



In recent years, Washington has taken unprecedented actions to speed up housing and shelter construction and combat housing and homelessness crises across the state. Gov. Jay Inslee is putting forward an ambitious housing plan to fast-track construction so we can reduce homelessness and increase the availability of affordable housing.

Continued momentum, faster construction needed to tackle housing and homelessness crises

Over the past two years, Gov. Jay Inslee and the Legislature have put more than \$2.4 billion toward a wide range of efforts to reduce homelessness and address the state's growing housing shortage. Working in partnership with local communities and organizations, the state has helped find shelter and support for thousands of people living outside. The state worked to increase the supply of affordable housing and provided vital assistance to tens of thousands more people who were at increased risk of becoming homeless during the pandemic.

But the scale of Washington's housing shortage and resulting homelessness can only be solved by speeding up construction of thousands more housing units — from emergency housing to multifamily developments and affordable housing.



Sound Foundations NW builds tiny homes at their 'Hope Factory' with volunteer labor. Gov. Jay Inslee and Seattle Mayor Bruce Harrell take lessons from Sound Foundations NW Director Barb Oliver before they help build a tiny home. (Office of the Governor photo, October 2022)

Washington's [2022 point-in-time count](#) found nearly 13,000 individuals live outside and are unsheltered across the state — up from about 10,800 in 2020. If you include those living in shelters, the total count of individuals experiencing homelessness grew from about 22,900 in 2020 to more than 25,400 in 2022.

Meanwhile, the state faces a significant shortage of housing — now and well into the future. Of the available housing for rent, 157,000 units are out of reach for low- and extremely low-income renters. And we need to build more housing to accommodate the increasing population: various reports show that the state's overall housing construction deficit falls somewhere between 80,000-140,000 units, making Washington fifth in the nation for under-production of housing.

Due in large part to the significant shortage of housing, the median home price in Washington increased nearly 14% from 2019 to 2022. The same has been happening in many other states — nationally, home prices increased nearly 19% from early 2021 to early 2022.

As people continue to move to Washington for our strong economy, temperate climate, natural beauty and quality of life, we need significant investments and policy changes to keep up with housing demand.

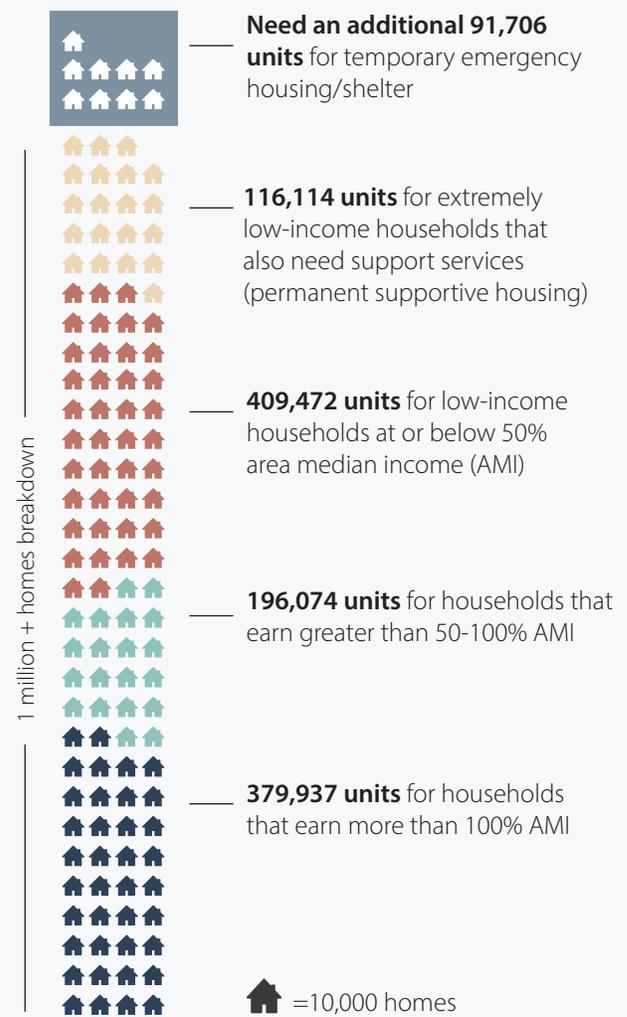
By early 2023, the Department of Commerce, for the first time, will publish data on projected housing needs for each county, including the anticipated needs for moderate, very low and extremely low-income households. Preliminary estimates of the statewide need for new housing development over the next 20 years suggest that the state will need more than 1 million additional units to keep pace with population growth. More than half of this need is for affordable housing for households under 50%

Washington needs more than 1 million additional homes by 2044

We need more housing for households of all incomes, and especially lower-income households.

As of July 2021, Washington had 3.25 million homes. By 2044, Washington will need more than 1 million additional units to accommodate the growing population. That means 45,900 homes — including state-funded affordable housing — will need to be built every year for the next 22 years to achieve this goal.

Types of homes we need



Sources: Department of Commerce and U.S. Census

of the area median income.¹ It will likely require public funding to be built, maintained and to provide wrap-around services. This includes over 116,000 units of housing combined with supportive services and over 91,000 units of emergency housing or shelter.

The state's affordable housing shortage is more profound for Black, Indigenous and people of color (BIPOC). And, overall home ownership among BIPOC households is much lower than it is for white households.

Last year, legislators increased funding for the state's affordable housing programs to support the construction and acquisition of an estimated 3,890 affordable housing units across the state, more than double the amount of past budgets. Legislators also added \$300 million to the rapid capital housing acquisition program. Local communities are using these funds to purchase and quickly convert properties such as hotels or apartment buildings into supportive shelters or housing.

Within the first year of the rapid acquisition program, 11 new facilities were opened, serving more than 708 residents. The Department of Commerce has awarded funding for an additional 21 projects in 12 counties that will provide another 1,002 housing units.

Another example is the state's new Right of Way Safety Initiative, which transitions people living in encampments along state highways to safer shelter and housing options. Three state agencies — Transportation, Commerce and the State Patrol — are working with cities, counties and nonprofit organizations to identify sites and conduct outreach to those living in encampments.

Since the \$143 million initiative was launched last spring, about 170 individuals living in encampments in five counties were transitioned to housing or shelter.



The All-View Motel in Port Angeles was acquired by Peninsula Behavioral Health with funding from Commerce's Rapid Capital Housing Acquisition program. It includes 25 rental units for individuals experiencing homelessness, with three set aside for families with children and 23 set aside for people with chronic mental illness.

Most remain housed, thanks to extensive efforts to connect individuals to appropriate services.

Highlights of Inslee's 2023–25 housing and homelessness package

During the pandemic, a large infusion of COVID-19 relief funding from the federal government supported the state's efforts to help people living outside and keep others in their homes. For example, the state used about \$1 billion of that money to provide rent and utility assistance to more than 92,000 households and expand shelter services by at least 2,000 units statewide.

But with the federal COVID-19 funding winding down and a continued rise in housing prices and homelessness, the state must find new ways to

¹Median Family Income, or Area Median Income (AMI), is the median household income adjusted for household size, for the county where the household is located. This standard is developed by The Department of Housing and Urban Development (HUD), which publishes this income standard for each county on an annual basis.

quickly address its affordable housing shortage and homelessness crisis. The most crucial aspect to this work is speed – we need to close existing housing gaps as soon as possible and get back on pace with population growth. The governor is proposing a statewide voter referendum that would enable the state to raise \$4 billion over the next six years by issuing bonds outside Washington’s debt limit. The proposal does not include any tax or fee increases.

The new funding provides the cornerstone of the governor’s 2023–25 housing and homelessness plan, and would allow the state to continue rapidly funding and constructing housing projects across the state. The governor’s proposal calls for investing over \$1.3 billion in state capital and operating funds on a wide range of housing and homelessness initiatives. Besides maintaining 2,000 existing shelter beds and support services that would otherwise be lost, over the next two years the plan would add an estimated 7,500 affordable housing units and preserve another 2,700 units. This plan also includes assistance for communities to plan for and accommodate their unique housing needs for all income levels over the next 20 years and actions to speed up housing development statewide.

Capital budget

Increase Housing Trust Fund investment in affordable housing supply

The governor continues to look for solutions to increase our housing supply, particularly for those at the highest risk for homelessness, and low- and middle-income households that cannot afford, or pay a high percentage of their income toward, rents. The governor’s budget proposes significant new funding for the state’s Housing Trust Fund to construct

affordable housing units that serve and benefit low-income and special needs populations. This includes people with chronic mental illness, people with intellectual and/or developmental disabilities, farmworkers, people experiencing homelessness, and people in need of permanent supportive housing.

Multifamily rental housing units

There is a big demand for multifamily rental housing development. Communities are now using sales tax revenue generated by the 2019 Encouraging Investments in Affordable and Supportive Housing Act to support projects. The new revenue source is generating nearly \$50 million annually, but these funds are insufficient for local government to construct needed projects on their own.

The governor’s proposal, combined with existing funds and leveraged private market funding, will create approximately 17,720 multifamily rental housing units in the next six years, including 4,960 units during the 2023-25 biennium.

(\$440 million, bonds)

Permanent supportive housing

In 2022, the Apple Health and Homes Act codified that medical providers need the ability to refer people to housing. Foundational Community Supports, a state program that is one of the first in the nation of its kind, helps those experiencing chronic homelessness. New investments in these programs will help address future demand and produce improved public health outcomes. These will also increase effective hospital capacity by allowing more patients to be successfully discharged from their treatment and into stable housing.

The governor’s proposed investments in permanent supportive housing² will acquire, rehabilitate or construct approximately 750 permanent supportive

²Permanent housing where long-term leasing or rental assistance is provided in combination with services for households with one member (adult or child) living with a disability.

housing units in the 2023-25 biennium and 2,900 units over the next six years. It also helps close the existing gap of affordable permanent supportive housing in Washington, estimated at over 17,000 units, according to [Corporation for Supportive Housing data](#).

(\$100 million, bonds)

Homeownership opportunities

The Homeownership program within the Housing Trust Fund program assists low-income (under 80% of the area median income) first-time homebuyers. Assistance can include help with down payments and closing costs, community land trust models, sweat-equity models, funding for new construction, acquisition, and/or rehabilitation, manufactured home community models and homeowner cooperative models.

The governor's proposed investment recognizes there is a significant gap in homeownership assistance to [socially disadvantaged](#) communities and to organizations that provide housing to socially disadvantaged communities. This funding will help approximately 1,100 first-time homebuyers in 2023-25 biennium and 4,600 total in over six years. The funding will support socially disadvantaged households with incomes at or below 100% of the area median income, and covenants placed on the property will ensure affordability for 25 years or more.

(\$75 million, bonds)

Housing for people with developmental disabilities

There are only 1,400 Housing Trust Fund units available for the estimated 37,000 people with intellectual and/or developmental disabilities who need housing. Most of these individuals rely primarily on Supplemental Security Income, which places them below 30% of the area median income. At those income levels, rent

revenue from these units is insufficient to spur housing development. The governor's proposed investment in housing for people with intellectual and/or developmental disabilities will create an estimated 275 affordable housing units in 2023-25 biennium and over 1,000 units over the next six years. As part of this proposal, the Department of Commerce will coordinate with the Department of Social and Health Services on any needed supportive services.

(\$25 million, bonds)

Housing affordability preservation

Over the last three decades, Washington has invested over \$1.5 billion in affordable housing, some of which requires renovation to continue being safe and livable. The governor's proposed investment will be distributed through the Housing Trust Fund's Portfolio Preservation program and the Continuing Affordability program. This will help us maintain these critical investments across the state.

Nearly 1,500 apartments buildings with approximately 9,850 units will receive health and safety capital upgrades through the Housing Trust Fund Portfolio Preservation funding. Approximately 150 units will be preserved through the Continuing Affordability program. Funding will also help maintain approximately 36 manufactured or mobile home communities operated by nonprofit cooperative organizations or housing authorities that benefit people and households at or below 80% of the area median income.

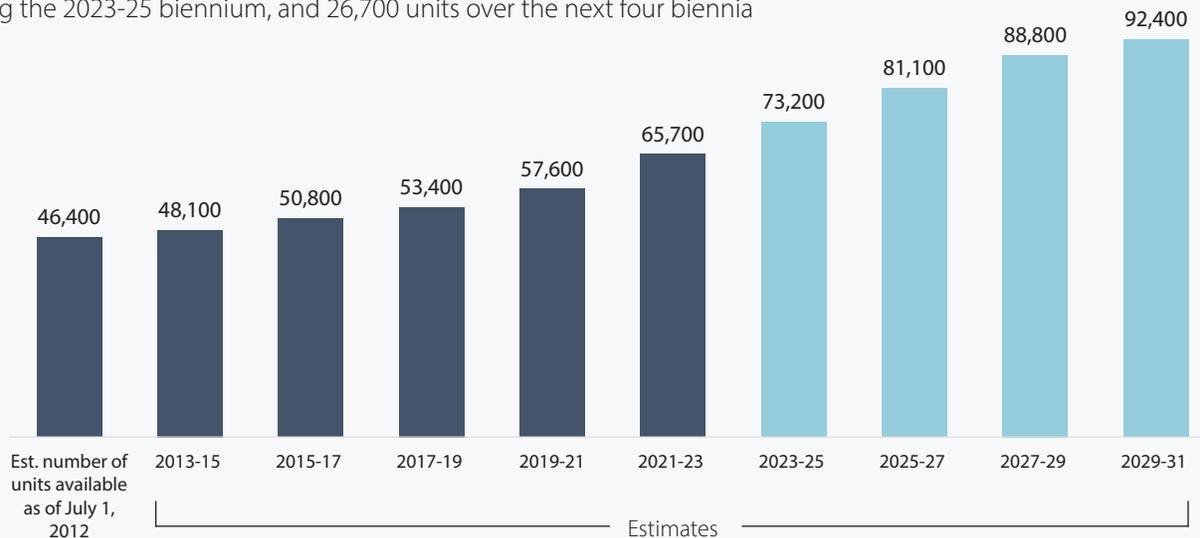
(\$58 million, bonds)

Encampment Resolution program rapid capital housing

Proposed funding will help acquire real property for rapid conversion into enhanced emergency shelters, transitional housing and permanent supportive housing. The new housing will transition people

Expanding Washington’s supply of affordable housing

Gov. Inslee’s plan would add an estimated 7,500 state-funded affordable housing units during the 2023-25 biennium, and 26,700 units over the next four biennia



Source: Office of Financial Management

experiencing unsheltered homelessness — including individuals residing on state-owned rights of way — into safer and more stable housing. This additional investment builds on the state’s Rights of Way Initiative, which the governor and the Legislature funded this year. This new investment will create approximately 400 units.

(\$60 million, bonds)

Investments to accelerate creating affordable housing units

The governor’s housing and homelessness plan takes a holistic approach that focuses on reinvesting in existing programs to increase housing affordability and availability **and** addresses some of the root causes of the housing supply crisis. It makes investments to address local planning, streamline regulatory environments, assist local governments and private developers, and to create new pathways and incentives to increase housing development.

Affordable housing connections to basic infrastructure

Communities face significant pressure to identify appropriate locations for affordable housing and ways to support it. The governor’s proposed funding will help leverage those efforts and assist local governments with one-time costs associated with infrastructure. It will also offer utility providers reimbursement for affordable housing-supportive fee waivers. This funding will reduce the cost of approximately 10,000 affordable housing connections to regional water, sewer and stormwater systems.

(\$50 million, bonds)

Transit-oriented housing development housing partnership

This proposal establishes a new public-private partnership focused on increasing supply, encouraging affordability, and stimulating the overall production of transit-oriented housing development. State and

private investment funding will provide grants to for-profit and nonprofit housing developers, and public entities to carry out projects and to address funding gaps that prevent ongoing construction from being completed.

(\$75 million, bonds and other funds)

Affordable Workforce Housing Accelerator pilot program

This proposal creates a new low-interest revolving loan program administered by the Washington State Housing Finance Commission. This program accelerates affordable housing development for households at 50-80% of the area median income. And, it will remain affordable for at least 60 years. Funding may be awarded to for-profit and nonprofit developers, public housing authorities, public development authorities and others.

(\$50 million, bonds)

Land acquisition for affordable housing

Provides one-time funding to support the Housing Finance Commission Land Acquisition program, which helps developers purchase land for affordable housing (rental or homeownership) developments. By increasing funding for this revolving loan program, the commission can help more community-based organizations — including by-and-for organizations — develop approximately 1,750 critically needed affordable housing units across the state.

(\$35 million, bonds)

Expedite permitting and increase capacity

The governor is requesting legislation to provide grants to local governments so they can scale up their permitting departments and streamline permit approval processes to get housing built faster. Additional grant dollars will allow local jurisdictions to upgrade outdated permitting software and convene

a work group to improve permitting processes statewide. The policy requires local governments to exempt project permits for simple interior alterations to relieve pressure on already strained permitting departments.

(\$15 million, bonds)

Affordable housing predevelopment and preconstruction assistance

The Department of Commerce will provide grants for project design, architectural and engineering, bid documents, environmental and archeological studies, and other preliminary phases of development necessary to accelerate the completion of affordable multifamily housing and homeownership projects.

(\$10 million, bonds)

Affordable housing cleanup grant program

The Department of Ecology currently offers grants to public, nonprofit and private entities that remediate brownfields to develop affordable housing. Additional funding for the program will support cleanup on enough properties to make space for approximately 395 affordable housing units.

(\$12.3 million, Model Toxics Control Capital Account)

Operating budget

Maintain current levels of housing and homelessness services

Emergency housing and shelter

Before the COVID-19 pandemic, there were not enough shelter beds in the state to accommodate everyone living outside or in places unfit for habitation. Since then, rents have risen significantly, increasing the need for traditional congregate and non-congregate shelter and other emergency housing options. The governor's proposed investment includes funding to

ensure that 2,000 shelter beds and other emergency housing units statewide are not lost due to the lapsing of one-time resources.

(\$153 million, General Fund – State, Coronavirus State Fiscal Recovery Fund – State)

Encampment Resolution program

In 2022, the governor proposed and the Legislature funded a state Rights of Way Initiative to help move individuals residing on state rights of way into safer and better places to live. Since last spring, about 170 individuals obtained housing through the initiative, the majority of whom remain housed. Proposed funding will continue this effort. The Department of Commerce — in partnership with the state Department of Transportation, Washington State Patrol, local governments and nonprofits — will provide grants for the cost of outreach, temporary shelter, move-in costs, transportation, accessing IDs, housing application costs and other housing-related needs for individuals who reside on state rights of way and other encampments. The Department of Transportation will use funding to remediate encampment sites after housing is secured.

(\$68 million, – GF-S)

Homeless youth programs

Each night, thousands of youth sleep without the safety or stability of a family or home. The Office of Homeless Youth within the Department of Commerce leads the state’s effort to prevent and reduce youth and young adult homelessness through several grant programs and partnerships. Without additional funding, two of the grant programs would be required to reduce services in the 2023-2025 biennium. These grants allow licensed youth shelters to provide behavioral health services and help prevent youth exiting public systems of care from entering homelessness.

(\$6.5 million, GF-S)

Homeless service contracts: accounting for inflation

Grants issued through the Department of Commerce’s Housing Division do not adjust over time to keep up with the increased cost of rent, goods and services. This results in fewer people being served over time, and higher rates of turnover among homeless service providers. The governor proposes an across-the-board 5% increase to homeless service contracts so grantees can achieve the same performance outcomes that the department expects.

(\$6.3 million, – GF-S)

Landlord Mitigation program

The Landlord Mitigation program within the Department of Commerce provides incentive funding to landlords to work with renters receiving rental assistance. The program will pay landlords up to \$5,000 to repair damages to rental units or funding to cover up to 14 days’ rent loss. The program is currently at capacity and approximately 1,300 claims have been approved, but the department lacks the funds to make payments. Funding will address these approved claims.

(\$8 million, GF-S)

Document recording fee

Homelessness services in Washington mainly rely on revenues generated by a certain document fee. This fee comes from document assessments that counties record for mortgage originations and refinances, referred to as the “document recording fee.” Likely a result of increasing interest rates, the number of mortgage originations and refinances have declined significantly in the last year, leading to a decrease in document recording fee revenues. We don’t know if or how this downward trend may continue throughout the 2023-25 biennium. The governor proposes adding funding to the Home Security Fund Account to offset lost revenue so homeless response activities can continue without a service reduction.

(\$40 million, GF-S)

Housing and Essential Needs

The Housing and Essential Needs program (HEN) provides temporary rental assistance, services connected to housing stability and limited essential needs items such as personal hygiene and transportation for individuals who cannot work due to a disability. Unfortunately, people eligible for HEN assistance are being turned away because there isn't enough program funding. This increased homelessness for this vulnerable population. An additional investment means HEN can serve more people. Additionally, the Department of Commerce will analyze the program to identify improvements, and determine the amount of funding it needs so that no person who is eligible for HEN is turned away.

(\$15 million, GF-S)

Plan for housing supply

Plan for and accommodate housing needs

Approximately 70% of the housing in Washington is single-family housing, the majority of which tends to be out of reach for many low and moderate-income households. In January 2023, the Department of Commerce will publish projections of housing needs for each income segment in each county statewide. Cities will soon be required to plan for and accommodate housing needs for each income segment, including low- and extremely low-income households. To accommodate the housing needs for all income levels, many local jurisdictions will need to begin planning for higher density development, development along transit lines, allowing smaller and multiunit housing and planning for added emergency shelter, transitional housing and permanent supportive housing. This will require examining plans and regulations, updating zoning codes, assessing environmental impacts and implementing new programs. The governor proposes grant funding to local jurisdictions to complete this work, along with funding for state agencies to provide technical

assistance and support. Funding is also proposed to support legislation that will encourage more middle housing production.

(\$17.4 million, GF-S)

Streamline permitting

In recent years, a backlog of processing building permits have slowed building efforts. The governor is requesting legislation to reduce permit timelines by requiring local governments to exempt permit review for simple home interior alterations, providing grants to local governments to implement consolidated permit review processes and a grant that enables local governments to receive permit applications electronically. The governor proposes funding to implement this bill in both the operating and capital budgets.

(\$4 million, GF-S)

Address homeownership disparities

BIPOC homeownership

In the 2021-23 operating budget, the Legislature directed the Department of Commerce to convene a diverse stakeholder work group to assess homeownership disparities among BIPOC in Washington. The work group recently released its findings, which contain 12 ready and actionable priority recommendations, some that the governor proposes addressing through capital budget appropriations. In the operating budget, the governor specifically proposes addressing the recommendation to “fund culturally specific organizations for outreach to increase the visibility of and access to homeownership assistance programs for BIPOC communities” ([Improving Homeownership Rates for Black, Indigenous and People of Color in Washington, 2022](#)). This means nonprofit entities will receive funding to build capacity so they can better develop affordable homeownership units and assist prospective buyers.

(\$5 million, – GF-S)

Behavioral health housing supports

Address chronic homelessness

Homelessness often interferes with individuals' ability to obtain behavioral services and interferes with recovery. The governor proposes a series of interventions to individuals with behavioral health needs to help them obtain and maintain housing. This includes a pilot program in one rural and one urban area to connect individuals in shelters or behavioral health clinics to housing through the Housing Assistance through Peer Services (HARPS) program, services to help seniors escape chronic homelessness and funding enhancements to newly created programs in the 2022 supplemental budget.

(\$8.6 million – GF-S)

Permanent supportive housing

Permanent supportive housing pairs long-term rental assistance with case management and supportive services. This is a highly effective housing solution for the most vulnerable, chronically homeless people. As we build more permanent supportive housing units, there will be costs for wrap-around services to keep people inside. The governor proposes additional funding for grants to support the building operation, maintenance and service costs of permanent supportive housing projects funded through the Housing Trust Fund.

(\$15 million – GF-S)

Housing and homelessness strategic agenda

Summary of investments, 2023-25 Biennial

Focus Area	Items	Agency	Amount
Increase Housing Trust Fund investment in affordable housing	Multi-family rental housing	Commerce	\$440,000,000
	Permanent supportive housing	Commerce	\$100,000,000
	Homeownership opportunities	Commerce	\$75,000,000
	Housing for people with developmental disabilities	Commerce	\$25,000,000
	Housing affordability preservation	Commerce	\$50,000,000
	Acquisition and preservation of mobile homes	Commerce	\$8,000,000
Total			\$698,000,000
Accelerate creation of affordable housing	Affordable Housing Connections to Basic Infrastructure (CHIP)	Commerce	\$50,000,000
	Transit-oriented housing development partnership	Commerce	\$75,000,000
	Rapid acquisition of housing for unsheltered people	Commerce	\$60,000,000
	Affordable workforce housing accelerator pilot program	Commerce	\$50,000,000
	Land acquisition for affordable housing	Commerce	\$35,000,000
Total			\$270,000,000
Expedite permitting and increase capacity	Consolidated permit review	Commerce	\$15,000,000
	Affordable housing predevelopment and preconstruction	Commerce	\$10,000,000
	Affordable housing cleanup grant program	Ecology	\$12,259,000
Total			\$37,259,000

Focus Area	Items	Agency	Amount
Maintain current levels of housing and homelessness services	Emergency housing and shelter	Commerce	\$153,000,000
	Encampment Resolution Program	Commerce, WSDOT	\$68,000,000
	Homeless Youth Programs	Commerce	\$6,500,000
	Homeless services contracts	Commerce	\$6,300,000
	Landlord Mitigation Program	Commerce	\$8,000,000
	Document recording fee	Commerce	\$40,000,000
	Housing and Essential Needs	Commerce	\$15,000,000
Total			\$296,800,000
Planning for Housing Supply	Plan for and accommodate housing needs	Commerce/local governments	\$17,400,000
	Streamline permitting	Commerce	\$4,000,000
Total			\$21,400,000
Address homeownership disparities	BIPOC homeownership organizations	Commerce	\$5,000,000
Total			\$5,000,000
Behavioral health housing supports	Address chronic homelessness	Health Care Authority	\$8,600,000
	Permanent supportive housing operations & maintenance	Commerce	\$15,000,000
Total			\$23,600,000
Grand Total			\$1,352,059,000