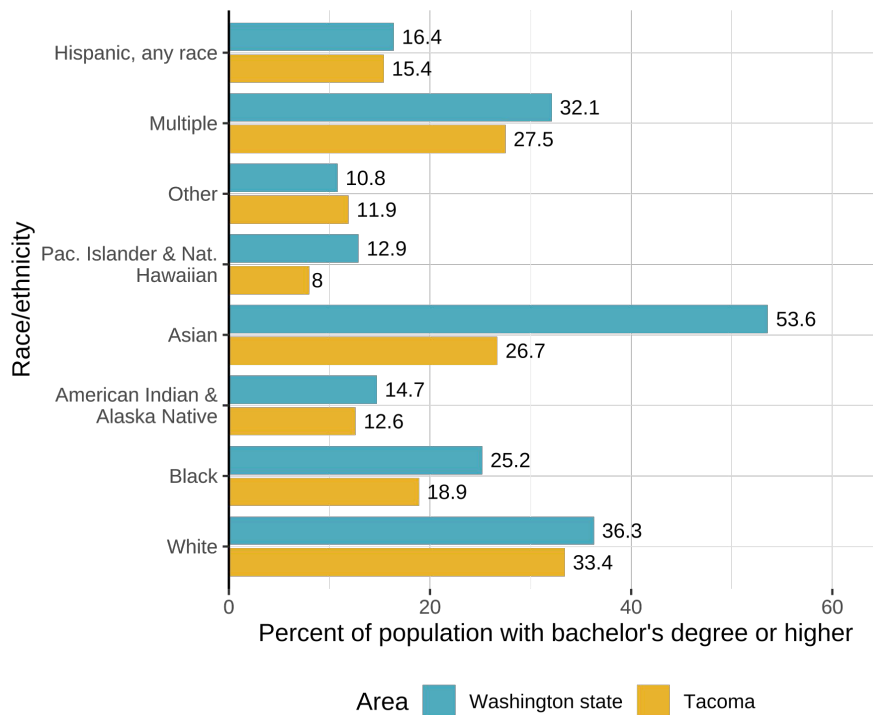
¹⁷ HUD sets income limits that determine eligibility for supported housing programs such as Section 8 Housing Choice Vouchers. HUD develops income limits based on Median Family Income (MFI or Area Median Income, AMI) estimates and Fair Market Rent area definitions. Cost burden does not consider accumulated wealth and assets.

¹⁸ Cost burdening for owner-occupied households is not terribly common because mortgage lenders typically ensure that a household can pay its debt obligations before signing off on a loan. However, cost burdening can occur when a household secures a mortgage and then sees its income decline.

range is rare, most households in this income range must pay more. Access to affordable housing has not affected all households evenly.

Access to housing affordable to non-high incomes is becoming increasingly limited in the region. Like other areas in the region, Tacoma’s median home values have been increasing over the last few decades. The Median Home Value Index chart (Exhibit 36 in the Appendix) shows median home value changes between 2000 to 2020 in Tacoma, other similar Washington cities, Pierce County, and the State of Washington. Tacoma’s median home value was estimated at a value of \$360,879 in 2020. Increasing pressure is being placed on Tacoma’s housing stock if you compare Tacoma with other nearby cities and if not ameliorated effectively, this pressure could continue to drive up Tacoma’s median values in the years to come.

Exhibit 11. Educational Attainment by Race/Ethnicity, Percent of Population with a Bachelor’s Degree or Higher, Tacoma and Washington State, 2019

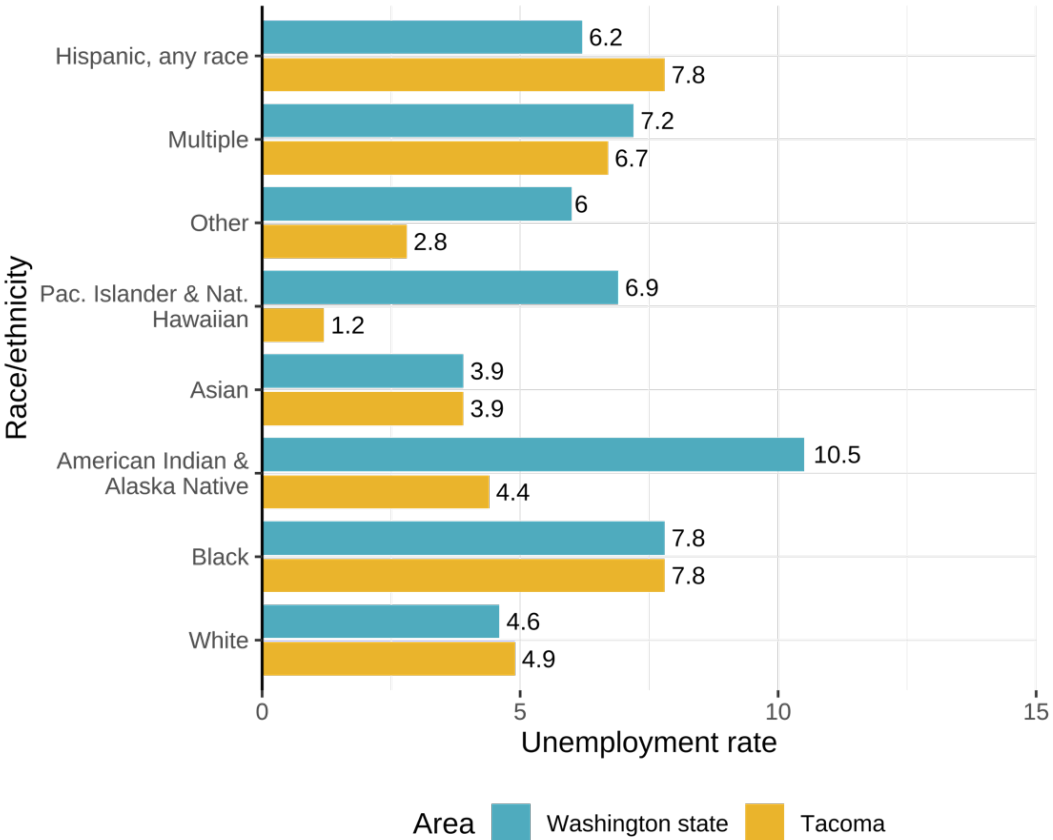


Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)

Educational attainment impacts a person’s ability to secure jobs with higher pay and greater benefits. Consistently holding higher paying positions can be a consideration during the mortgage lending application process. In comparison to the State of Washington, the City of Tacoma has significantly lower shares of persons with a bachelor’s degree or higher (Exhibit 11). This finding holds true for all race/ethnicity categories except for “Other” as shown above in Exhibit 11.

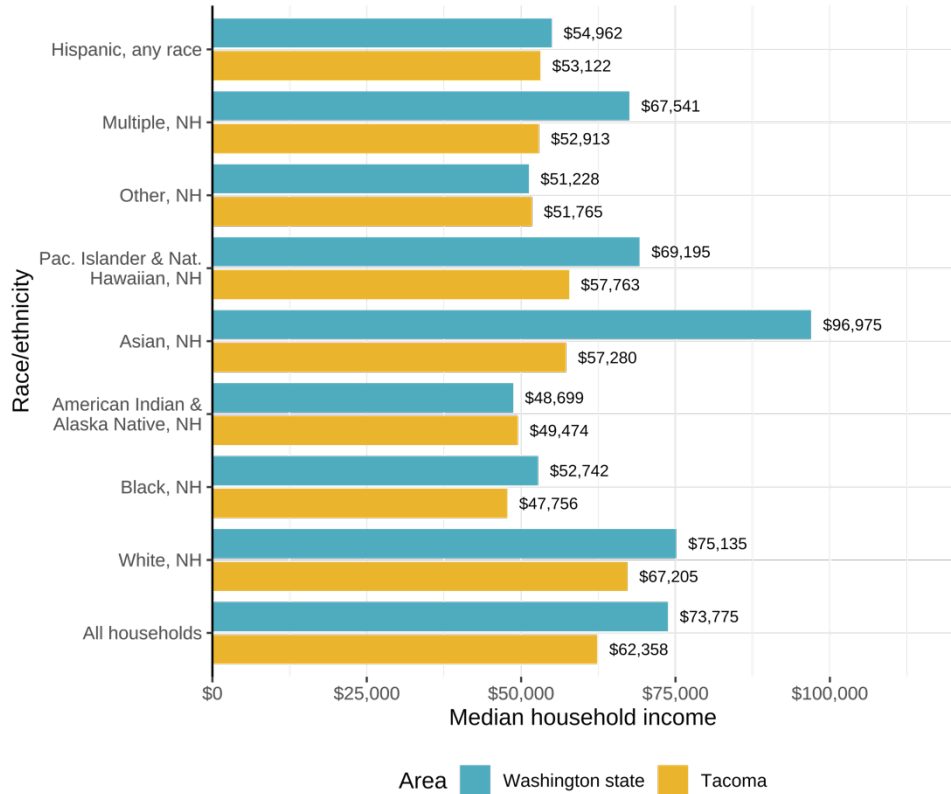
Tacoma’s Asian, Black, PINH, and Multiple Race populations were much lower for this metric in comparison to the state levels. Around 18.9 percent of Black Tacoma residents have a bachelor’s degree or higher in contrast to 33.4 percent of White Tacoma residents.

Exhibit 12. Unemployment Rate by Race/Ethnicity, Tacoma & Washington State, 2019
 Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)



Unemployment affects a person’s ability to be approved for a mortgage application to own a home. The above exhibit shows Hispanic and Black persons in Tacoma as having the highest unemployment rate, both at 7.8 percent (2019). Black workers are almost two times more likely to be unemployed than White workers in Tacoma.

Exhibit 13. Household Income by Race/Ethnicity, City of Tacoma & Washington State
 Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)



Notes: NH stands for non-Hispanic. There was a smaller sample for the “Pacific Islander & Native Hawaiian, non-Hispanic” and the “American Indian & Alaska Native, non-Hispanic” race/ethnicity groups in Tacoma.

Another important consideration for homeownership is household income level or the amount a household earns per year. Compared to Washington State, most of the Tacoma race/ethnicity groups have lower median household incomes. Overall, the median household income level for all races/ethnicities is at \$62,358 in Tacoma compared to a higher level of \$73,775 at the state.

Black households in Tacoma had the lowest median household income (\$47,756) in 2019 compared to all other race/ethnicity categories and the value (\$47,756) is significantly lower than the overall median income value for all households.

Another unique characteristic is that the Asian household income in Tacoma is much lower than the state median household income level. The Tacoma household income level for Asians is 59 percent of the Asian median household income level at the state (\$57,280 in Tacoma compared to \$96,975 in the State of Washington).

Exhibit 34 (Appendix) describes households below the poverty level to help identify potential racial disparities. Black, AIAN, Hispanic (any race), and Other categories in Tacoma and Washington State had nearly double the percent of persons in poverty. Compared to Washington State, the Black population and the AIAN population in Tacoma has a lower percent of persons with incomes below the poverty level. This exhibit shows the opposite for most of the other race/ethnicity groups, with higher percentages of persons below the poverty level in Tacoma in comparison to the state rates in 2019.

Exhibit 14. Change in Number of Owner Households by Race, 2000 - 2019, Tacoma
 Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey); PSRC Displacement Risk data, and National Historic Geographic Information Systems data from IPUMs.



These maps show the City of Tacoma race demographic changes from 1990 to 2019 for owner households.

Between 2000 and 2019, Black households bought an increased number of homes in the northern and southern portions of the City but moved out of owned homes in the center of the City.

During this same time frame, White households were buying more homes in the northern portions of the City and were selling homes in the eastern portions of the City. Asian households were buying more homes to the north and eastern edges of Tacoma.

A more detailed view of the White and Black changes in the number of owner households is provided below.

Notes: AIAN is American Indian and Alaska Native, AAPI is Asian Americans and Pacific Islanders. Green colored areas show where there is growth for the household race category and pink colors show where there is reduction for the household race category. NORTH is to the right and SOUTH is to the left.

Exhibit 15. Change in Number of Renter Households by Race, 2000 - 2019, Tacoma
 Sources: Source: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey); PSRC Displacement Risk data, and National Historic Geographic Information Systems data from IPUMs.



These maps show the City of Tacoma race demographic changes from 1990 to 2019 for renter households.

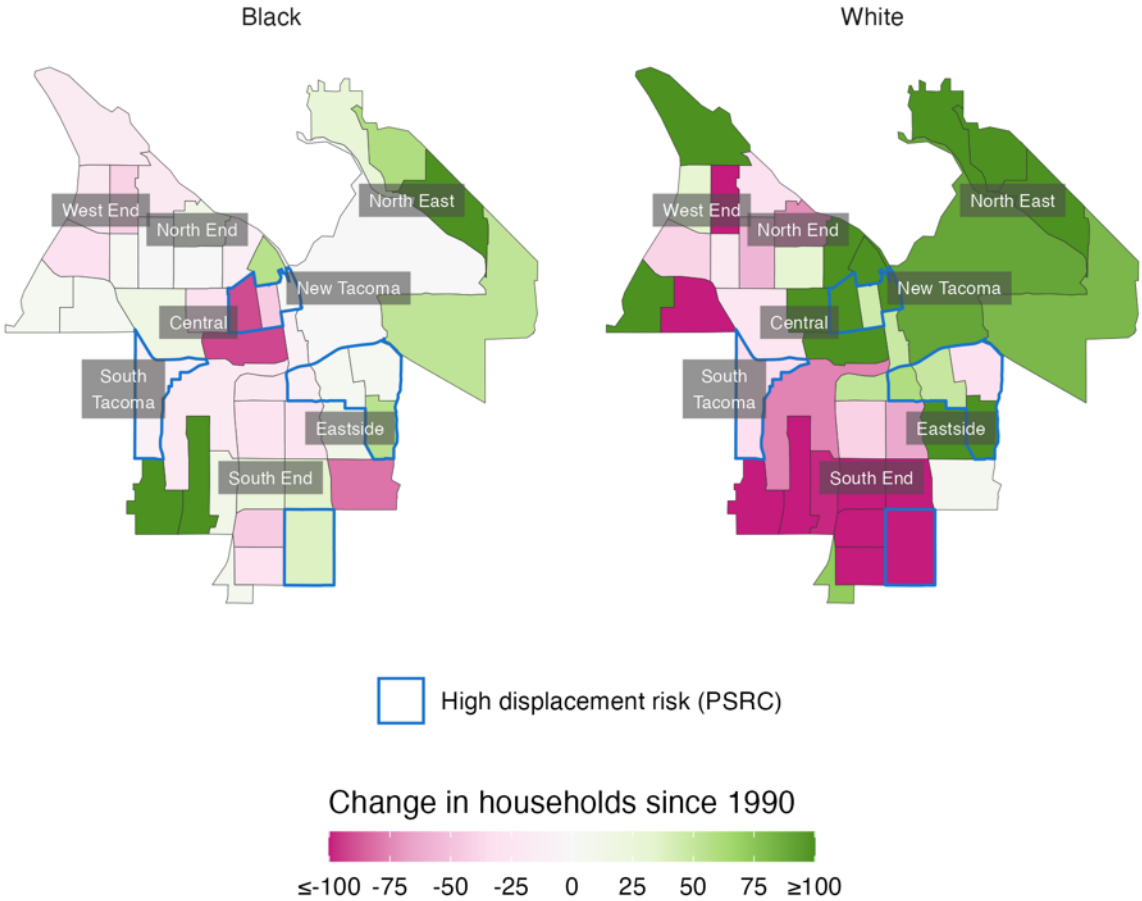
Between 2000 and 2019, Black households were renting more homes in the southern and eastern portions of the City but were moving out of rentals in the center of the City.

White households were renting more homes in the northern and central portions of the City. They were leaving rental homes in the areas in the northern, eastern, and southern portions of the City. Since 2000, Asian households were renting more homes in the north and eastern edges of Tacoma.

A more detailed view of the White and Black changes in the number of owner households is provided below.

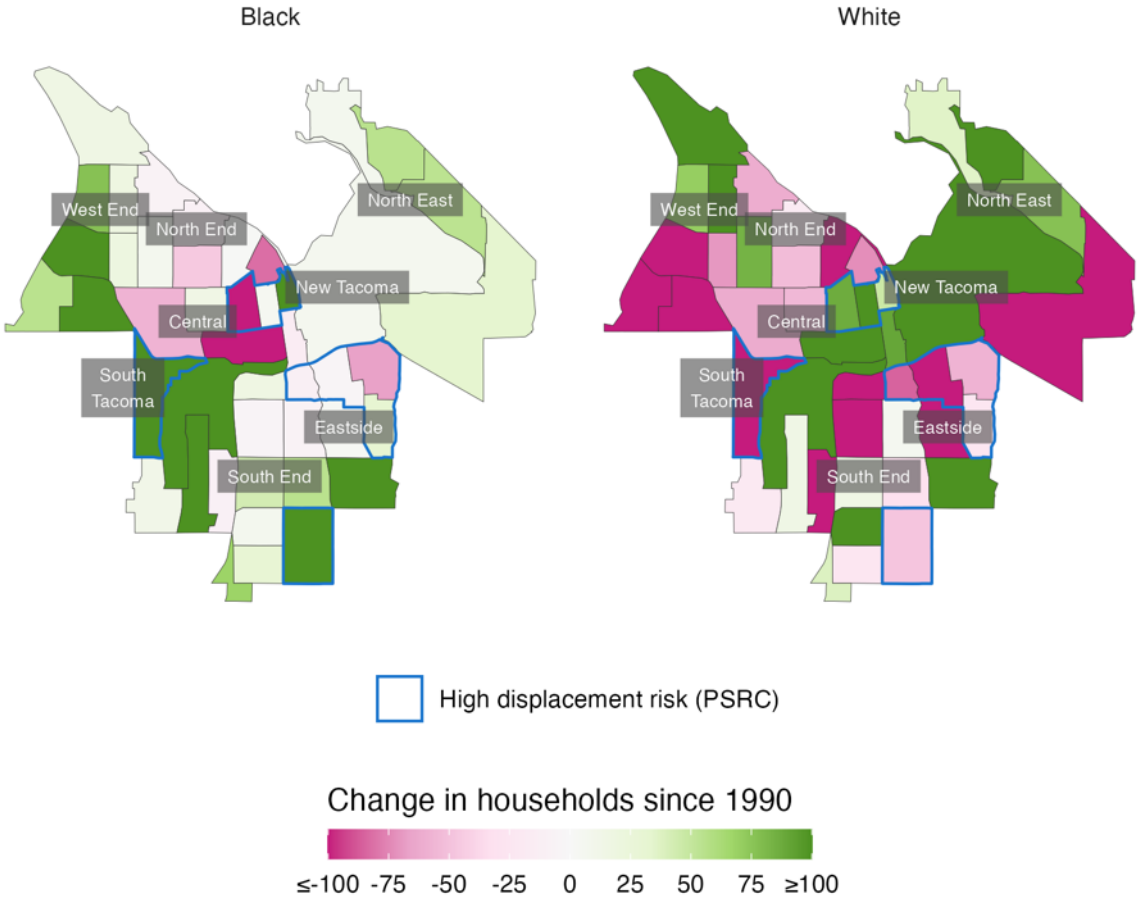
Notes: AIAN is American Indian and Alaska Native, AAPI is Asian Americans and Pacific Islanders. Green colored areas show where there is growth for the household race category and pink colors show where there is reduction for the household race category. NORTH is to the right and SOUTH is to the left.

Exhibit 16. Change in Number of Owner Households by Race, 2000 - 2019, Tacoma
 Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey); PSRC Displacement Risk data, and National Historic Geographic Information Systems data from IPUMs.



Notes: Green colored areas show where there is growth and pink colors show where there is reduction for the household race category.

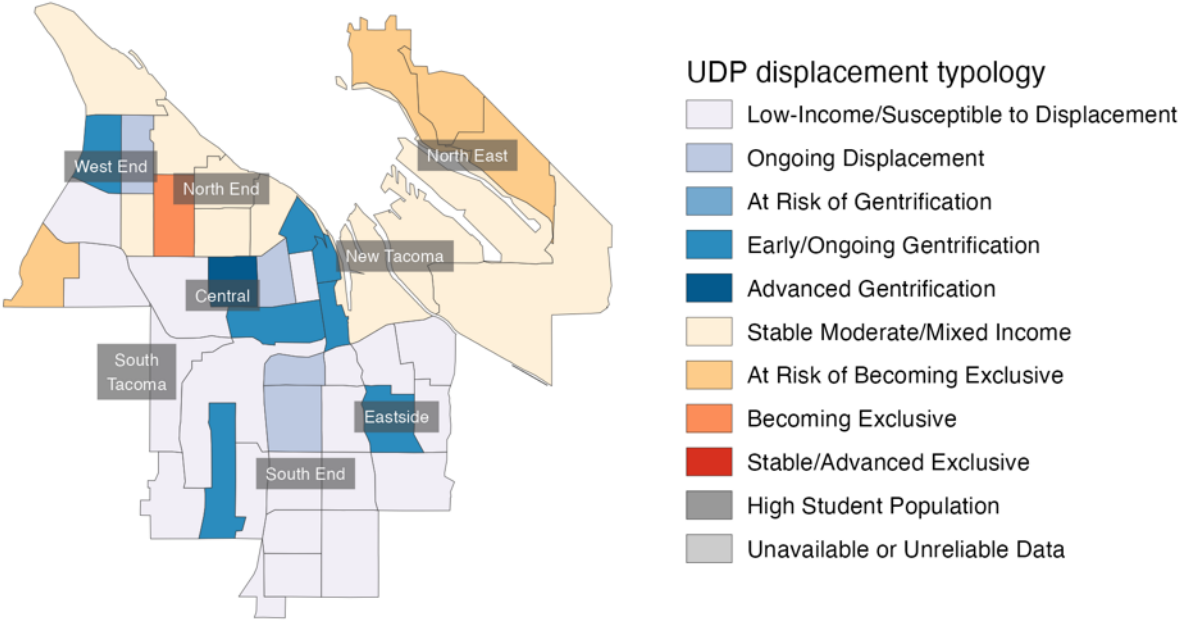
Exhibit 17. Change in Number of Renter Households by Race, 2000 - 2019, Tacoma
 Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey); PSRC Displacement Risk data, and National Historic Geographic Information Systems data from IPUMs.



Notes: Green colored areas show where there is growth and pink colors show where there is reduction for the household race category.

Exhibit 18. Urban Displacement Types and Neighborhood, Tacoma

Source: Urban Displacement Project, and the City of Tacoma



The above exhibit shows the Urban Displacement Project (UDP) ratings for the City of Tacoma. The findings from this analysis are similar to the above displacement risk mapping. As shown in blue on the above map, the central, west end, and eastside areas of Tacoma show signs of being at risk for gentrification, or early/ongoing gentrification, or advanced gentrification.

The UDP approach was first built for the San Francisco Mayor’s Office of Housing and Community Development in 2015 as a way to deepen understanding for where gentrification and displacement were emerging. The UDP approach defines gentrification as a process of community conversion consisting of economic change in a historically disinvested neighborhood through real estate investment and new higher-income residents moving in. Neighborhood gentrification also tends to include demographic change associated with income level, or educational attainment, or the racial composition of residents.¹⁹

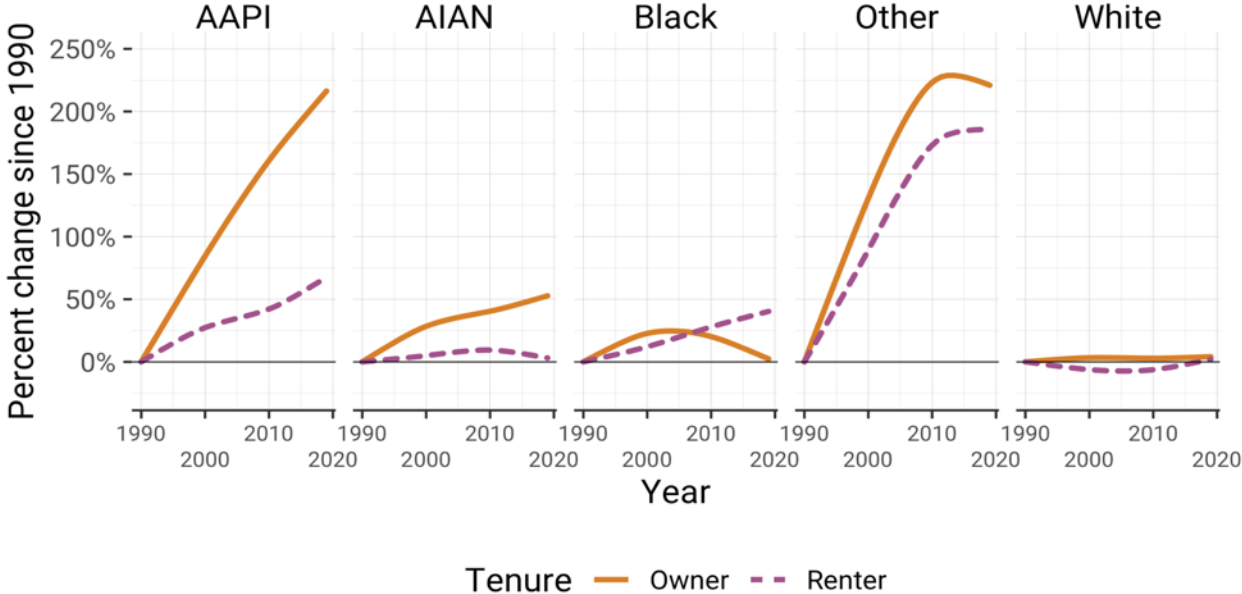
As a result of this work, gentrification and displacement typology mapping was developed to integrate housing market dynamics and displacement and gentrification risk into categories, outlined at the census tract level. The goal of this mapping is to help frame conversations around issues of gentrification, displacement, and exclusion and to inform strategies to mitigate the negative impacts of housing instability.²⁰

¹⁹ <https://www.urbandisplacement.org/resources>

²⁰ <https://www.urbandisplacement.org/san-francisco/sf-bay-area-gentrification-and-displacement>

Exhibit 19. Percent Change of Owner and Renter Households by Race, in the City of Tacoma, 1990 to 2020

Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey) and NHGIS (National Historical GIS) iPUMs data.



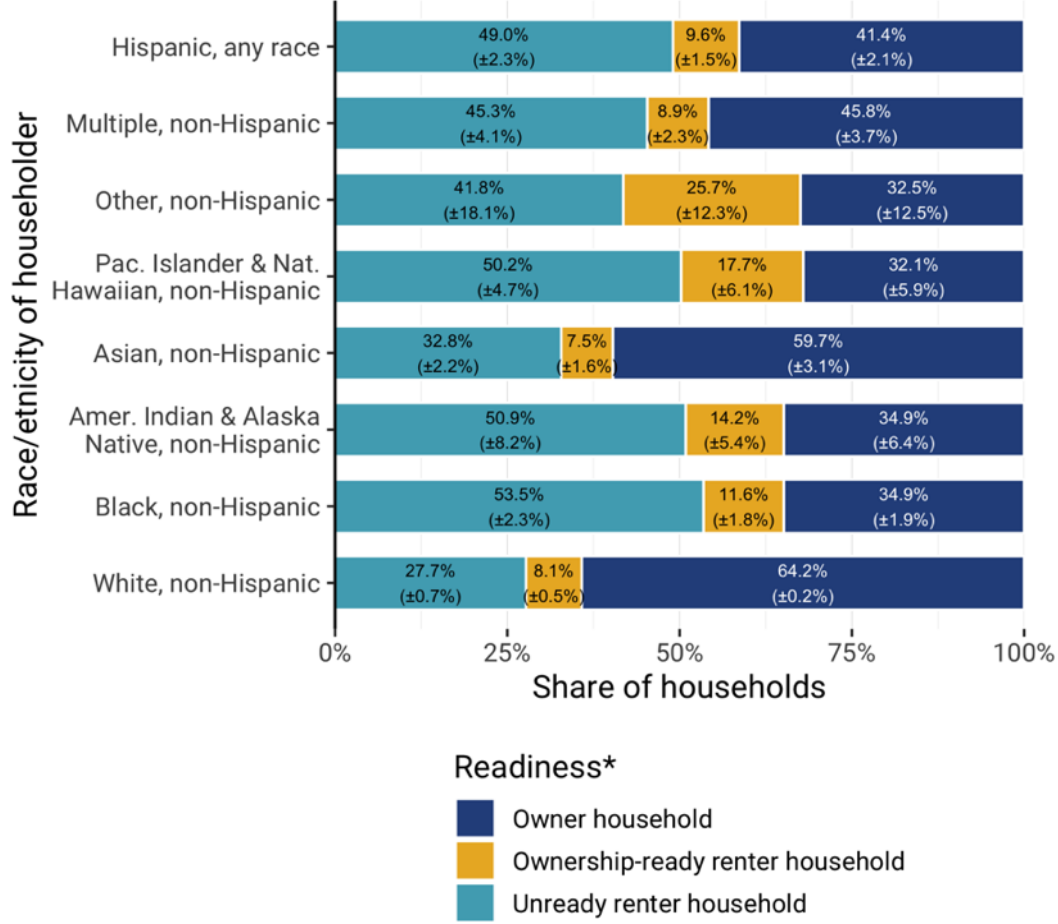
Notes: AIAN is American Indian and Alaska Native, AAPI is Asian Americans and Pacific Islanders. Other refers to people not fitting into one of the other groups provided. The multiracial category with more than one race was introduced in the 2000 census, thus was not available for this analysis showing trends from 1990 to 2020.

The charts in the above exhibit show changes over the last three decades in household tenures by race in the City of Tacoma. Some of the races such as White experienced minor changes in both renter and owner tenure status while other race categories are experiencing growth in certain categories, such as accelerated owner household growth for Asians. Black households experienced higher rates of change to become renters, climbing above rates of home ownership from 1990 to 2020. This finding highlights a stark trend of decreased homeownership growth for Black households. All the other races either experienced increases or stable rates of home ownership over the past few decades while in contrast, Black households were more likely to become renters and lose ownership of homes.

Exhibit 35 (Appendix) outlines the differences of household tenures (owner occupied homes in comparison to renter occupied homes) and provides the average persons per household and average number of bedrooms for different race/ethnicity groups. Renter households tend to have a higher number of persons per household compared to owner households. Conversely, owner households tend to have more bedrooms than renter households. This indicates that renter households are larger compared to owner households, and that there may insufficient family rental units for larger renter households. In particular, Hispanic and PINH renters tend to have higher rates of persons per household, but 3-bedroom or 4-bedroom rental units are rare in our study area, forcing renter households to “double up” in bedrooms. Hispanic renter households in particular show disparities in the average number of bedrooms (2.3 bedrooms) compared to their average household size (3.1 people).

Homeownership Readiness

Exhibit 20. Share of Ownership Ready Households by Race and Tenure, Tacoma, 2019
 Source: U.S. Census, American Community Survey (ACS) PUMS, 2015- 2019 (5 Year Survey).



Notes: Readiness is defined as a household that is not cost-burdened and earning a total household income greater than 100 percent of the 2019 AMI for Pierce County (\$80,200).

The above Homeownership Readiness exhibit (Exhibit 20) shows homeownership readiness by race/ethnicity of the householder for the City of Tacoma. A household is considered “ownership-ready” when they are not cost-burdened and earning a total household income greater than 100 percent of the 2019 AMI for Pierce County (\$80,200). The highest homeownership ready rates include other, PINH, AIAN, and Black householder categories. An estimated 11.6 percent of Black householders renting a home were identified as being ready for homeownership opportunities. All race/ethnicity categories had over eight percent of their population being “ready” to buy a home that are still renting. A few categories, including White and Asian, had the highest owner household shares, at over 50 percent of the total category.

Mortgage Loan Trends

This section provides the results of analyzing Home Mortgage Disclosure Act data provided by the Consumer Finance Protection Bureau.²¹ The result of this analysis helps to describe disparities and challenges associated with securing a mortgage to gain homeownership and will help shape recommendations for how to advance equity conscious remedies. Most homeowners borrow funds to purchase or renovate a home via a mortgage. Low interest rates on mortgages increase the amount that a potential buyer can borrow. Under the federal Home Mortgage Disclosure Act (HMDA), lending institutions are required to disclose information on the disposition of loan applications and the income, gender, and race of loan applicants. The availability of financing for a home greatly affects a person's ability to purchase a home or invest in repairs and improvements.

Mortgage Applications

At a national level, analysis of HMDA data shows that lenders deny mortgages for Black applicants at a rate 80 percent higher than to White applicants and the gap between Black and White homeownership rates was at 30.1 percentage points in 2017.²² Research analyzing 105 Metropolitan Statistical Areas across the nation with more than 40,000 Black residents indicates that income, marital rate and credit scores are three key factors useful for explaining the stark Black-White homeownership gap.²³ At a local level, 2018 HMDA analysis completed for the *City of Tacoma Analysis of Impediments to Fair Housing Choice Report* showed that Black, Hispanic, and other minority applicants are relatively less successful than White applicants in obtaining certain types of mortgage financing in the City of Tacoma.²⁴

Key Findings Describing Mortgage Disparities

The project team evaluated recently released 2020 HMDA data for the City of Tacoma census tracts and found a consistent trend to the 2018 analysis.

In Tacoma, the share of mortgage applicants by race and ethnicity was not proportional to the share of the populations in the City of Tacoma. The Black population in the City of Tacoma was 10.2 percent in 2019, however, made up only 6 percent of all applicants for mortgages. In 2019, 12 percent of the population identified as Hispanic, but Hispanic applicants accounted for only 5 percent of the applicants for home mortgage loans. With around 28,000 applicants, White applicants made up around 57 percent of all applicants while Asian applicants made up 7 percent, Black applicants make up 6 percent and Hispanic applicants make up 5 percent, with all other applicants where race or ethnicity was provided making up less than 3 percent of all applications (see Exhibit 21).

A review of the final outcomes of applications, showed that White (Not Hispanic or Latino) applicants, as well as 2 or More Minority race applicants had the highest rates of accepted mortgage loan applications in 2020 while Black or African American applicants had the lowest rate. Only 51 percent and 54 percent of

²¹ The Home Mortgage Disclosure Act (HMDA) is a federal law in the US approved in 1975 requiring mortgage lenders to provide documentation associated with their lending practices. HMDA data provides insights on housing ownership and discriminatory practices. Source: <https://www.consumerfinance.gov/data-research/hmda/>

²² Courtney Connley. 2020. Why the homeownership gap between White and Black Americans is larger today than it was over 50 years ago. <https://www.cnbc.com/2020/08/21/why-the-homeownership-gap-between-white-and-black-americans-is-larger-today-than-it-was-over-50-years-ago.html>

²³ Jung Hyun Choi, Urban Wire. Breaking down the Black-White Homeownership Gap. <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>

²⁴ City of Tacoma Analysis of Impediments to Fair Housing Choice Update July 2020

applications submitted by Black and Hispanic applicants, respectively, resulted in a mortgage loan approval while in contrast 65 percent of White applicants' loan requests were approved (Exhibit 21).²⁵

Exhibit 21. Loan Application Outcomes, Tacoma Census Tracts, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020. Note: Originated means that a mortgage loan was successfully obtained through a lender.

	Number of Applicants	Share of total	Originated	Denied
Race				
2 or more minority races	103	0%	66%	13%
American Indian or Alaska Native	243	1%	59%	17%
Asian	2,006	7%	56%	15%
Black or African American	1,734	6%	51%	16%
Native Hawaiian or Other Pacific	202	1%	56%	14%
White	16,142	57%	65%	10%
Ethnicity				
Hispanic or Latino	1,422	5%	54%	15%
Not Hispanic or Latino	19,668	70%	63%	11%
Grand Total	28,283	-	59%	10%

Though Black applicants make up only 6 percent of applicants, they make up nearly 10 percent of all application denials (Exhibit 21). Similarly, Hispanic/Latino applicants made up around 5 percent of applicants, and about 7 percent of all denials (Exhibit 21). Race and ethnicity data is unavailable for nearly 25 percent of all applicants, due to joint applications, free form text and missing information. Mortgage lending ultimately occurred (originated) for 59 percent of all applicants.

²⁵ Data is from the FFIEC Home Mortgage Disclosure Act Dataset, not using the aggregated reports, filtered by census tracts. Census tracts do not perfectly align with City boundaries but can be used with census datasets. Race and ethnicity are not aggregated- all race categories include those of all ethnicities. Given changes in reporting year to year, geographic and longitudinal comparisons are not precise. Additionally, race and ethnicity are not reported consistently across all applications, leaving some missing data points and generalized trends.

Exhibit 22. Application Outcome by Ethnicity, Tacoma, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020. Note: Loan originated means that a mortgage loan was successfully obtained through a lender. Race/ethnicity information was not available for jointly filed mortgages. The chart excludes applicants for whom ethnicity was not available and for joint applicants.

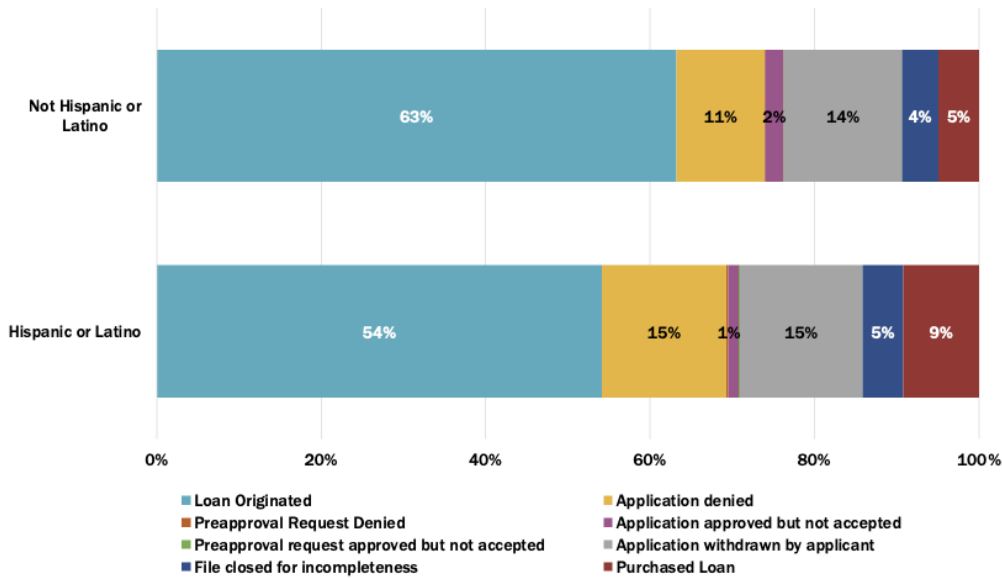


Exhibit 23. Application Outcome by Race, Tacoma, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020. Note: Loan originated means that a mortgage loan was successfully obtained through a lender. Race/ethnicity information was not available for jointly filed mortgages. The chart excludes applicants for whom ethnicity was not available and for joint applicants.

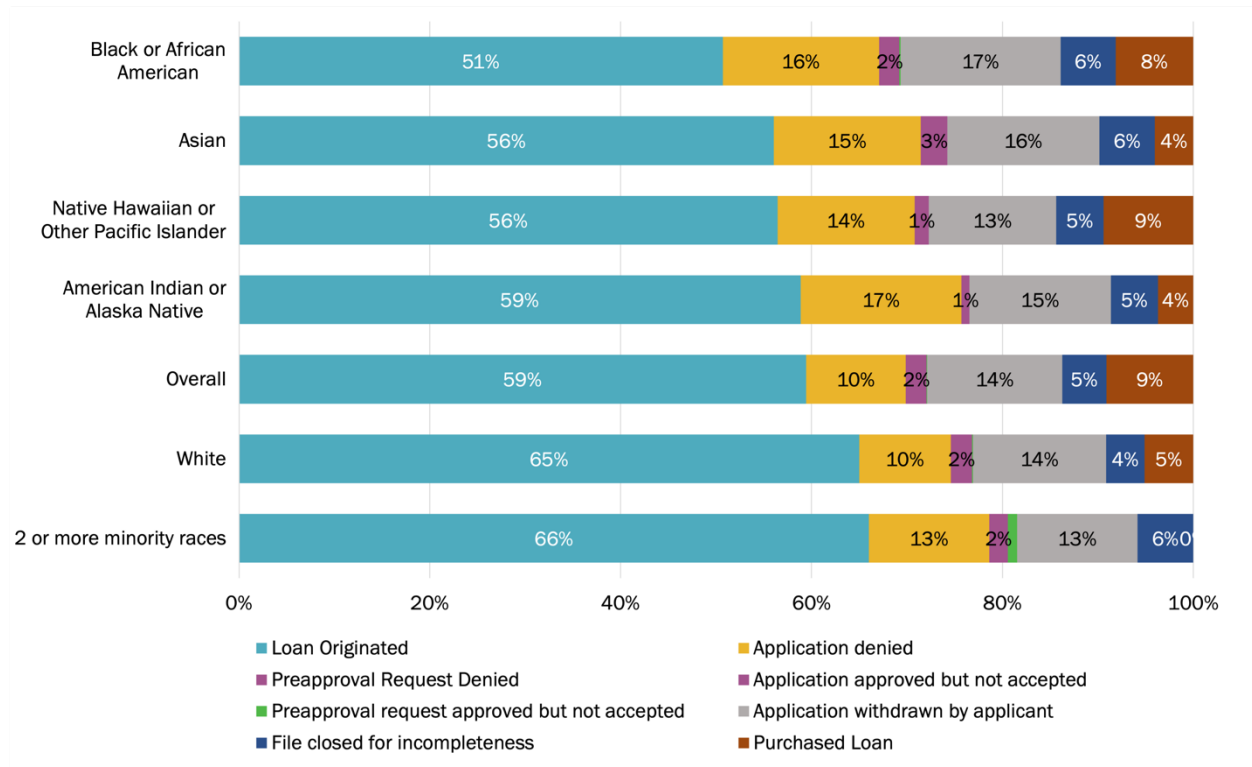


Exhibit 24 describes the primary reasons for the denial of mortgage loans in 2020 for Tacoma applicants. In the City of Tacoma, the most prevalent denial reasons overall are debt to income ratio (28 percent) and credit history (23 percent). Debt to income ratio refers to monthly debt payments exceeding the acceptable share of monthly income. The acceptable ratio is generally no more than 43 percent. Credit history is determined by the presence of credit, whether there is delinquent or poor credit, garnishment, bankruptcy, and other reasons attached to the applicant credit history. Credit score requirements vary by loan and lender: FHA loans credit score minimums are generally 500 or 580; FICO scores, VHA and Conventional minimum is 620.²⁶

Looking at primary reasons for denial by race, credit history is a more prevalent denial reason for Black/African American and American Indian or Alaska Native applicants at 33 percent and 32 percent respectively (Exhibit 24). The top five reasons for denials of Black or African American applicants are credit history (33 percent), debt to income ratio (20 percent), credit application incomplete (17 percent), other (other is length of residence, temporary residence, etc., 14 percent), and collateral (10 percent). For White applicants, credit history was the case only for 21 percent of applicants. For Hispanic applicants, nearly 31 percent were denied for debt-to-income ratio and around 28 percent for credit history.

Exhibit 24. Primary Reason for Denial by Race, Tacoma, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020²⁷

	Collateral	Credit application incomplete	Credit History	Debt-to-Income-Ratio	Employment History	Insufficient Cash	Other	Unverifiable Information
2 or more minority races	0%	0%	23%	46%	8%	0%	23%	0%
American Indian or Alaska Native	10%	15%	32%	24%	2%	2%	7%	7%
Asian	9%	10%	24%	36%	1%	1%	12%	8%
Black or African American	10%	17%	33%	20%	2%	2%	14%	2%
Joint	18%	15%	28%	20%	2%	1%	9%	7%
Native Hawaiian or Other Pacific Islander	7%	21%	28%	21%	3%	7%	10%	3%
Race Not Available	16%	20%	18%	26%	1%	2%	11%	6%
White	13%	16%	21%	29%	3%	2%	11%	5%
OVERALL	13%	16%	23%	28%	3%	2%	11%	5%

FFIEC Home Mortgage Disclosure Act documentation defines denial reasons as follows:²⁸

- **Collateral** — Value or type of collateral not sufficient
- **Credit Application Incomplete** — Credit application incomplete

²⁶ *What credit score do you need to buy a house?* (2020). Retrieved 24 August 2021, from <https://www.prnewswire.com/news-releases/what-credit-score-do-you-need-to-buy-a-house-301089555.html>.

²⁷ Includes only the listed primary reasons for denial, there may be multiple reasons listed per applicant

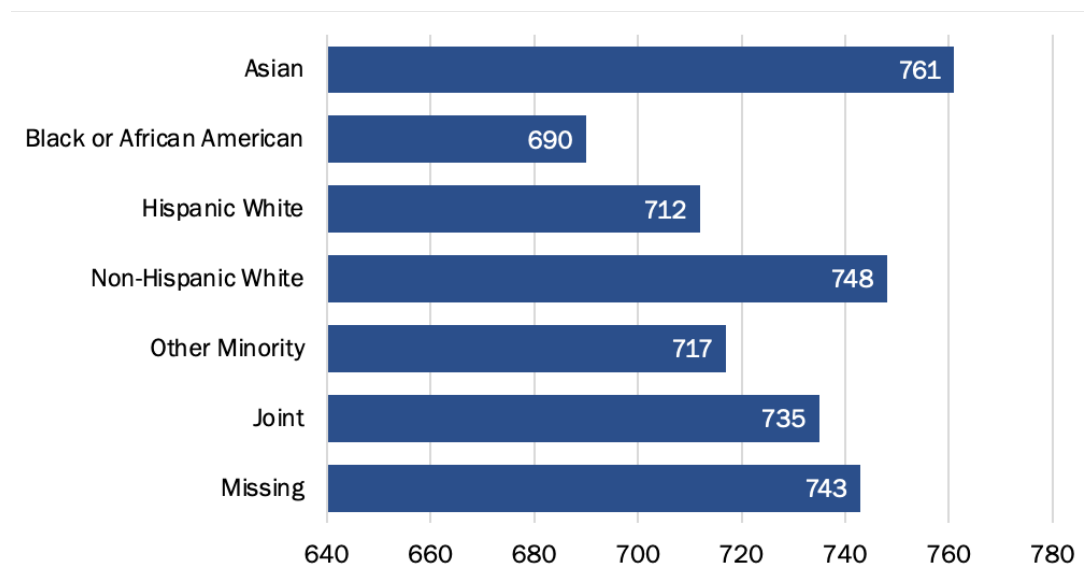
²⁸ Consumer Financial Protection Bureau, 2019. Reportable HMDA Data: A Regulatory and Reporting Overview Reference Chart https://files.consumerfinance.gov/f/documents/cfpb_reportable-hmda-data_regulatory-and-reporting-overview-reference-chart-2019.pdf

- **Credit History** — Insufficient number of credit references provided; unacceptable type of credit references provided; no credit file or limited credit; poor credit; delinquent past or present credit obligations; number of recent inquiries on credit bureau report; garnishment, attachment, foreclosure, repossession, collection action, or judgment; and bankruptcy
- **Debt to Income Ratio**— Income insufficient for amount of credit requested or excessive obligations in relation to income
- **Employment History** — Temporary or irregular employment along with length of employment
- **Insufficient Cash** — Insufficient cash
- **Other** — Length of residence; temporary residence; etc.
- **Unverifiable Information** — Unable to verify credit references; employment; income; or residence

Nationally, it is estimated that just 20.6 percent of Black households have a FICO (Fair Isaac Corporation) credit score above 700 (50 percent of White households). Around 33 percent of Black households have no credit or insufficient credit while this is the case for only 17.9 percent of White households.²⁹ The same study estimates that the share of Black households with a mortgage would increase more than 10 percentage points if the credit score distribution were the same as White households. Nationally, median credit scores were lowest for Black or African American borrowers (**Error! Reference source not found.**).³⁰

Exhibit 25. National Median Credit Scores for Borrowers of First-Lien Home Purchase Mortgage Loans by Race and Ethnicity, 2020

Source: CFPB, 2020



²⁹ Jung Hyun Choi, Alanna McCargo, Michael Neal, Laurie Goodman, Caitlin Young (2019). Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets.

<https://www.urban.org/research/publication/explaining-black-white-homeownership-gap-closer-look-disparities-across-local-markets>

³⁰ Consumer Financial Protection Bureau. (2021). *Data Point: 2020 Mortgage Market Activity and Trends*. Consumer Financial Protection Bureau. Retrieved from https://files.consumerfinance.gov/f/documents/cfpb_2020-mortgage-market-activity-trends_report_2021-08.pdf

Types of Mortgage Loans in 2020

The type of mortgage loan should also be considered since predatory lending practices can, and have, impacted the ability for homeowners to maintain ownership in their homes. Predatory lending examples include false appraisals to sell properties for more than their worth, knowingly lending more money than borrowers can pay, charging unnecessary fees and higher interest rates than warranted, and pressuring borrowers to accept higher-risk loans such as balloon loans and interest-only payments.³¹ Subprime lending in the 1990s led to adjustable-rate mortgages that would have payments increasing from 15 to 50 percent after just a few years. This leads to borrowers refinancing early and losing equity after just a few years. Between 2004 and 2007, Hispanic and Black Americans in the US were reported to be 78 to 105 percent more likely than White Americans to have high-cost mortgages, leading to higher rates of foreclosures.³⁰

Exhibit 26 describes the share of mortgage loan types for Tacoma in 2020 and whether the mortgage loan applications were not accepted, denied, withdrawn, incomplete, approved, or purchased. The HMDA database does not differentiate between prime and subprime loans.

Exhibit 26. Application Outcome by Loan Type, Tacoma Census Tracts, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020. Note: Not accepted and denied include preapproval non acceptance and denials. Loan originated means that a mortgage loan was successfully obtained through a lender.

	Conventional: First Lien	Conventional: Subordinate Lien	FHA: First Lien	FHA: Subordinate Lien	FSA/RHS:First Lien	VA: First Lien	VA: Subordinate Lien
Not Accepted	2%	4%	2%	0%	0%	3%	0%
Denied	9%	31%	9%	0%	7%	9%	0%
Withdrawn	15%	10%	14%	0%	40%	13%	0%
Incomplete	5%	3%	5%	1%	0%	5%	0%
Originated	64%	52%	47%	1%	53%	59%	0%
Purchased	6%	1%	23%	98%	0%	11%	100%

CFPB defines the loan types as follows:³²

- **Conventional: First Lien** – Not insured or guaranteed by Federal Housing Administration insured (FHA), Veterans Affairs (VA), Rural Housing Service (RHS), or Farm Service Agency (FSA)
- **Conventional: Subordinate Lien** – Secondary loan not FHA/VA/RHS/FSA guaranteed
- **FHA: First Lien** – Federal Housing Administration insured (FHA)
- **FHA: Subordinate Lien** – Secondary loan FHA insured
- **VA: First Lien** – Veterans Affairs guaranteed
- **VA: Subordinate Lien** – Secondary loan Veterans Affairs guaranteed

³¹ Courtney Connley. 2020. Why the homeownership gap between White and Black Americans is larger today than it was over 50 years ago. <https://www.cnbc.com/2020/08/21/why-the-homeownership-gap-between-white-and-black-americans-is-larger-today-than-it-was-over-50-years-ago.html>

³² Consumer Financial Protection Bureau, 2019. Reportable HMDA Data: A Regulatory and Reporting Overview Reference Chart https://files.consumerfinance.gov/f/documents/cfpb_reportable-hmda-data_regulatory-and-reporting-overview-reference-chart-2019.pdf

- **FSA/RHS: First Lien** – USDA Rural Housing Service or Farm Service Agency guaranteed
- **FSA/RHS: Subordinate Lien** – Secondary loan RHS or FSA guaranteed

Exhibit 27. Loan Origination by Loan Product Type for Applicants with Race and Ethnicity Data Available, Tacoma Census Tracts, 2020

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020

	Conventional: First Lien	Conventional Subordinate Lien	FHA First Lien	FHA Subordinate Lien	FSA/RHS First Lien	VA First Lien	VA Subordinate Lien
Race							
2 or more minority races	60%	13%	18%	0.00%	0.00%	9%	-
American Indian or Alaska Native	48%	8%	31%	0.00%	0.00%	13%	-
Asian	74%	7%	8%	0.00%	0.00%	11%	-
Black or African American	43%	8%	17%	0.11%	0.00%	32%	-
Native Hawaiian or Other	52%	11%	18%	0.00%	0.00%	19%	-
White	71%	7%	8%	0.01%	0.07%	14%	-
Ethnicity							
Hispanic or Latino	51%	8%	21%	5%	0.00%	15%	0.11%
Not Hispanic or Latino	67%	7%	10%	2%	0.05%	14%	0.01%
Grand Total	68%	7%	9%	0.01%	0.05%	15%	0.01%

Foreclosures

Foreclosure occurs when households fall behind on one or more scheduled mortgage payments. The foreclosure process can be halted if the homeowner is able to bring their mortgage payments current. If payments cannot be resumed or the debt cannot be resolved, the lender can legally use the foreclosure process to repossess (take over) the home. If the home is worth less than the total amount owed on the mortgage loan, a deficiency judgment could be pursued. The homeowner would lose their home and would also owe the home lender an additional amount. High rates of foreclosures can have an adverse impact on housing markets because they have a depressing effect on home values.

Local Programs Directly Supporting Homeownership

While local governments have little control over the financing industry or macroeconomic forces that affect the availability of credit, they can institute local programs and policies to help reduce the cost of developing or purchasing a home. Typically, these types of financing benefits are offered to achieve some public goal, like increasing the homeownership rate (particularly for low-income homebuyers) or by developing regulated affordable housing. Examples include:

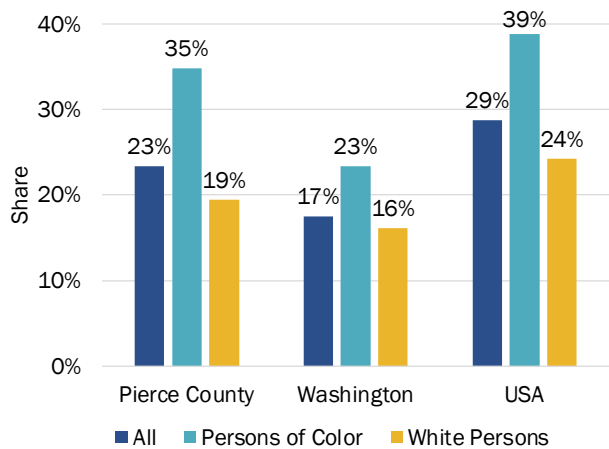
- Programs offering loans with generous or flexible terms can help to reduce the borrowing costs associated with buying or developing a home. These include below market interest rates, deferred interest payments, soft loans (for developments, loan payments and or interest payments are cash-flow dependent), or government-insured loans (which transfer the borrowing risk from the bank to the government, in the event of non-payment), among others.
- Grants, or funds that are not expected to be repaid. These programs include down payment assistance for homeowners or grants to finance a development project the government wants to see built.
- Purchasing foreclosed or auctioned properties to sell at below-market rates.

Debt and Delinquency

According to analysis of Urban Institute data, communities of color have higher shares of debt, and delinquent debt. Debt is major factor in the financial well-being of individuals and households and delinquent debt or excessive debt can impact one’s credit score – a factor in mortgage lending. Moreover, differences in debt exacerbate racial wealth disparities. Across the US, a higher share of persons of color have debt in collections, 39 percent versus 24 percent of the White persons. Persons of color in Pierce County have 12 percent more people in debt collection in comparison with the state and an overall total of around 35 percent of persons of color in debt (Exhibit 30).³³

Exhibit 28. Share with Populations in Any Debt Collection, Pierce County Compared to the State of Washington and the United States, 2020

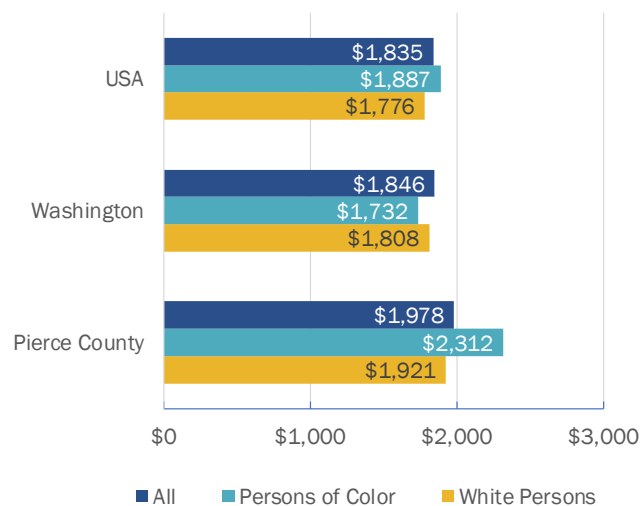
Source: Urban Institute, Debt in America, 2021



Not only do a higher share of persons of color have debt in collections in Pierce County, Washington State and the US, but the median amount in debt collections is also higher for persons of color in Pierce County (Exhibit 27, Exhibit 29). In Pierce County, the median debt difference between White persons and persons of color is around \$391, a greater difference than the state and the nation.

Exhibit 29. Median Debt in Collections, Tacoma, 2020

Source: Urban Institute, Debt in America, 2021



³³ Urban Institute, Debt in America data shows data for December 2020

Tacoma Based Homeownership Program Review

ECONorthwest analyzed the available data regarding participant characteristics using the Tacoma Down Payment Assistance Program. The Tacoma Down Payment Assistance Program is a mortgage loan program that combines with the Washington State Housing Finance Commission's Home Advantage first mortgage loan program. The Tacoma Down Payment Assistance program is intended for people who are buying their first home within the Tacoma City Limits. The program allows up to \$20,000 in down payment assistance with payments deferred for 30 years at a 4 percent simple interest rate.

Homeownership Program Requirements

The program is administered by the Washington State Housing Finance Commission. There are no monthly payments on the loan, but the balance is due and payable when a person sells, refinances or transfers ownership of the home; fails to maintain status as a principal place of residence; and when the home is paid off (on or before 30 years). The funds may be used for down payment and closing costs based upon need. A participant's minimum contribution to the down payment is \$500. To be eligible for the Tacoma Down Payment Assistance Program, a household must meet certain household income requirements determined by the current Area Median Income (AMI). For example, this was set at earning less than \$64,150 per year for a family of four in 2019.

Due to federal guidelines, the home being purchased must not have been occupied by a tenant within 90 days of the purchase and sale agreement. The home must also meet a maximum purchase price of no more than \$400,000 for existing construction and \$493,762.50 for new construction (as of 8/31/2021) – a value lower than the estimated median home value for 2021 (\$461,429 via the Zillow median home value index for August 2021).³⁴ In addition, manufactured homes are not eligible. Participants must be a first-time homebuyer, but the definition of a first-time homebuyer is someone who has not owned a home anytime in the past three years. To be eligible for the loan, you must attend a free Homebuyer Education Seminar sponsored by the Washington State Housing Finance Commission and receive a certificate of completion of the seminar. Participants must also attend a one-on-one pre-purchase counseling session just prior to closing on the home.

Homeownership Program Review

ECONorthwest interviewed City of Tacoma Housing Division, Tacoma Down Payment Assistance Program Staff, and other housing program contacts to learn more the existing programs. The City and State programs do not do any active recruitment or advertising of these homeownership programs. They rely on word of mouth and passive forms of marketing. Providers such as the Habitat of Humanity know about program opportunities, and they approach a pool of people about these incentives that they are already working with. They don't currently have a feedback loop to learn how they could improve the existing programs.

Funding for the City's current program comes from a Department of Housing and Urban Development (HUD) grant program called the HOME Investments Partnerships Program (HOME). HOME program guidelines are used to determines the max amount someone can pay for a home and be eligible for assistance. The City must comply with federal government funding requirements, and they are very restricted on what they can change. The City program goes up to 80% AMI.

³⁴ Source: <https://www.zillow.com/tacoma-wa/home-values/>

Key Findings: Review of Homeownership Assistance Program

ECONorthwest analyzed Tacoma Downpayment Assistance Program data to determine participant trends. The program has been available to eligible Tacoma persons between 2013 to 2019 and the funding was recently renewed to be available for eligible participants in 2021. Most of the program participants (73 percent) are single parents and most tended to be White (almost 70 percent). Black participants had the second largest share of total participants making up 19 percent of the total program participants. In total, the program has helped 63 households over the last six years and on average, about 10.5 households per year.

Since the program began, there have been 63 participants, nearly 70 percent were White. Only one program participant identified as Hispanic.

Program participation has slightly decreased over time, with only 5 program participants in 2019. However, on average, only around 10.5 households participated annually between 2014 to 2019.

The majority of participants were single and not married (approximately 73 percent).

Exhibit 30. Downpayment Assistance Program Participation by Race/Ethnicity, 2013 to 2019, Tacoma

Source: Tacoma Community Redevelopment Authority (TCRA) homebuyer transactions receiving assistance from Tacoma's Down Payment Assistance Program from 2013 to 2019, ECONorthwest analysis of data.

Race, Ethnicity	Count	Percent
White	44	69.8%
African American, Black	12	19.1%
Asian, South Pacific	3	4.8%
Hispanic	1	1.6%
Other	3	4.8%
Total	63	100%

Exhibit 31. Downpayment Assistance Program Participation by Year, Tacoma

Source: TCRA, ECONorthwest analysis of data.

Year	Count of Closing Year
2014	14
2015	15
2016	11
2017	10
2018	8
2019	5
Grand Total	63

Exhibit 32. Downpayment Assistance Program Participation by Marital Status, Tacoma

Source: TCRA, ECONorthwest analysis of data.

Marital Status	Count	Percent
Married	17	27.0%
Single	46	73.0%
Total	63	100%

4. Engagement Findings

Interview Findings Summary

This section provides the findings that emerged from interviewing stakeholders in August and September 2021. Of those who responded, there were a mix of individuals affiliated with non-profit organizations, community-based organizations, realtors, housing programs, service providers, homeowners, and housing lenders. Additional information on the interview methodology is provided at the end of the project approach section, in the Targeted Engagement overview. These engagement findings helped to deepen the understanding of disparities, barriers, and challenges to gaining and sustaining homeownership (see the following section). Barriers and challenges to homeownership are described to help outline the range of topics that the recommendations could address. The following four main themes emerged commonly during the interviews.

1. History of racism in lending practices and discriminatory housing policies continue to impact present conditions

Many interviewees described the ways in which historic racism in lending and housing policies directly and indirectly contribute to present-day displacement challenges impacting Black residents and their ability to keep their homes.

- Black families who *were* successful in purchasing a home were restricted to loan options with high interest rates.
 - One interviewee stated that foreclosures are a significant issue in Tacoma.
- The neighborhood of Hilltop, which was once the place where Black families could access homeownership, are now experiencing some of the greatest displacement pressures in the city.
 - Hilltop is “*an already insecure, [financially] unstable community that has historically little access to things that would make them resilient*”
- Investors, recognizing the opportunity to flip older houses, are approaching low-income, Black residents in Tacoma and offering to buy their homes for lower than what they are worth. Residents who are unaware of the value of the home, in desperate financial struggle, and/or close to foreclosure, sell their home to the investor and are subsequently unable to afford housing in the area, as the cost of buying a home has increased so much.

“One of the biggest drivers of gentrification is people with bags of cash on everybody’s porch, saying ‘Sell me your house; it’s never going to be worth more than it is right now’ [and] ‘We can close by 5 o’clock today. We’ll buy it as-is, no questions asked, no inspection, nothing’. And that is very compelling for a lot of people.” [...] “In the moment, that individual or family may be wishing they had more options.”

- There is an internalized belief among many that homeownership “is not for us” and thus, they have not been exposed to homeownership for generations.
 - E.g., Many of the first-time homebuyers particularly those that are Black, are also first generation homebuyers.
- Black residents are not as likely to have received housing passed down through generations and therefore, they don’t have intergenerational wealth or knowledge of the homebuying process to begin with.

“I think part of it is that—because they’re at the move-up level—there’s an assumption by their lender and their realtor that they understand the process better than they actually do. Many people, because they are intimidated, [will] nod their head and shake like “yeah, I got it”. But they really don’t. They don’t want to admit that they don’t understand what escrow means. [Or that they] don’t understand how to put in an offer because they haven’t had to do that before. There’s just an assumption that they know more than what they actually do.”

“It seems like the entire universe of the terminology, the language, the styling for all things financial, monetary, capitalistic, is designed in such a way that the whispered part of it is “oh, this is not for you.” And a lot of folks have taken that in a long time ago and they still operate that way. So there is a hesitancy to drop the shaky stomach part and just see if [they] can understand what is being said or ask clarifying questions. The whole universe of it all seems to be set up to be intimidating. [...] Generally speaking, the whispered part of it is “don’t worry, you don’t have to understand this, this isn’t for you anyway.”

2. Impediments to homeownership access is a storm of rising prices, low inventory, and populations challenged by income, credit, and wealth barriers.

Interviewees noted that prices have increased dramatically while at the same time, the inventory of housing has decreased.

- A lack of living wage jobs in Tacoma has made it difficult for Black and low-income Tacoma residents to increase their income, credit, and wealth.
- As a result of “flipping” by investors, housing stock that was once “affordable entry-level inventory” no longer exists.
- Many times, people do not meet the credit requirements to access affordable housing options and even some assistance programs.

- People coming into Tacoma from Seattle, who can afford higher-priced housing, buy up the homes instead and subsequently request improvements to the neighborhood. These improvements result in even higher valuation of the homes, making them less affordable.

“We know that we can go into communities and displace them, build something and do well. The notion with transit-induced gentrification is that, as the link comes in, it’s absolutely positive. It’s good for whoever gets to stay and use it. It’s going to be expanding very convenient access to folks. Not to mention there’s this whole climate change benefit to this too. [...] But historically, when this kind of amenity comes to an area that doesn’t have it, particularly a community of color, and particularly when it’s a Black community of color, the Black folks don’t get to stay. There’s lots of instability that comes from the system that we live in with structural discrimination. For an already financially insecure community that has historically little access to things that would make them resilient to a financial wave, [these improvements] just exacerbate an already known issue [for the community]. And so right now we see places in Hilltop that are selling for \$400,000 plus. It’s not odd to find them.”

3. Significant support impacts from home buying education, financial counseling, and wrap-around services

Overwhelmingly, interviewees spoke to the need of providing communities with education, counseling, and wrap-around services as equally – or more – important to the provision of financial support.

- Many local and statewide organizations providing resources available to Tacomans include services such as: down payment assistance, home buyer education, budgeting, building credit, foreclosure assistance, housing maintenance etc.
- Importantly, the availability of resources is not equal to the utilization of resources. A major cultural barrier to accessing resources includes the feeling of shame, guilt, and embarrassment. Reasons shared include:
 - Mistrust of the organization providing support due to past experiences or their family’s description of past experiences.
 - Inaccessible language used in the homebuying process that can feel intimidating.
 - The feeling that Black residents are underserving of homeownership and do not belong.

“One of the things you learn when you’re in a low-income community, is [to say] ‘one thing I’m not going to be is weak’. Particularly, in the Black community, you have a whole culture that’s been told “You are nothing. It’s all equal. Those things were in the past, you weren’t a slave, and things are better now. You just have to work hard.’ All these things layer in there. It actually keeps you from getting good stuff.”

- Additionally, resources are most successful when they are available early to help people become homeowner ready and after they purchase the home. One interviewee estimates the former to take two years.
 - Interviewees suspect the lack of long-term use is because people do not realize they will continue to need the help, because the person feels embarrassed about continuing to need the resource and wants to be independent, or that the organization does not have the resources to provide long-term mentorship.

4. The City of Tacoma could play a key role across a variety of efforts

Interviewees suggested the following steps:

- **Education and outreach:** The City could provide more education about the resources that are available and could provide a mentorship program that helps clients learn the ins and outs of becoming financially ready to own a home. For example, the city could have a website that directs residents to all the Tacoma homeownership assistance resources available, in one place.
- **Financial assistance:** The City could provide more financial assistance, both to residents and to nonprofit organizations that provide various homeownership and home maintenance resources.
- **Prioritize affordable housing for impacted Tacoma residents:** The City could implement a program that allows or requires a certain number of houses to be income-qualified and prioritize Tacoma residents to receive such housing before outside residents. This could mean the City purchasing properties and selling them for a reasonable price or allowing organizations (that are not outside investors looking to flip houses) to do the same.
- **More collaboration and partnership between the City and other organizations:** There is a notion that the City of Tacoma could better participate in statewide and county efforts. Additionally, supporting the capacity of other organizations to provide them what they need to help communities was also mentioned.

Summary of Homeownership Challenges and Opportunities

- **Low Housing Stock:** Are there houses that are affordable to a range of different incomes?
 - Cannot find a home at a price that is affordable to me (availability of middle-, moderate-, and low-income households).
 - Cannot find a home with the features I need (e.g., ADA accessibility needs such as ramps, appropriate number of rooms for size of family).
- **Lack of Diversity in Housing Supply:** Are there housing options that meet needs such as the need for smaller sized housing, missing middle housing, multigenerational housing, and alternative homeownership options?
 - Cannot find a home in the neighborhoods that I want to live in.
 - Cannot find housing available that is close to my place of employment, services I need, and community assets.
- **Lack of established alternative homeownership options (such as Community Land Trusts).**
 - Cannot or will not participate in the most common form of homeownership processes but are not aware of or know how to access any alternatives.
- **Educational Empowerment and Support:**
 - Support needed to understand homeownership pathways, how to approach buying a home, the loan application process, and different financing options.
- **Difficulties in qualifying for a Mortgage:**³⁵
 - Down payment (need funding)
 - Credit (need to understand how to build or improve)
 - Employment stability
 - Inadequate monthly income
 - Rising debt
 - Restrictive mortgage requirements and alternatives to fulfill requirements

³⁵ <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>

5. Recommendations

This section describes preliminary recommendations for the City of Tacoma to consider, prioritize, and finalize. These recommendations were based on the findings from previous task work including the review of existing conditions, analysis of disparities and mortgage trends, evaluation of the existing homeownership programs, and engagement of stakeholders. These suggestions and strategies should be considered a menu of options for the City to consider, review, further articulate, and prioritize. The recommendations cover a broad range of strategies focused on education, program enhancements, policy changes, services, new tools, and performance tracking of strategies and plans. The recommendations are organized under the following nine goals and are not ordered in any rank or priority.

1. Activate additional programs and policies that prioritize keeping people in their homes.
2. Expand the supply of for sale housing that is more affordable to middle to low-income households.
3. Improve the homeownership promotion programs and expand program support.
4. Provide support to help more diverse households become homeowner ready.
5. Educate on and promote program opportunities.
6. Provide help needed to navigate the mortgage application process.
7. Provide Mortgage Loss Mitigation Support
8. Develop alternative homeownership program options.
9. Establish equity homeownership targets, and monitoring, and tracking strategies.

A set of recommended strategies are provided under each of the above goals in the following section.

1. Activate Additional Programs and Policies that Prioritize Keeping People in their Homes.

- **Financial Education and Awareness Programs.** One of the prime barriers to homeownership, or maintaining homeownership, is the ability to manage finances and prepare for all the needed financial demands of homeownership. Programs could be supported that provide financial and home buying education. Trusted persons in the community could be used to help implement the program. Comfortable and familiar environment for financial counseling could be established.
- **Develop Anti-Harassment Educational Material.** Develop anti-harassment education material tailored for a variety of audiences to help keep current homeowners in their homes.
- **Continue program support for home repairs and weatherization.** One way to support keeping existing homeowners in housing is to provide enhanced support for home repair programs focused on retrofit projects targeted for aging homes, in need of repairs and weatherization. This type of strategy tends to focus on owner-occupied households rather than rentals. The Associated Ministries and Rebuilding Together South Sound receive Community Development Block Grant funds to provide health and safety related housing repair services free of charge to low-income Tacoma homeowners. The Housing Division in coordination with TCRA offers home repair and rehabilitation loans.³⁶ These programs should be consistently supported and they should be evaluated to identify ways to augment offerings and to broaden eligibility to support more people

³⁶ City of Tacoma Housing Division: <https://www.cityoftacoma.org/cms/One.aspx?portalId=169&pageId=32574>

in need. For example, small grants could be considered for health and safety related repairs. A partnership could be forged with local universities and trade schools to expand the volunteer base.

2. Expand the Supply of For Sale Housing that is More Affordable to Middle to Low Income Households

- As a part of the Affordable Housing Action Strategy, the City is working to improve regulations and policies to relegalize middle housing development which could help provide additional affordable housing options. Gaining increased access to affordable housing available for purchase would help address the issue of mortgage application denials related to insufficient income for the proposed housing purchase (such as the debt-to-income reason for denial).
- Expand existing fund sources to support additional homeownership projects and programs and consider raising the allowable Area Median Income restrictions to include moderate- and middle-income households where possible.

3. Improve the Homeownership Promotion Programs, Expand Program Support

- Expand programs to include support for alternative homeownership models including Limited-Equity Housing Cooperatives and Community Land Trusts (shared ownership).
- Provide culturally accessible services. Is the application multilingual? Do the assisting staff and/or financial counselors reflect the cultural or linguistic backgrounds of the targeted applicants?
- Although the funding source for this program restricts eligibility parameters, we want to recognize the following potential modifications to the existing Homeownership Down Payment Assistant Program that could broaden participation, should an opportunity emerge.
 - Expand Eligibility Criteria for the Down Payment Assistance Program. Tacoma's program limits the maximum purchase price to no more than \$400,000 for existing construction which is lower than the estimated median home value for 2021 (\$461,429 via the Zillow median home value index for August 2021). In addition, the down payment limit of \$20,000 could be too restrictive for the market in Tacoma, consequently increasing the amount should be considered.³⁷
 - The City program is restricted to 80 percent AMI households. The National Fair Housing Alliance is recommending expanding program criteria to include first-generation homebuyers whose income is at or below 120 percent of the area median income.³⁸
 - Elongating the current repayment period and allowing for the period to start later might help reduce participation barriers. Consider the possibility of providing loan forgiveness in certain situations. In addition, consider the possibility of allowing transfers of the home without requiring payment of the loan balance since this could facilitate intergenerational transfers.

³⁷ Seattle's Down Payment Assistance program provides up to \$55,000 in down payment assistance for a home priced at \$450,000 or lower and for applicants earning no more than 80 percent of the AMI. Seattle's program gains financial support from a Housing Levy fund (Source: City of Seattle).

³⁸ <https://nationalfairhousing.org/wp-content/uploads/2021/06/crl-nfha-first-generation-jun21.pdf>

- Develop or expand the existing program to target areas that are at risk of displacement. Explore the possible options associated with integrating a place-based preference policy, such as the one recently introduced in Portland, inviting those who have proof of being displaced first access to return.

4. Provide Support to Help More Diverse Households become Homeowner Ready

- Education on the home mortgage process and associated requirements provided well in advance of buying a home could help more people become homeowner ready. Insufficient credit history or incomplete credit was cited as primary reasons for home mortgage application denials; consequently, education on how to build credit is needed. Home buying best practices could be offered such as not waiving an inspection since this is crucial for identifying home repair/condition issues.
- Educate people on what to expect during the home buying process and how to financially budget for home ownership (recognizing the differences from renting). Common reasons for mortgage application denials and ways to overcome these challenges could be shared with applicants to help them prepare for the mortgage application process.

5. Educate on and Promote Program Opportunities

- Educate Tacoma residents on available programs and use tactics to broaden the reach of the education to better target underserved populations.
- The City’s programs currently rely on passive forms of marketing. They should expand the channels for how they are communicating program opportunities.
 - Format: Communication should be culturally appropriate, should use simple language and graphics, avoid the use of industry jargon, and should be tailored for a variety of audiences. The message should be easy to receive, relevant, credible, and consistent and it should conclude with instructions on how to gain more information and contact someone to learn more. Translated material and interpretation for languages spoken within the community should be provided to broaden access. The City could consider asking a small set of past program recipients to review the material to help identify ways to improve the content.
 - Channels: Communication channels to potentially consider are flyers/postcards, email, websites, discussions/presentations at community meetings (either in-person or virtual), or as an invited speaker at community group meetings, videos, mass media, etc. Videos with closed captions and English as a Second Language (ESL) support can help reach persons with limited English proficiency, literacy, and vision. These videos can be posted on websites and shared through emails. Project email updates are useful particularly when there are existing email lists available to draw from. In addition, these project email updates have advantages associated with the ability to forward or share email messages and refer to the content.
 - Effective communication delivering important information should be consistent, repeated three to seven times, and layered by using a variety of appealing channels since this tends to heighten exposure, penetration, reach, and boost the chance it will be received and understood.
 - Trusted Partners: Communication is more effective and trusted when delivered by trusted, credible sources.

- The City should develop an iterative process for improving existing program. The City should establish ways for users to provide feedback to learn how they could improve the existing programs.
- Provide an interactive website that directs residents to all the Tacoma homeownership assistance and housing resources available, in one place.

6. Help Applicants Prepare for and Successfully Navigate Through the Mortgage Application Process

- Although the City might not be able to change mortgage application requirements, there are some common concerns to recognize regarding the requirement to have sufficient credit history. Support could be provided to increase awareness regarding credit and help people build sufficient credit history and remedy poor credit issues. A support program could be developed to help applicants provide evidence of a solid credit history through other factors that banks might ignore such as mobile phone and utility bill payment history.
- Another strategy could be developed to help build capacity and willingness among service providers to assist potential homebuyers with the mortgage application process and the financial lending process. These providers could walk potential applicants through the requirements of a mortgage proactively to help applicants sufficiently address these requirements prior to submitting applications. For example, they can help them take steps to secure a sufficient credit history and help them develop a plan to gain supportive credit references. The goal should be to help underserved persons become more prepared and equipped to purchase a home.

7. Provide Mortgage Loss Mitigation Support

Provide education and communicate warnings about predatory loans (certain subprime loans) and the risks associated with payday loans. Interactive communication in a comfortable setting is preferred since this is a more complex discussion. This discussion could be paired with a flyer or presentation providing tips that can be referred to after the discussion. Translated material and interpretation for languages spoken within the community should be provided to broaden access. Ongoing updates to the material should be considered to ensure the tips fully meet needs. Simple lists that name red flags would also help warn potential victims of predatory loans, such as:

- *Unusually* high (or low) interest rates
- Excessive or hidden fees
- Prepayment penalties
- Balloon payments
- Loan flipping
- Negative amortization
- No credit check

Based on data analysis and interviews findings, foreclosures continue to burden Tacoma homeowners and often lead to the loss of homeownership. Tacoma has offered a new foreclosure prevention program which provides counseling and up to four months of mortgage assistance (\$6,000 cap) paid directly to the loan servicer, bank or mortgage company of households who live in Tacoma, have experienced loss of employment or reduction in wages due to COVID-19, and have an income at or below 80 percent of the Area Median Income for Pierce County. This program should be assessed and

evaluated to determine if parts of the program could be extended after the pandemic (such as temporary mortgage assistance for those located in high-risk displacement areas). This program could be expanded to provide education and support for those recovering from a foreclosure. In the very least, the City could prioritize additional research on how to reduce foreclosures.

8. Develop Alternative Homeownership Program Options

Alternative forms of homeownership, which often provide more affordable housing options, can help extend opportunities to historically marginalized populations and support their economic stability. The Tacoma Affordable Housing Action Strategy recognized the need for the City to explore ways to launch a Community Land Trust with nonprofits taking the lead. In addition to maintaining continued support of this effort, the City could consider implementing additional measures, such as auditing their Code to identify ways to reduce barriers and provide incentives to support alternative homeownership options including the construction of new housing and the conversion of existing housing. Developers might be hesitant to risk the extra time and expense of securing financing for this type of housing and they might be waiting for more examples. The City could consider ways to further support this housing through a pilot program demonstration, or through education to community nonprofits and developers providing examples and tips for how to effectively develop and finance these homes (training workshops, planner support).³⁹

- **Support Community Land Trusts:** First designed out of necessity to promote community resilience and homeownership by Black Americans, Community Land Trusts (CLT) preserve access to homeownership, stabilize neighborhoods and protect communities from disinvestment. Community Land Trusts also offer lower down payment options, promote tenure mixes (renter and owners) and cooperative investment.⁴⁰⁴¹ Typically, a CLT can offer more affordable housing prices since the homeowner buys solely the house (not the land); leasing the land in a long-term renewable lease. Also, homeowners agree to sell the home at a restricted price to keep it affordable for the long-term.⁴²
- **Support Limited Equity Housing Cooperatives:** Limited Equity Housing Cooperative can be another low-cost pathway to shared ownership and home ownership that can support affordable housing (many New York City Apartment buildings are owned as Housing Co-ops). In general, alternative homeownership opportunities should be expanded to focus on lowering the barrier to entry to homeownership and increase the supply of homes affordable to middle to low-income households.
- **Lease purchase programs** allow participants, called lease purchasers, to select a home that a local housing finance agency or non-profit buys on their behalf. The agency serves as the initial owner, mortgagor, and property manager for the lease period. After the lease purchaser demonstrates they can make timely lease payments, they can purchase the home from the finance agency or non-profit by assuming the unpaid principal balance of the mortgage. Although alternative ownership models have proven to be successful, they are quite different from traditional

³⁹ The Tahoma Community Land Trust is a Tacoma based nonprofit primarily focused on expanding and preserving housing for Black, Indigenous, communities of color, low-income, and those with access need They acquire land and housing and create shared-equity ownership structures to retain housing affordability (source: <https://www.tahomaclt.org/>).

⁴⁰ Emmeus Davis, J., & Jacobus, R. (2017). *The City-CLT Partnership Municipal Support for Community Land Trusts*. Lincoln Institute of Land Policy. Retrieved from <https://www.lincolninist.edu/sites/default/files/pubfiles/the-city-clt-partnership-full.pdf>

⁴¹ Needles, A. (2020). *What is a Community Land Trust? And could one help with Tacoma's homelessness crisis?*. The News Tribune. Retrieved from <https://www.thenewstribune.com/news/local/article247739175.html>.

⁴² <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>

homeownership models, which most residents are familiar with, and can be much more complex.⁴³

9. Establish Equity Homeownership Targets, Monitoring, and Tracking

Consider establishing a results-based accountability framework for housing planning such as the Government Alliance on Race and Inequality plan which ensures the results and performance of housing strategies are monitored and evaluated to help continually make progress towards achieving goals.

Features within this plan are provided below.

- *Results: Community level conditions the jurisdiction is aiming to impact.*
- *Community Indicator: Community indicators are the means by which the jurisdiction can measure impact in the community. Community indicators should be disaggregated by race.*
- *Outcome: A future state of being resulting from a change at the jurisdiction, department, or program level. Strong outcomes articulate a clear improvement or define how much improvement will take place.*
- *Action: They are the specific things a jurisdiction will do to achieve the outcomes.*
- *Performance Measure: A quantifiable measure of how well an action is working. Different types of measures include 1) Quantity—How much did we do? 2) Quality—How well did we do it? 3) Impact—Is anyone better off?*

⁴³ Puget Sound Regional Council. (2020). *Alternative Homeownership Models*. Retrieved from <https://www.psrc.org/sites/default/files/hip-alt-homeownership.pdf>

6. Conclusion

This report provides a summary of findings analyzing race-based disparities associated with homeownership in the City of Tacoma. Owning a home brings vital benefits associated with stability, improved wellbeing, and generation of wealth and it can help prevent displacement. In spite of that, the lingering effects of historic disinvestment, discrimination, exclusionary planning, and legal practices have diminished homeownership opportunities for communities of color, preventing them from accessing these benefits. A focus on rectifying racial inequities will support building up Tacoma to become a place where everyone, regardless of race or ethnicity, has an opportunity to secure stable housing and generate wealth through homeownership.

This project is a part of the City of Tacoma's anti-racism initiative and carries out Resolution 40697, calling for analysis of systemic disparities in homeownership opportunities among Black households in Tacoma and the identification of strategies to address impacts of discrimination on homeownership opportunities in Tacoma. These resolutions help to affirm the City's recognition of systemic racism and their commitment to comprehensive and sustained transformation of all the institutions, systems, policies, practices, and contracts impacted by systematic racism.

Tacoma's wealth generation has not been spread equitably since communities of color remain on the margins of the rising economy with income gaps, racially disparate unemployment rates, challenges finding affordable housing options, increased rates of displacement, and declining rates of home ownership. The results of this study indicate that Black households face significant barriers to homeownership and maintaining homeownership. In fact, Black households had the lowest median household income and experienced higher rates of change to become renters, climbing above rates of home ownership from 1990 to 2020. This highlights a stark trend of decreased homeownership growth for Black households. All the other races either experienced increases or stable rates of home ownership over the past few decades while in contrast, Black households were more likely to become renters and lose ownership of homes. Over the last few decades, Black households bought more homes in the northern and southern portions of the City but are moving out of owned homes in the center of the City. Similarly, Black households are moving out of rentals in the center of the City while White households are renting more homes in the central portions of the City. The findings indicate that the central, west end, and eastside areas of Tacoma are showing signs of ongoing gentrification or risk for gentrification.

The mortgage analysis results based on 2020 data indicate that Black, Hispanic, and other minority applicants are relatively less successful than White applicants in obtaining mortgage financing in the City of Tacoma. Only 51 percent and 54 percent of applications submitted by Black and Hispanic applicants, respectively, resulted in a mortgage loan approval while in contrast 65 percent of White applicants' loan requests were approved. Further analysis of the primary reasons for the denial of mortgage loans showed that the most prevalent denial reasons overall are debt to income ratio and credit history. Looking at primary reasons for denial by race, credit history is a most prevalent denial reason for Black and American Indian or Alaska Native applicants. The top three reasons for denials of Black or African American applicants are credit history, debt to income ratio, and credit application incomplete.

Interview findings helped to deepen the understanding of disparities, barriers, and challenges to gaining and sustaining homeownership. The history of racism in lending practices and discriminatory housing policies continues to impact communities today. Barriers to homeownership were recognized particularly the hurdles associated with rising home prices combined with a tight inventory along with mortgage application barriers associated with building wealth, limited incomes, and insufficient credit. The need to provide greater support through education, counseling, and wrap-around services was commonly discussed by interviewees.

Recommendations based on the findings from the review of existing conditions, analysis of disparities and mortgage trends, evaluation of the existing homeownership programs, and engagement of stakeholders were developed for the City of Tacoma. The recommendations cover a broad range of strategies focused on education, program enhancements, policy changes, services, new tools, and performance tracking of strategies and plans. The City should consider the recommendations and determine ways to refine and prioritize strategies. The strategies could be reviewed to determine staff requirements and resource needs, who should execute strategies, and the preferred timing for implementation. Performance metrics should be developed for prioritized strategies to help monitor performance and ensure meaningful progress is made towards addressing systemic homeownership disparities and advancing equity conscious remedies.

7. Appendix

Tacoma Housing Equity Interview Questions

Who are you/your communities?

1. What is the mission and background of your organization/company? What communities do you serve?
2. Do you currently live in Tacoma? If so, for how long? Do you rent or own your home?

Understanding Homeownership Access and Displacement in Tacoma

3. From your personal knowledge and/or experience, how would you describe the state of housing and homeownership in Tacoma over the past 5-10 years?
4. One barrier to homeownership that researchers and public policy experts have been exploring across the U.S is gentrification. Where are *you* seeing gentrification occurring? What are the signs? Which populations are most impacted?
5. Have you heard from any clients or black community members about their experience with displacement and whether they are content or distressed with their new location?

Barriers and Possible Solutions

6. What are the most critical challenges and barriers your [clients/communities] face currently when trying to become homeowners? Who is most impacted by the challenges you have identified?
7. Given the current conditions and opportunities, what resources are available to help people, especially Black residents and other communities of color, navigate these challenges and barriers for homeownership?

Further Participation

8. As this work continues, what are the best ways to reach the communities you serve?
9. Is there anyone else you recommend we speak with at this time?
10. Would you be available to continue supporting this effort should the City need your assistance?
11. Do you have any questions for us?

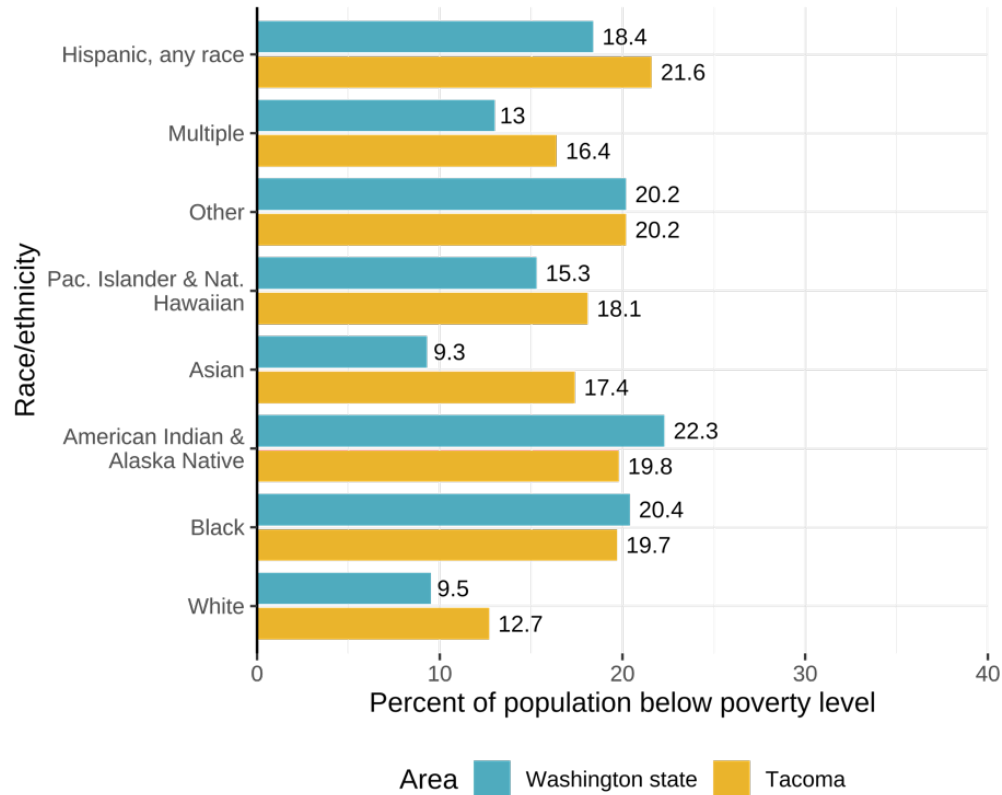
Example Racial Equity Goals

Exhibit 33. Citywide Racial Equity Goals and Strategies for the City of Portland
 Source: City of Portland Office of Equity and Human Rights

CITYWIDE RACIAL EQUITY GOALS & STRATEGIES	
EQUITY GOAL #1	OVERALL STRATEGIES
<p>We will end racial disparities within city government, so there is fairness in hiring and promotions, greater opportunities in contracting, and equitable services to all residents.</p>	<ol style="list-style-type: none"> 1 Use a racial equity framework: Use a racial equity framework that clearly articulates racial equity; implicit and explicit bias; and individual, institutional, and structural racism.
EQUITY GOAL #2	<ol style="list-style-type: none"> 2 Build organizational capacity: Commit to the breadth and depth of institutional transformation so that impacts are sustainable. While the leadership of electeds and officials is critical, changes take place on the ground, through building infrastructure that creates racial equity experts and teams throughout the city government.
<p>We will strengthen outreach, public engagement, and access to City services for communities of color and immigrant and refugee communities, and support or change existing services using racial equity best practices.</p>	<ol style="list-style-type: none"> 3 Implement a racial equity lens: Racial inequities are not random; they have been created and sustained over time. Inequities will not disappear on their own. It is essential to use a racial equity lens when changing the policies, programs, and practices that perpetuate inequities, and when developing new policies and programs.
EQUITY GOAL #3	<ol style="list-style-type: none"> 4 Be data driven: Measurement must take place at two levels—first, to measure the success of specific programmatic and policy changes; and second, to develop baselines, set goals, and measure progress. Using data in this manner is necessary for accountability.
<p>We will collaborate with communities and institutions to eliminate racial inequity in all areas of government, including education, criminal justice, environmental justice, health, housing, transportation, and economic success.</p>	<ol style="list-style-type: none"> 5 Partner with other institutions and communities: Government work on racial equity is necessary, but insufficient. To achieve racial equity in the community, government needs to work in partnership with communities and institutions to achieve meaningful results.
	<ol style="list-style-type: none"> 6 Operate with urgency and accountability: When change is a priority, urgency is felt and change is embraced. Building in institutional accountability mechanisms using a clear plan of action will allow accountability. Collectively, we must create greater urgency and public commitment to achieve racial equity.

Additional Demographic and Housing Analysis

Exhibit 34. Percent Below Poverty by Race/Ethnicity, Tacoma and Washington State



Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)

Notes: There was a smaller sample for the “Other”, “Pacific Islander & Native Hawaiian” and the “American Indian & Alaska Native” race/ethnicity groups in Tacoma.

Exhibit 35. Household Tenure by Race/Ethnicity Compared to Average Persons per Household and Persons per Bedroom, Tacoma

Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)

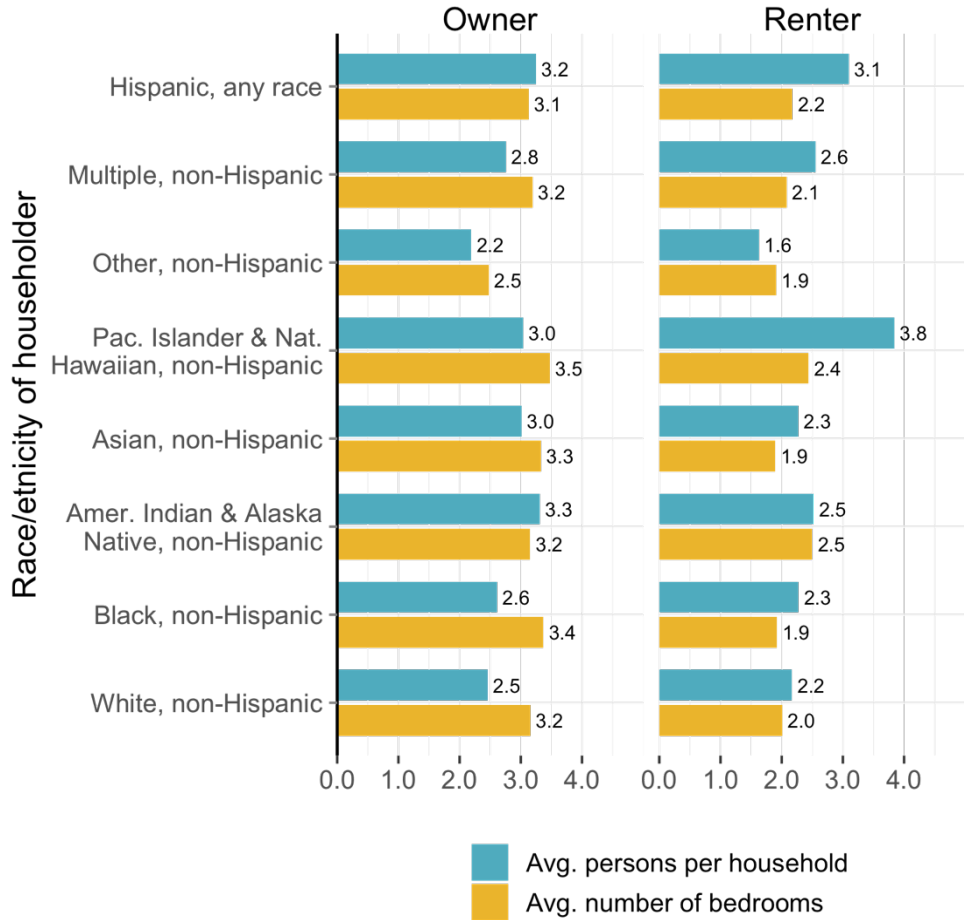
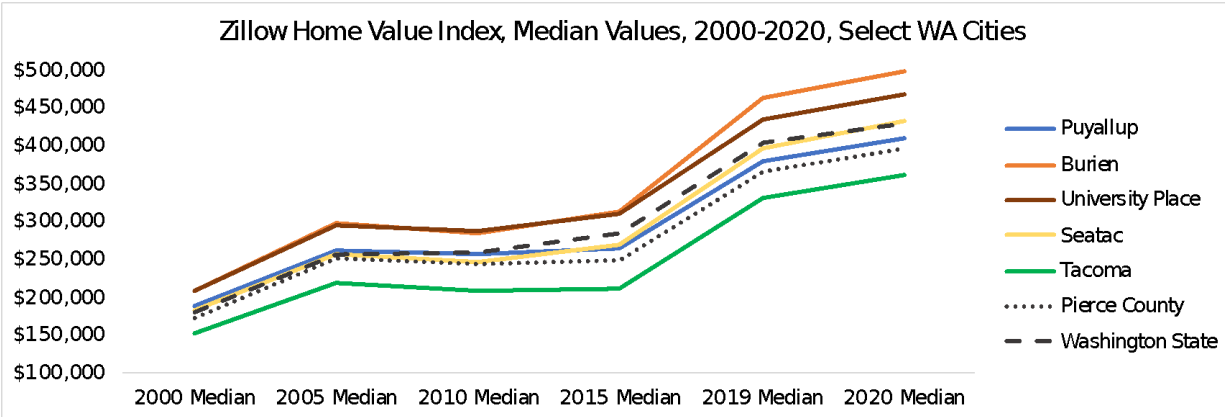


Exhibit 36. Median Home Value Index, 2000 to 2020, Tacoma and Select WA Cities

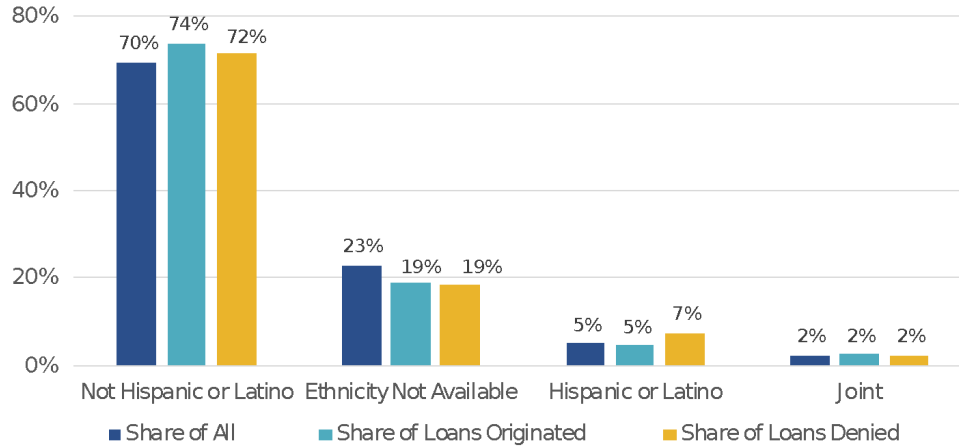
Sources: Zillow Home Value Index (ZHVI) smoothed and seasonally adjusted including all housing types and typical values for homes in the 35th and 65th percentile range.



The Median Home Value Index chart (Exhibit 36) shows median home value changes between 2000 to 2020 in Tacoma, other similar Washington cities, Pierce County, and the State of Washington. Median home values have been increasing overall and this is true across the state. Tacoma’s median home value was estimated at a value of \$360,879 in 2020. Increasing pressure is being placed on Tacoma’s housing stock if you compare Tacoma with other nearby cities and if not ameliorated effectively, this pressure could continue to drive up Tacoma’s median values in the years to come.

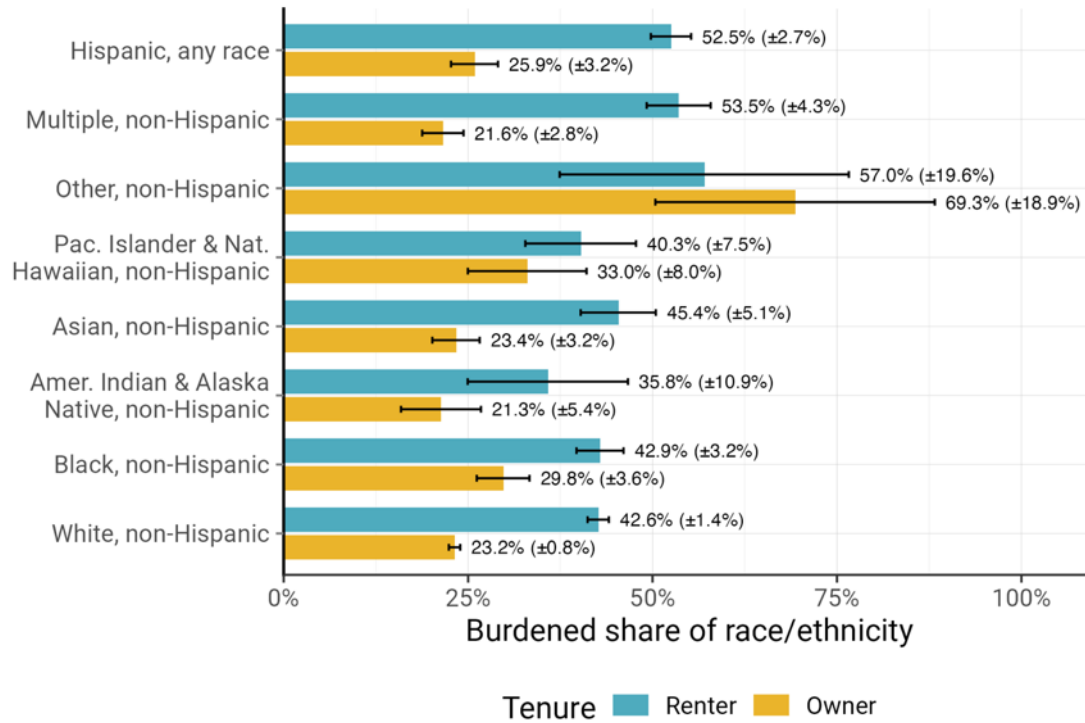
Exhibit 37. Disposition by share of category totals

Source: FFIEC Home Mortgage Disclosure Act Dataset, 2020



Additional Demographic Analysis Including Margins of Error

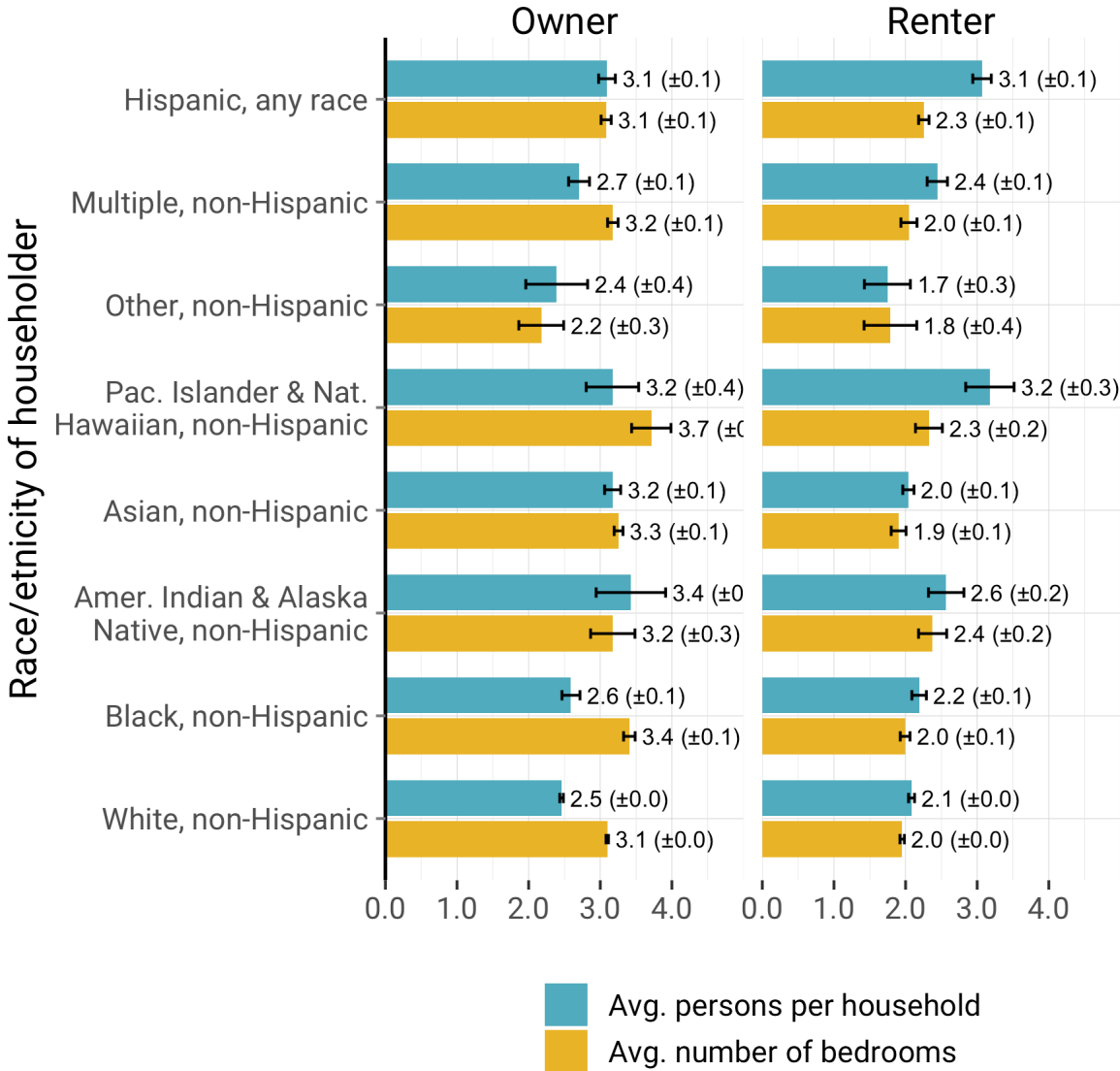
Exhibit 38. Share of Owner and Renter Burdened Households by Race, Tacoma, 2019
Sources: U.S. Census, American Community Survey (ACS) PUMS, 2015- 2019 (5 Year Survey).



Notes: There was a smaller sample for the “Other, non-Hispanic” and the “Pacific Islander & Native Hawaiian, non-Hispanic” race/ethnicity group. This chart denotes the ACS margins of error estimates with a bar and value for each race/ethnicity category.

Exhibit 39. Household Tenure by Race/Ethnicity Compared to Average Persons per Household and Persons per Bedroom, Tacoma

Sources: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)

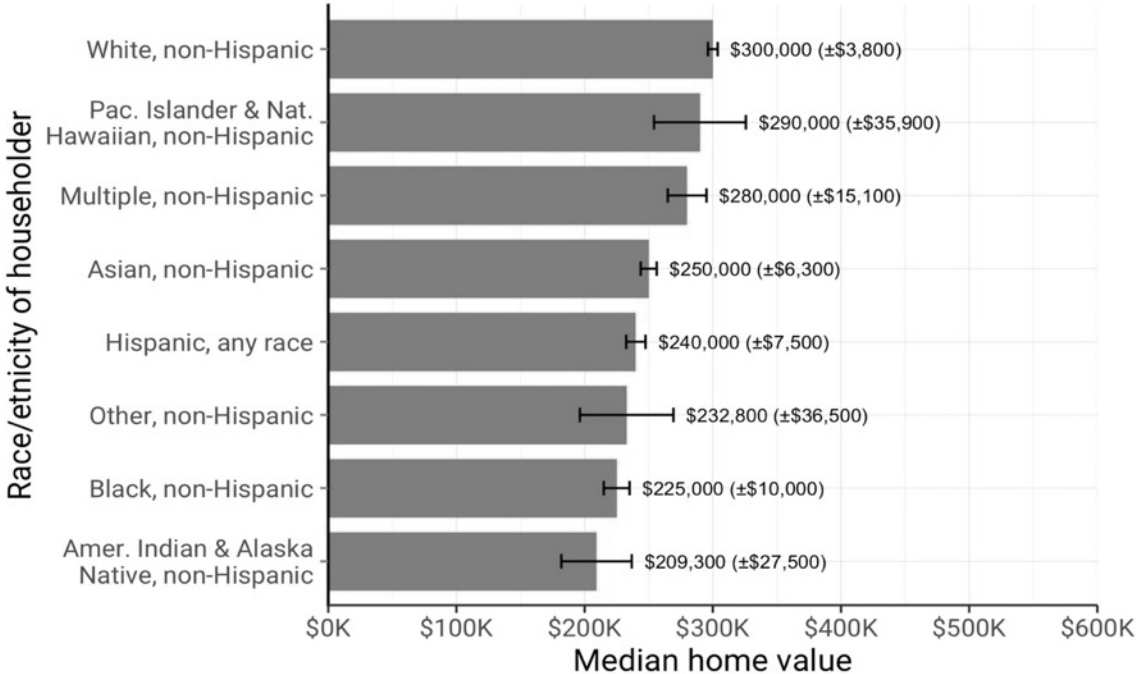


Note: This chart denotes the ACS margins of error estimates with a bar and value for each race/ethnicity category.

Exhibit 40. Median Home Value by Race/Ethnicity, 2019

Source: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey).

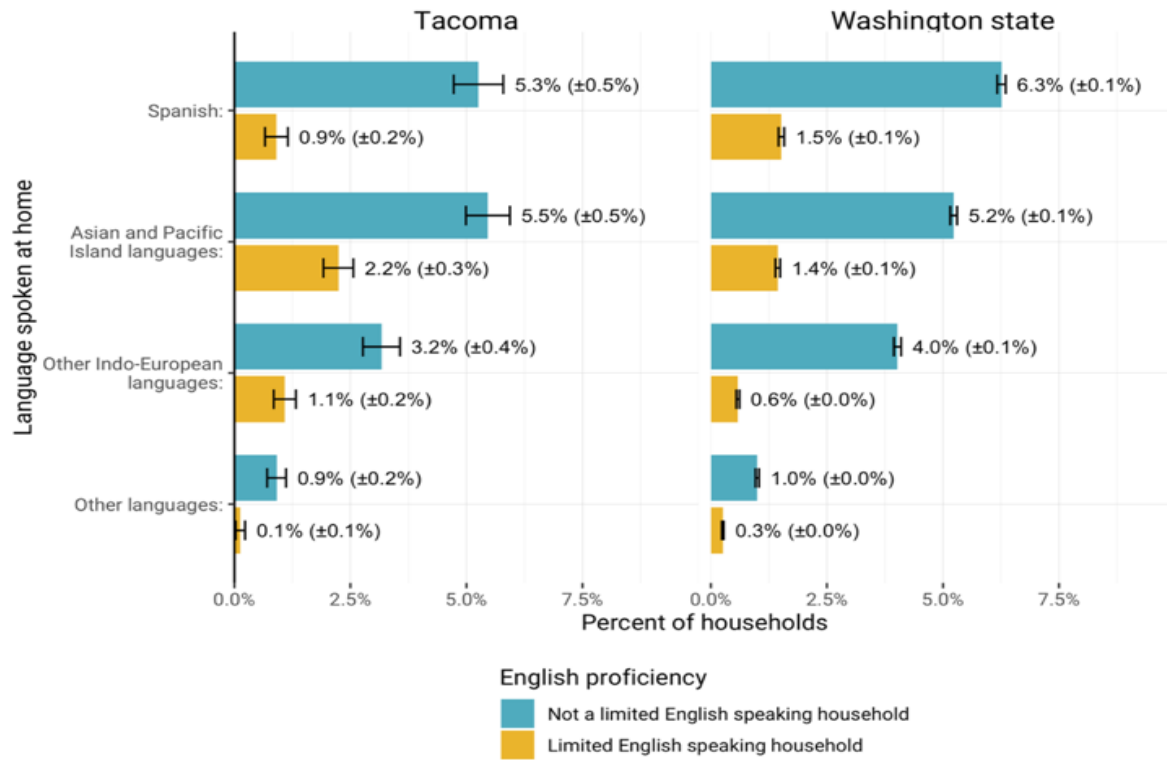
Note: Home values are estimates made by homeowners, which may not match actual appraised/assessed values.



Languages Spoken

Exhibit 41. Languages spoken at home, Tacoma and Washington State

Source: U.S. Census, American Community Survey (ACS), 2015- 2019 (5 Year Survey)



Asian and Pacific Island languages, other Indo-European languages and Spanish are the most common non-English language spoken in Tacoma. Except for Spanish, Tacoma has slightly larger shares of non-English speaking households than Washington State.

Exhibit 42. Housing Affordability Challenges in the Puget Sound Region

Source: Puget Sound Regional Council

What Factors Impact Affordability?

A number of factors affect the cost of renting or purchasing a home. In the central Puget Sound region, economic, demographic, and land use factors have led to an increasingly competitive housing market.

- Market Availability:** Just over **3** new homes were added to the housing supply every hour in 2019. *Source: OFM, 2019*
- Time and Cost to Build:** Nearly **2/3** of housing units are zoned detached single-family, often the most expensive home ownership option. *Source: PSRC*
- Zoning:** **1** in 5 of the region's residents live in walking distance to current or future high-capacity transit. *Source: Center for Neighborhood Technology, 2017*
- Transportation Access:** Household size is expected to decrease from 2.50 to 2.36 people by 2050. *Source: PSRC*
- Demographics:** The region added more than **6** jobs every hour in 2018. *Source: PSRC*
- Real Estate Investment:** *Source: PSRC*
- Job and Wage Growth:** *Source: PSRC*
- Access to Credit:** *Source: PSRC*
- Capacity of Construction Sector:** *Source: PSRC*
- Land Availability:** *Source: PSRC*

What are the Impacts of Rising Housing Costs?

Growth in the region has contributed to increased housing costs, but these increases are not uniform throughout the region. Low-income households in particular are most affected by rising housing costs.

Metro Area Home Prices and Rents

1 in 5 renters pay more than 50% of their income on housing.

3 in 5 low-income renters pay more than 50% of their income on housing.

Source: CHAS, 2014

White households are four times more likely to own a home than a household of color.

A household needs to earn \$150,000 to afford a median-priced home. That is equivalent to six full time jobs at minimum wage.

Want to learn more about PSRC's housing work?
Please visit www.psrc.org/housing or scan the QR code to learn more about regional housing efforts.

Puget Sound Regional Council