

City of Gig Harbor Housing Needs Assessment

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that are important to decision makers.*

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EXECUTIVE SUMMARY

This housing needs assessment identifies existing and future housing needs to serve as a foundation for policy recommendations to meet the city's housing needs across the income spectrum. It contains summary data and information about population and household characteristics, workforce composition, existing housing stock, and an assessment of housing gaps and needs. The following findings are the results of the analysis conducted in the housing needs assessment.

Demographic and Economic Characteristics

Gig Harbor's demographic trends highlight that the community needs a range of housing types to accommodate its population, such as housing for larger households (with four or more members), families with children, seniors, and smaller one- and two-person households.

- **Gig Harbor has grown rapidly and outpaced its own projections.** After removing growth from annexation from 1990 to 2022, Gig Harbor grew at an average annual rate of 3.6%, much faster than Pierce County's¹ growth rate of 1.1%. The city instituted a six-months moratorium in 2018 to allow infrastructure to catch up with growth. Adopted population growth target for the city in the Pierce County CPP is modest compared to past growth. The city is projected to add 78 new residents per year between 2022 and 2044, compared to 276 residents per year from 2000 to 2022.
- **Gig Harbor is increasingly diverse.** However, the city is less diverse than Pierce County, where 44% of the population was BIPOC in 2021, compared to 20% in Gig Harbor.
- **Along with Pierce County, Gig Harbor's population is aging, and future regional demographic trends indicate increased need for housing accessible to seniors.** Compared to Pierce County, Gig Harbor has a significantly higher share of older residents (aged 65 and older) and lower share of working age residents (20-44).
- **The proportion of very large households is rising in Gig Harbor, with larger households predominately comprised of homeowners.** Compared to 1990, the proportion of households with four-or-more persons in Gig Harbor increased from 15% to 22% in 2021.
- **Gig Harbor households have higher incomes than Pierce County households and increasing disparities in the distribution of income among households.** Homeowners in Gig

¹ This refers to the county as a whole (all cities, towns, and unincorporated areas).

Harbor earned more than renters and White, non-Hispanic and Asian households earned more than other racial and ethnic groups.

Gig Harbor's commuting trends suggest that many of the city's workers either may not be able to afford suitable housing inside the community or the available housing may not meet their needs or preferences. Gig Harbor has high rates of commuting both to and from the city and the city's workforce largely lives outside of Gig Harbor (96 percent). Over 60% of Gig Harbor's workers earned \$40,000 or less annually.

Current Housing Supply

This housing needs assessment reveals Gig Harbor's declining housing affordability. Rising regional prices have increased housing costs in Gig Harbor, resulting in high levels of cost burden.

- **One third of households in Gig Harbor are cost burdened.** Housing cost burden disproportionately affects lower income and renter households, older adults living alone and Hispanic households.
- **Gig Harbor has a deficit in the number of units affordable to households in the 30-50% AMI² and <30% AMI income groups (roughly 570 units).** On the other hand, the housing inventory that is affordable to households with incomes above 50% AMI is higher than the percentage of households at that income level.
- **Gig Harbor's current housing stock is not aligned well with its population in terms of unit size.** 68% of the households (around 3,200 households) have only one or two members, yet only 12% of the housing units (roughly 600 units) have one or no bedrooms.

Future Housing Needs

Under the amended Growth Management Act, the City of Gig Harbor is required to plan for and accommodate housing affordable to all income levels. While Pierce County has not yet adopted the new housing growth targets and allocations by level of income developed by the Department of Commerce, the preferred allocation scenario at the time of this report requires Gig Harbor to produce far more affordable units than the market would otherwise produce.

The preferred allocation scenario (Department of Commerce Method A) results in Gig Harbor needing to add 567 new affordable units of the total 892 units to be added by 2044. Of those new affordable units, almost half (48%) are allocated to extremely low-income households (0-30%

² The HUD Area Median Family Household Income (also known as Area Median Income or AMI) for the Tacoma HUD Metro Area, of which Gig Harbor is part of, was \$91,100 in 2021.

AMI), 29% are allocated to very low-income households (30-50% AMI), and 23% are allocated to low-income households (50-80% AMI).

Gig Harbor HAPT Housing Needs by Income Level – Method A

Income Level	Baseline Units, 2020	Total Housing Need, 2044	Net New Housing Need, 2020- 2044
0-30% AMI	112	383	271
31-50% AMI	316	481	165
51-80% AMI	997	1,128	131
81-100% AMI	789	845	56
101-120% AMI	777	828	51
120+% AMI	2,651	2,869	218
Total	5,642	6,534	892

Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

INTRODUCTION

Background and Purpose

The City of Gig Harbor historically developed around its fishing, logging, and boat building industries, which created a small-town feel and community character that remains in the city's harbor area. However, the city grew by 69% over the 10-year period between 2010 and 2020, adding more than 4,900 people to reach a total of 12,000 residents, exceeding the city's 2030 growth target of 10,500 residents. This growth has resulted in a more suburban development pattern that is characterized by auto-oriented commercial centers near freeway interchanges and isolated pods of detached single-family homes. The growth was driven by Gig Harbor's increased popularity as a place to live and by a building boom following the recession that began in 2008. However, the growth has not been entirely welcomed by residents of the area and city officials, who in 2018 passed a six-month moratorium on new residential development applications to slow down development, reduce density, and give infrastructure a chance to catch up.

As the city approaches a periodic update of its comprehensive plan, it has an opportunity to take on a robust community conversation and establish the city's vision for growth and development. The Housing Needs Assessment (HNA) is an important tool that will inform updates to the city's Housing Element. It will provide the City of Gig Harbor with the tools and tactics needed to achieve community housing objectives and expand housing opportunities for all residents.

The Housing Needs Assessment (HNA) describes how Gig Harbor's housing supply meets current and future needs. It is intended to be a guide for decision-makers, residents, and others that 1) provides a baseline of data that explains the condition of housing in Gig Harbor, and 2) identifies where there are shortcomings or gaps in how the current housing supply meets the needs and demands of residents now and in the future.

Methods

The HNA begins with a demographic and economic analysis organized around population level and trends, household characteristics, and employment and commuting trends which affect the demand for and price of housing. The HNA provides an analysis of current housing supply and availability, housing market conditions and trends, defines affordability and how affordability is typically measured, and examines affordability of ownership and rental housing. Where applicable, the analysis includes benchmarking Gig Harbor's growth and other socioeconomic indicators against Pierce County as a whole.

Lastly, the HNA analyzes future housing needs and allocation by income level based on the Department of Commerce methodology and the Pierce County approach for establishing housing targets and allocations for communities.

The analysis in this report relies on secondary data analysis. The analysis leverages data published by federal, state, and local government resources, as well as private real estate data vendors, such as CoStar and Zillow. The analysis addresses the housing market and housing inventory found within the boundaries of the City of Gig Harbor and provides comparisons with East Pierce County Cities, Seattle, and with Pierce County.

Organization of this Report

The remainder of this report is organized as follows:

- **Housing Planning and Policy Context.** Summary of housing planning and policy considerations at the state, regional, and local level.
- **Demographic and Economic Character of Gig Harbor** provides a current snapshot and historic trends of the social and economic conditions in Gig Harbor.
- **Current Housing Supply** summarizes the current housing stock and market conditions in Gig Harbor and the region.
- **Future Housing Need** includes the allocation of Gig Harbor's future housing need by income level based on the methods suggested by the Department of Commerce.
- **Recommendations** include a set of recommended measures to increase housing affordability and housing choices to fit the needs of the community.

HOUSING PLANNING AND POLICY CONTEXT

The Housing Needs Assessment will support several housing planning and policy considerations at the state and regional level. The following section summarizes each of these planning efforts.

State Context

Growth Management Act

Under the provisions of the state Growth Management Act (GMA), an inventory of existing and projected housing needs should inform the housing element of a city's comprehensive plan. In 2021, the state legislature passed House Bill 1220, which amended the GMA and instructed local governments

to “plan for and accommodate housing affordable to all economic segments of the population of this state”. Therefore, the housing needs analysis must take a more detailed look at housing needs for all economic segments of the population and examine the need for different housing types, such as permanent supportive housing and shelters.

To implement HB1220, the Department of Commerce provided detailed projections of housing needs, including units for moderate, low, very low, and extremely low-income households, and emergency housing, emergency shelters, and permanent supportive housing.

Regional and Local Context

Puget Sound Regional Council VISION 2050

VISION 2050, passed in October 2020, is the region’s plan for growth and sets the stage for updates to countywide planning policies and local comprehensive plans done by cities and counties.³ VISION 2050 calls for cities and counties to support building more diverse housing types, especially near transit, services, and jobs. The plan also calls for more housing that’s affordable to low- and very low-income households. It encourages counties and cities to conduct a housing needs analysis, evaluate the effectiveness of existing policies, and consider implementing strategies that will create additional housing capacity in line with its growth strategy.

VISION 2050 establishes that:

- Gig Harbor is in the Cities and Towns regional geography category based on characteristics and attributes.
- Cities and Towns are served by local transit at varying levels but are not connected to the regional high-capacity transit system, and growth planning should reflect that.
- The Cities and Towns geography group should plan to accommodate 6% of the region's housing needs (population growth) by 2050.

Pierce County Countywide Planning Policies

RCW 36.70A.210 requires Washington counties to adopt countywide planning policies in cooperation with the cities within its jurisdiction. Pierce County and each of its 23 cities and towns recently ratified the 2022 Pierce County Countywide Planning Policies (CPPs) in preparation for the 2024 statutory updates of city comprehensive plans and in conjunction with the region’s growth plan, VISION 2050.

³ VISION 2050: A Plan for the Central Puget Sound Region, Puget Sound Regional Council, October 2020.

Under the Growth Management Act, Pierce County, in coordination with the cities and towns in Pierce County, adopts growth targets for the next 20-year planning period. The growth targets are adopted in the CPP and represent policy statements about the amount of housing and job growth each jurisdiction is planning to accommodate in its comprehensive plan. The allocations of growth are consistent with the VISION 2050 Regional Growth Strategy.

The Pierce County CPP adopted on May 17, 2022 set a target of 1,000 new housing units in Gig Harbor by 2044. Currently, Pierce County – in coordination with the Pierce County Growth Management Coordinating Committee and the Pierce County Regional Council is working towards revisions to the CPP to align with assigned housing targets by the Department of Commerce.

DEMOGRAPHIC AND ECONOMIC CHARACTER OF GIG HARBOR

The following demographic and economic profiles are a current snapshot of Gig Harbor’s population, household characteristics and economy, as well as historic trends to provide useful context about the forces affecting housing demand.

Population and Demographics

Population and demographics are useful to better understand Gig Harbor and the people who live here. Characteristics such as population growth, age of residents, ethnicity, and household income provide useful context about Gig Harbor residents, the trends, and the forces affecting housing demand. Understanding shifting demographics can help the city determine appropriate housing development to accommodate changing household needs.

Total Population

Analyzing population growth helps identify how much growth Gig Harbor has been experiencing and how much growth is expected in the future, which informs housing production needs.

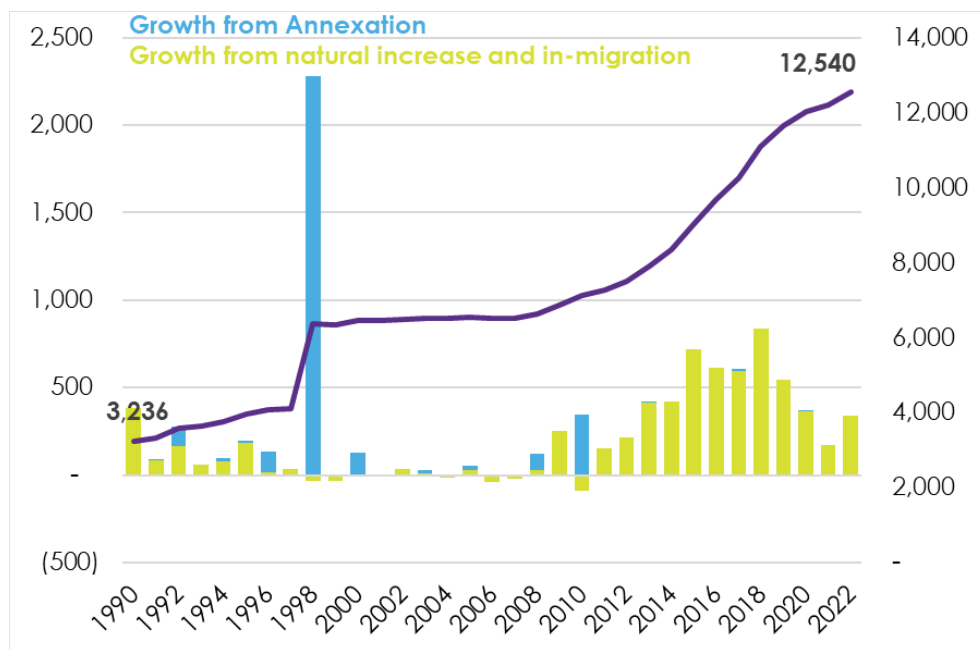
Gig Harbor’s population outpaced its own projections and almost quadrupled from 1990 to 2022.

Gig Harbor’s total population reached 12,540 in 2022 (**Exhibit 1**). Almost all population growth in the previous decade was a result of natural increase and in-migration. The growth was driven by Gig Harbor’s increased popularity as a place to live and by a building boom following the recession that began in 2008.

In the 32 years from 1990 to 2022, Gig Harbor’s population has nearly quadrupled. A significant jump in growth occurred via annexation in 1998. After removing growth from annexation from 1990 to 2022, Gig Harbor grew at an average annual rate of 3.6%, much faster than Pierce County’s growth rate of 1.1%. In 2022, Gig Harbor ranked #9 in population among the 24 cities in Pierce County but ranked #2 in population growth rate from 2012 to 2022. As of 2018, the city had exceeded its growth projections in the Comprehensive Plan of 10,500 residents by 2030⁴.

While Gig Harbor’s population grew steeply from 2012 to 2018, in recent years growth has slowed. In 2018, the city passed a six-month moratorium on new residential development applications to slow down development, reduce density, and give infrastructure a chance to catch up. Given the development restrictions adopted in recent years, and the unique conditions that fueled the earlier boom (projects held over from the Great Recession coming to life again as the economy began to recover), it is expected population growth will continue to slow down. According to the Pierce County adopted Growth Management Act population targets, the City of Gig Harbor is expected to grow by 2,200 people by 2044 and reach a total population of 14,229⁵. This translates to an average annual growth rate of 0.6% between 2022 and 2044, which is significantly lower than the 3.1% per year between 2000 and 2022.

Exhibit 1. Historic Population, Gig Harbor, 1990 – 2022



Source: Washington Office of Financial Management, 1990 to 2022; CAI, 2022.

⁴ <https://cityofgigharbor.net/AgendaCenter/ViewFile/Agenda/05032021-88>

⁵ <https://online.co.pierce.wa.us/cfapps/council/model/otDocDownload.cfm>

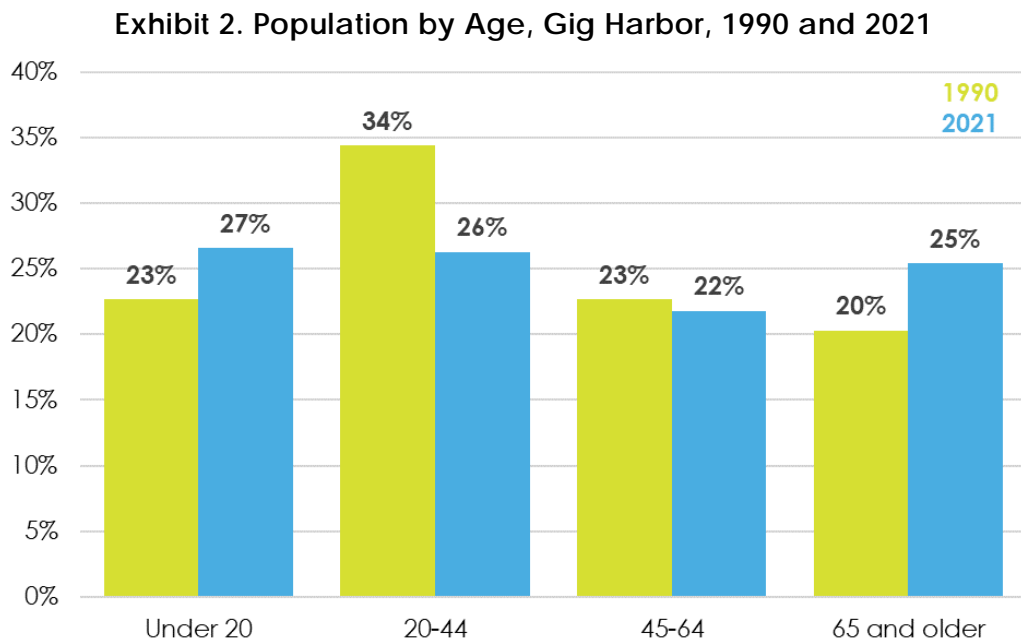
Population by Age

Understanding the distribution of residents' ages can shed light on whether there may be more demand for homes with multiple bedrooms for families with children or small, low-cost units for income-restricted seniors or young singles.

Gig Harbor's population is aging and working age residents comprise a smaller share of the population than in Pierce County.

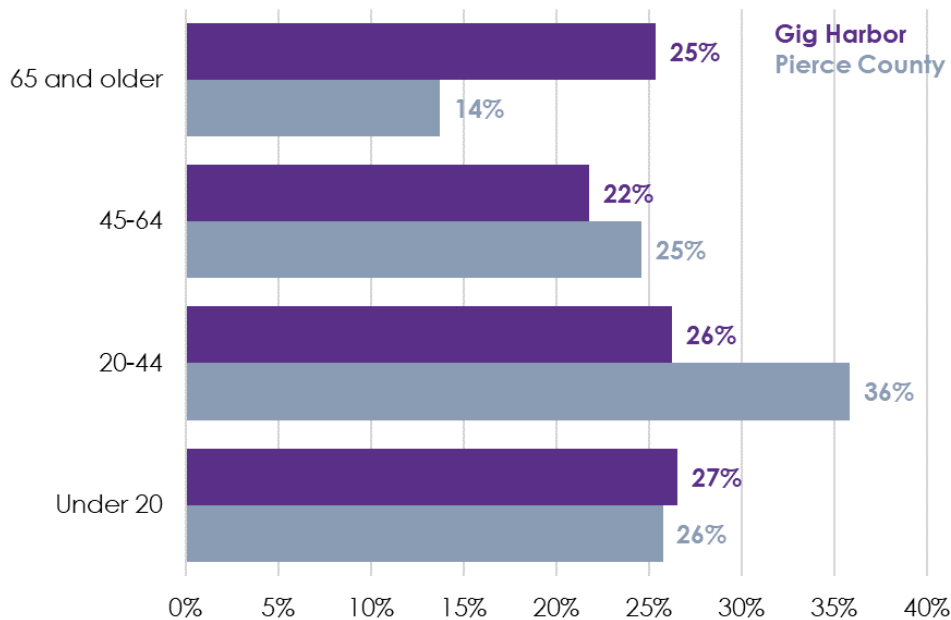
Between 1990 and 2021, Gig Harbor's population has been aging, increasing the median age from 40.3 in 1990 to 41.8 in 2021. This is higher than Pierce County's median age of 36.4 in 2021. Compared to Pierce County, Gig Harbor has a significantly higher share of older residents (aged 65 and older) and lower share of working age residents (20-44) (**Exhibit 3**).

In 1990, those aged 20-44 were the most prevalent age group. In 2021, the under 20, 20-44, and 65 and older age cohorts comprised nearly equal proportions of the population, and the 45-64-year-old cohort slightly less than in 1990 (**Exhibit 2**).



Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

Exhibit 3. Population Share by Age, Gig Harbor and Pierce County, 2021



Source: American Community Survey, 2017-2021; CAI, 2022.

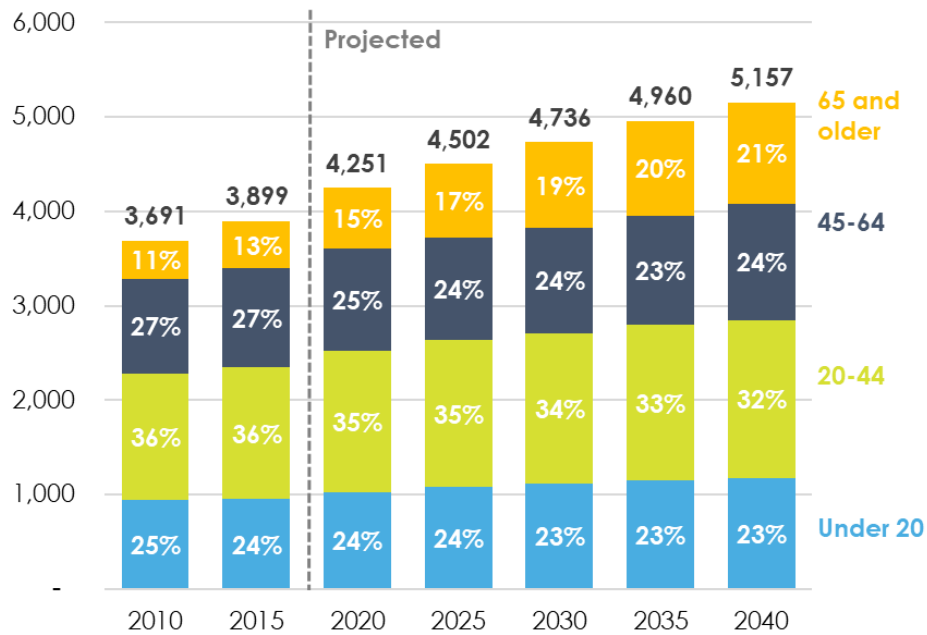
Future regional demographic trends indicate increased need for housing accessible to seniors.

As Gig Harbor grows, demographic shifts are likely to impact the housing types needed. **Exhibit 4** summarizes growth estimates by age cohort for the Puget Sound Region⁶ to 2040. Although Gig Harbor has different proportions of age cohorts from the region (mostly a higher share of senior residents and a smaller share of working age residents than the region), regionwide trends can provide an indication of changes to expect that may impact the city. The forecasts for the region show the following changes are expected:

- School-aged children (under 20) are expected to maintain a relatively consistent proportion of the population to 2040.
- The population of those between the age of 20 and 44 will continue to represent the largest portion of the region's population but will decrease from 35% to 32%.
- The share of older residents (65 and older) is projected to increase substantially from 15% in 2020 to 21% in 2040.

⁶ King, Pierce, Snohomish and Kitsap counties.

Exhibit 4. Population Projections by Age Group, Puget Sound Region, 2020 – 2040



Source: Washington Office of Financial Management (OFM), Growth Management Act Population Projections for Counties: 2010 to 2040, 2017 County Projections, Five-year Intervals Medium Series.; CAI, 2022.

Population by Race

Understanding the racial and ethnic diversity of city residents helps inform the need for a variety of housing options to fit cultural needs, such as unit and building types (e.g., private yards vs shared open space, options for multigenerational households) and number of bedrooms per unit.

Gig Harbor has become substantially more racially and ethnically diverse in the past three decades.

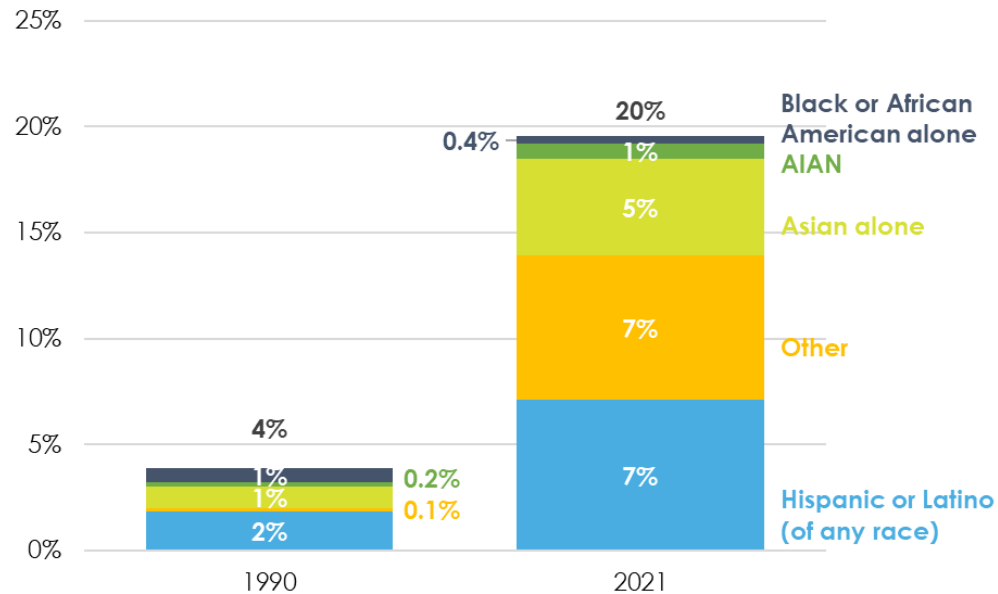
The population of Black, Indigenous, and People of Color (BIPOC) in Gig Harbor has grown substantially since 1990, from 4% of the total population to 20% in 2021 (**Exhibit 5**). However, the city is less diverse than Pierce County, where 44% of the population was BIPOC in 2021⁷.

In 2021, people of Hispanic or Latino ethnicity (of any race) and the ‘Other’ category (including people of two or more races, Native Hawaiian and Other Pacific Islander, and some other race alone) comprised the greatest proportion of Gig Harbor’s population, at 7% each. Asian residents comprised

⁷ American Community Survey, 2017-2021.

5%, American Indian or Alaska Native (AIAN) residents comprised 1%, and Black or African American residents comprised 0.4%.

Exhibit 5. BIPOC Population Distribution by Race and Ethnicity, Gig Harbor, 1990 and 2021



Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

Statewide, the Asian and Hispanic populations are predicted to be among the fastest growing racial/ethnic group over the next couple of decades. Both population groups are expected to grow at an average annual rate of 2.3% between 2020 and 2040. (**Exhibit 6**)

Exhibit 6. Population Projections by Race and Ethnicity, Washington State, 2020 – 2040

	2020	2040	CAGR
Asian alone	687,046	1,088,032	2.3%
Hispanic or Latino alone	1,029,352	1,610,731	2.3%
Black or African American alone	290,883	394,304	1.5%
Other	495,136	838,698	2.7%

Source: Washington Office of Financial Management (OFM), Projections of the state population by age, sex, race and Hispanic origin 2010 to 2040; CAI, 2022.

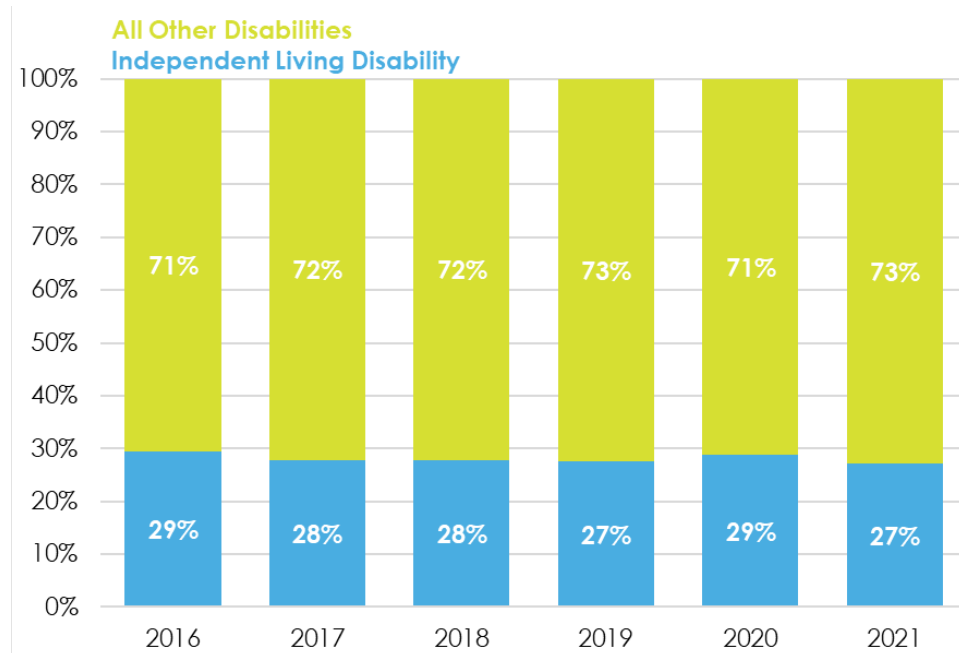
Populations with Special Housing Needs

There are many segments of the community in Gig Harbor that may have special housing needs, including adults with disabilities, older adults, college and university students, individuals experiencing homelessness and others.

Adults with Disabilities

Between 2016 and 2021 the proportion of Gig Harbor's population living with a disability has decreased from 14% to 10% of total population and is currently below Pierce County's 2021 rate of 14%. The proportion of individuals living with an independent living disability has decreased from 29% to 27% of all disabled individuals between 2016 and 2021 (**Exhibit 7**).

Exhibit 7. Independent Living and All Other Disability, Gig Harbor, 2016-2021



Source: Source: American Community Survey 5-Year Estimates, 2023; CAI, 2023.

K-12 Students Experiencing Homelessness

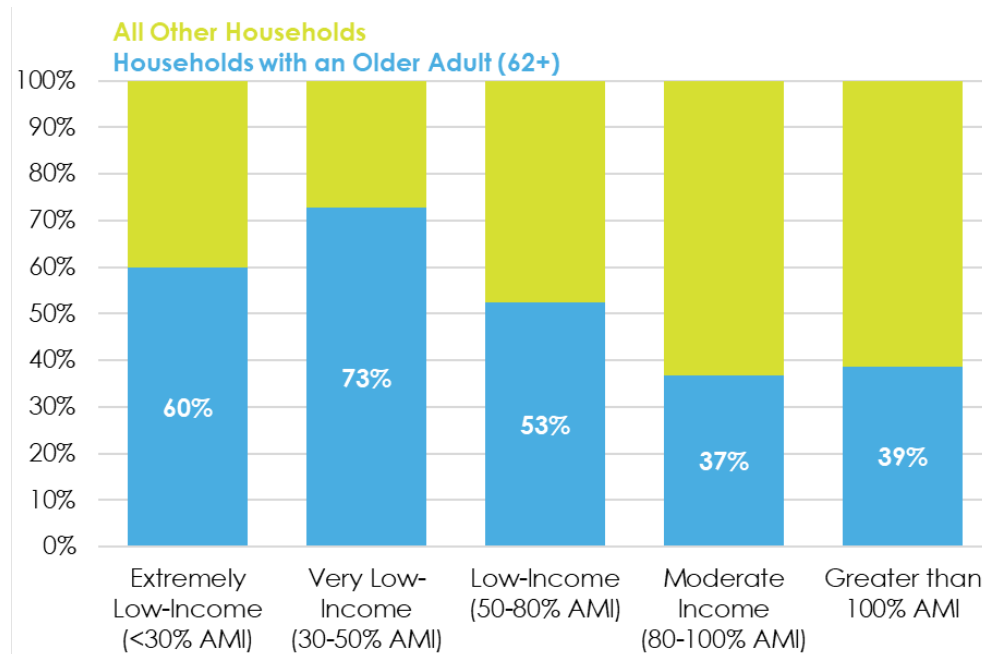
According to data from the Washington State Office of the Superintendent of Public Instruction (OSPI), homeless students now represent 2.4% of total students enrolled in the Peninsula School District (comprised of 18 schools with over 8,000 students on a 120 square-mile area on the Gig Harbor Peninsula and Key Peninsula). This proportion has increased from the 2016-17 school year when it was 1.3%. In real terms homeless students have increased from nearly 120 students in the 2016-17 school year to nearly 220 in the 2021-22 school year while total enrollment has declined slightly.

Older Adults

Households with older adults (62 years and older) represent a larger share of extremely low-, very low-, and low-income households compared to moderate- and high-income households (**Exhibit 8**). Elderly households in Gig Harbor also have a higher share of cost burdened and severely cost burdened

households⁸ compared to all other Gig Harbor households. Roughly 42% of elderly households pay more than 30% of their household income for housing compared to 27% for all other households. (**Exhibit 9**)

Exhibit 8. Income Brackets for Older Adult Households (62+), Gig Harbor, 2019

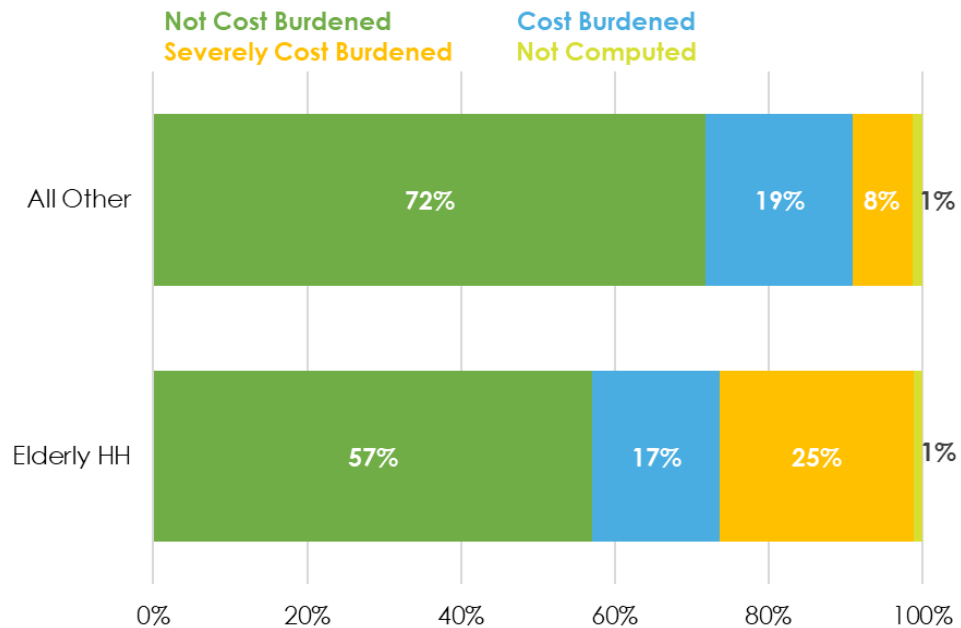


Source: HUD CHAS (based on ACS 2016-2019 5-Year estimates); CAI, 2022.

Note: AMI = HUD Area Median Family Income.

⁸ HUD defines a household as cost burdened if they pay between 30% and 50% of their gross household income for housing, and severely cost burdened if they pay more than 50% of their gross household income on housing (rent or mortgage, plus utilities).

Exhibit 9. Cost Burden for Elderly Households (62+), Gig Harbor, 2019



Source: HUD CHAS (based on ACS 2016-2019 5-Year estimates); CAI, 2022.

Note: AMI = HUD Area Median Family Income.

Individuals Experiencing Homelessness

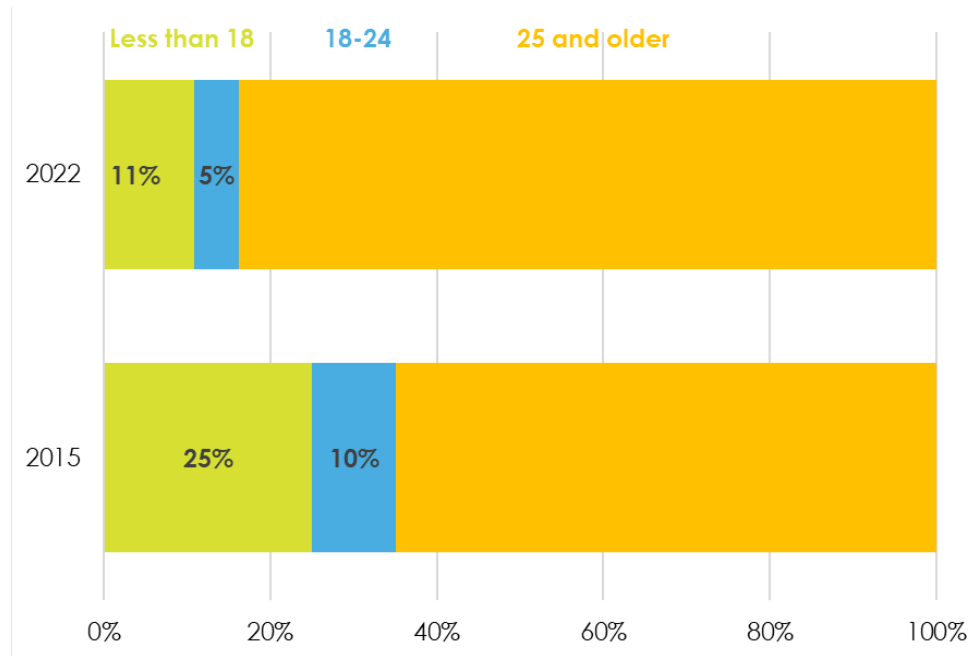
The Point-in-Time Count conducted in 2022 identified 1,851 people experiencing homelessness in Pierce County⁹. However, the official estimate for homelessness in Pierce County is much larger - 4,300 individuals¹⁰. The lower Point-in-Time count number reflects the challenge of counting a large, geographically distributed unsheltered population over a 24-hour period. The number of homeless individuals counted during the homeless Point-in-Time count increased from 1,283 people in 2015, an increase of 44%¹¹. In 2022, 11% of all individuals counted during the homeless Point-in-Time were under 18 years old, less than the 25% in 2015 (**Exhibit 10**). The share of homeless people aged 18 to 24 also decreased from 10% in 2015 to 5% in 2022.

⁹ <https://www.piercecountywa.gov/DocumentCenter/View/115934/PIT-Count-infographic-2022->

¹⁰ Ibid.

¹¹ <https://www.piercecountywa.gov/DocumentCenter/View/38394/Homeless-Point-in-Time-Report-091515?bidId=>

Exhibit 10. Age of Point-in-Time Homeless Population, Gig Harbor, 2015 and 2022



Source: Pierce County Point-in-Time Count, 2015 and 2022; CAI, 2022.

According to 2022 Point-in-Time data, the top three most common causes of homelessness include family crisis/breakup, lack of affordable housing, and loss of job. Using the same data, 76% of people experiencing homelessness in Pierce County are from Pierce County. When people become homeless, they often stay near the community they're used to.

There are 1,300 emergency shelter beds and 30 safe parking units across the county, leaving about 2,970 people without shelter each night. This means an estimated 70% of people experiencing homelessness must find shelter in their car, an encampment, or elsewhere¹².

Household Characteristics

The characteristics and demographics of households may indicate demand for certain types, sizes, and styles of housing.

Household Size

The size of households within a community is an important factor that impacts the needs for various housing types. Households with more members seek larger homes with three or more bedrooms, while singles and two person households may be well-served by smaller housing types. Housing types such

¹² <https://www.piercecountywa.gov/7405/Homelessness-in-Pierce-County>

as townhomes, multiplexes, small lot single family, or cottages could suffice as potential opportunities for these households.

The proportion of very large households is rising in Gig Harbor, with larger households predominately comprised of homeowners.

In 2021, Gig Harbor had 4,672 households, more than three times the number of households in 1990¹³. Gig Harbor's average household size stayed relatively the same from 1990 to 2010 (around 2.17 individuals per household) and increased by 2021 to 2.4 individuals per household¹⁴. This is lower than Pierce County's average household size of 2.7 in 2021¹⁵. The average Gig Harbor household size differs between owner and renter households. In 2021, the average owner households in Gig Harbor had 2.7 people while the average renter household had 1.9 people¹⁶.

Gig Harbor has a higher proportion of small households than Pierce County: 68% of Gig Harbor households have one or two members compared to 59% of Pierce County households. For larger households, 11% of Gig Harbor's households have three members and 22% have four or more members, compared to 17% and 24% respectively in Pierce County¹⁷.

Compared to 1990, the proportion of households with four-or-more persons in Gig Harbor increased from 15% to 22% in 2021 (**Exhibit 11**). While the proportion of two-person households stayed the same, the proportion of one- and three-person households each decreased by around 3%. In addition, in Gig Harbor in 2021, while one-person households were more than half renters, two-, three-, and four-or-more person households were all predominantly homeowners. For two-person and four-or-more person households, owners substantially outnumbered renters. (**Exhibit 12**)

¹³ American Community Survey, 1990 and 2017-2021.

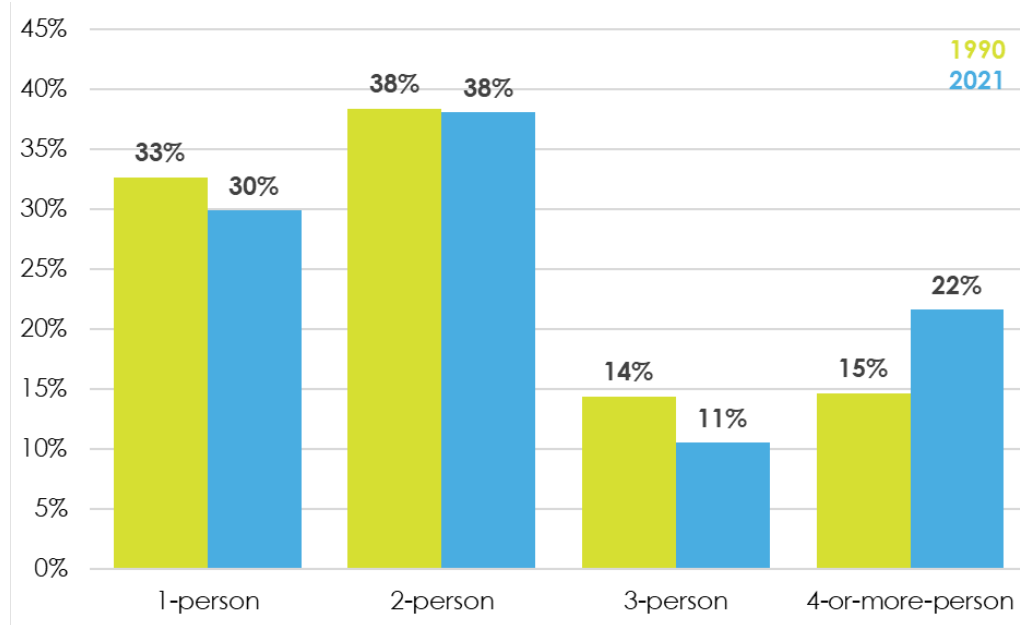
¹⁴ American Community Survey, 1990, 2010 and 2017-2021.

¹⁵ American Community Survey, 2017-2021.

¹⁶ Ibid.

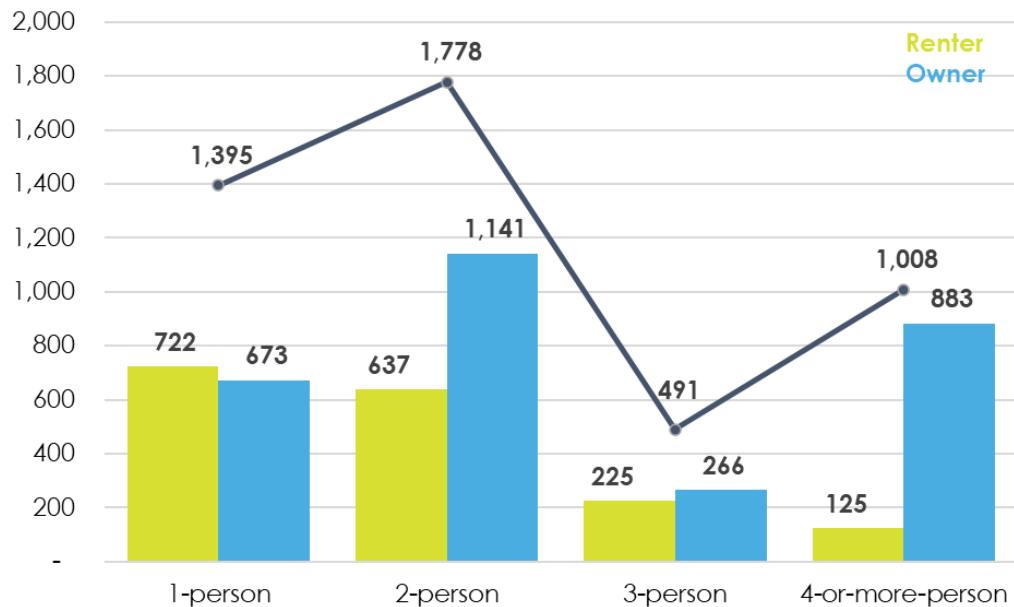
¹⁷ American Community Survey, 2017-2021.

Exhibit 11. Household Size, Gig Harbor, 1990 and 2021



Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

Exhibit 12. Household Size by Housing Tenure, Gig Harbor, 2021



Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

Household Type

The types of household structures have different impacts on tenure choice and housing consumption. Additionally, each family structure has different income and price elasticities of housing demand.

The share of households comprised of married couples with children and households 65 and over grew substantially from 1990 to 2021.

Roughly 64% of total households in Gig Harbor in 2021 were family households, as compared to 68% for Pierce County. Of these, 29% are families with children which grew from 25% of the total number of households in 1990 (**Exhibit 13**). Married couples with children drove growth for family households as they increased from 17% to 24% of all households in that time. Single parents with children declined as a share of the total. Family households without children and non-family households declined slightly as shares of the total number of households in that period. The number of senior family and non-family households (all members are 65 and older) grew from approximately 15% to 20% of total households from 1990 to 2021.

Exhibit 13. Household Type Distribution, Gig Harbor, 1990 and 2021

	1990	2021	1990	2021
Married couple with children	253	1,139	17%	24%
Married couple without children	496	1,503	34%	32%
Single parent (no spouse, with children)	111	220	8%	5%
Other family (no spouse, without children)	50	124	3%	3%
Single person	477	1,395	33%	30%
2+ person non-family	76	291	5%	6%
Total Households	1,462	4,672		
Families with children	364	1,359	25%	29%
Families without children	545	1,627	37%	35%
Non-family	553	1,686	38%	36%
Total Households	1,462	4,672		
Family households	910	2,986	62%	64%
65 and over	213	874	15%	19%
Nonfamily households	552	1,686	38%	36%
Living alone	477	1,395	33%	30%
65 and over	220	924	15%	20%
Total Households	1,462	4,672		

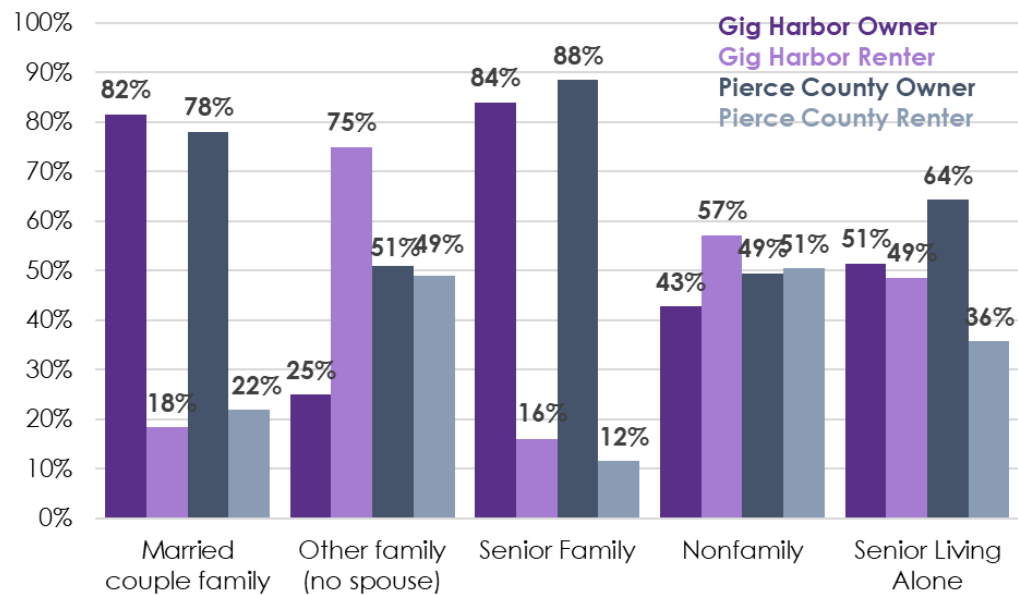
Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

A higher share of married couple families, senior families, and senior living alone households own their home.

Exhibit 14 shows the percentage of households by tenure for different household types in Gig Harbor in 2021. Housing choices are a function of the type of housing available in Gig Harbor and of economics. In 2021, most of the married couple family (82%) and senior family (84%) and senior living alone (51%) households in Gig Harbor owned their homes.

The ‘other family’ category of households (no spouse, no children) had a much greater share of renters in Gig Harbor than in Pierce County (75% versus 49%, respectively). Seniors living alone were far more likely to be owners in Pierce County than in Gig Harbor (64% to 51%, respectively). In addition, the share of nonfamily renter households in Gig Harbor (49%) was higher than in Pierce County (36%).

Exhibit 14. Household Type by Tenure, Gig Harbor and Pierce County, 2021



Source: American Community Survey, 1990, 2017-2021; CAI, 2022.

Household Tenure

A healthy housing market includes a mix of both ownership and rental housing types to meet the needs of a diversity of households and income levels. Not all households can afford homeownership or desire to own a home.

Since 2000, the growth of owner households outpaced rental households in Gig Harbor.

As of 2021, an estimated 63% of households in Gig Harbor owned their home, while 37% were renting their home. This represents a significant increase in the proportion of owner households since 1990, when just over half (51%) of Gig Harbor households were homeowners and 49% were renters¹⁸.

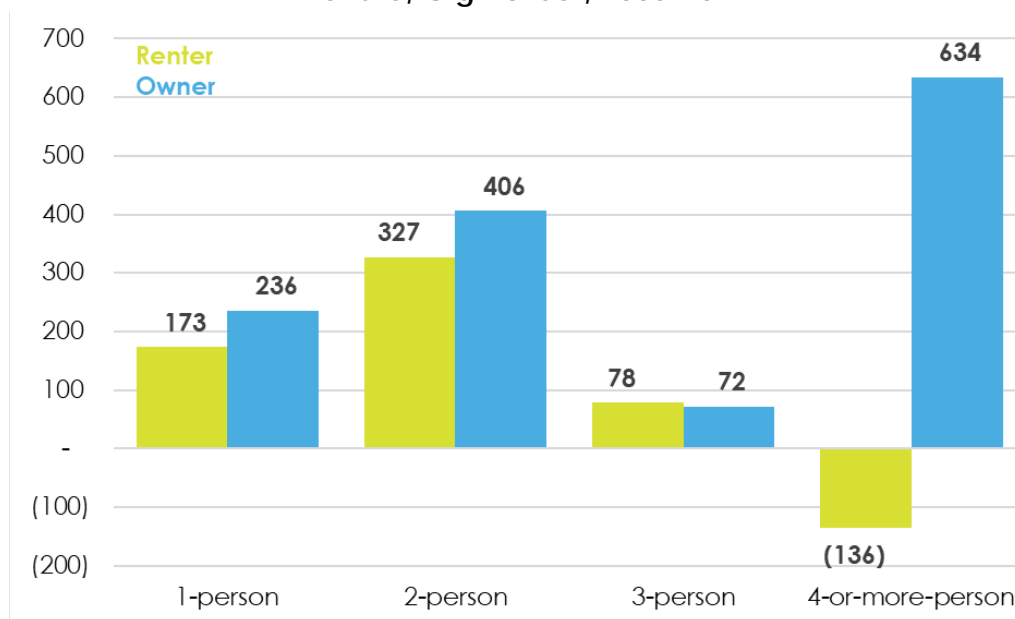
From 2000 to 2021, the city experienced a net gain of 1,790 households, of which 75% were owner households. Growth in one-, two-, and four-or-more person owner households outpaced renter households for the same size categories (**Exhibit 15**). In the case of four-or-more person owner households,

¹⁸ American Community Survey, 2017-2021.

the growth (634 households) dramatically outpaced that of four-or-more person renter households, which declined by 136. The growth in 3-person renter and owner households was similar.

The increase in owner households in Gig Harbor can be discussed in relation to the current rate of single-family housing development in the city. Roughly 63% of the total housing units produced since 2000 are single-family units (see Housing Production on page 37-38). Approximately 86% of single-family housing units are owner occupied, compared to 13% of multifamily housing units.

Exhibit 15. Change in Number of Households by Household Size and Tenure, Gig Harbor, 2000-2021

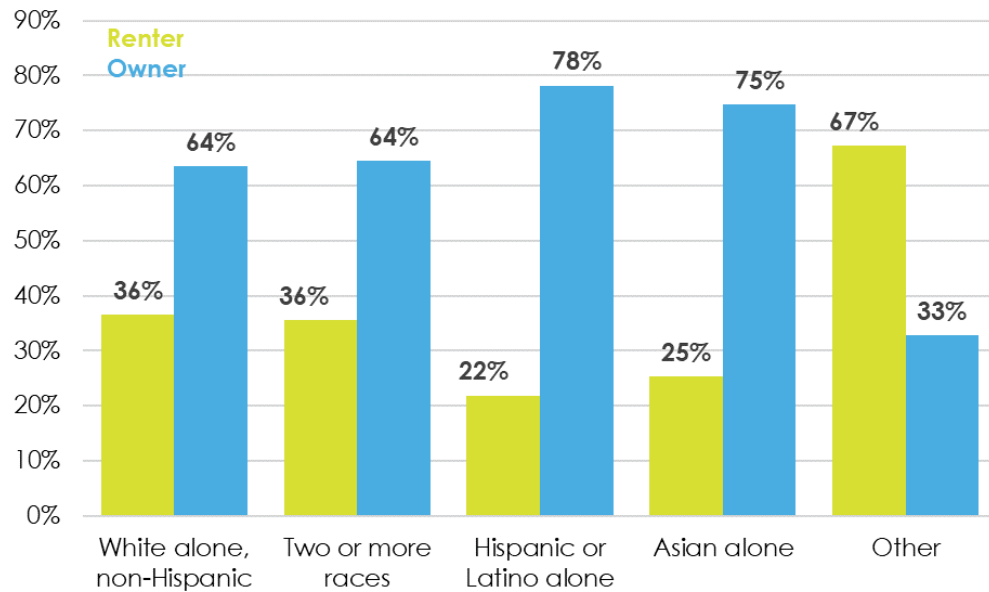


Source: American Community Survey, 2017-2021; CAI, 2022.

All Gig Harbor households irrespective of race and ethnicity are predominately owner households.

In Gig Harbor in 2021, white, non-Hispanic households, households with two or more races, Hispanic or Latino households, and Asian households all had a greater proportion of owner households than renter households (**Exhibit 16**). Hispanic households had the highest share of owners (78%), followed by Asian households (75%), and white, non-Hispanic and two or more race households with the same proportion of owners (64%).

Exhibit 16. Households by Race and Ethnicity and Tenure, Gig Harbor, 2021



Source: American Community Survey, 2017-2021; CAI, 2022.

Note: The 'Other' category includes Black or African American and American Indian and Alaska Native.

Household Income

Household income is a measure of people's ability to afford a home. The median household income for a community, which is the income at which half the residents make more money and half make less, is helpful for comparisons with other jurisdictions or with median home values. Assessing the geographic distribution of income in a community can help highlight disparities by geography.

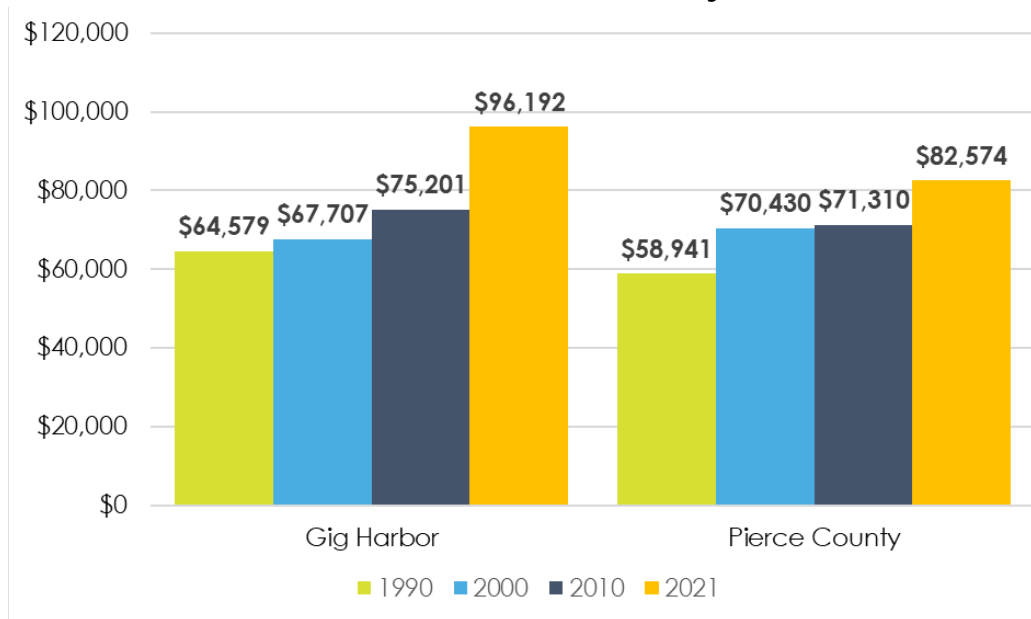
Median household incomes are generally higher in Gig Harbor than in the County.

Compared with Pierce County, Gig Harbor's median household income has been higher every decade since 1990, except for 2000. In 2021, Gig Harbor's median household income was just over \$96,000, nearly \$14,000 greater than Pierce County's (**Exhibit 17**). The city's median household income increased by an average annual rate of 4.3% between 2010 and 2021.

The median household income in Gig Harbor is significantly higher for homeowners than for renters. In 2021, the median household income was \$107,468 for homeowner households and \$67,055 for renter households¹⁹.

¹⁹ American Community Survey, 2017-2021.

Exhibit 17. Median Household Income (Inflation Adjusted to \$2021), Gig Harbor and Pierce County



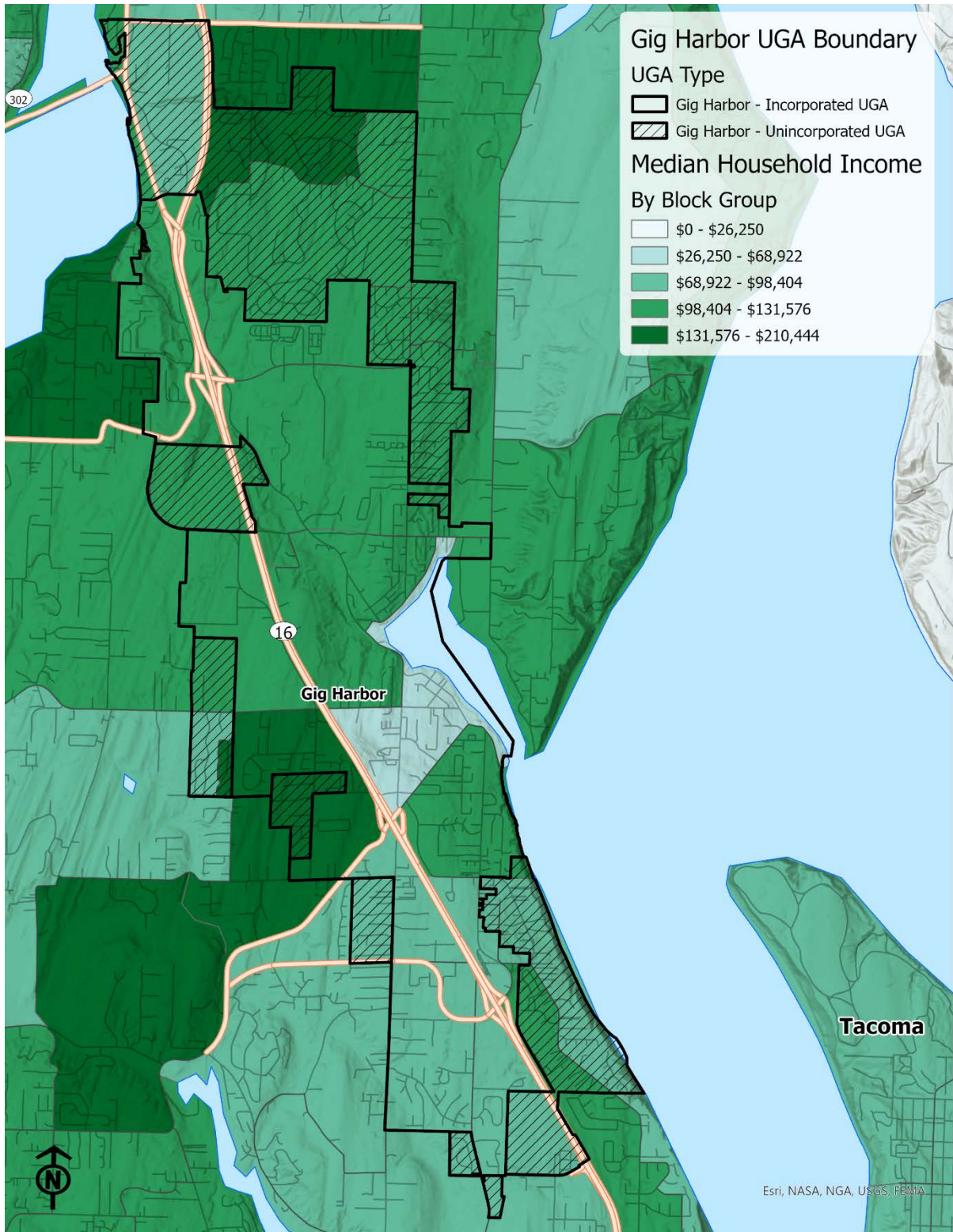
Source: American Community Survey, 1990, 2000, 2020, and 2021; CAI, 2022.

Gig Harbor is part of the U.S. Department of Housing and Urban Development’s (HUD’s) Tacoma Metro Area, which includes all of Pierce County. In 2021, the HUD Area Median Family Household Income for the Tacoma HUD Metro Area (also known as Area Median Income or AMI) was \$91,100. It is important to note that the median household income for Gig Harbor households is higher than the AMI, which is the base metric used in several affordability measures throughout this report. Most households in Gig Harbor have incomes above the AMI, and so are less likely to face housing affordability challenges than the typical residents of the HUD Tacoma Metro Area.

Exhibit 18 illustrates the distribution of median household income levels by Census block group in 2021²⁰. Block groups in parts of downtown and the south side of the city have lower median household incomes than block groups located in north Gig Harbor.

²⁰ American Community Survey 5-year estimates, 2017-2021.

Exhibit 18. Median Household Income by Block Group, Gig Harbor, 2021

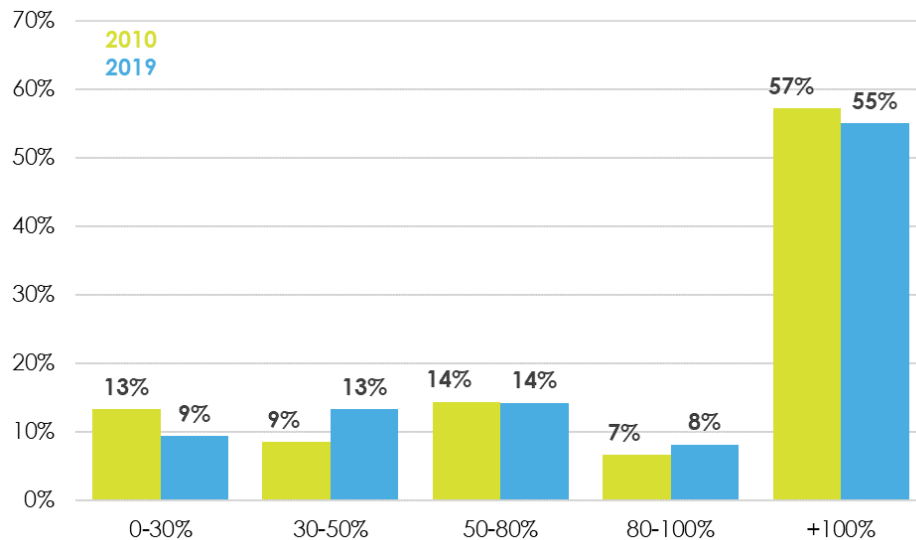


Source: U.S. Census ACS, 2017-2021; Community Attributes, 2022.

More than half (55%) of Gig Harbor households earned above the Area Median Income.

In 2019, 55% of Gig Harbor households earned 100% or more of the Area Median Income (AMI), a slightly smaller share than in 2010 (**Exhibit 19**). The share of extremely low-income households (0-30% AMI) has decreased from 13% in 2010 to 9% in 2019, while the share of very low-income households increased from 9% to 13% during the same period.

Exhibit 19. Percentage of Households by AMI, Gig Harbor, 2010 and 2019



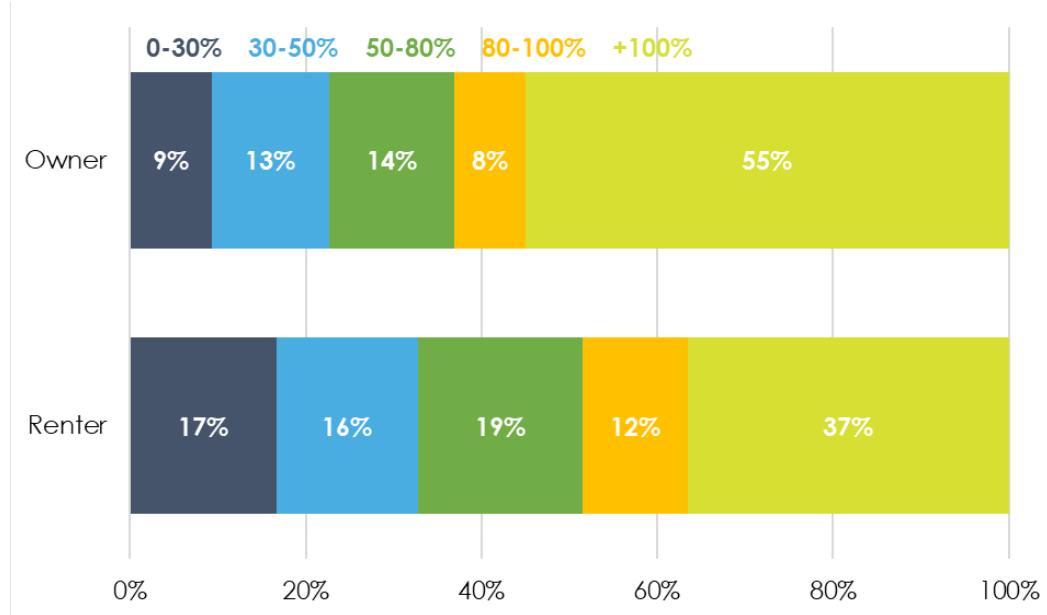
Source: HUD CHAS (based on ACS 2006-2010 and 2016-2019 5-Year estimates); CAI, 2022.

Homeowners in Gig Harbor earned more than renters and White, non-Hispanic and Asian households earned more than other racial and ethnic groups.

In Gig Harbor in 2019, 55% of owner households earned 100% or more of the Area Median Income, compared to 37% of renter households. Renter households also have a significantly higher share of extremely low-income households – 17% compared to 9% of owner households (**Exhibit 20**).

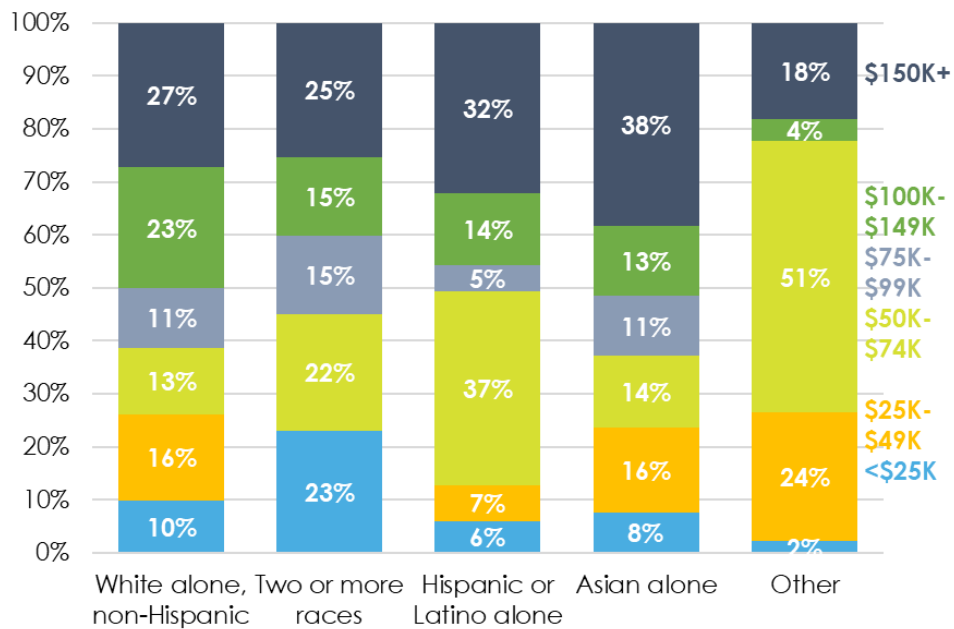
Median household incomes differed by race and ethnicity in Gig Harbor. In 2021, 51% of Asian households and 50% of White alone households earned more than \$100,000. Households with two or more races had the highest share of households earning less than \$25,000. Just under half (49%) of Hispanic households of any race earn less than \$75,000, the highest share among all other races and ethnicities. (**Exhibit 21**)

Exhibit 20. Percentage of Households by AMI and Tenure, Gig Harbor, 2019



Source: HUD CHAS (based on ACS 2006-2010 and 2016-2019 5-Year estimates); CAI, 2022.

Exhibit 21. Percentage of Households by Median Household Income and Race and Ethnicity, Gig Harbor, 2021



Source: U.S. Census ACS, 2017-2021; Community Attributes, 2022.

Note: The 'Other' category includes Black or African American and American Indian and Alaska Native and Some other race alone.

Employment and Commuters

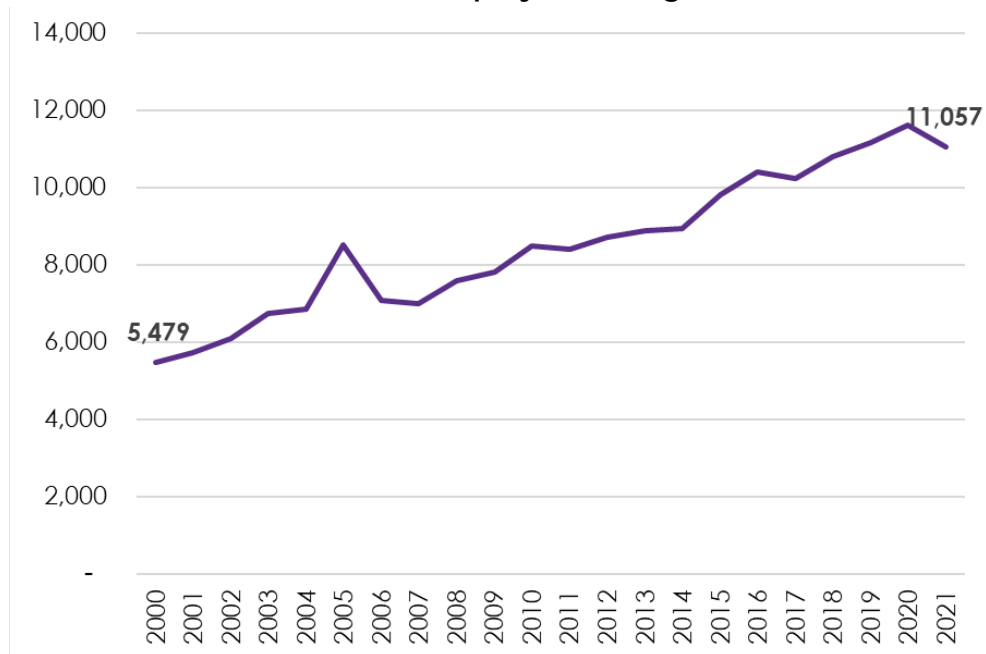
Understanding Gig Harbor’s workforce profile and commuting trends will help provide insights on the housing needs of workers today and into the future. Factors such as the jobs to housing ratio and the city’s commuting patterns may have implications for how many people are able to both live and work within the city. If such factors indicate many people are commuting into the city for work, it could be possible that the city does not have enough housing to accommodate its workforce or enough housing matching the needs and affordability levels of those wanting to live in Gig Harbor.

Total Employment

Employment has grown substantially since 2000 and has exceeded the 2030 adopted growth target.

Exhibit 22 shows the historic growth of covered employment in Gig Harbor from 2000 to 2021. In that time, employment has more than doubled, from 5,479 to 11,057. The growth has been mostly steady in the last two decades, apart from a spike in growth from 2004 to 2006, and a recent decline in employment since 2020 due to the pandemic. Gig Harbor employment grew at a faster rate than Pierce County (3.6% per year on average compared to 1.3% for the county from 2000 to 2021) and many other cities within the county. The city had the 6th fastest annual growth rate for employment of 23 cities in the county between 2003 and 2021.

Exhibit 22. Historic Covered Employment, Gig Harbor, 2000 – 2021



Source: Puget Sound Regional Council, 2021; CAI, 2022.

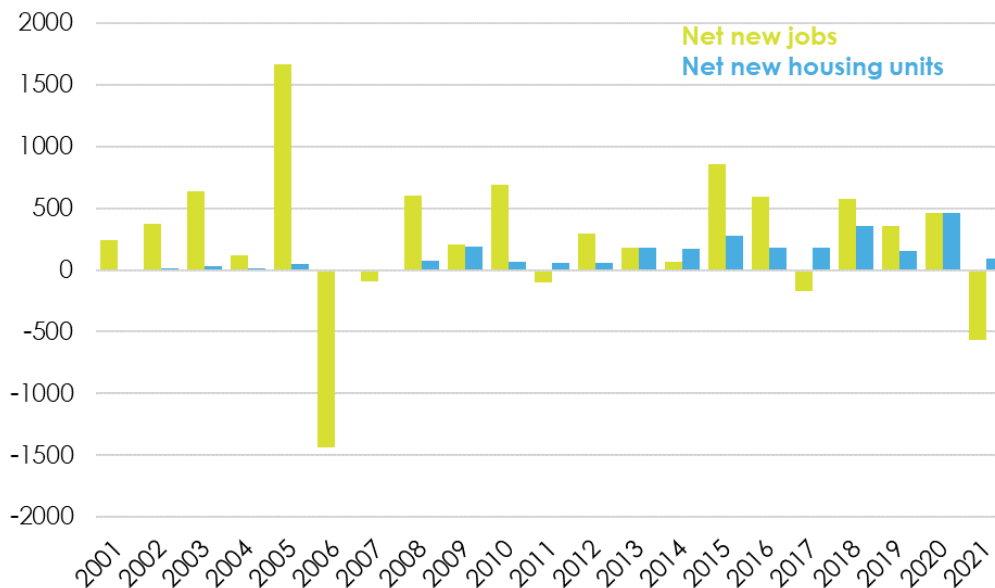
The City of Gig Harbor has exceeded its 2030 adopted total employment target of 10,189²¹. According to the Pierce County adopted Growth Management Act employment growth targets, the City of Gig Harbor is expected to add 2,747 jobs by 2044 and reach a total employment of 15,602²². This represents a slower growth than what the city has experienced over the past decade – 0.8% average annual growth rate from 2020 to 2044, compared to 3.5% from 2010 to 2020.

Job growth has been outpacing housing production in Gig Harbor.

The growth in jobs in Gig Harbor has far outpaced the growth in housing units between 2000 and 2021. While employment grew by 5,578 during this period, the number of housing units only grew by 2,648. Therefore, Gig Harbor gained 2.1 net new jobs for every one net new housing unit.

In 2000, there were 1.8 jobs for every housing unit in Gig Harbor. The ratio of net new jobs to net new housing units increased to a peak of 2.7 in 2005 due to a spike in employment and decreased the next year, fluctuating between 2.2 and 2.4 until 2020 when it decreased further. In 2021, the ratio of net new jobs to net new housing units was 1.9.

Exhibit 23. Net Gain/Loss of Jobs and Housing, Gig Harbor, 2001 – 2021



Source: Puget Sound Regional Council, 2021; Washington Office of Financial Management, 2021; CAI, 2022.

²¹ [https://www.cityofgigharbor.net/DocumentCenter/View/472/Chapter-7-Economic-Development---Amended-2018-#:~:text=d\)%20Meet%20the%202030%20employment,9%2C95410%2C189%20jobs.](https://www.cityofgigharbor.net/DocumentCenter/View/472/Chapter-7-Economic-Development---Amended-2018-#:~:text=d)%20Meet%20the%202030%20employment,9%2C95410%2C189%20jobs.)

²² <https://online.co.pierce.wa.us/cfapps/council/model/otDocDownload.cfm>

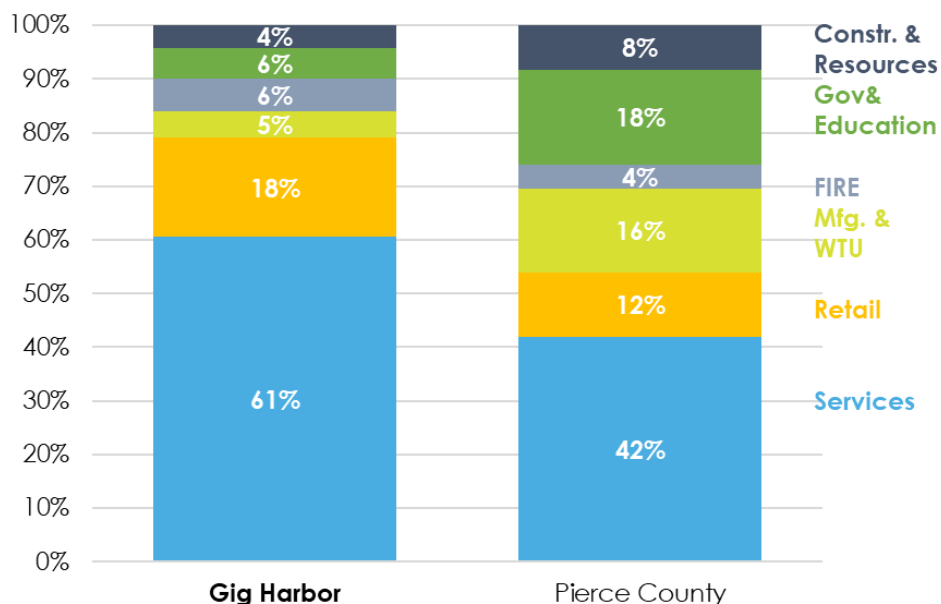
Employment by Industry

Jobs in retail and services account for nearly 80% of all jobs – a much greater proportion than in the County.

Compared with Pierce County, in 2021, Gig Harbor had a much larger proportion of jobs in the services sector and a somewhat larger share in retail. Jobs in retail and services account for nearly 80% of all jobs in Gig Harbor (**Exhibit 24**). Services is a classification that includes a broad range of industries. The service industries with the most jobs in Gig Harbor include health care, accommodation and food services, administrative and support and waste management and remediation services, and professional, scientific, and technical services. Jobs in services accounted for 69% of total jobs added in Gig Harbor between 2000 and 2021, followed by retail which accounted for 18% of total jobs added.

In contrast, the city had a much smaller proportion of jobs in manufacturing and wholesale trade, transportation, and utilities (WTU), government and education, and construction and resources sectors. WTU and education have experienced job losses in the past couple of decades. WTU employment decreased by 25% between 2000 and 2021, while education employment decreased by 2%.

Exhibit 24. Employment Share by Industry, Gig Harbor and Pierce County, 2021



Source: Puget Sound Regional Council, 2021; CAI, 2022.

Note: *FIRE includes jobs in the industries of finance, insurance, and real estate. WTU includes jobs in wholesale trade, transportation, and utilities.

Worker Earnings

Three quarters of Gig Harbor workers earned \$40,000 or less annually in 2019.

American Community Survey estimates, summarized by the Census Bureau and LEHD Origin-Destination Employment Statistics, provides a comparison of income for people of working age living in Gig Harbor and people working in Gig Harbor. Just over 60% of Gig Harbor’s workers earned \$40,000 or less annually, while 43% of Gig Harbor residents earn similar wages.

Exhibit 25. Income Estimates for Residents and Employees, Gig Harbor, 2019

Income Estimate	Residents	Employees
Less than \$1,250 per month	605 (18.3%)	2,451 (24.9%)
\$1,251 to \$3,333 per month	801 (24.3%)	3,492 (35.5%)
More than \$3,333 per month	1,895 (57.4%)	3,889 (39.6%)

Source: U.S. Census OnTheMap, 2019; CAI, 2022.

Travel to Work Patterns

Gig Harbor has a high share of workers commuting into the city for work from another location. Around 96% of people employed in Gig Harbor live outside the city. On the other hand, 87% of Gig Harbor’s residents are employed outside the city.

Only 4% of Gig Harbor workers and 13% of Gig Harbor residents lived and worked in the city.

Exhibit 26 describes the top places of work for Gig Harbor residents in 2019. Gig Harbor is connected to employment centers in Tacoma and Seattle. Roughly 29% of all residents or 968 residents work in Tacoma (17%) and Seattle (12%). Only 13% of the city’s residents also work in Gig Harbor. Many other Gig Harbor residents work in other South King County or Pierce County locations, including SeaTac, Federal Way, Auburn, Lakewood, Puyallup, and Fife.

The top place of residence for Gig Harbor workers in 2019 was also Tacoma, with 11%, or 1,079 workers commuting from that city (**Exhibit 27**). Around 7% of Gig Harbor workers commuted in from the nearby Artondale Census Designated Place (CDP), while only 4% of workers – 420 in total – lived and worked in Gig Harbor. In 2021, according to U.S. Census American Community Survey data, roughly 54% of people who work in Gig Harbor commute between 10 and 29 minutes to their workplace in the city, and another 25% commute between 30 and 59 minutes.

Exhibit 26. Where Gig Harbor Residents Work, 2019

Place	Total Jobs	% of Total Jobs
Tacoma	566	17%
Gig Harbor	420	13%
Seattle	402	12%
Purdy CDP	126	4%
SeaTac	99	3%
Bellevue	98	3%
Lakewood	96	3%
Wollochet CDP	60	2%
Puyallup	59	2%
Olympia	55	2%
Fife	54	2%
Federal Way	53	2%
Auburn	50	2%
<i>All other locations</i>	<i>1,163</i>	<i>35%</i>
Total	3,301	

Source: U.S. Census OnTheMap, 2019; CAI, 2022.

Exhibit 27. Where Gig Harbor Workers Live, 2019

Place	Total Jobs	% of Total Jobs
Tacoma	1,079	11%
Artondale CDP	663	7%
Gig Harbor	420	4%
Wollochet CDP	383	4%
Seattle	258	3%
University Place	238	2%
Maplewood CDP	237	2%
Bremerton	203	2%
Port Orchard	201	2%
Wauna CDP	187	2%
Canterwood CDP	173	2%
Lakewood	172	2%
Rosedale CDP	166	2%
<i>All other locations</i>	<i>5,452</i>	<i>55%</i>
Total	9,832	

Source: U.S. Census OnTheMap, 2019; CAI, 2022.

CURRENT HOUSING SUPPLY

This section examines the current housing stock and market conditions in Gig Harbor and how it compares to the region. While Gig Harbor’s housing policy and programs impact only the land within its boundaries, many of its housing commitments and strategies are regional in nature and may be driven by interjurisdictional or regional conditions.

Housing Stock

The purpose of this section is to describe Gig Harbor’s housing stock with a focus on characteristics such as type, size, and tenure. The housing stock analysis also considers the needs of special populations within the community.

Housing Units by Type

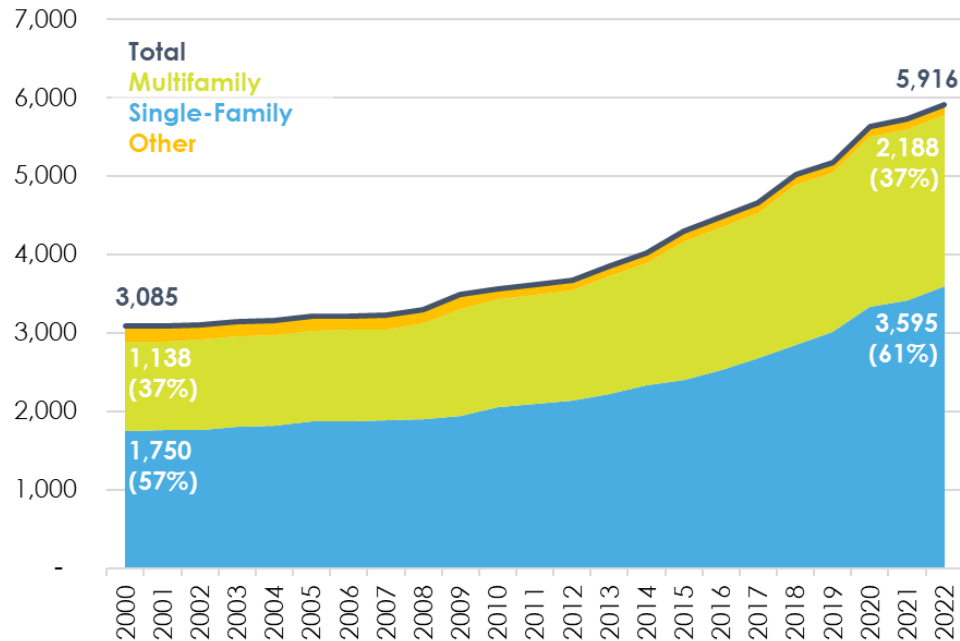
Gig Harbor’s single-family home production outpaced that of multi-family homes since 2000.

As of 2022, Gig Harbor has a total of 5,916 housing units, 61% of which are single-family homes²³ (**Exhibit 28**). Compared to Pierce County, Gig Harbor has a lower share of single-family housing units. Roughly 67% of Pierce County’s housing stock is made up of single-family homes.²⁴ Of the 2,831 new housing units built since 2000, 65% or 1,845 housing units were single-family units. Single-family units have increased by 3.3% per year on average, compared to 3% for multifamily housing units. The ‘Other’ category in **Exhibit 28** includes mobile homes and special housing units. These made up 6% of Gig Harbor’s total housing stock in 2000 but have since decreased to 2% of total housing units in the city.

²³ The Gig Harbor Municipal Code defines single-family dwellings as “a residential structure with one dwelling unit that is constructed on a permanent foundation”.

²⁴ American Community Survey 5-year Estimates, 2015-2019.

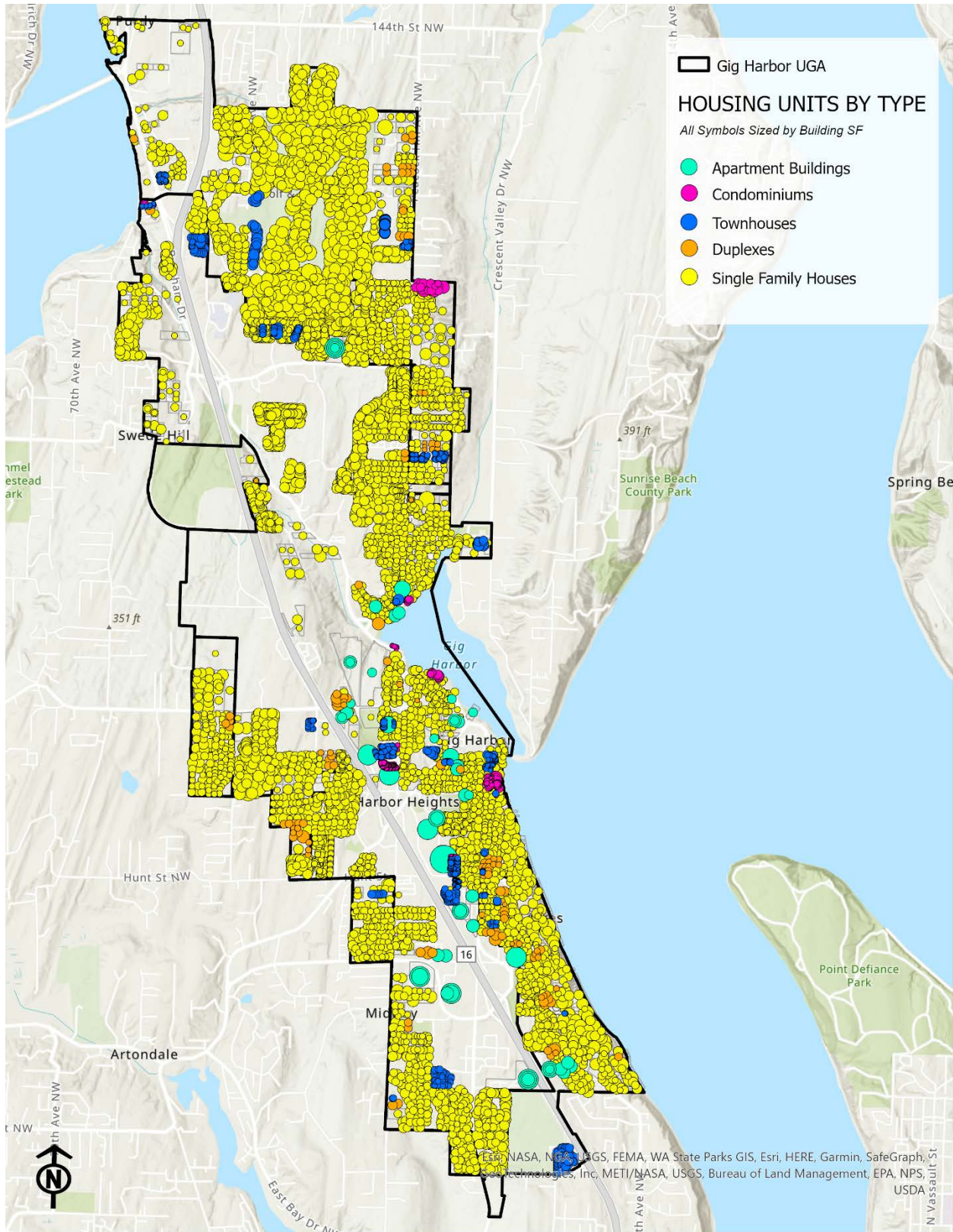
**Exhibit 28. Housing Units by Number of Units in Structure,
Gig Harbor, 2000 to 2022**



Source: Washington Office of Financial Management, 2000-2022; CAI, 2022.

Exhibit 29 shows the distribution of housing unit types across the Gig Harbor Urban Growth Area (UGA). The dots represent the buildings and are sized by building square feet. Within the city, the highest concentration of condos and apartment units are clustered around the downtown and Harbor Heights area and further south along SR16. The remainder of multifamily housing units are to the north of Borgen Blvd, outside the city boundaries but within the UGA area.

Exhibit 29. Housing Types and Units per Parcel, Gig Harbor UGA, 2022

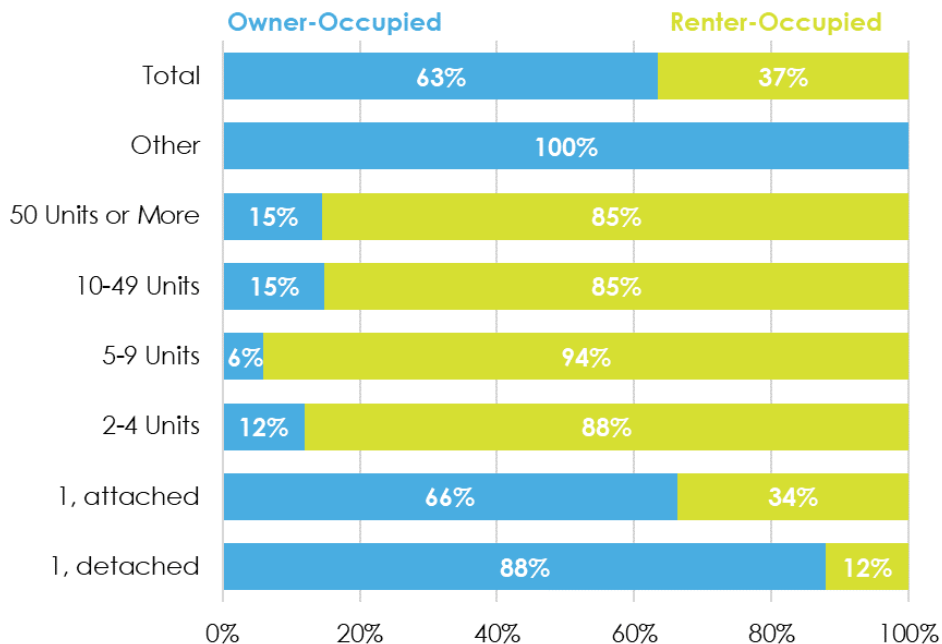


Source: Pierce County Department of Assessments, 2022; CAI, 2022.

Single-family homes are much more likely to be owner-occupied than multi-family homes.

Owner-occupied units in Gig Harbor make up 63% of all housing units, compared to 37% of renter-occupied units (**Exhibit 30**). One unit housing types (single family detached homes or “1, detached” and townhomes or “1, attached”) are vastly more likely to be owner-occupied than renter-occupied, with 88% and 66% owner-occupancy, respectively. Multi-family units with two or more housing units in a structure, are very likely to be renter-occupied. Housing units with between two and four units have an 88% renter-occupancy rate and units with between five and nine units have a 94% renter-occupancy rate. Structures with 10-49 units and more than 50 units both have an 85% renter-occupancy rate.

Exhibit 30. Housing Types by Tenure, Gig Harbor, 2021



Source: American Community Survey, 2021; CAI, 2022.

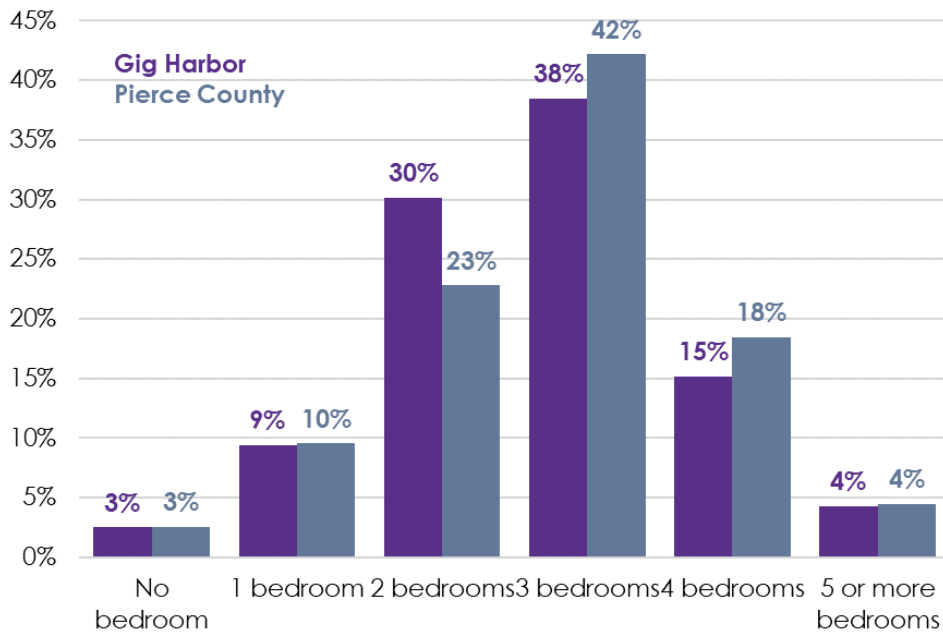
Note: Other includes boats, RVs, vans, and mobile homes.

Housing Units by Size

57% of Gig Harbor’s housing units have three or more bedrooms, yet 68% of the households have only one or two members.

The two most common home sizes in Gig Harbor are two- and three-bedroom homes, which represent 30% and 38% of all homes, respectively (**Exhibit 31**). Pierce County has a larger share of bigger homes, or those with three or more bedrooms, and a smaller share of two-bedroom housing units than Gig Harbor. Gig Harbor and Pierce County have very similar shares of no bedroom and one-bedroom homes.

**Exhibit 31. Number of Bedrooms in Home,
Gig Harbor and Pierce County, 2021**



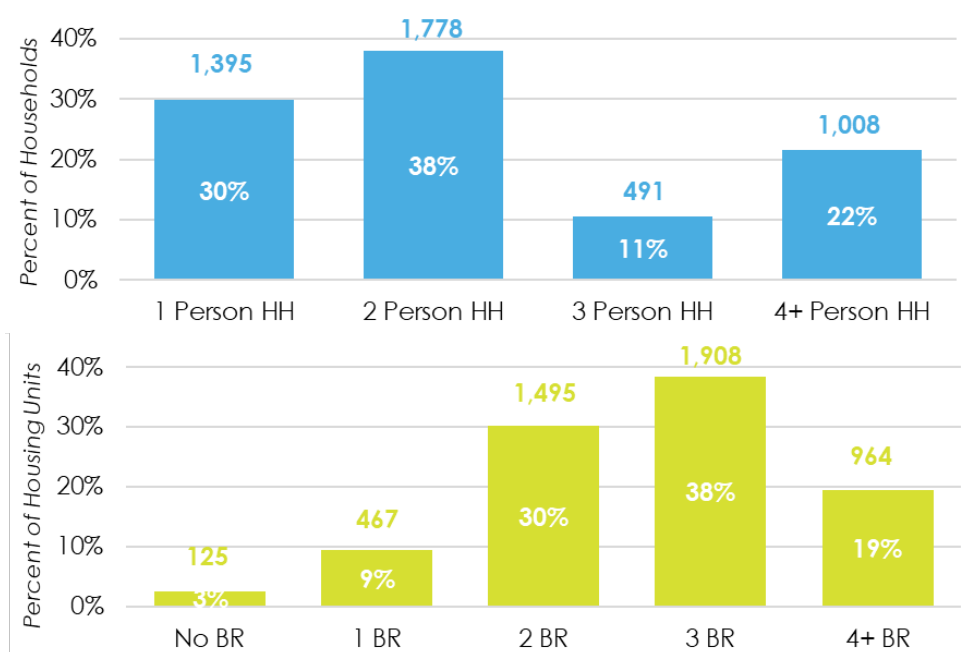
Source: American Community Survey, 2021; CAI, 2022.

Exhibit 32 compares housing unit size (number of bedrooms in Gig Harbor homes) with household size (the number of individuals living in Gig Harbor households). Gig Harbor has an average household size of 2.4 individuals per housing unit.²⁵ Roughly 30% of Gig Harbor households or 1,395 households are comprised of one person, and 38% or 1,778 households are comprised of two people. However, over half of housing units in the city are built for larger households: 38% or 1,908 housing units have three bedrooms, and an additional 19% or 964 units have four bedrooms.

This may indicate single workers or small families seeking to live in Gig Harbor, or existing households, such as retirees, who may wish to downsize their home and stay in the community may find it difficult to access smaller format housing. However, this could also indicate that a portion of one- and two-person households likely live in a housing unit with at least one unoccupied bedroom which would reduce the number of larger homes available for larger households. Larger households take many different forms and could include households with large family sizes, multigenerational households, families doubling-up to save money, or other situations.

²⁵ American Community Survey, 2017-2021 5-Year Estimates; CAI, 2022.

Exhibit 32. Comparison of Distributions of Housing Unit Size and Household Size, Gig Harbor, 2021



Source: American Community Survey, 2021; CAI, 2022.

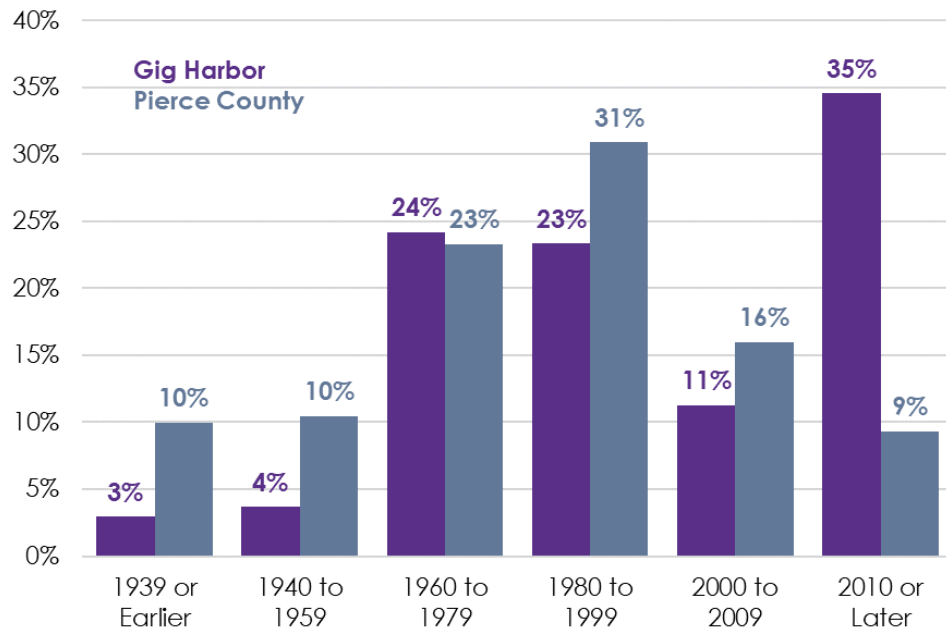
Housing Units by Age

More than one-third of Gig Harbor's housing stock has been constructed since 2010.

Around 35% of Gig Harbor's housing stock was built since 2010 (**Exhibit 33**), compared to 9% of Pierce County's housing stock. Nearly half (47%) of Gig Harbor's housing stock was built between 1960 and 1999. Very few of Gig Harbor's homes, or 7%, were built before 1960. Countywide there was more development before 1960, with 20% of Pierce County's housing stock built prior to 1960.

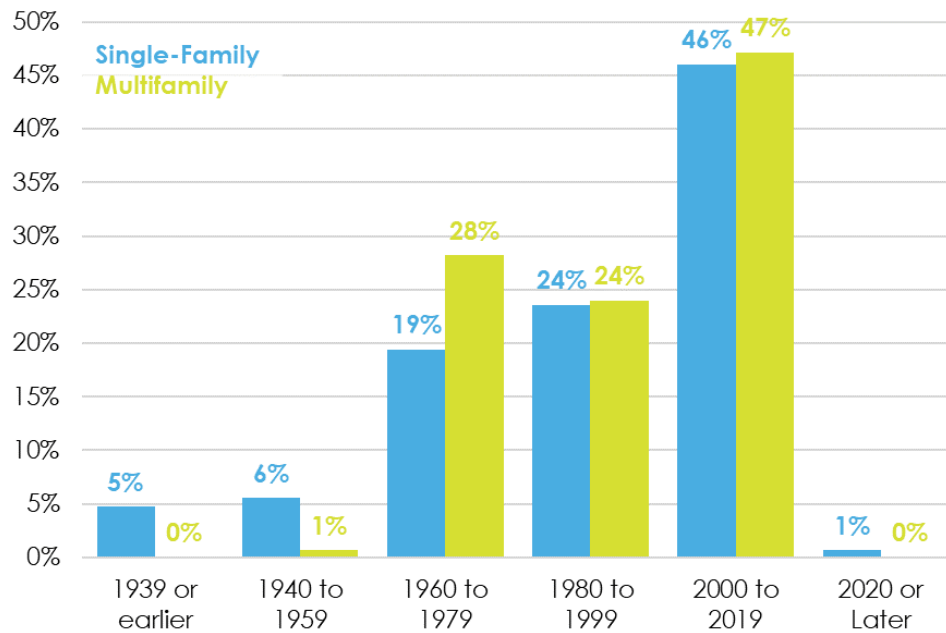
Exhibit 34 shows the age of Gig Harbor's housing units by housing tenure. In general, Gig Harbor's single-family housing stock is not much older than its multi-family stock. Nearly 11% of all single-family units were built before 1960 and are now more than 60 years old, compared to only 1% of multi-family housing units. However, similar shares of single-family and multi-family housing units have been produced since 1980.

Exhibit 33. Age of Housing Units, Gig Harbor and Pierce County, 2021



Source: American Community Survey, 2021; CAI, 2022.

Exhibit 34. Age of Housing Units by Housing Tenure, Gig Harbor, 2021



Source: American Community Survey, 2021; CAI, 2022.

Housing Market Conditions and Trends

Indicators such as housing unit production, home values, rental costs, and vacancy rates can provide key insights into the health and competitiveness of

the local housing market and can reveal potential gaps in housing inventory or typologies.

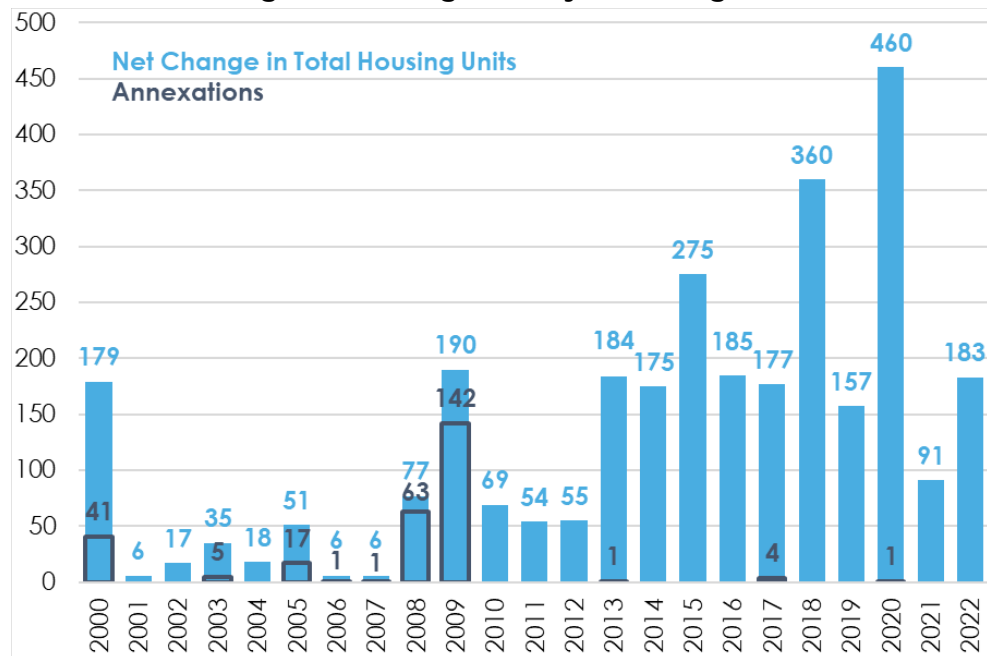
Housing Production

Gig Harbor added 2,831 housing units between 2000 and 2022, the majority of which were single-family units.

Exhibit 35 shows the annual net change in housing units in Gig Harbor, including housing units added through annexation. Gig Harbor's housing stock increased by 2,831 units since 2000, including annexations. The largest annexations occurred in 2009 and earlier, for a total of 276 units annexed between 2000 and 2022. Annual housing development increases started in 2013, with peak production years in 2015, 2018, and 2020. On average, after excluding annexations, Gig Harbor has produced 116 units per year between 2000 and 2022.

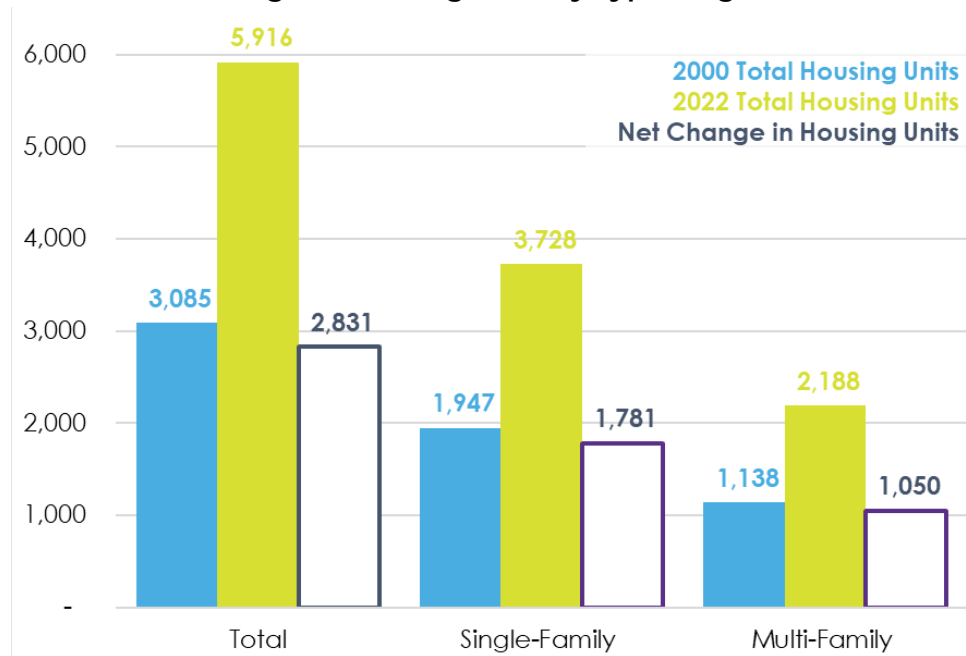
Exhibit 36 shows the net change from 2000 to 2022 of housing units by housing type. Of the total 2,831 housing units added between 2000 and 2022 (including annexations), 63% are single-family homes, and 37% are multi-family homes.

Exhibit 35. Net Change in Housing Units by Year, Gig Harbor, 2000 to 2022



Source: Washington Office of Financial Management, 2020; CAI, 2022.

Exhibit 36. Net Change in Housing Units by Type, Gig Harbor, 2000 – 2022



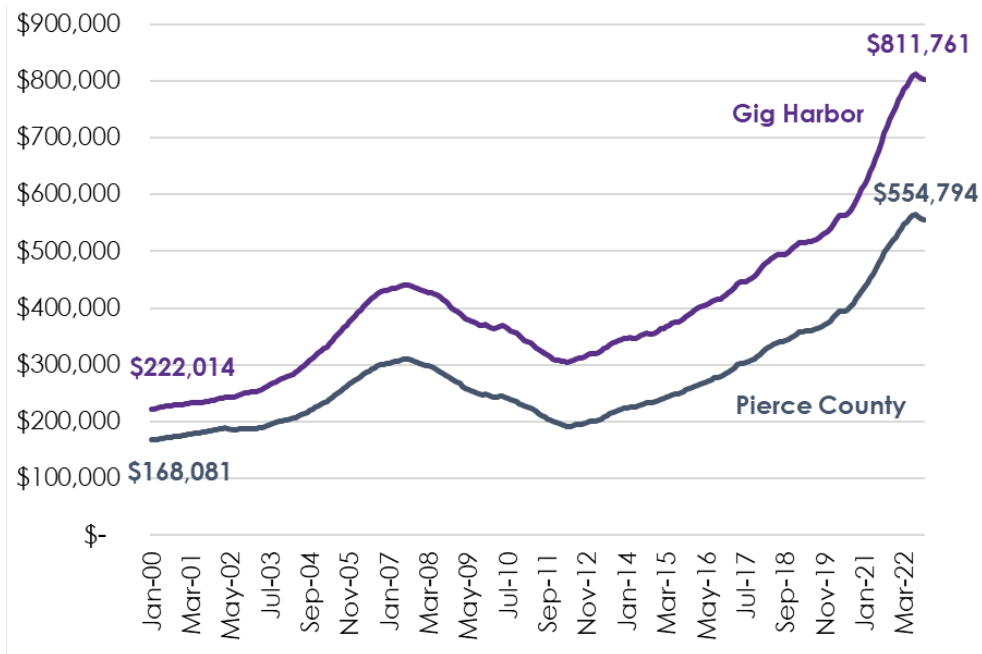
Source: Washington Office of Financial Management, 2000-2022; CAI, 2022.

Home Values

The median home value in Gig Harbor increased by more than 260% from 2000 to 2022 to more than \$800,000.

As of October 2022, the median home value in Gig Harbor was \$802,187 (**Exhibit 37**). This represents an increase of more than 260% since 2000, although the most current home values are down from a peak of \$811,761 in July 2022. Gig Harbor has historically had higher median home values than Pierce County as a whole, although the county has followed a similar trend of appreciating home values. The median home value in Pierce County in October 2022 was \$554,794, a 230% increase since 2000. Gig Harbor's home values grew by 6% on average each year, while countywide home values increased at a 5.6% mean annual growth rate.

Exhibit 37. Median Home Value, Gig Harbor and Pierce County, 2000 to 2022



Source: Zillow Home Value Index, 2022; CAI, 2022.

Note: Zillow Home Value Index (ZHVI) is a smoothed, seasonally adjusted measure of the typical home value and market changes across a given region and housing type. It reflects the typical value for homes in the 35th to 65th percentile range.

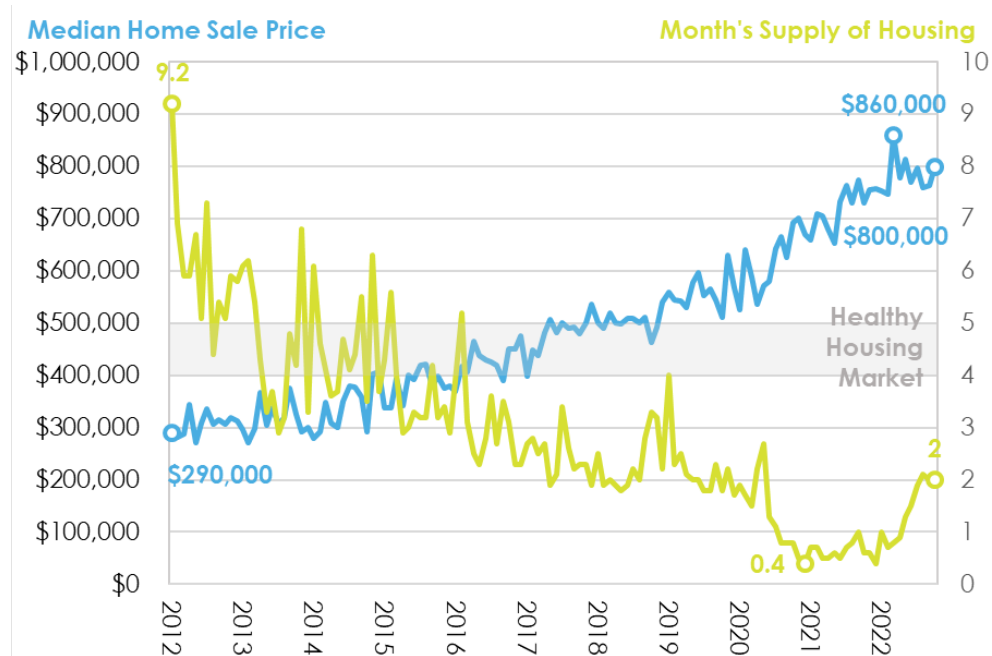
The housing market in Gig Harbor has become increasingly competitive for buyers, with fewer houses on the market.

The month's supply of housing indicates the size of the for-sale inventory compared to the number of homes being sold. This number shows how many months it would take for all the current homes for sale on the market to sell, given a monthly sales volume. Four to five months of supply is average. A lower number means that buyers are dominating the market and there are relatively few sellers (seller's market); a higher number means there are more sellers than buyers (buyer's market).

From 2012 to 2022, the months' supply of housing in Gig Harbor has steadily decreased from a high of 9.2 months in January 2012 to 0.4 months in 2021 through parts of 2022 (**Exhibit 38**). As of October 2022, the months' supply reached two months. As supply decreased, homes are higher priced, and the monthly median sale price increased significantly during this period with a 10.7% annual growth rate and overall increase of 175%. As mentioned above, a healthy housing market, one in which the market favors buyers and sellers equally, has between four to five months of supply. As denoted in gray in **Exhibit 38**, Gig Harbor's housing market has not been considered healthy since 2016. Since then, it has increasingly been a seller's market.

A home costing \$800,000, the most recent monthly median sale price in Gig Harbor, would require an estimated minimum income of \$196,400 to afford the monthly cost of loan principal, interest, property tax and insurance. This estimate assumes a 20% down payment with a 30-year fixed term mortgage and an interest rate of 6.9%.²⁶ This takes 30% of household income as a benchmark for affordability. By comparison, the median Gig Harbor family earned \$123,203 in 2021.²⁷ The median income for all types of households was \$96,192 in 2021.²⁸

Exhibit 38. Months' Supply of Housing Units and Monthly Median Sale Price, Gig Harbor, 2012 to 2022



Source: Redfin, 2022; CAI, 2022.

Rental Housing Costs

Rental prices have increased by 72% since 2016, a slower growth rate than home values.

Average rents in Gig Harbor have also steadily increased since 2016 (**Exhibit 39**). From 2016 to 2022, rents in Gig Harbor increased from \$1,595 to \$2,732, which represents an annual growth rate of 9.4% and overall increase of 71%. Gig Harbor's median rent is higher than that of Pierce

²⁶ 30-Year Fixed Rate Mortgage Average in the United States in October 2022, FRED.

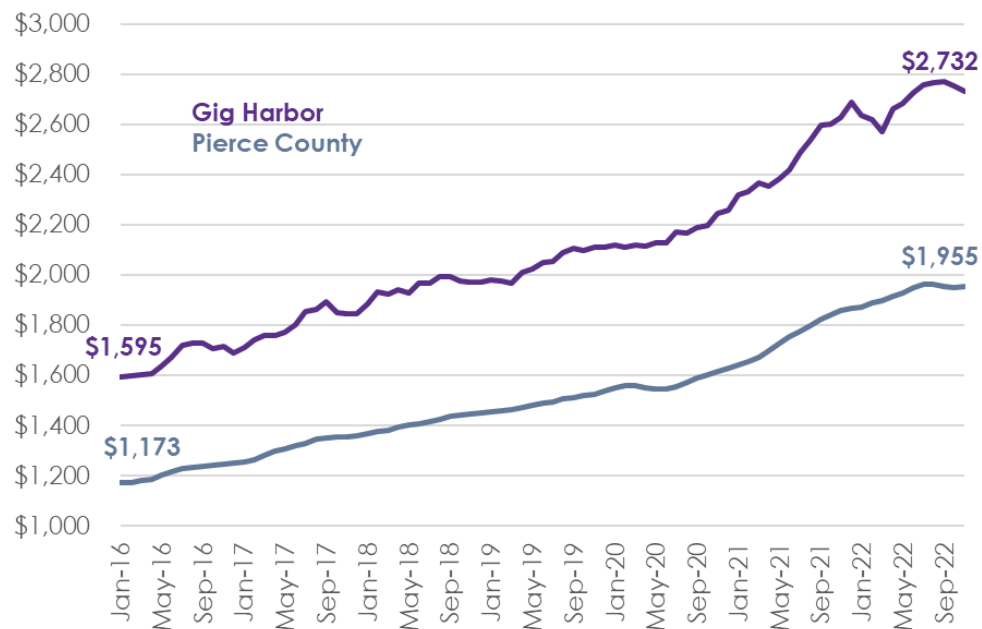
²⁷ American Community Survey 5-year Estimates, 2017-2021.

²⁸ American Community Survey 5-year Estimates, 2017-2021.

County. Rents in Pierce County increased at a comparable annual growth rate of 9.9% from 2016 to 2022. This is an overall increase of 67%.

The most recent average rent of \$2,732, by contrast, requires an annual income of at least \$109,000 for affordability.²⁹ This requires more than the area's median income for households with 4 or less than 4 persons to maintain affordability, according to 2012 HUD limits³⁰. As rents rise, fewer higher-income renters will be able to build sufficient savings to purchase homes.

Exhibit 39. Change in Average Rent, Gig Harbor and Pierce County, 2016-2022



Source: Zillow Observed Rent Index (ZORI), 2016-2022 CAI, 2022.

Vacancy Rates

Vacancy rates in Gig Harbor rentals and owner-occupied homes were more volatile than Pierce County's rates since 2010.

Another useful measure of housing supply and demand are vacancy rates. Healthy vacancy rates differ for ownership and rental units. Taking a long-term view, average vacancy rates of 7-8 percent are typical for rental housing.³¹ Communities with low vacancy rates may experience a limited housing supply with inadequate housing production to satisfy demand. In

²⁹ American Community Survey 5-year Estimates, 2017-2021.

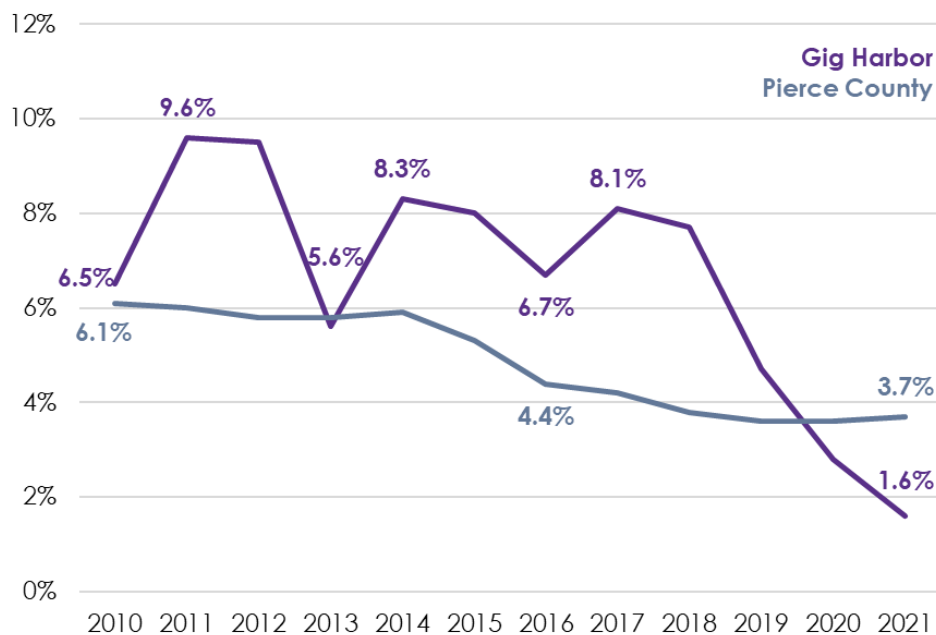
³⁰ Department of Housing and Urban Development, FY 2022 Income Limits, Tacoma, WA HUD Metro FMR Area.

³¹ Lincoln Land Institute, 2018 "The Empty House Next Door", page 12.

contrast, high vacancy rates may imply an over-supply of housing, reduced desirability of an area, or low demand.

After fluctuating between 6.5% and 8.1% from 2010 to 2017, rental vacancies in Gig Harbor began to decrease from 2018 to 2021 (**Exhibit 40**). Gig Harbor's rental vacancy rate decreased to a low of 1.6% in 2021. Rental vacancies in Pierce County steadily decreased from 6.1% in 2010 to 3.7% in 2021. Until 2020, Gig Harbor rental vacancy rates have been higher than countywide rates.

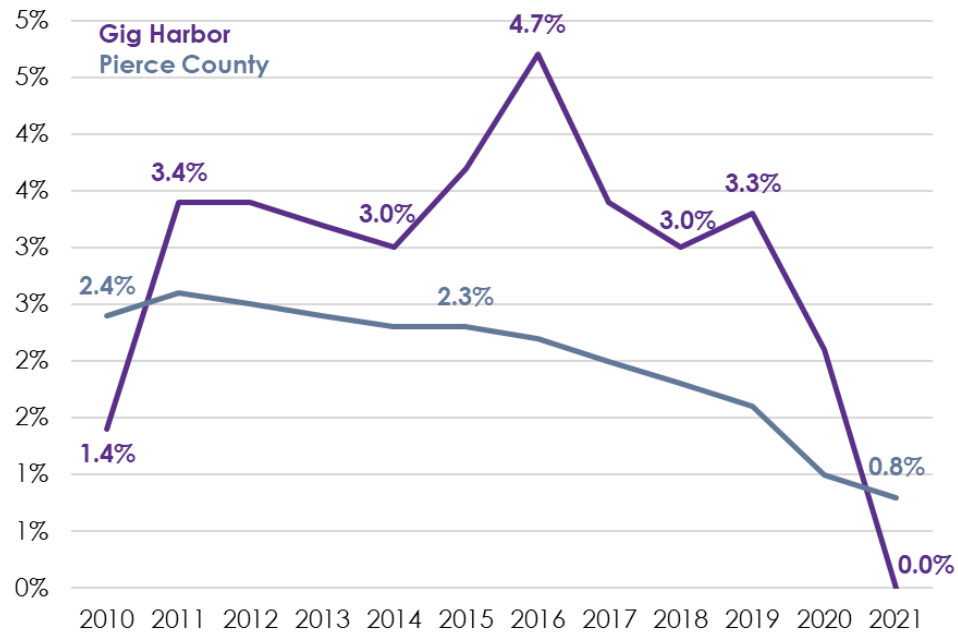
Exhibit 40. Rental Vacancy Rate, Gig Harbor and Pierce County, 2010-2021



Source: ACS, 2010-2021; CAI, 2022.

Homeowner vacancies in Gig Harbor have mostly been higher than countywide vacancy rates between 2010 and 2021 (**Exhibit 41**). Gig Harbor's homeowner vacancy in 2010 was 1.4%, and it fluctuated between 3.4% and 4.7% from 2011 to 2016. In 2016, it began to decline, and reached no vacancies in 2021. Pierce County's homeowner vacancy rate steadily decreased from 2.4% in 2010 to 0.8% in 2021.

Exhibit 41. Homeowner Vacancy Rate, Gig Harbor and Pierce County, 2010-2021



Source: ACS, 2010-2021; CAI, 2022.

Housing Affordability

Affordability Metrics

The term affordable housing refers to a household's ability to find housing within its financial means. Area median income (AMI) is a commonly accepted metric used for assessing housing affordability and was developed by the US Department of Housing and Urban Development (HUD) for determining eligibility for subsidized housing. HUD establishes extremely low-, very low-, low-, and median-income thresholds for households between one and eight people in size. The income limits produced by HUD are only available for certain metropolitan areas. **Exhibit 42** shows the 2021 income limits by household size in the Tacoma metro area, which includes Gig Harbor.

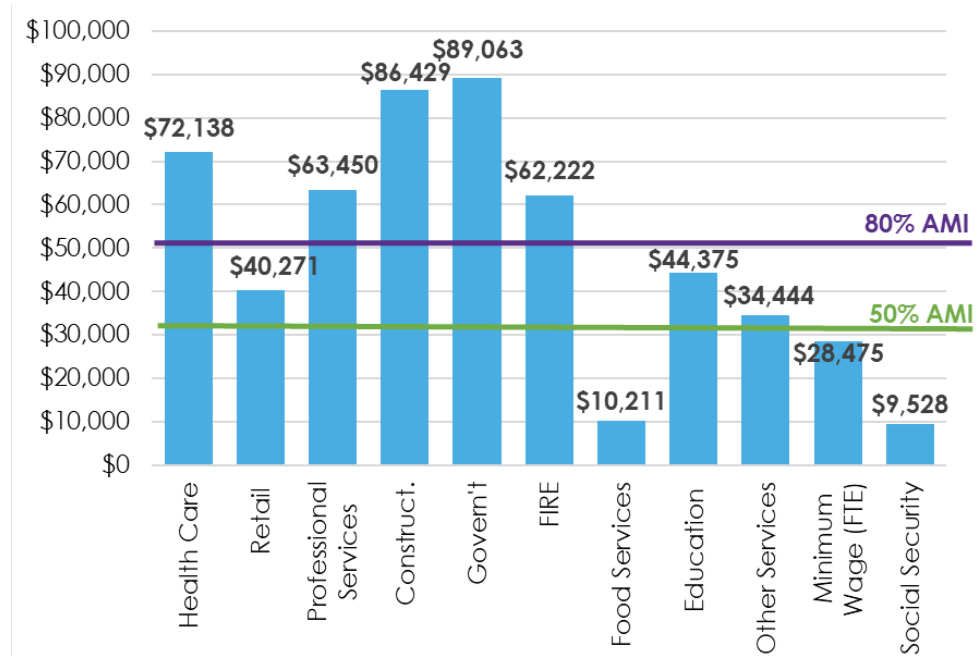
Exhibit 42. HUD Household Income Limits, Tacoma HUD Metro FMR Area, 2021

Income Level	Household Size (Persons in Family)							
	1	2	3	4	5	6	7	8
Extremely Low (30% AMI)	\$19,100	\$21,800	\$24,550	\$27,250	\$31,040	\$35,580	\$40,120	\$44,660
Very Low Income (50% AMI)	\$31,800	\$36,350	\$40,900	\$45,400	\$49,050	\$52,700	\$56,300	\$59,950
Low Income (80% AMI)	\$50,900	\$58,150	\$65,400	\$72,650	\$78,500	\$84,300	\$90,100	\$95,900
Median Income	\$63,750	\$72,900	\$82,000	\$91,100	\$98,400	\$105,700	\$112,950	\$120,250

Sources: HUD, 2021; Community Attributes Inc., 2022.

Exhibit 43 compares median earnings of Gig Harbor’s employed residents for a selection of industries as well as the income for residents earning minimum wage or relying on Social Security with the Tacoma metro area’s HUD income limits for a 1-person household in 2021. Several industries in which a large share of Gig Harbor residents work - including health care, professional services, construction, government, and financial and real estate services (FIRE) - have median earnings above 80% AMI. Others, including retail and education, earn a median wage between 50% and 80%, which is considered low-income by HUD. Residents in food services, residents working full time at minimum wage, or reliant on Social Security earn less than 50% of AMI.

Exhibit 43. Median Earnings by Industry for Employed Residents vs HUD Income Limits (1-person), Gig Harbor, 2021

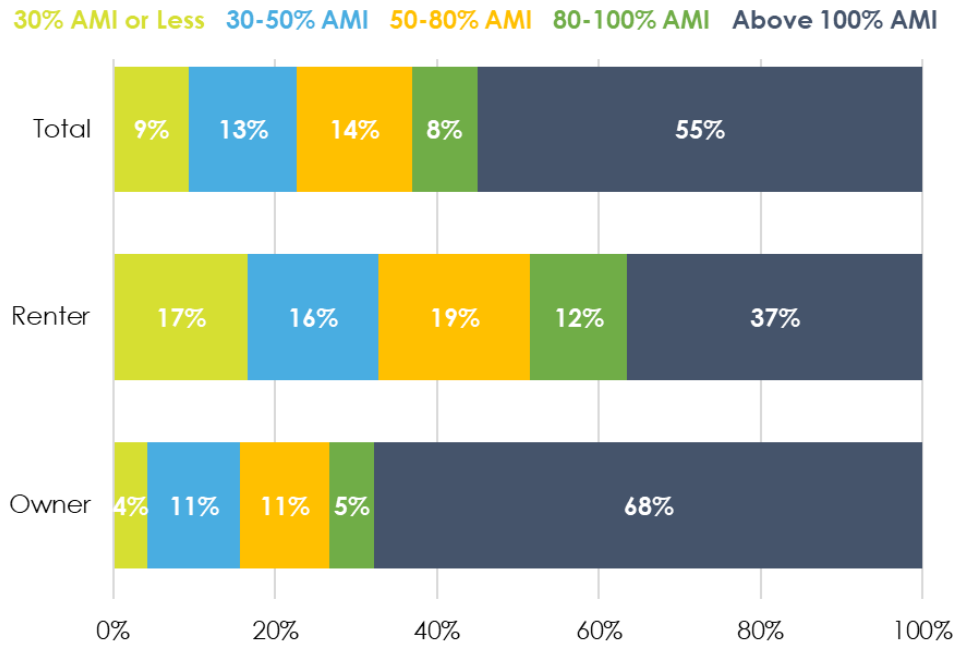


Sources: HUD, 2021; US Census Bureau 5-year Estimates ACS, 2017-2021; Social Security Administration, 2021; Washington State Department of Labor & Industries, 2021; Community Attributes Inc., 2022.

Roughly 63% of all Gig Harbor households are moderate income and high-income households, earning more than 80% AMI (**Exhibit 44**). This percentage is 58% for Pierce County. Around 14% of all households in the city are low-income, or earning between 50% and 80% AMI, 13% are very low-income (30-50% AMI) and 9% are extremely low-income (30% AMI or less). Gig Harbor has a smaller share of low-income and extremely low-income households than Pierce County.

A higher share of owner-occupied households in Gig Harbor earns moderate and high incomes, with 73% of all owner-occupied households earning above 80% AMI. This compares to 49% of all renter-occupied households. There is also a significantly higher share of extremely low-income renter households than owner households.

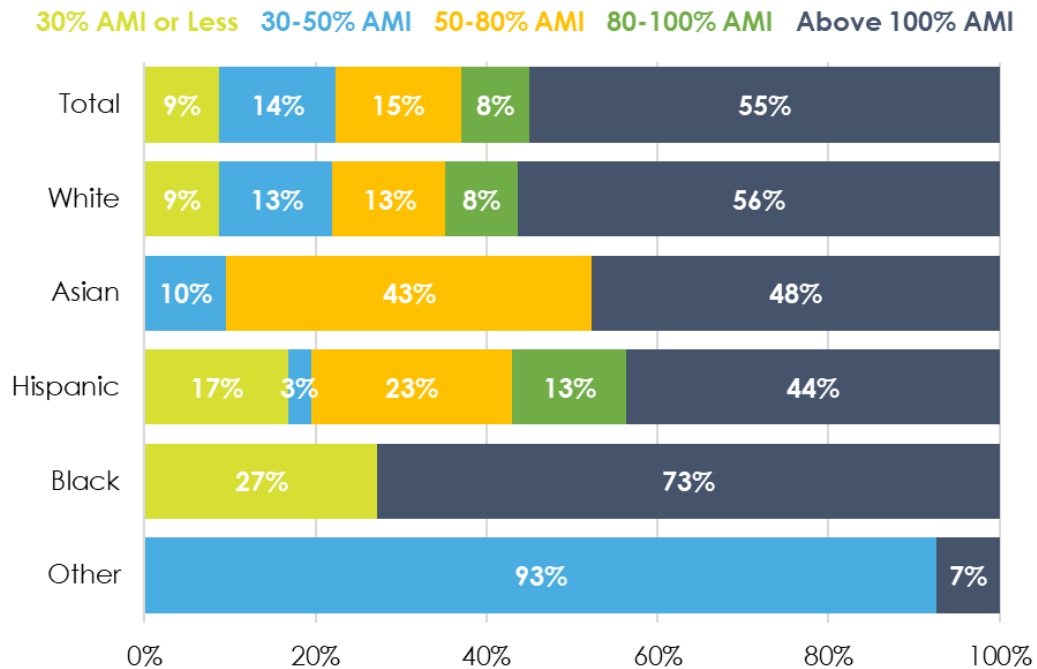
Exhibit 44. Percentage of Households by AMI and Tenure, Gig Harbor, 2019



Source: HUD CHAS, 2015-2019; CAI, 2022.

Exhibit 45 further distinguishes household income levels in Gig Harbor by the race and ethnicity of householder. White households, which make up 89% of total households in the city, have the second highest share of moderate and high-income households, with 65% earning above 80% AMI. White households also have a more evenly dispersed share of low, very low and extremely low-income households. Asian households make up 5% of total households in the city and have the highest share of low-income households, with 43% earning between 50 and 80% AMI, followed by Hispanic households with 23%. Black and Hispanic households have approximately two and three times the share of extremely low-income households, respectively, then all households taken together (17% and 27%, versus 9%).

Exhibit 45. Percentage of Households by AMI and Race and Ethnicity, Gig Harbor, 2019



Source: HUD CHAS, 2015-2019; CAI, 2022.

Note: Other includes American Indian and Alaska Native, Pacific Islander, and multi-racial groups.

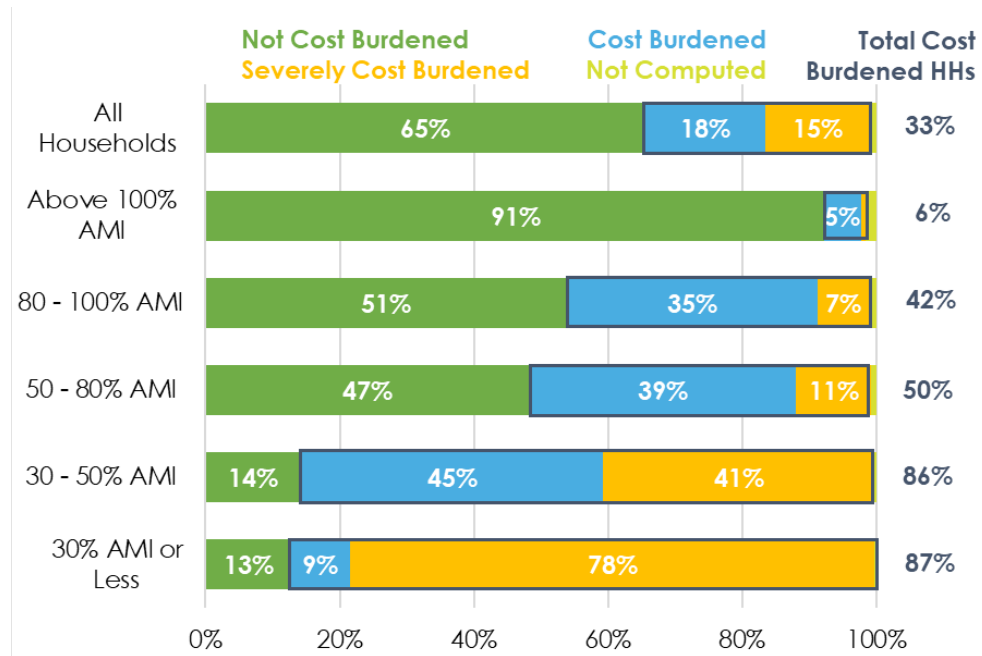
Cost Burdened Households

The number of households that are cost-burdened or spending too much of their income on housing is an indicator of affordable housing need. HUD defines a household as “cost burdened” if they pay more than 30% of their gross household income for housing, and “severely cost burdened” if they pay more than 50% of their gross household income on housing.

Cost Burden by Income

Overall, 65% of Gig Harbor households are not cost burdened (**Exhibit 46**), while 18% are cost burdened and 15% are severely cost burdened. This is similar to the share of cost burden countywide where 67% of households are not cost burdened, 19% are cost burdened and 13% are severely cost burdened. The likelihood of being cost burdened increases in lower income groups. Roughly 91% of households in Gig Harbor earning above 100% AMI are not cost burdened, compared to only 13% of households earning less than 30% AMI. The majority of very low-income and extremely low-income households spend more than 30% of their income on housing.

Exhibit 46. Cost Burden by Income Range, Percent of Households, Gig Harbor, 2019

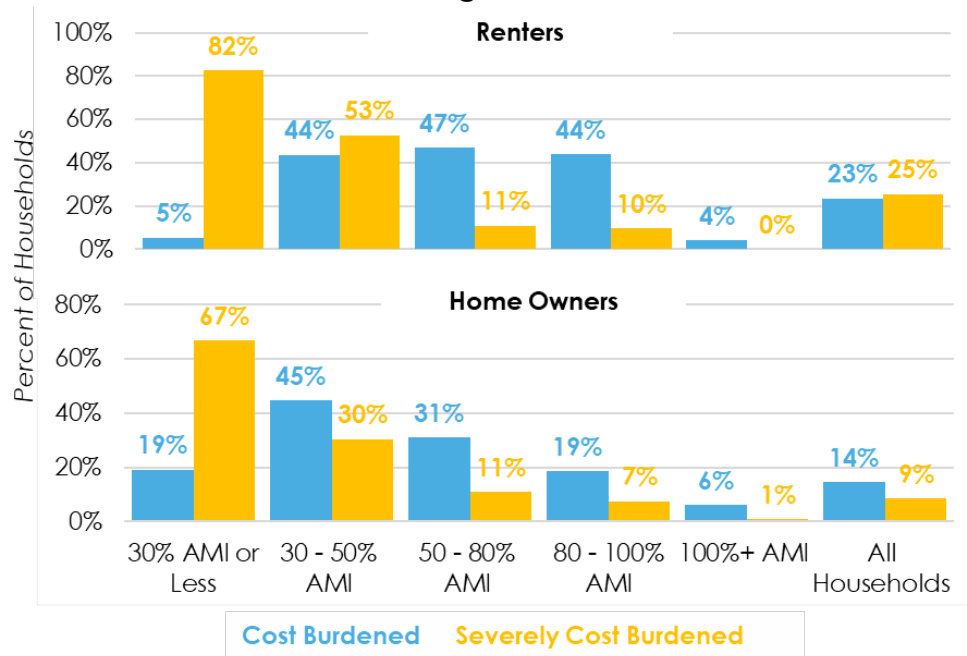


Sources: HUD CHAS, 2015-2019; Community Attributes Inc., 2022.

Cost Burden by Tenure

Exhibit 47 shows a further break down of cost burden by income level and housing tenure. Homeowners in general are less likely to be cost burdened than renters, with 23% of homeowner households experiencing cost burden compared to 48% of renter households. Small shares of moderate- and high-income owner households are cost burdened, at 25% and 8%, respectively. Renter-occupied households have a higher likelihood of experiencing cost burden regardless of AMI level. The highest share of cost burden is among very low-income households for renter households, with 97% spending more than 30% of their income on housing.

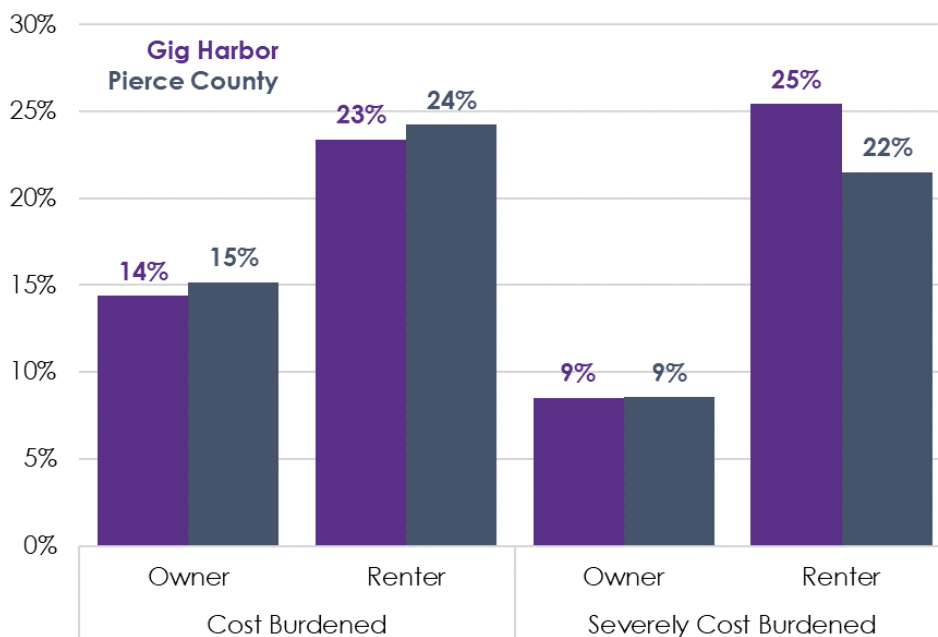
Exhibit 47. Distribution of Cost Burdened Status (Households) by AMI and Tenure, Gig Harbor, 2019



Sources: HUD CHAS, 2015-2019; Community Attributes Inc., 2022.

Gig Harbor and Pierce County have similar shares of cost burdened households (**Exhibit 48**). Around 24% of Pierce County renters are cost burdened, compared to 23% of Gig Harbor renters, while 15% of Pierce County owners are cost burdened, compared to 14% of Gig Harbor owners. Gig Harbor renters have a slightly higher rate of being severely cost burdened than Pierce County as a whole, while the same share of owner households in Gig Harbor and Pierce County are severely cost burdened.

Exhibit 48. Share of Households with Cost Burdens by Tenure, Gig Harbor and Pierce County, 2019

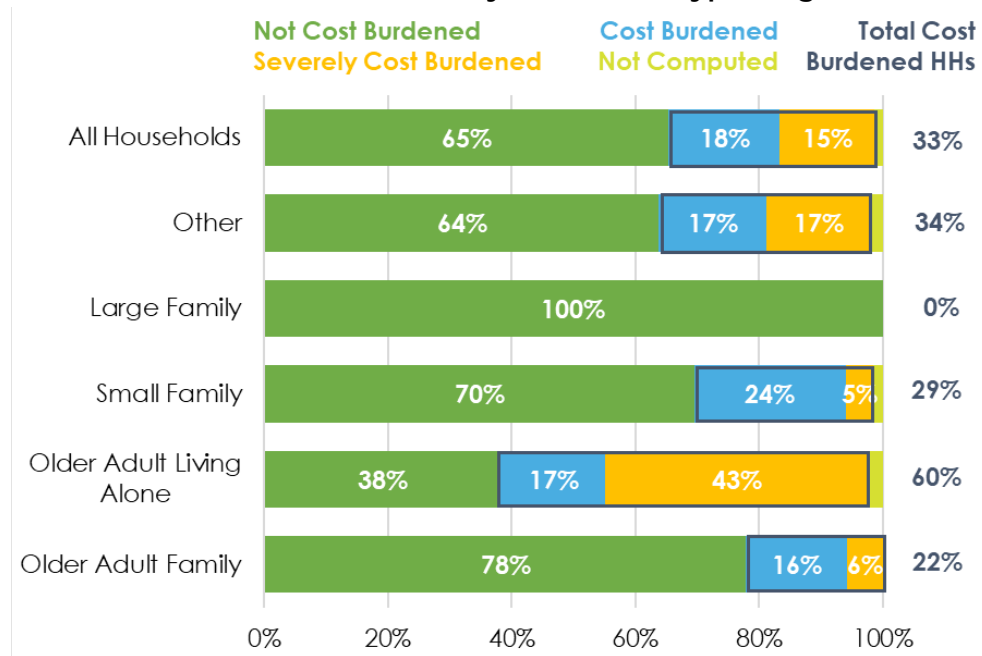


Sources: HUD CHAS, 2015-2019; Community Attributes Inc., 2022.

Cost Burden by Household Type

Exhibit 49 outlines the level of cost burden for certain types of Gig Harbor households. Old adults living alone are much more likely to be cost burdened than other household types, with 17% experiencing cost burden and 43% experiencing severe cost burden. Family groups designated as Other which include non-elderly non-family households are the next most cost burdened household type. Roughly 17% of these households are cost burdened, with another 17% severely cost burdened. Around 24% of small family households (with between two and four members, none of whom is an older adult) are cost burdened and 5% of them are severely cost burdened. Older adult family households (two individuals aged 62 or older) have the lowest rate of total cost burden at 22%. No large family households (with five or more people) are cost burdened.

Exhibit 49. Cost Burdened Status by Household Type, Gig Harbor, 2019

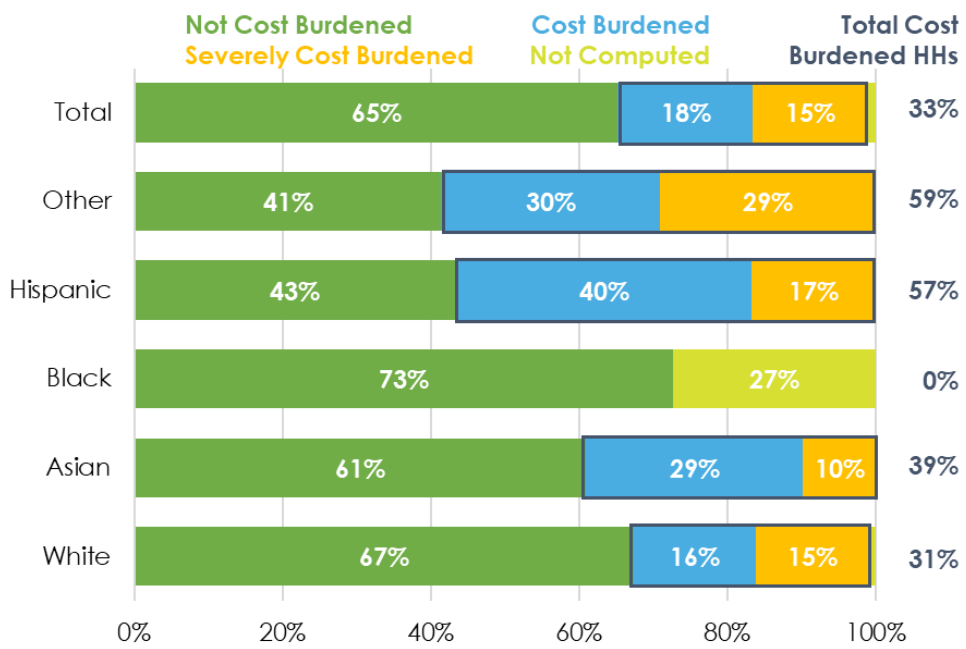


Sources: HUD CHAS, 2015-2019; Community Attributes Inc., 2022.

Cost Burden by Race

White households have the lowest share of cost burdened households, with 16% cost burdened and 15% severely cost burdened. Hispanic households and other racial or ethnic groups are the most likely to be cost burdened, with a 57% and 59% share of households experiencing cost burden, respectively. These groups are also more likely to be severely cost burdened. Black households only represent 1% of total households in Gig Harbor and have the highest share of non-cost burdened households with 73% (**Exhibit 50**). The other 27% of Black households are not computed under the Department of Housing and Urban Development's methodology.

Exhibit 50. Cost Burdened Status by Householder Race, Gig Harbor, 2019



Sources: HUD CHAS, 2015-2019; Community Attributes Inc., 2022.

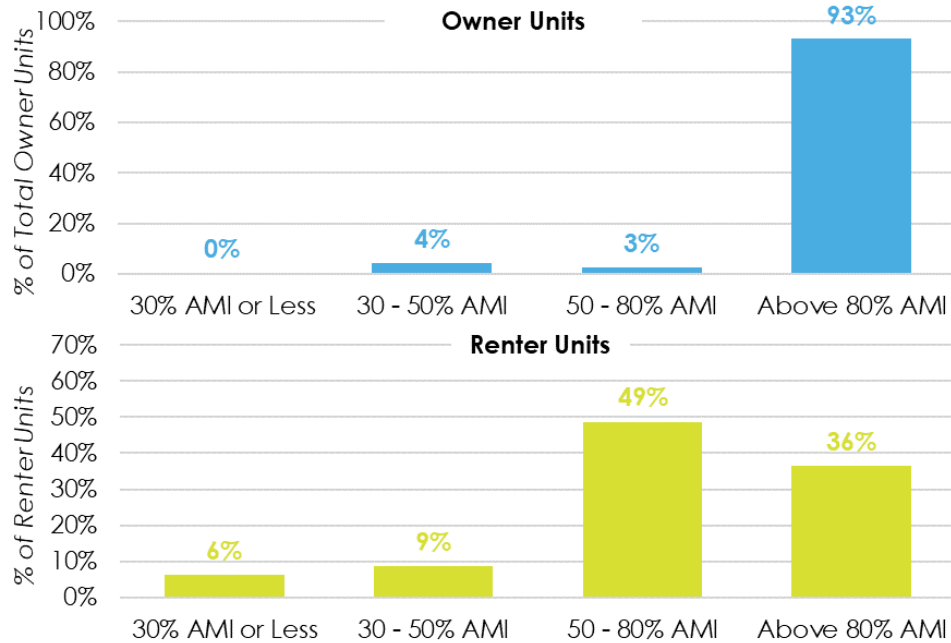
Affordable Housing Production

Another key factor for understanding housing needs is the rate of production of housing affordable to different income levels. This section offers a current snapshot of Gig Harbor’s affordable housing landscape including analysis on the rates of affordable homes owned and rented and being produced. This includes both market-rate and public-supported housing.

Exhibit 51 outlines the share of owner- and renter-occupied housing units that are affordable by income level. The vast majority of owner-occupied housing units (93%) are affordable to households earning above 80% AMI. Roughly 4% are available to very low-income households and only 3% are affordable to low-income households. Slightly more renter-occupied units are available to low-income households, with 6% affordable to extremely low-income households, 9% affordable to very low-income households, and 49% available to low-income households. Around 36% of rental units are affordable to moderate- and high-income households.

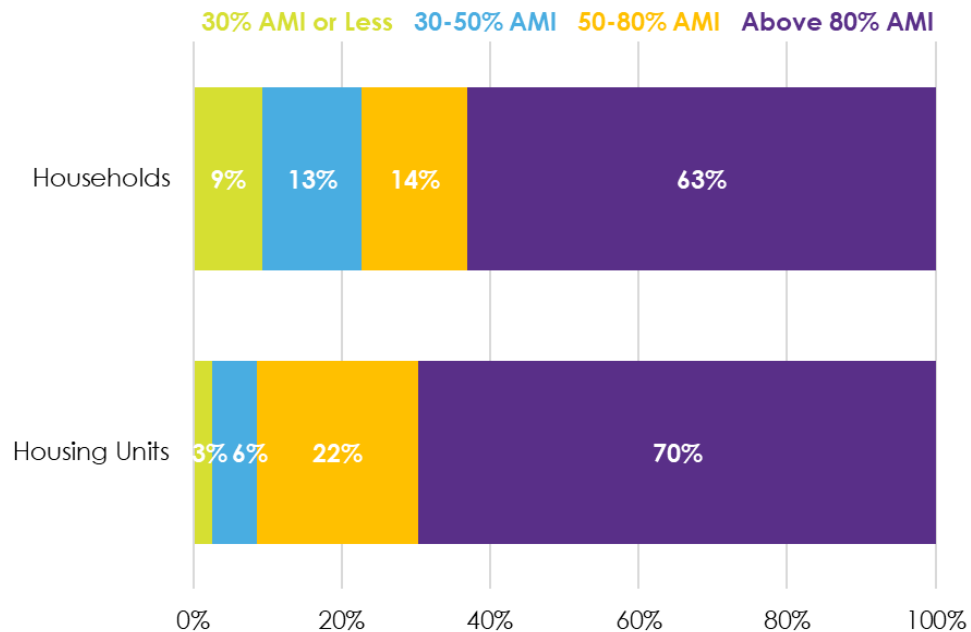
Exhibit 52 compares the distribution of households by AMI level to the total number of housing units available at that same income level. While 22% of Gig Harbor households earn less than 50% AMI only 9% of Gig Harbor’s housing stock is affordable at that income level. Gig Harbor has more housing units affordable at 50 to 80% AMI and above 80% AMI than households that earn incomes at those levels.

Exhibit 51. Number of Owner- and Renter-Occupied Units Affordable to Each Income Level, Gig Harbor



Source: CHAS 5-year 2015-2019; Community Attributes Inc., 2022.

Exhibit 52. Affordability of Housing Units Compared to Household Incomes, Gig Harbor, 2019



Source: CHAS 5-year 2015-2019; Community Attributes Inc., 2022.

FUTURE HOUSING NEEDS

In 2021, the Washington State Legislature passed House Bill 1220 (HB 1220) and amended the Growth Management Act. This amendment, signed into law in May and codified in RCW 36.70A.070(2), instructs local governments to “plan and accommodate” for housing affordable to all income levels. It also includes new requirements for comprehensive housing elements, including an inventory and analysis of projected housing needs for all economic segments, as well as permanent supportive housing, emergency housing and emergency shelters.³²

In line with the requirements of HB 1220, the Department of Commerce is providing existing and future housing needs for communities in Washington, including units for moderate, low, very low and extremely low-income households, and for emergency housing, emergency shelters and permanent supportive housing. Commerce convened an advisory committee of stakeholders to develop methodology and an Excel tool to project housing needs based on county population projections. Commerce projected housing need at the county level to be consistent with the framework for planning under the GMA. Commerce also developed guidance to local governments for how counties, cities and town should work together to allocate the needs based on land and infrastructure capacity, jobs, services, and other factors³³.

Total Housing Needs

At the time of this report, Commerce has released final county-level projected housing needs by income bracket based on the Washington State Office of Financial Management’s (OFM) 2022 Growth Management Act (GMA) population projections. These housing projections are from the final Housing for All Planning Tool (HAPT)³⁴ available on the Commerce Updating GMA Housing Elements page³⁵.

For Pierce County, the housing projections produced by the HAPT tool based on the county’s adopted population differ significantly from the county’s adopted housing growth target in the Pierce County Countywide Planning Policies (CPP). Using the county’s adopted 2044 total population target, the HAPT tool projects the county will need 161,251 housing units by 2044, more than 53,000 units over the county’s adopted housing growth target of 107,821 units. The discrepancy is due to a different set of assumptions and methodology in the HAPT tool than what was employed by Pierce County

³² Department of Commerce, 2021.

³³ <https://deptofcommerce.app.box.com/s/6z6bjbnbat83wikpp23yiuktutm0z4zv>

³⁴ <https://deptofcommerce.app.box.com/s/48o8fzedzxn63xth6aofi2jc2npcjoa>

³⁵ <https://www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/updating-gma-housing-elements/>

when calculating housing units from population targets during the process of setting growth targets. In Pierce County’s methodology, jurisdictions had the ability to customize their assumptions based on the context of their communities.

Pierce County met with the Department of Commerce to resolve the discrepancy between the HAPT housing projections for the county and the adopted housing growth target in the county’s CPP. Commerce provided a compromise that allows Pierce County to use a population target in the HAPT that would produce a total future housing needed number equal to the adopted total housing units target (467,310) in the CPP for 2044. This population number (1,081,670) results in 111,511 net new housing units needed which is greater by roughly 3,700 units than the adopted housing growth target. However, this number requires Pierce County to readopt its housing unit growth targets.

At the time of this report, the Growth Management Coordinating Committee (GMCC) had named a Subcommittee to review the Commerce housing needs projections. The Subcommittee recommended that the County accept the Commerce compromise number and re-adopt the housing unit growth targets, while keeping population and employment growth targets as adopted.

Exhibit 53. Pierce County Adopted vs. Commerce HAPT Tool Housing Growth Target

	HAPT	CPP Adopted Target	HAPT - Compromise
Population Target, 2044	1,196,798	1,196,798	1,081,670
Total Future Housing Needed, 2044	517,050	467,310	467,310
Estimated Housing Supply, 2020	355,799	359,489	355,799
Net New Housing Needed, 2020-2044	161,251	107,821	111,511

Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

In addition to the total population growth number that forms the basis of the projected housing needs, the HAPT tool allows Pierce County to also control the percentage distribution of housing unit growth by jurisdiction. The Subcommittee reviewed two methods of distributing growth by jurisdiction as calculated from the growth targets Ordinance No. 2022-46s³⁶ – 1) by percentage share of population growth and, 2) by percentage share of housing unit growth. The Subcommittee recommended using the population growth

³⁶ Ordinance No. 2022-46s of the Pierce County Council adopted the Growth Management Act population, housing unit, and employment targets for cities, towns, and unincorporated areas of Pierce County for the year 2044.

share in the HAPT tool for allocating the countywide housing need by jurisdiction because of the following reasons:

- It produced results most consistent with PSRC's VISION 2050.
- As the method recommended by Commerce in the HAPT, it carried less legal risk.
- The population forecasting methodology was more consistent than the individualized methods used for housing units.

Using this method for distributing housing need and the Commerce housing growth target compromise number for Pierce County, Gig Harbor is projected to need an additional 892 housing units by 2044, 108 less units than the adopted growth target in the CPP.

Exhibit 54. Gig Harbor Adopted vs. Commerce HAPT Tool Housing Growth Target

	CPP Adopted Target	HAPT - Compromise
Pierce County Net New Housing Needed, 2044	107,821	111,511
Total Future Housing Needed, 2044	6,642	6,534
Estimated Housing Supply, 2020	5,642	5,642
Net New Housing Needed, 2020-2044	1,000	892

Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

Housing Needs by Income Level

The HAPT tool also includes methods suggested by Commerce for the allocation of housing units at various levels of affordability to cities and towns. Counties can choose any of the two methods proposed by Commerce or they can develop their own method. Pierce County is not considering an alternative method and will select one of two methods in the HAPT:

- **Method A. Focus on new growth:** Same percent shares of countywide net new housing growth are affordable in every jurisdiction. For example, 30% of the net new housing needed in Pierce County is for households earning less than 30% AMI. Each jurisdiction's housing growth target is multiplied by 30% to arrive at the net units needed for 0-30% AMI by 2044.
- **Method B. Focus on 2044:** Same percent shares of countywide total housing stock in 2044 are affordable in every jurisdiction. For example, 8% of the total future housing needed in 2044 (existing + new) in Pierce County is for households earning less than 30% AMI.

Each jurisdiction's total projected housing stock in 2044 is multiplied by 8% to arrive at the total units needed for 0-30% AMI.

The difference between the two methods is that Method B accounts for the estimated 2020 housing supply by affordability level. Also, Method B does not assume that all net new countywide housing needs will be met through new housing production. Some jurisdictions may need to consider strategies such as vouchers or purchase of existing housing to make it more affordable to lower-income households.

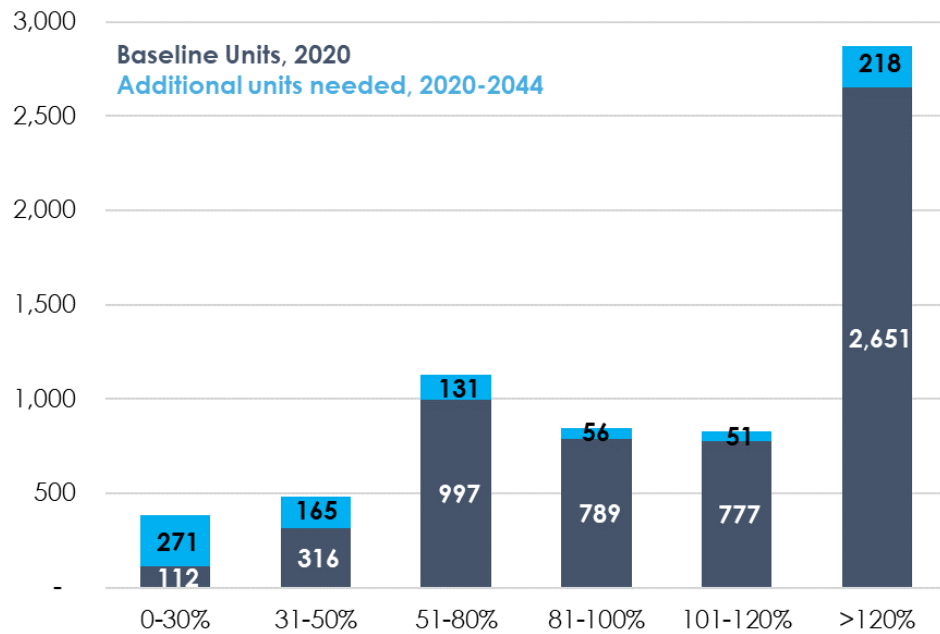
Exhibit 55 and **Exhibit 56** show the results of both allocation methods for Gig Harbor. Method A allocates almost half of the net new housing need (436 housing units) to extremely low-income and very low-income households, and another 15% (131 housing units) to low-income households.

Method B results in Gig Harbor needing to add over 2,117 net units for income levels below 100% AMI. However, this total reflects a combination of the need for 892 *new* units affordable to those making less than 100% of AMI, and the gradual *conversion* of 1,225 units in the 100%+ income bands to affordability to those earning less than 100% AMI. This means that the city would need to reduce its supply of units affordable above 100% of AMI by finding ways to make much of its existing supply affordable to lower-income households.

The GMCC Subcommittee recommended that Pierce County allocate housing by income band using Method A. Method B was considered unfeasible due to limitations to the policy tools that jurisdictions like Gig Harbor, with an oversupply of units at higher income categories under this method, would be able to use to address the oversupply. Based on information provided by Commerce to the county, jurisdictions are not allowed to use policy tools such as increased density or ADU provisions to make the surplus of market rate housing units affordable to lower income households.

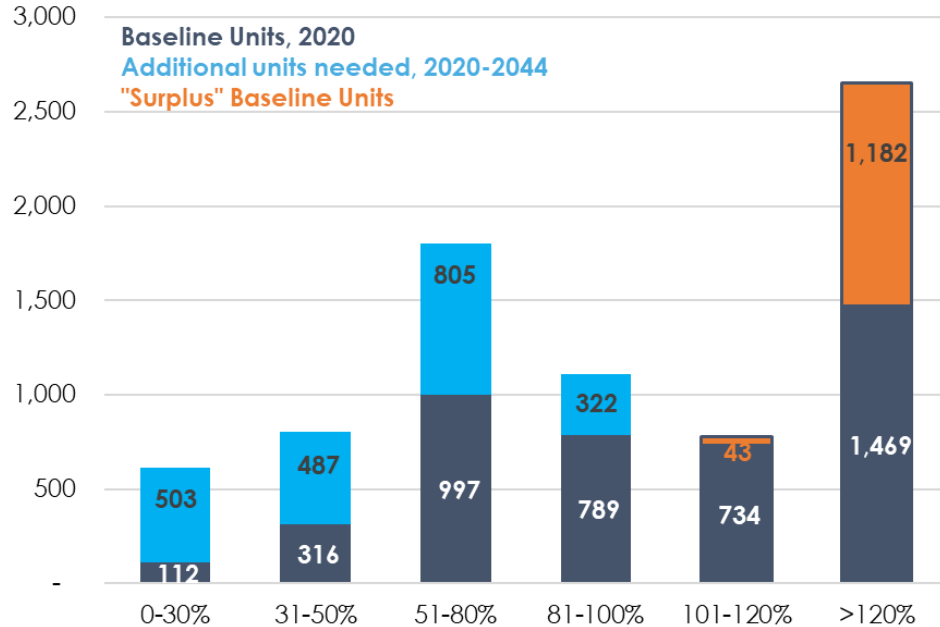
The information in this section is subject to change as at the time of this report Pierce County had not adopted the new housing targets. The final decision will be made in June when the Pierce County Council will review the recommendations from Pierce County Regional Council (PCRC).

Exhibit 55. Gig Harbor HAPT Housing Needs by Income Level – Method A



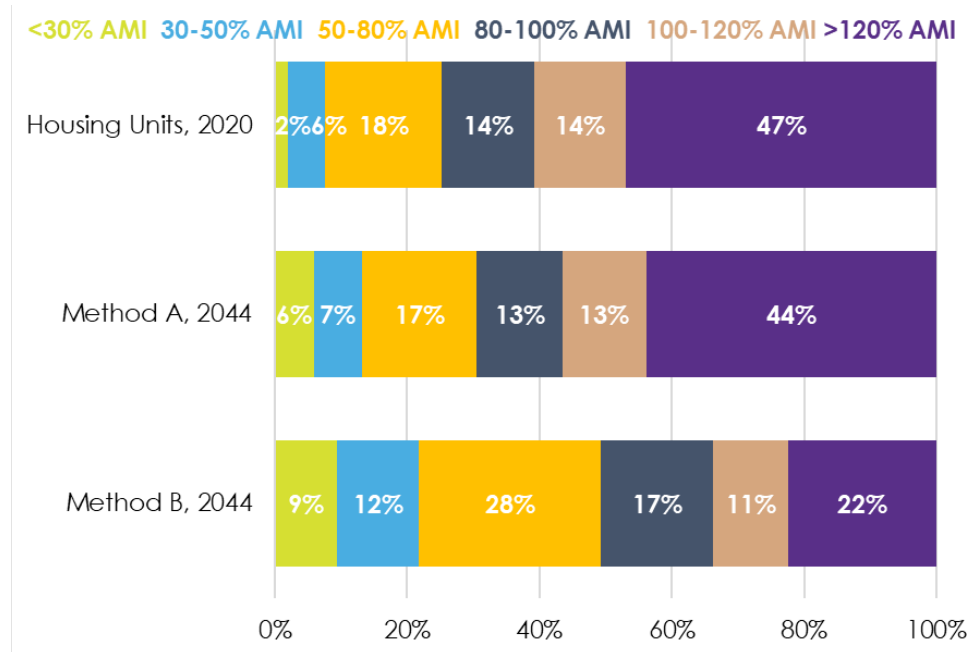
Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

Exhibit 56. Gig Harbor HAPT Housing Needs by Income Level – Method B



Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

Exhibit 57. Gig Harbor Current and Future Projected Housing Stock by Income Level



Source: Pierce County Countywide Planning Policies, 2022; Department of Commerce HAPT Tool, 2023; Community Attributes Inc., 2023.

RECOMMENDATIONS

The Washington Department of Commerce’s draft *Guidance for Making Adequate Provisions to Accommodate All Housing Needs* outlines steps for jurisdictions to meet state housing element requirements with regard to affordable housing needs assessment and action planning. Previous sections of this report address RCW 36.70A.070(2)(d)’s requirement to “incorporate consideration for low, very low, extremely low, and moderate-income households” and “consideration of housing locations in relation to employment location.”

The state code also requires jurisdictions to “[document] programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations.” The DOC guidance provides a detailed methodology and checklists for the assessment of barriers and identification of actions that could address them. The three step process they recommend includes:

1. Review housing production trends to determine if a barrier exists.
2. Gather information to determine what kind(s) of barriers exist.
3. Identify and document appropriate programs and actions to overcome each barrier identified.

An updated Housing Element for Gig Harbor will incorporate a detailed assessment of barriers and present recommendations for programs and actions needed to achieve housing availability. However, the following sections present a preliminary look at potential strategies based upon the foregoing data analyses, Gig Harbor’s housing planning and policy context, and Department of Commerce Guidance for Making Adequate Provision to Accommodate All Housing Needs (January 2023).

Housing Affordability

According to allocation Method A, the City of Gig Harbor needs to produce 567 *new* affordable units by 2044 (see **Exhibit 55** for number of new units). This section of the report includes policy recommendations to realize Gig Harbor’s affordable housing allocation objectives by 2044 and to spur the new construction of affordable housing units.

Barriers to Affordability

The DOC guidance identifies four areas of potential barriers to affordable housing production. These include:

1. **Development Regulations** such as unclear development regulations or restrictive development standards, including things like: Large minimum lot sizes; Low maximum densities or low maximum floor area ratio (FAR); Low maximum building heights; Large setback requirements; High off-street parking requirements; Lack of alignment between building codes and development codes; Spacing requirements; Restrictions on support spaces (such as offices); Arbitrary limits on number of occupants; and other barriers such as ground-floor retail requirements, complex design standards, maximum impervious surface cover, tree retention regulations and historic preservation requirements.
2. **Process Obstacles** such as the conditional use permit process; Design review; Lack of clear and accessible information about process and fees; Permit fees, impact fees and utility connection fees; Processing times and staffing challenges; State Environmental Policy Act (SEPA) process.
3. **Limited Land Availability and Environmental Constraints** such as when most of the capacity is on underutilized parcels that would need to be assembled to provide for feasible multifamily housing development. Additionally, environmental constraints, such as slopes or the location of critical areas, may affect the feasibility of development on available lands.
4. **Gaps in Local Funding** including infrastructure or service costs; Capital costs for new affordable housing development; and Operational costs for affordable and supportive housing.

The Department of Commerce outlines a number of possible strategies, and which barriers they address, in the form of a matrix template intended for

inclusion by jurisdictions within their housing element. The following strategies draw from this material, but also introduce other ideas that could be particularly effective in the production of more affordable units and typologies given Gig Harbor's particular context and conditions.

New Affordable Unit Production

The following strategies address the development of new affordable housing stock in Gig Harbor.

Upzoning

The highest density residential zones (according to Gig Harbor's own assumptions published in 2021 Pierce County Buildable Land Report) are anticipated to be the R-3 (multifamily) zone and the RB-2 (residential / business mixed use) zone. Yet, while the RB-2 zone has a current capacity for 284 units from 2020-2044, the R-3 zone only has current capacity for 3 units. The medium density category in Gig Harbor, R-2, has capacity for 707 units. And the single-family zone, R-1, has capacity for 801 units. Gig Harbor should consider re-zoning some portions of R-1 and / or R-2 acreage to shift capacity toward higher-density zones that typically produce more affordable multifamily housing typologies.

Inclusionary Zoning

Inclusionary zoning stipulates that new residential development in certain zones includes some proportion or number of affordable housing units or meets some type of alternative compliance, such as payments in lieu of units. Inclusionary zoning can be applied in ownership and rental developments, single-family and multi-family zones, and can be tied to specific geographic areas. It may be most feasible to apply inclusionary zoning as part of a rezone or upzone that increases development potential of the zone. In the state of Washington, all affordable units created through an inclusionary zoning program must remain affordable for at least 50 years (RCW 36.70A.540). In crafting an inclusionary zoning policy that best reflects the needs of its residents, Gig Harbor could prioritize workforce, small family, and senior housing typologies, locations, and affordability profiles specifically, paying close attention to details relating to program management and monitoring and learning from other jurisdictions' use of and experiences with this program.

Multifamily Tax Exemption (MFTE)

The Multi-Family Housing Tax Exemption (MFTE) Program, which is authorized under Washington state law (RCW 84.14), allows for an 8, 10 or 12-year tax exemption for the approved value of newly constructed or rehabbed multifamily residential units in cities of 5,000 or more. The City of Tacoma's MFTE program, enacted in 2015, has resulted in 66 projects

completed to date, with another 68 permitted for completion in the future³⁷. Since 2019, 49 of the 104 municipalities eligible to adopt and implement a MFTE program have enacted a program. The 2019 report by JLARC³⁸ found that the program has resulted in nearly 35,000 new multifamily units produced in the region, with 21% of them designated affordable. Gig Harbor, as a Pierce County urban area with a population of 12,540 people, would be eligible to enact a program. If enacted, a Gig Harbor MFTE program could increase the supply of both designated and market rate affordable units over the base level in coming years. To help reduce the added administrative burden of an MFTE program, program administration could be shared with other jurisdictions or an organization like South Sound Affordable Housing (SSHAP).

Increase Allowed Housing Types in Existing Zones

One potentially powerful way to spur further infill development with more affordable units on lots with existing homes would be to increase the financial feasibility of higher density on already-developed lots in lower density and / or less-affordable areas. By outright permitting of additional housing typologies such as cottages, 2-, 3-, 4-plexes, townhouses, and / or micro-housing units within lower- and mid-density residential and mixed-use zones where they are currently prohibited, the city could alter the proforma calculus of infill development and redevelopment. This could affect development on lots across multiple residential zoning categories with a potentially significant impact on the affordability of new and redeveloped units.

Surplus Land Disposition

The 2021 Pierce County Buildable Lands Report indicates that a total capacity exists, between 2020 and 2044, for an additional 1,776 housing units across all zones. One important strategy for the City to produce more new affordable units will include the disposition of both existing public land with development capacity for affordable housing development, and the acquisition and assembly of new land for donation to affordable housing developers.

PUD/PRD and Cluster Subdivisions

Between 2013 to 2020, the most development in Gig Harbor has occurred, by a large margin, within the so-called “Planned Residential Development” (PRD) zone administered by the city through development applications for a (typically) master-planned community. In this period, 235 net acres were developed, resulting in 1,007 new units. The platting for PRD-zoned Harbor Hill subdivisions north and south of Borgen Boulevard, for example, included

³⁷ City of Tacoma, 2023.

³⁸ Property Tax Exemption for Multifamily Housing in Urban Areas, Joint Legislative Audit and Review Committee (JLARC), 2019.

hundreds of single-family homes, but only a small proportion of apartments. The desirability of this zoning designation for developers could be further leveraged by the city to encourage greater density and more inclusionary housing – including high-density multifamily housing and designated affordable units.

Reduce R-1 Minimums

Apart from only conditionally allowing ADUs, the R-1 zone also has restrictive density maximums, minimum lot sizes, minimum lot widths and parking requirements which make development of the single-family house itself (not to mention even conditionally approved or by-right ADUs) less financially feasible by requiring a larger lot than would otherwise be necessary. To make market rate new single-family home development more affordable in the large swaths of the city that are zoned R-1 in Gig Harbor, the “building envelope” could be re-assessed and minimum lots sizes, widths, and parking requirements reduced.

Relax Ground Floor Retail Requirements

A significant amount of new development has occurred in Gig Harbor’s mixed-use zones in the last decade, including the Residential-Business 1 & 2 (RB-1 and RB-2) zones, the Planned Community Development Medium Density Residential (PCD-RMD) zone, and the General Business District 2 (B-2) zone (a commercial zone allowing some residential). While the commercial component and retail requirements vary in these zones, relaxing ground floor retail requirements in select areas of higher demand could allow for an increased proportion of multifamily housing production in these higher performance zones that would be naturally more affordable than traditional single-family detached unit development, but which could also include designated affordable units.

Non-Profit Partnerships

Private sector developers rarely develop low-income housing without technical or financial assistance from non-profit and government sources. Production of affordable housing is largely done by non-profit agencies and developers with an underlying mission to provide affordable housing, working in partnership with local jurisdictions and state and federal agencies that provide funding and other related subsidies or incentives. Gig Harbor should consider establishing cooperative arrangements with public or non-profit housing developers to promote low-income or special needs housing in their communities. The city can also encourage for-profit developers to partner with non-profits to provide affordable units within larger market-rate developments.

Expand Accessory Apartments (ADUs) to R-1 By Right

The Washington State Legislature very recently passed HB1337. Under this bill Accessory dwelling units (ADUs) will be allowed throughout the state. The legislation compels cities to permit two ADUs, detached or attached, on all residential lots. The units may be up to 2 stories and 1,000 square feet on any legal residential lot, and the rules have to be in place by six months after a jurisdiction's next comprehensive planning update. There are also requirements on dropping parking requirements, impact fees, residency requirements, and multiple ADU provisions.

In anticipation of this new mandate, one strategy to increase both the affordability of existing housing and create new affordable units in short order in Gig Harbor would be voluntarily to expand the by-right permitting of Accessory Apartments (Gig Harbor's term for what are typically known as Accessory Dwelling Units, or ADUs) in Gig Harbor to the R-1 zone (they are currently only conditionally permitted in R-1 zones, requiring a public hearing), and in other residential zones where they are also only conditionally permitted. Tacoma, for example, allows one by-right ADU on all residential lots. ADUs are often more affordable than typical single-family units and can modestly increase housing stock without altering the character of neighborhoods.

As part of a potential comprehensive AA / ADU ordinance for Gig Harbor, the city could also consider eliminating the owner-occupancy requirement for the main house if the AA is not being used as a short-term rental, reducing impact fees (transportation, school and parks) and water and sewer connection fees for an AA (currently the same as for the main house), and producing resources to demystify the process of permitting an AA.

Monitor & Revise New Short Term Rental Regulations

The recently passed Ordinance 1507 requires both administrative approval and a business license to permit one short-term rental (STR) unit per lot. However, STRs are still permitted in every zone that allows residential dwelling units in the City of Gig Harbor. Upon a period of monitoring of STR uptake via its new dedicated tracking site, the City should subsequently consider whether placing limits upon which zones may allow STRs could significantly impact availability of more affordable long-term rental stock in Gig Harbor – especially in higher density R-3 and RB-2 zones. Such limitations may return previously affordable units to availability in the long-term rental housing market.

Protect Naturally Occurring Affordable Housing (NOAH)

The preservation of naturally occurring affordable housing (NOAH) units in Gig Harbor should be a priority; as existing (especially multifamily) housing stock ages, much of it will become naturally more affordable over time. In

some areas of the city, rising rents and home values threaten the affordability of NOAH properties. Keeping this housing stock affordable – and improving its quality – requires thoughtful policies and programs. Gig Harbor should consider ways to stabilize and keep NOAH properties with their current owners. The City could help connect owners with low-interest loans, grants for maintenance and functional upgrades, property-management resources, and / or could consider the provision of property tax abatements with the goal of stabilizing the property.

Training for Permitting Officials

The development process and timeline for affordable housing projects can differ from those of typical market rate projects. Building and permitting staff in Gig Harbor could benefit from training that focuses on the unique development conditions for these projects, which, in turn, can lead to a smoother administrative process. Staff also benefit from and are more supportive if they are included in policy development and kept up-to-date on affordable housing actions in the city. Ensuring an efficient development process for affordable housing will increase the throughput of affordable units into the local market over time, and the attractiveness of Gig Harbor to affordable and market rate multifamily housing developers.