

**COMMUNITY DEVELOPMENT ASSESSMENT
FOR
THE STATE OF WASHINGTON**

**A GUIDE TO WASHINGTON'S
COMMUNITY DEVELOPMENT ENVIRONMENT**

COMMUNITY DEVELOPMENT DEPARTMENT
FEDERAL RESERVE BANK OF SAN FRANCISCO

FOREWORD

Ethan Jennings
December 2004

The Community Affairs Department of the Federal Reserve Bank of San Francisco has developed a new series of reports for the nine states in the Twelfth District that both detail the demographic, economic, governmental, and institutional underpinnings of each state and provide an analysis of the various community development needs within each state. These reports, which we are calling “Environmental Assessments,” are meant to provide a framework for the array of community development activities that the department undertakes across the District. The hope is that the reports will not only provide a helpful compilation of existing community development needs and resources for each state, but will also allow us to target our time and resources to those areas that both show the greatest need and offer the opportunity for the most meaningful role.

We hope that you will find these Environmental Assessments useful and that the information presented will enhance your understanding of the state of community development in each location.

We look forward to your comments and suggestions.

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TABLE OF CONTENTS

METHODOLOGY 4

CONCLUSIONS 6

COMMUNITY DEVELOPMENT ENVIRONMENT

I. DEMOGRAPHICS 10

II. ECONOMY 13

III. STATE AND LOCAL GOVERNMENT 20

IV. NONPROFITS AND FINANCIAL INSTITUTIONS 23

COMMUNITY DEVELOPMENT NEEDS AND RESOURCES

V. AFFORDABLE HOUSING 27

VI. SMALL BUSINESS 40

VII. POVERTY AND ASSET ACCUMULATION 47

VIII. NATIVE AMERICANS AND IMMIGRANTS 54

METHODOLOGY

In an attempt to provide a framework for performing our own community development work, the Community Affairs Department of the Federal Reserve Bank of San Francisco has produced separate reports entitled “environmental assessments” for each of the nine states which comprise the Federal Reserve’s Twelfth District: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, and Utah. Each report is divided into two sections: one covering the overall “Community Development Environment” in the state, and the other covering the “Community Development Needs and Resources” in the state. These environmental assessments are intended to bring together available research and information in both of these areas.

Specifically, the chapters in the “Community Development Environment” section cover the demographic, economic, governmental, and institutional underpinnings in each state, providing detail such as each state’s industrial structure, economic outlook, banking system, nonprofit groups, and government departments involved in community development. In the second section, each report delves into four separate areas of “Community Development Needs and Resources:” affordable housing, small business, poverty and asset accumulation, and issues specific to native people and immigrants.

A key resource for both the data and the approach taken in this effort was the *2002 State Asset Development Report Card*, published by an influential research and advocacy organization, CFED (formerly known as the Corporation for Enterprise Development). CFED’s report analyzes a great deal of data on a range of factors affecting asset accumulation and poverty for each state in the nation. The CFED report divides its analysis into separate evaluations of “Asset Outcomes” and “Asset Policies” for each state, producing an overall grade (A, B, C, D, or F) for each. Not only do our reports reference virtually all of the individual rankings which feed into CFED’s two overall grades, but they also follow a somewhat similar approach in dividing each of the community development areas in each state (affordable housing, small business, poverty and asset accumulation, and native people and immigrant issues) between “needs” and “resources” in a manner similar to CFED’s “Asset Outcomes” and “Asset Policies.”

The reports then build on these CFED comparisons by drawing on the considerable resources already produced by a variety of national and local organizations in these subject areas for each state, pulling together their major data, analyses, and conclusions into one single report. The reports were designed by Scott Turner, who managed the project, with additional oversight and editing by Jack Richards. This Alaska Environmental Assessment was written by Ethan Jennings, a second year student of the Goldman School of Public Policy at the University of California, Berkeley. The Environmental Assessment was also supported by significant data and material gather by Craig Nolte of the Community Affairs Department’s field staff. Websites referenced in this report were accessed between September and December of 2004, and we have attempted to provide accurate links to content referenced, although content and/or location may change over time. We should note here that while the Federal Reserve Bank of San Francisco sponsored these environmental assessments, they reflect only the views of the author.

We gratefully acknowledge the community development practitioners in each state who agreed to review drafts of these reports and provide helpful feedback. In addition, we have attempted to

ensure there are no errors or omissions in this report, but encourage you to contact us if you believe important changes are warranted. Please contact us by the end of February 2005, and we will be pleased to make appropriate revisions and post an edited version of the reports on our website in March 2005.

CONCLUSIONS

COMMUNITY DEVELOPMENT ENVIRONMENT

1. Demographics

Washington is the 18th largest state in total area and the **15th most populous state** in the U.S., home to more than 6.1 million residents as of 2003.¹ While the state's population growth of 4% between 2000 and 2003 was slightly above the national average,² **population growth appears to have slowed**, with the state's population increasing by just 0.9% in FY 2003, the lowest annual growth rate since 1983.³ Whites, Asians, and Pacific Islanders represent a larger percentage of the state population than of the national population, while the state's Black/African American and Hispanic/Latino populations are significantly smaller.⁴

2. Economy

Washington's economy is the 14th largest in the nation (\$245 billion in 2003),⁵ although the state's economic growth has lagged the rest of the nation since 2000. Despite slower-than-average growth, the **state's per capita income remains high, ranking 13th highest in the country.⁶** Nearly all industries in Washington have been adding jobs recently, and the state's unemployment rate, regularly above the U.S. average over the last few years, is now only slightly above the U.S. average. As a result of many positive factors, including expansion in many of the state's industries, increased hiring by Boeing, and the presence of a highly skilled workforce, the Washington economy is expected to continue improving in 2005, bringing economic growth above the national average.⁷ **As the fifth-largest exporter in the nation, Washington is highly dependent on international trade.⁸**

3. Governmental and Financial Sectors

Washington's state government is in a somewhat precarious financial position, with growth of state expenditures predicted to outpace the growth of state revenue. The state's Office of Financial Management predicts a possible \$1.7 billion gap between revenues and expenses in the 2005-2007 biennium.⁹ In the financial sector, there are 117 FDIC insured financial institutions, although more than half of the FDIC-insured deposits in the state are controlled by three of

¹ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*.
<http://www.census.gov/statab/ranks/contents.html>.

² U.S. Census Bureau, *Washington QuickFacts*, <http://quickfacts.census.gov/qfd/>.

³ Seattle Post-Intelligencer *Washington's Population Growth Still Slowing*, July 2003,
http://seattlepi.nwsource.com/local/128968_population01.html.

⁴ U.S. Census Bureau, *Washington QuickFacts*, <http://quickfacts.census.gov/qfd/>.

⁵ Bureau of Economic Analysis, *Regional Economic Accounts*, <http://www.bea.gov/bea/regional/gsp.htm>.

⁶ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*.

⁷ Economy.com, *Washington State Profile*, August 2004.

⁸ U.S. Department of Commerce, *State Merchandise Totals to the World 2003-2004*,
http://ita.doc.gov/td/industry/otea/state/q3_2004_dollar_value.html.

⁹ Office of Financial Management, State of Washington, *Quarterly Fiscal Snapshot*, November 2004,
<http://www.ofm.wa.gov/news/snapshot.htm>.

them.¹⁰ There are also 150 credit unions, which together control 19.6% of combined bank/credit union assets, approximately three times the national average.¹¹ Washington is also home to **17 certified Community Development Financial Institutions** as of November 2004,¹² which combined had \$19.8 million in financing outstanding to more than 500 customers at the end of FY 2002.¹³

COMMUNITY DEVELOPMENT NEEDS AND RESOURCES

1. Affordable Housing

Washington faces a **severe shortage of affordable housing**, caused in part by the state's rapid population growth during the 1990s.¹⁴ The state's **rental housing affordability rating is a weak ninth-lowest in the nation**, with nearly one quarter of renters paying more than 50% of their income towards housing. Washington's median home value was fifth highest in the country in 2000,¹⁵ and **rapid increases in home prices have resulted in a homeownership rate of 67%, the tenth-lowest in the nation**. The gap between homeownership rates of top-quintile income earners and bottom-quintile is the ninth-highest nationwide,¹⁶ partially due to the fact that growth in the availability of affordable homes has not kept pace with the general upswing in the housing market.

2. Small Business

Small business is essential to Washington's economy, with **firms that employ fewer than 10 employees accounting for 12.5% of all employment in the state**.¹⁷ Business bankruptcies increased 5.6% in 2003, the ninth-highest increase in the nation.¹⁸ This high rate is due in part to Washington's **very high rates of business formation and termination**, both third highest in the nation.¹⁹ One source of the problem may be **weak access to credit**, since Washington is rated 35th in the country in its level of private loans available to small businesses. Despite these weak indicators, the entrepreneurial energy and technological sophistication of Washington firms are among the highest nationwide.²⁰

¹⁰ FDIC, *Deposit Market Share Report: Washington*, June 2004.

¹¹ WA Credit Union League, *Credit Union Fact Sheet*, http://www.cuna.org/download/washington_fs.pdf.

¹² U.S. Department of the Treasury CDFI Fund, *Certified CDFIs by State*, <http://www.cdfifund.gov/docs/certification/cdfi/CDFI-state.pdf>.

¹³ CDFI Coalition, *CDFIs in Washington: 2004 Fact Sheet*, <http://www.cdfi.org/states/Washington2004.pdf>.

¹⁴ U.S. Census Bureau, *Population Change and Distribution, 1990-2000*.

¹⁵ U.S. Census Bureau, Census 2000 Data.

¹⁶ CFED, *State Asset Development Report Card (SADRC)*.

¹⁷ U.S. Census Bureau, *County Business Patterns 2001*.

¹⁸ U.S. Small Business Administration, *Small Business Economic Indicators for 2003*, August 2004, <http://www.sba.gov/advo/stats/sbei03.pdf>.

¹⁹ *Ibid.*

²⁰ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/washington.html>; and Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002.

3. Poverty and Asset Accumulation

Between 2001 and 2003, **Washington's poverty rate averaged 11.4%, making it the 23rd highest among all the states.** Washington ranks **eighth-highest in terms of mean net worth in the country and has the smallest gap in the nation between assets of men and women.**²¹

However, Washington scores poorly on measures of asset accumulation. Almost 25% of its households are asset poor, and 16% have zero or negative net worth, indicating a high degree of vulnerability for Washington households.²² The state **scores well on human capital measures** such as college attainment (ranking 14th nationally at 28.3%)²³ and health insurance coverage (ninth-best coverage for low-income parents and 16th-best for low-income children).²⁴ To its credit, Washington has a strong IDA policy, including a state-designed plan and TANF credits.²⁵ In addition, Washington operates many state-level income supplementation programs that do not receive federal funds.

4. Native Americans and Immigrants

Washington has the eighth-largest American Indian/Alaska Native (AIAN) population in number and the ninth largest in terms of percentage of overall state population.²⁶ There are 29 federally-recognized tribes in Washington, occupying 29 reservations dispersed across the state. The community development needs faced by the AIAN population are immense, as indicated by poverty rates for AIAN individuals in the state that are double the state's average poverty rate.²⁷ As federal and state aid has declined, tribes in the state have been turning to gaming revenues as a way to reduce tribal dependence on government aid.

Approximately 10% of Washingtonians are foreign born, compared to 11.1% for the nation as a whole.²⁸ Washington ranks ninth in the nominal size of the foreign population and **13th in the percentage of foreign born as a share of the total state population. Nearly 19% of Washington's foreign born live in poverty,** well above the state's average poverty rate.²⁹ In the 10 years between 1990 and 2000, the size of Washington's foreign-born population grew by 91%, with most immigration to the state from Asia (39%), but with significant percentages also from Latin America (28%) and Europe (21%).³⁰ Washington operates a number of state programs designed to aid immigrants, including language training and income support programs.

²¹ CFED, *SADRC*.

²² *Ibid.*

²³ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*.

²⁴ CFED, *SADRC*.

²⁵ *Ibid.*

²⁶ U.S. Census Bureau, Census 2000 Data.

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.*

**STATE OF WASHINGTON
SELECTED COMMUNITY DEVELOPMENT INDICATORS**

Affordable Housing	Rate	State Rank
Homeownership Rate ³¹	67.0%	41 st
Rental Affordability Rate ³²	--	42 nd
Severely Cost-Burdened Renter Households ³³	23.6%	38 th
<i>Small Business</i>		
Small Business Employment Rate ³⁴	12.5%	13 th
Entrepreneurship Rate ³⁵	13.8%	15 th
Level of Private Loans to Small Business ³⁶	--	35 th
<i>Poverty and Asset Accumulation</i>		
Poverty Rate ³⁷	11.4%	28 th
Households with Zero Net Worth ³⁸	16.1%	37 th
Personal Bankruptcy Rate ³⁹	16.2	36 th
<i>Native Americans and Immigrants</i>		
Native American Population ⁴⁰	1.6%	9 th
Native American Poverty Rate ⁴¹	23.8%	--
Foreign-Born Population ⁴²	10.4%	13 th
Foreign-Born Poverty Rate ⁴³	18.6%	--

³¹ U.S. Census Bureau, *U.S. Statistical Abstract 2003*; represents the percentage of housing units that are occupied by owners, ranked from highest percentage (1st)

³² NLIHC; *Up Against a Wall*, November 2004; rank is calculated based on a weighted average of the state's median gross rent, renter market affordability ratio, and percent of severely cost-burdened renters, ranked from most affordable (1st)

³³ Ibid; represents the percentage of renter households in the state spending more than 50% of income on rent in 2003, ranked from lowest percentage (1st)

³⁴ U.S. Census Bureau, *County Business Patterns 2001*; represents the share of total state employment attributable to firms with ten or fewer employees, ranked from highest share (1st)

³⁵ CFED, *SADRC*; represents the percentage of the labor force that owns employer or non-employer firms as of 2000, ranked from highest percentage (1st)

³⁶ Ibid; represents the dollar amount of private business loans under \$1 million per workers, ranked from highest amount (1st)

³⁷ U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2003*; represents the average percentage of people living below the federal poverty level during the period from 2001 to 2003, ranked from lowest percentage (1st)

³⁸ CFED, *SADRC*; represents the percentage of households with zero or negative net worth, ranked from lowest percentage (1st)

³⁹ American Bankruptcy Institute; represents personal bankruptcy filings in 2003 per thousand households in the state, ranked from fewest filings (1st)

⁴⁰ U.S. Census Bureau, *Census 2000*; represents the percentage of the state's population composed of Native Americans and Alaska Natives (only), ranked from highest percentage (1st)

⁴¹ Ibid; represents the percentage of Native American/Alaska Native individuals living below the federal poverty level at any time in 1999

⁴² Ibid; represents the percentage of the state's population composed of foreign-born individuals, ranked from highest percentage (1st)

⁴³ Ibid; represents the percentage of foreign-born individuals living below the federal poverty level at any time in 1999.

I. DEMOGRAPHICS

1. Geography

Washington lies in the northwestern corner of the contiguous United States, and is the 18th-largest state in the country with a total area of 71,303 square miles. Washington is bordered on the east by Idaho, to the south by Oregon, to the north by Canada, and to the west by the Pacific Ocean. The state's total water area is 4,721 square miles, 11th in the nation.⁴⁴



2. Population

Washington's mid-2004 population was 6.2 million (up 1.2% from 2003 and over 20% since 1990), making it the **15th-most populous state in the country**.⁴⁵ The state's largest city is Seattle, with a population of 572,600 as of April 2004.⁴⁶ The **highest rates of growth in the state were found in Clark and San Juan counties**, although the greatest nominal growth was in King County. The median age in Washington is 36.2, slightly above the national median (35.4).

Population Change by County, 1990-2004

County	Census 1990	Census 2000	% Change	2004 (Estimate)
Adams	13,603	16,428	20.77	16,700
Asotin	17,605	20,551	16.73	20,700
Benton	112,560	142,475	26.58	155,100
Chelan	52,250	66,616	27.49	68,400

⁴⁴ Netstate.com, *The Geography of Washington*. http://www.netstate.com/states/geography/wa_geography.htm

⁴⁵ U.S. Census Bureau.

⁴⁶ Washington Office of Financial Management, *Ranks of Cities and Towns*, <http://www.ofm.wa.gov/pop/april1/rank2004.pdf>.

Clallam	56,210	64,179	14.18	65,900
Clark	238,053	345,238	45.03	383,300
Columbia	4,024	4,064	0.99	4,100
Cowlitz	82,119	92,948	13.19	95,300
Douglas	26,205	32,603	24.42	34,200
Ferry	6,295	7,260	15.33	7,300
Franklin	37,473	49,347	31.69	57,000
Garfield	2,248	2,397	6.63	2,400
Grant	54,798	74,698	36.32	78,300
Grays Harbor	64,175	67,194	4.70	69,200
Island	60,195	71,558	18.88	74,800
Jefferson	20,406	26,299	28.88	27,000
King	1,507,305	1,737,046	15.24	1,788,300
Kitsap	189,731	231,969	22.26	239,500
Kittitas	26,725	33,362	24.83	35,800
Klickitat	16,616	19,161	15.32	19,300
Lewis	59,358	68,600	15.57	70,700
Lincoln	8,864	10,184	14.89	10,200
Mason	38,341	49,405	28.86	50,800
Okanogan	33,350	39,564	18.63	39,600
Pacific	18,882	20,984	11.13	21,000
Pend Oreille	8,915	11,732	31.60	11,900
Pierce	586,203	700,818	19.55	744,000
San Juan	10,035	14,077	40.28	15,100
Skagit	79,545	102,979	29.46	108,800
Skamania	8,289	9,872	19.10	10,100
Snohomish	465,628	606,024	30.15	644,800
Spokane	361,333	417,939	15.67	432,000
Stevens	30,948	40,066	29.46	40,700
Thurston	161,238	207,355	28.60	218,500
Wahkiakum	3,327	3,824	14.94	3,800
Walla Walla	48,439	55,180	13.92	56,700
Whatcom	127,780	166,826	30.56	177,300
Whitman	38,775	40,740	5.07	41,700
Yakima	188,823	222,581	17.88	227,500
Washington State	4,866,669	5,894,143	21.11	6,167,800

Source: Washington Office of Financial Management⁴⁷

3. Metropolitan Statistical Areas (MSAs)

Washington presently has 12 defined MSAs, two of which overlap state boundaries:

Population by MSA, 1990-2003

<i>Metropolitan Statistical Area</i>	<i>2003 Population</i>	<i>2000</i>	<i>1990</i>	<i>% Change 1990-2000</i>
Bellingham	176,571	166,814	127,780	30.5
Bremerton-Silverdale	240,719	231,969	189,731	22.3
Kennewick-Richland-Pasco	209,786	191,822	150,033	27.9
Lewiston (ID-WA)	58,324	57,961	51,359	12.9
Longview	95,146	92,948	82,119	13.2
Mount Vernon-Anacortes	109,234	102,979	79,555	29.4

⁴⁷ Washington Office of Financial Management, Forecasting Division, *2004 Population Trends for Washington State*, <http://www.ofm.wa.gov/pop/poptrends/>.

Olympia	221,950	207,355	161,238	28.6
Portland-Vancouver-Beaverton (OR-WA)	2,040,258	1,927,881	--	--
Seattle-Tacoma-Bellevue	3,141,777	3,043,878	2,559,164	18.9
Spokane	431,027	417,939	361,364	15.7
Wenatchee	101,726	99,219	78,455	26.5
Yakima	226,727	222,581	188,823	17.9

Source: U.S. Census Bureau⁴⁸

4. Race and Ethnicity

The state is divergent from U.S. demographic averages: there are larger White, Asian, American Indian/Alaska Native, and Hawaiian/Pacific Islander populations and smaller Black and Hispanic/Latino populations.

Population by Race, 2000

<i>Race</i>	<i>2000 Population</i>	<i>% State Pop</i>	<i>% U.S. Population</i>
White	4,821,823	81.8	75.10
Black or African American	190,267	3.2	12.30
American Indian and Alaska Native	93,301	1.6	0.90
Asian	322,335	5.5	3.60
Native Hawaiian and Other Pacific Islander	23,953	0.4	0.10
Other race	228,923	3.9	5.50
Two or more races	213,519	3.6	2.40
Hispanic or Latino (of any race)	441,509	7.5	12.50

Source: U.S. Census Bureau, Census 2000 Data.

* Persons of Hispanic or Latino Origin may be of any race

5. Education

Educational attainment for Washingtonians is not very different from national averages. Of Washingtonians 25 and over, 30.2% have a bachelor's degree or higher (11th-highest in the nation) and 89.7% hold high school diplomas (tying Washington for sixth). Seattle ranks among the top five among all U.S. cities in the percentage of adults who have completed college and in the percentage of professional or technical employees among the general work force.⁴⁹

⁴⁸ U.S. Census Bureau, *Populations of Metropolitan Statistical Areas for US: 2000 Census and July 2003 Estimate*.

⁴⁹ U.S. Census Bureau, 2003 American Community Survey Data.

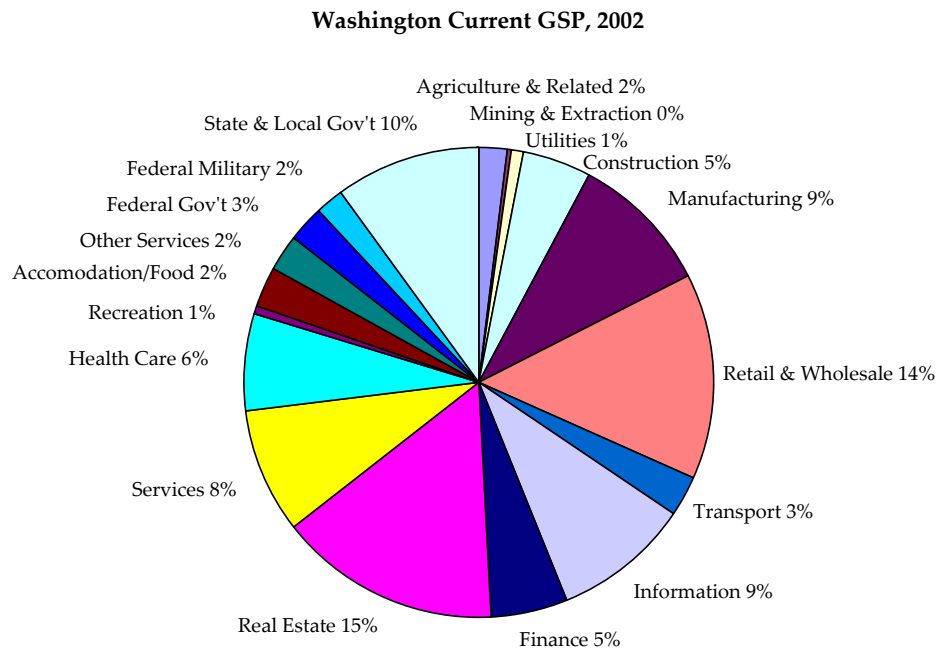
II. ECONOMY

A. ECONOMIC STRUCTURE

Gross state product (GSP) is one of the most frequently used comprehensive measures of an economy. It is defined as the value added in production by the labor and property located in a state. The Bureau of Economic Analysis reports GSP as data become available. **Washington's GSP in 2003 was \$244.9 billion current dollars (14th in the nation).**⁵⁰

1. Major Industries by Gross State Product

Industries of particular importance to the Washington economy include aerospace, telecommunications, software, biotechnology, lumber, and the state military presence.⁵¹



Percent Change in Current GSP by Major Industry, 2000-2001

	Total GSP	Agriculture	Mining	Constr.	Manufact.	Transport/ Utilities	Finance	Services
United States	2.49	4.74	4.48	4.05	-6.40	1.26	5.07	5.48
Washington	2.23	-1.61	-10.60	-0.39	2.28	-0.55	4.59	7.46

Source: U.S. Bureau of Economic Analysis

⁵⁰ Bureau of Economic Analysis, *Regional Economic Analysis*, <http://www.bea.doc.gov/bea/newsrelarchive/2003/gsp0503.xls>

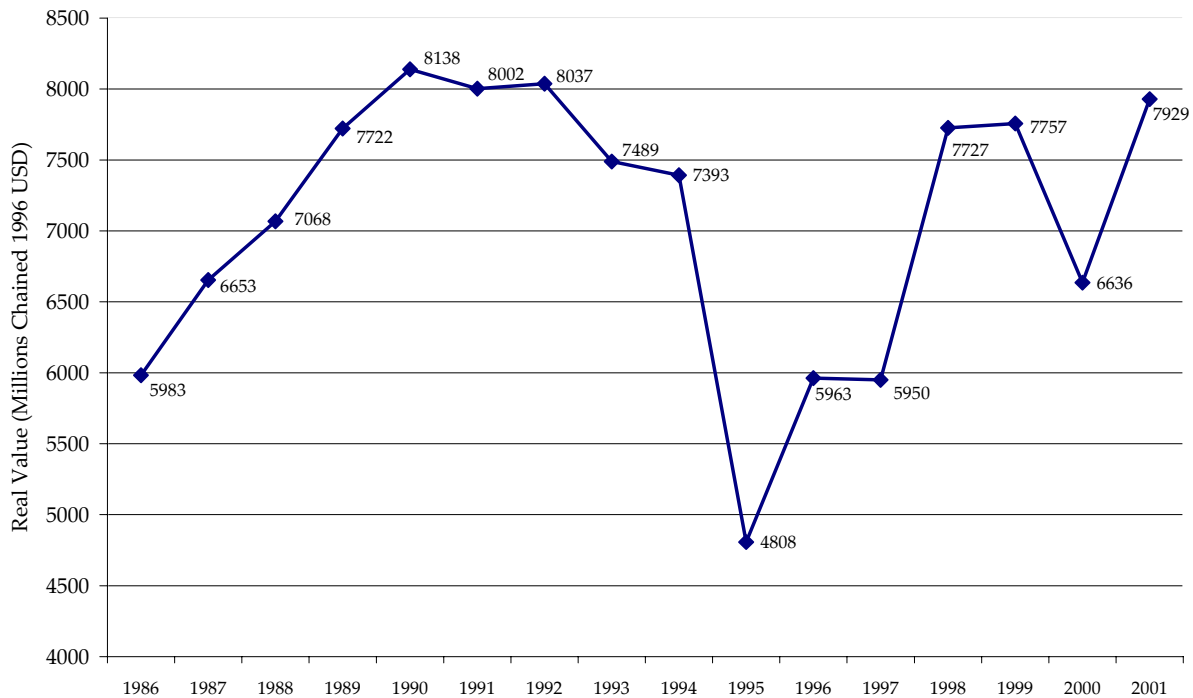
⁵¹ Leading industries here refers to those that represent a high share of state or national GSP relative to the ratio of the size of the state economy to the national economy.

In 2003, Washington's exports totaled more than \$34.2 billion, making Washington the fourth largest exporting state in the U.S. after California, Texas, and New York. Software, not included in these statistics, would add an estimated \$5 to \$10 billion per year to the value of Washington's exports. The State Department of Community, Trade and Economic Development estimates that one in three jobs in Washington is linked to international trade. The Ports of Seattle and Tacoma are the United States' second-largest regional container complex.

a. Aerospace/ Transportation Equipment

The Boeing Company operates large facilities in Renton and Everett. An additional 500 aerospace companies exist in Washington. **The non-motor-vehicle transportation sector in Washington is worth \$9.3 billion, or 12.8% of the U.S. sector GDP.** Although Boeing is facing difficult times with strong competition from Airbus and decline in air travel as evidenced by closing of facilities in Washington (the sector shed 800 jobs or 0.8% 2003-2004), aerospace remains a sector crucial to the state economy, and is exhibiting recovery from extremely tough times in the mid-1990s and in 2001. Overall, **manufacturing in the Seattle area accounts for nearly 87% of the state's exports and almost 20% of living wage jobs.**⁵²

Value of Washington's Non-Motor-Vehicle Transportation Equipment, 1986-2001



Source: Bureau of Economic Analysis

⁵² This and further sector data from BEA and Brookings Institution Center on Urban and Metropolitan Policy, *Ten Steps to a High Tech Future: The New Economy in Metropolitan Seattle*, <http://www.brookings.edu/metro/sommers/sommersexsum.htm>.

b. Software and Electronic Commerce

Seattle is home to over 3,000 software companies, nearly half of which do business internationally. Microsoft and Amazon.com are based in Seattle. Over 400 companies in the 1997 Economic Census published software with a collective employment of 10,000 and revenues of \$6 billion. Between 1995 and 1998 alone, Seattle added 6,000 new high-tech jobs and the state added a total of 27,000. **Employment in the sector has been growing at an annual rate of 10% to 17%.**

c. Telecommunications

AT&T and T-Mobile USA are headquartered in Washington. The 1997 Economic Census valued the telecom sector and related activities at \$11.4 billion and it is likely that the present number is much higher. Washington's contribution to GDP is above the national average at 2.5%.

d. Biotechnology

Washington is ranked among the top five biotechnology centers in the United States by Forbes with 55 biotech firms in Seattle and 133 statewide. Seattle is home to several world-class research and health care institutions, such as the University of Washington and the Fred Hutchinson Cancer Research Center, the world's largest center for cancer research and treatment. Since the 1980s, more than two dozen biotech start-ups have been established in the Seattle area. Approximately 7,600 people are currently working in the City's biotech and medical device industries.⁵³

e. Lumber and Wood Products

Wood products in Washington were valued at \$2.3 billion in 2001 (5.8% of US sector GDP), well above the national average of \$780 million. Washington has an abundance of forested land and while employment has been slightly contracting in the sector, revenue and wages are climbing and have been since 2000.⁵⁴

f. Military

Washington is the home of nine large military bases and over 100 smaller facilities employing a total of over 83,000 personnel. State business revenue from bases is valued at \$528 million per year. **The military presence generates a preponderance of economic value in many counties:** in Island County, 88% of economic activity comes from military bases. Other counties with large percentages of economic activity from bases include Kitsap (54%), Pierce (30%), Spokane (9%), and Snohomish (5%). Forty-four companies in the state derive 100% of their business from military bases, and 30 others generate more than half of their business from the bases.⁵⁵

⁵³ City of Seattle Office of Economic Development, *Major Industry Sector Development*, http://www.ci.seattle.wa.us/economicdevelopment/pages/maj_ind_sectors.htm.

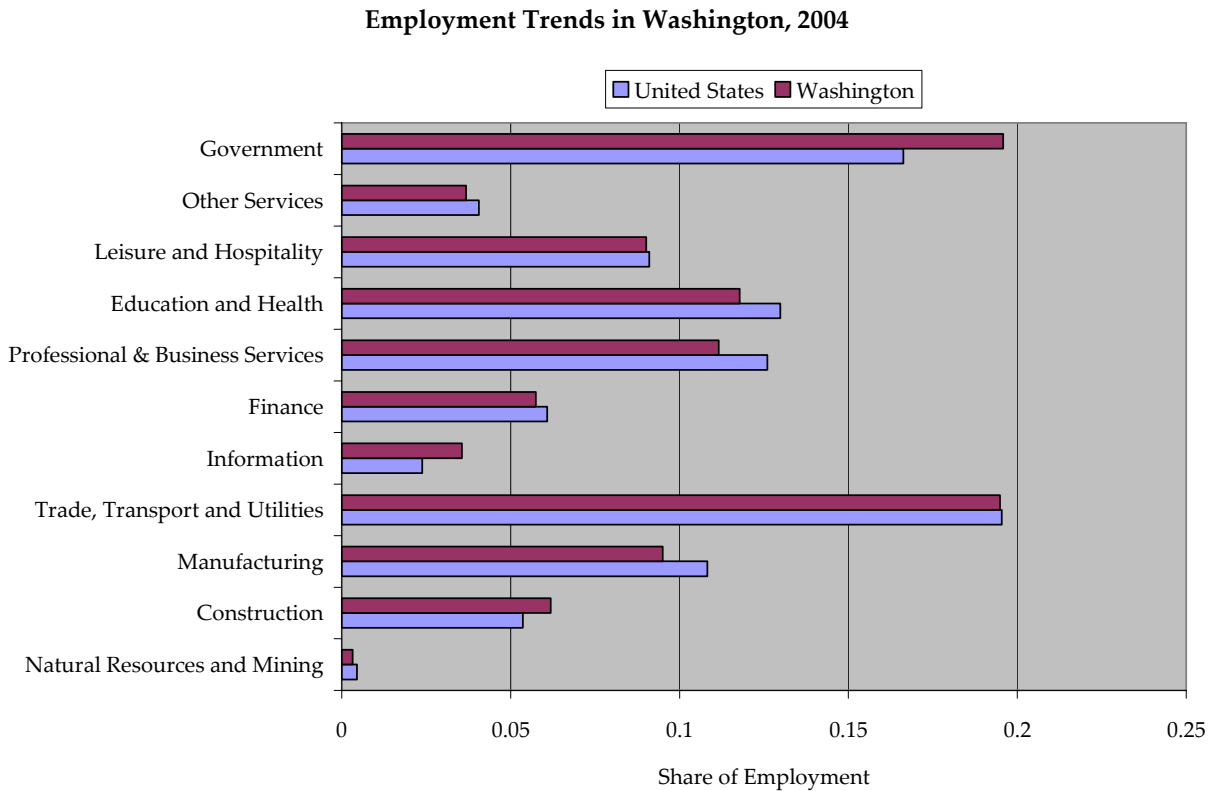
⁵⁴ State of Washington Workforce Explorer, *Wood Products Manufacturing*, <http://www.workforceexplorer.com/article.asp?ARTICLEID=3290&PAGEID=67&SUBID=112>.

⁵⁵ State of Washington Office of Financial Management, *Economic Impacts of the Military Bases in Washington*, July 2004, <http://www.ofm.wa.gov/economy/military/>.

2. Economic Diversification

Expansion and diversification of the economy is the duty of the **Department of Community, Trade and Economic Development (CTED)**. State government is especially focused on diversifying the energy sector so as to reduce dependence on energy imports and in strengthening tourism. **CTED disburses federal grant money through a number of diversification funds**, all aimed at finding new strengths for local economies dependent on limited natural resources. In the same vein, The WA-CERT program (Washington Community Economic Revitalization Team)⁵⁶ is a list prioritizing state businesses for the purposes of distributing funds that was implemented in its early stages to deal with the economic impacts of a timber crisis in the late 1980s and early 1990s. Many resources intended to strengthen small businesses also further the cause of diversification.

3. Labor Force and Employment



Source: Bureau of Labor Statistics

The size of the labor force in Washington as of September 2004 was 3.18 million workers, of which 162,000 are unemployed. **Sixty percent of women over 16 participate in the labor force compared to 65% for the combined male and female state population:** both rates are

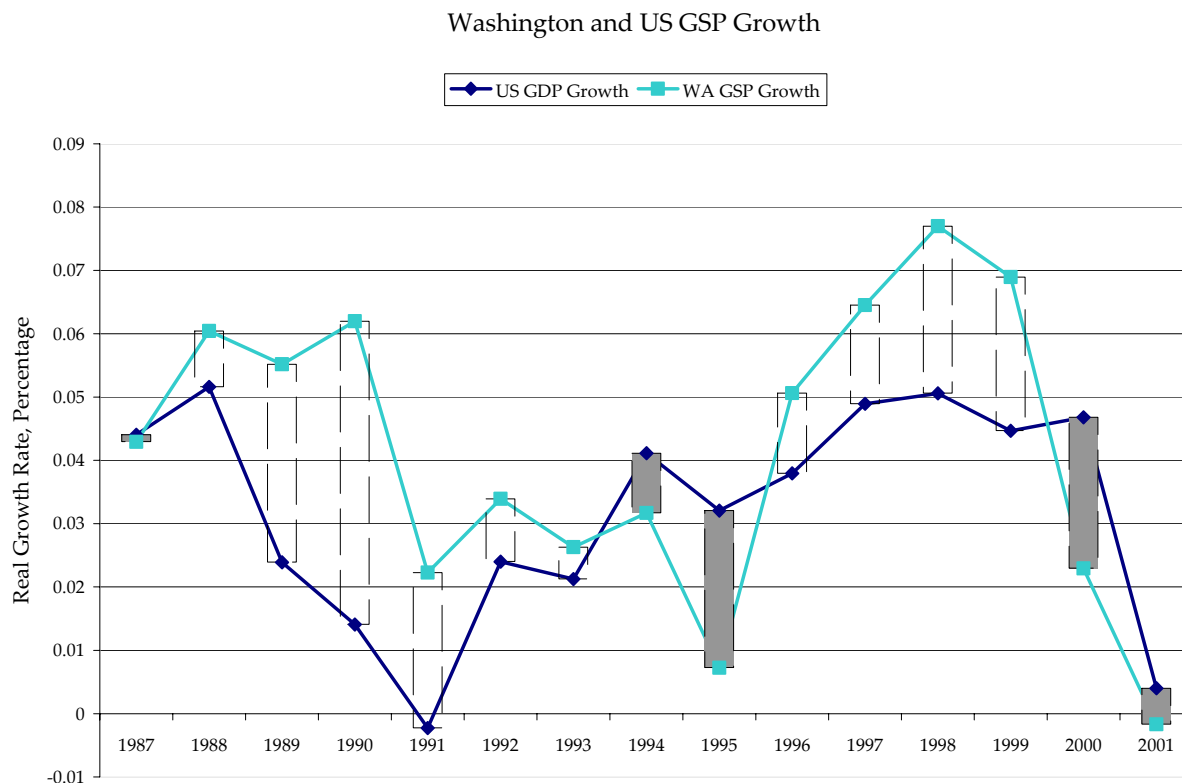
⁵⁶ Washington State Housing Trust Fund, *Consolidated Five-Year Plan*, III.85-86.

higher than national averages.⁵⁷ Thirty-five percent of workers are in management or professional positions, 15% in services, 25% in sales and office jobs and 13% in production and transportation. Seven percent of workers are self-employed, with the private sector accounting for just over three quarters of employment and the government sector accounting for just less than one fifth.

B. ECONOMIC PERFORMANCE

1. Historic Economic Performance

Since the 1970s, Washington has attracted a large number of firms moving from California to a more favorable business climate. These include computer software manufacturers and other high-technology companies. The increased economic diversification and stepped-up activity in high-tech industries have cushioned the impact of job losses in the 1990s from post-cold war cutbacks, especially in aerospace orders for Boeing. **For most of the 1980s and 1990s, Washington's economy has grown at a faster pace than the national average.** High points were the years 1988-1990 and 1996-1999.



Source: Bureau of Economic Analysis

⁵⁷ U.S. Census Bureau, Census 2000 Data.

2. Recent Economic Performance

The pace of growth in per capita income in Washington is highly volatile, but usually slightly higher than the U.S. mean. While Washington's economy experienced slowdowns in the mid-1990s and early 2000s relative to the rest of the country, the state has usually exceeded the mean growth rate for the entire country in the long term. However, the pace of growth in the Washington economy has decreased every year since 1998, uncharacteristically dropping below the national average in 2000, suggesting that the state has yet to recover from the recession in 2000.⁵⁸

Due to efforts to maintain and adapt the manufacturing industry in Washington, damage to that sector has been less than in other states across the nation.⁵⁹ The sectors that have fared best are skilled services and finance. The government sector grew less in Washington than elsewhere, partly due to falling tax revenue.

Since 2001, the end of the dot-com boom and the collapse of demand for air travel and aircraft following September 11th combined to intensify the recession in Washington. **From 2001 to 2003, Washington's unemployment rate remained above 7%, making it one of the highest in the nation.**⁶⁰ In Seattle, more than half of lost manufacturing jobs were in aerospace, which shed over 44,000 jobs between 1999 and 2004. Boeing had been experiencing production and financial difficulties already in the late 1990s and the terror attacks hurt aerospace even more. Employment is expected to swing upward again in 2004 and 2005 as the state's recovery strengthens.⁶¹

Between 1990 and 2000, the number of high-tech jobs in the state more than doubled, with about 80% of the new jobs in the Seattle area. **The software industry was responsible for about half of the growth in the 1990s, with employment growing over 500% in the space of 10 years.** After the bursting of the dot-com bubble in 2001, the industry dropped 1,500 jobs but has added 3,400 since 2002, and is expected to add 4,000 more jobs before 2008.⁶²

The Seattle area has been **an important wireless telecommunications center**, headquartering AT&T, T-Mobile, and Western Wireless. Employment peaked at 12,200 in 2000 and has settled around 11,000 as of March 2004. The merger between AT&T wireless and Atlanta-based Cingular Wireless will likely result in a loss of several thousand Seattle-area jobs.⁶³

3. Economic Outlook

The September 2004 economic forecast for the State of Washington expects that **employment growth will rise to 3.4%, including a growth in manufacturing of 1.8%.**⁶⁴ Aerospace

⁵⁸ Washington State Chamber of Commerce, *2004 WashACE Economic Outlook*, <http://www.awb.org/otherissues/competitiveness/2004outlook/reportmain.asp>.

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Early 2005 data supports these forecasts. Washington State Employment Security Department, *Economists Predict*

employment, which is down 31% since September 11, is expected to show moderate growth with Boeing's announcement that it intends to develop the 7E7 in Seattle, for which the company was expected to hire 3,000 workers in 2004. Construction and professional services will both show high growth rates. Software is also expected to continue growing at a moderate rate of 2,000 workers per year. Housing has picked up again, although all the growth in housing permits is in single-family residences. **Local inflation is running well below the national average.** Seattle's year-over-year core inflation was a negative 0.3% compared to a positive 1.8% for the U.S. city average. Washington's recovery is relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace, but it is nonetheless a recovery.⁶⁵

III. STATE AND LOCAL GOVERNMENT

A. STRUCTURE

1. State and Local Governments

Washington has 39 counties ranging in population from 2,400 to over 1.7 million. **Nearly 60% of the state population lives in incorporated areas.** Washington has 281 incorporated cities and towns, including 10 with populations of 10,000 or more at the time of incorporation or reorganization, 16 with populations over 1,500 at the time of incorporation, 73 towns and 181 ‘code cities’ which operate under their own charter.⁶⁶ Non-code cities and towns exert limited powers granted them by the state legislature while code cities have broader mandate to self-govern.

The three types of local governments in Washington - counties, cities, and special purpose districts - began to acquire **overlapping powers and responsibilities**, and their roles have become more similar. Although the similarity of roles has led to some conflict and competition among the local governments, a variety of forms of cooperation between them has also evolved. The range of methods for local inter-governmental cooperation is another distinctive feature of Washington State government.

In the **1990 Growth Management Act (GMA)**, the state legislature recognized that counties are the regional governments within their boundaries and that cities are the primary providers of urban governmental services within urban growth areas. In 1994, **the legislature passed the Local Government Service Agreements Act**, further encouraging voluntary transfers of functional responsibility among units of local government to allocate the financing and provision government services and facilities using the most efficient geographic units regardless of jurisdictional boundaries.⁶⁷

2. Educational System

In 2003, Washington had 2,209 public schools at various instruction levels.⁶⁸ Public K-12 enrollment in October 2002 was 1,006,159 and private enrollment was 64,160. The University of Washington system included 39,215 students in 2002.⁶⁹ The Washington State University system included 20,492 students in 2001, including 16,839 undergraduates.⁷⁰

B. GOVERNMENT FINANCES

Washington State’s tax receipts are the single largest source of revenue (48% of total collections for years 2001-2003), followed by gross federal funds (25%).⁷¹ **Washington’s total**

⁶⁶ Association of Washington Cities, <http://www.awcnet.org>.

⁶⁷ Municipal Research & Services Center of Washington, *Governance*, <http://www.mrsc.org/Subjects/Governance/governance.aspx>.

⁶⁸ National Center for Education Statistics, *Common Core of Data* (Search), <http://nces.ed.gov/ccd/>.

⁶⁹ Washington State Office of Financial Management, *Data Book 2003*, <http://www.ofm.wa.gov/databook/>

⁷⁰ National Center for Education Statistics (NCES), <http://www.nces.ed.gov/>.

⁷¹ Office of Financial Management, *2003 Washington State Data Book*,

tax burden ranks fifth lowest among the 13 western states. The state has no corporate income tax, no unitary tax, no inventory tax, no personal income tax, and no personal interest, dividend, or capital gains tax.⁷² **Washington's tax burden in 1998 was ranked 13th in the nation at \$3,038 in state and local taxes per capita, and 18th on the basis of percentage of income going to state and local taxes in 2003.**⁷³

State debt service in 2005 will amount to \$891 million: \$439 million in principal and \$451 million in interest payments, ranking ninth in the nation as of 1998.⁷⁴ This high level of debt reduces the state's flexibility in budget planning, but has not been a significant problem in recent years. **Washington continues to receive high ratings on its short and long term debt** from Fitch (AA), Moody's (Aa1) and S&P (AA).⁷⁵

Projected growth of state expenditures outpaces the growth of state revenue. The Office of Financial Management (OFM) projects **that the state budget will be out of balance starting 2006 due to high growth in caseloads of public programs and the failure of revenue to keep pace with rapid personal income growth in the state.**⁷⁶ OFM recommends that spending on non-essential programs be reduced so that the general fund remains solvent and cuts in health and education programs do not become necessary. OFM also advises against further tax cuts or spending hikes.

C. MAJOR GOVERNMENT AGENCIES INVOLVED IN COMMUNITY DEVELOPMENT

The **Washington State Housing Finance Commission (WSHFC)**, founded in 1983, is a fully self-supporting agency which works with the **Department of Community, Trade and Economic Development (CTED)** to issue bonds, participate in lending programs, and otherwise promote housing construction in Washington without relying on the state's credit. Nine members of the board are appointed or approved by the Governor, and the remaining two positions are filled by the State Treasurer and Director of CTED. CTED also maintains a Housing Services Division, which offers farm worker housing, housing rehabilitation, homeless shelters, and other programs as well as a housing trust fund. Additional housing resources and specific WSHFC programs are described below in section V.B.2.

CTED (as well as local SBA offices in Seattle and Spokane) provides a free directory of state services available to small businesses. CTED itself offers a business assistance helpline that directs questions from potential entrepreneurs to appropriate state agencies. **The most important**

<http://www.ofm.wa.gov/databook/finance/gt04.htm>.

⁷² Columbia Gorge Economic Development Association, *Washington State Taxes*, <http://www.cgeda.com/resources/bisttax.shtml>.

⁷³ Public Policy Institute of New York State, *Update On New York's 'Tax Gap' With Other States*, <http://www.bcnys.org/whatsnew/2001/0717txgp.htm>; and Tax Foundation, *Comparing the 50 States' Combined State/Local Tax Burdens in 2003*, <http://www.taxfoundation.org/statelocal03.html>.

⁷⁴ Public Policy Institute of New York State, *State and Local Government Debt Per Capita*, <http://www.ppinys.org/taxes/98deptpercap.htm>.

⁷⁵ Washington State Treasurer's Office, *Bond Ratings*, <http://tre.wa.gov/BondDebt/bondrate.htm>.

⁷⁶ Washington State Office of Financial Management, *Adequacy of State Revenues*, <http://www.ofm.wa.gov/fiscal/adequacy/ofm20020208.pdf>.

CTED division for small businesses is the Business Finance Unit, which offers loan portfolio management and a series of loans that startups and small businesses are eligible to compete for.

In addition to finance and assistance from CTED, a number of other state affiliates offer services useful to small businesses. **The Export Finance Assistance Center of Washington** provides financial guarantees to companies interested in developing an export/import business. The **Spokane Intercollegiate Research and Technology Institute (SIRTI)** forms partnerships between businesses, colleges, and investors to develop and commercialize products and technologies. The **Washington Technology Center** funds R&D for companies in the state through local and federal loans and grants.

Poverty and income support is handled through the state **Department of Social and Health Services (DSHS)**, which administers a wide variety of programs ranging from drug, tobacco, and alcohol treatment, adoption services, domestic violence, disabled services, pregnancy support, refugee cash support, childcare, food stamps, senior care, medical expense assistance and general assistance for unemployable persons as well as the TANF (Washington WorkFirst) and federal medical aid grants.

Unemployment assistance applications and claims can be filed online at the **Employment Security Department**,⁷⁷ which enrolls applicants in job search as well as retraining programs. The program had 94,309 beneficiaries as of June 2004. The average length of enrollment was as short as 15 weeks in 2001, but the average climbed to 18.3 weeks of enrollment for the 12 months ending June 2004.⁷⁸

Issues of special concern to American Indians and Alaska Natives are managed by the **Governor's Office of Indian Affairs**.⁷⁹ The office began in 1969 as an advisory council, which in 1979 was converted into a gubernatorially-appointed office. The state government since the early 1970s has included a **Commission on Asian American Affairs (CAPAA)**⁸⁰ and **Commission on Hispanic Affairs (CHA)**⁸¹ whose missions are to advise the governor and state legislature on issues of special relevance to their constituencies.

⁷⁷ State of Washington Employment Security Department, Unemployment Insurance Division, <http://www.wa.gov/esd/ui/icapp/start.htm>.

⁷⁸ Ibid.

⁷⁹ Washington State Governor's Office of Indian Affairs, <http://www.goia.wa.gov/>.

⁸⁰ Washington State Commission on Asian American Affairs, <http://www.capaa.wa.gov/>.

⁸¹ Washington State Commission on Hispanic Affairs, <http://www.cha.wa.gov/>.

IV. NONPROFITS AND FINANCIAL INSTITUTIONS IN WASHINGTON

A. NONPROFITS IN WASHINGTON

The Evergreen State Society in 2004 published the third in an ongoing series of surveys of nonprofit organizations in Washington State.⁸² Between 1994 and 1999, the number of nonprofits grew by nearly 25% from 31,835 to 39,677. By 2004, the number had grown to 47,480 – a further 20% increase. At the same time, the number of organizations in Washington counted as exempt from corporate income taxes by the IRS has grown by nearly two thirds; their assets have increased by over 350%.

Tax-Exempt Entities in Washington

Year	Number	Change (%)	Total Assets (\$1m)	Change (%)
1993	13,002	-	\$11.2	-
1998	16,286	25.3	\$16.2	44.6
2003	20,980	28.8	\$51.7	219.1

Source: Internal Revenue Service, Evergreen State Society

At present, nonprofits represent just over one quarter of all registered Washington corporations. Most nonprofits in Washington are small. Only 53 out of 21,000 nonprofits in Washington report assets of over \$10 million, and 90% report assets of \$800,000 or less. **The vast majority of the value of the nonprofit sector (\$50 billion) is held by the top 10% of nonprofits. Geographically, 41% of nonprofits are located in the Seattle area** and employ over 106,420 people there out of 234,756 for all nonprofits statewide.

Washington nonprofits work in many fields. The number of organizations working in the fields of arts and culture, education, health, recreation, human services, and religion are all approximately equal; however, the **largest revenue-earning nonprofits are in the health sector** (which earns 60% of all nonprofit revenue in the state). Yet the health sector represents only 25% of total nonprofit assets while **philanthropic nonprofits hold nearly half of all assets in the nonprofit sector.**

The entry of the Gates Foundation into the nonprofit arena has skewed state nonprofit data due to its overwhelming size. Prior to the inception of the Gates Foundation, program services were the most important revenue generating activities for the 1,183 private charitable foundations extant in 2001 (73% of revenues), followed by contributions (19%) and government grants (7%). As of March 2004, 1,868 nonprofits operate as trusts with a combined value of \$250,000 in income-producing assets. Private donations by taxpayers amounted to \$2.7 billion spread among over 800,000 households in 2001.

Northwest Nonprofit Resources (NNR) is a center for nonprofits across the Northwest. Through regional partner organizations, NNR consults for nonprofits to increase visibility and networking within the nonprofit community. Likewise, The **Washington State Community Action Partnership** is comprised of 31 statewide community action agencies serving low-income individuals and families. Twenty-seven of the agencies are private, not-for-profit organizations and four are public organizations, with a combined annual expenditure of \$202

⁸² The Evergreen State Society, *Nonprofits in Washington State*, <http://www.tess.org/NPinWA>.

million. All of the agencies provide multiple services and receive federal, state, and local funding, a large share of which comes from the federal Community Services Block Grant (CSBG).⁸³

B. FINANCIAL INSTITUTIONS

CFED's data on bank access reveals a strong standing for Washington: 40.3% of households have checking accounts (11th in the nation) and 73.7% have savings accounts (ninth in the nation).⁸⁴

One hundred and seventeen FDIC-insured financial institutions operate in Washington, 100 of which are headquartered in the state. The combined value of those 100 insured institutions was \$78.4 billion in fall 2004. Among insured institutions based in Washington, the **median return on assets increased by 1.06%**, just above the national median of 1.02%. **The state's small commercial and industrial (C&I) loan portfolio growth slowed through mid-2004 to a rate of 2% on a median basis. Increases in larger C&I loans outpaced smaller business credits over the period, lifting the overall median C&I loan growth rate to 8.1% in June 2004.** As a result, small business loans have declined as a share of total C&I loans among most Washington-based insured institutions over the past few years. Nearly one third of institutions (32) have been in operation less than nine years, and these young institutions earned a lower median return of 0.9 for 2003.⁸⁵

Bank classes in the state are diverse. Sixty-one banks are state banks that are not members of the Federal Reserve (four are state member banks); 13 are national, six operate as savings and loans (two as savings only), and 14 operate as stock and mutual savings banks. Thirty-seven are located in the Seattle-Bellevue-Everett MSA (with 63% of all bank assets) and 29 are in non-incorporated areas (with 11% of all bank assets).

Distribution of Washington Bank Assets by MSA, Fall 2004

<i>MSA Distribution</i>	<i># of Inst.</i>	<i>Assets</i>	<i>% Inst.</i>	<i>% Assets</i>
Seattle-Bellevue-Everett WA PMSA	37	49,194,538	37.76%	62.60%
No MSA	29	8,963,585	29.59%	11.41%
Tacoma WA PMSA	8	3,142,048	8.16%	4.00%
Spokane WA	6	10,317,773	6.12%	13.13%
Olympia WA PMSA	5	1,586,877	5.10%	2.02%
Yakima WA	3	1,373,589	3.06%	1.75%
Portland-Vancouver OR-WA PMSA	3	1,383,849	3.06%	1.76%
Bremerton WA PMSA	3	946,469	3.06%	1.20%
Richland-Kennewick-Pasco WA	2	239,080	2.04%	0.30%
Bellingham WA	2	1,441,717	2.04%	1.83%

Source: FDIC⁸⁶

⁸³ An agency description as well as complete member listing is online at the Washington State Community Action Partnership, <http://www.wapartnership.org/>.

⁸⁴ CFED, *SADRC*, pp. 114-115.

⁸⁵ FDIC, *Washington State Profile - Fall 2004*.

⁸⁶ *Ibid.* Note that the FDIC classifications differ slightly from currently defined MSAs.

Besides traditional banking institutions, 150 credit unions (CUs) populate Washington's financial landscape, 63 of which are federally chartered and 87 of which are state-chartered. Collectively, CUs accounted for 19.6% of total combined CU and Bank assets as of December 2003, well above the national average of 6.5%.⁸⁷

C. CDFIs

Washington has 18 organizations that have been certified by the Community Development Financial Institutions (CDFI) Fund as of November 2004. To achieve certification, an entity must have a primary mission of promoting community development, must principally serve and maintain accountability to an eligible target market, be a financing entity, provide development services, and not be either a government entity or controlled by a government entity.

Washington's 18 CDFIs include:⁸⁸

- The Lending Network (Chehalis)
- Affiliated Tribes of the Northwest Indians Revolving Loan Fund (Edmonds)
- Newrizons Federal Credit Union (Hoquiam)
- Shorebank Enterprise Pacific (Ilwaco)
- Timber Country Community Federal Credit Union (Morton)
- Thurston Union of Low-Income People (TULIP) Cooperative Credit Union (Olympia)
- People Working Together Federal Credit Union (Ridgefield)
- Cascadia Revolving Fund (Seattle)
- HomeSight (Seattle)
- Impact Capital (Seattle)
- Northwest Baptist Federal Credit Union (Seattle)
- Seattle Economic Development Fund d/b/a Community Capital Development (Seattle)
- Washington Assistive Technology Foundation (Seattle)
- Washington Cash (Seattle)
- Washington Community Reinvestment Association (Seattle)
- Spokane Neighborhood Economic Development Alliance (Spokane)
- Rural Community Development Resources (Yakima)
- Rural Community Assistance Corporation (Lacey/Malott/Port Angeles/Spokane)

CDFI Fund Awardees in Washington State Since 2000

<i>Institution</i>	<i>Year</i>	<i>Amount of Award</i>
Shorebank Enterprise Pacific	2000	\$50,000
Seattle Economic Development Fund	2000	\$650,000
Seattle Economic Development Fund	2000	\$43,500
Viking Community	2000	\$124,430
Washington Community Alliance For Self-Help	2000	\$200,000
Viking Community	2001	\$443,696

⁸⁷ Credit Union National Association, *Credit Union Fact Sheet: Institutions Chartered in Washington*, http://www.cuna.org/download/washington_fs.pdf.

⁸⁸ CDFI Fund, *Certified Community Development Financial Institutions*, <http://www.cdfifund.gov/docs/certification/cdfi/CDFI-state.pdf>.

Washington Assistive Technology Foundation	2002	\$100,000
Confederated Tribes Of The Chehalis	2002	\$83,000
Northwest Baptist Federal Credit Union	2002	\$200,000
Island Enterprises (A Squaxin Island Tribal Enterprise)	2002	\$100,000
Affiliated Tribes Of Northwest Indians	2002	\$79,000
WA Assistive Technology Foundation	2003	\$100,000
HomeSight	2003	\$500,000
Lummi Indian Business Council	2003	\$101,800
Viking Bank	2003	\$110,366
Shorebank Enterprise Pacific	2003	\$8,000,000
Kitsap County Consolidated Housing Authority	2003	\$40,000,000

Source: CDFI Fund⁸⁹

⁸⁹ CDFI Fund, *Cumulative Awardee Profiles by State*, <http://www.cdfifund.gov/awardees/states.asp>.

V. AFFORDABLE HOUSING

A. AFFORDABLE HOUSING NEEDS

Washington faces a **shortage of affordable housing**. The state's population has grown nearly 20% in the past 10 years compared to 10% for the nation as a whole. As a result of housing markets' inability to keep up with demand, **housing costs have increased at a more rapid rate than personal incomes**. While the homeownership rate grew by 3.1 percentage points between 1990 and 2000, home prices have risen dramatically. Homeownership in Washington is low: only 67% of residents owned their homes in 2002, the 10th-worst rate nationally.⁹⁰ In 2003, the **median home value in Washington was the 10th-highest nationwide** for mortgaged homes at \$200,235.⁹¹ A community development priority is **income inequity** in homeownership: Washington ranks ninth-worst nationwide in the similarity of homeownership rates among top and bottom income brackets. The state is credited with a strong housing policy infrastructure; however, increases in home values have outpaced the growth of the availability of affordable housing, indicating substantial room for improvement.

1. Overall Housing Market

In 2003, Washington had a total of 2.6 million housing units, 7.2% of which were vacant. Of Washington's 2.4 million occupied housing units, 65% were in single-unit structures, 27% were in multi-unit structures, and 8% were mobile homes; 1.5 million (64%) were owner-occupied and 850,000 (36%) were renter-occupied. Three percent of all households did not have telephone service. The median monthly housing costs for mortgaged owners was \$1,380; for nonmortgaged owners the payment was \$376; median renters' costs were \$734. **Thirty-five percent of owners with mortgages, 9% of owners without mortgages, and 49% of renters in Washington spent 30% or more of household income on housing.**⁹²

2. Homeownership Statistics.

Washington ranks 41st in homeownership with only 67% of residents owning their homes in 2002.⁹³ Looking at differences in homeownership by race, gender, and income, the state fares very well, placing sixth in the nation in the racial homeownership gap (31% higher for white-headed families compared to non-white families).⁹⁴ Its scores on gender equality are respectable at 16th (18% more males own homes than females).⁹⁵ **The most serious problem is ownership by income.** Washington ranks 42nd in the country on the ratio of homeownership for top-quintile earners to bottom-quintile earners, pointing at a major problem of income inequality in homeownership.⁹⁶

⁹⁰ U.S. Census Bureau, *Statistical Abstract of the United States 2003*.

⁹¹ U.S. Census Bureau, Census 2000 Data.

⁹² U.S. Census Bureau, 2003 American Community Survey Data, <http://www.census.gov/acs/www/Products/Profiles/Single/2003/ACS/WA.htm>. Median home value was \$288,517 in King County.

⁹³ U.S. Census Bureau, *Statistical Abstract of the United States 2003*.

⁹⁴ U.S. Census Bureau, Census 2000 Data.

⁹⁵ Ibid.

⁹⁶ *Ceteris paribus*, upper-quintile earners are 233% as likely to own a home compared to bottom-quintile earners.

3. National Low Income Housing Coalition's Rental Housing Analyses

The National Low Income Housing Coalition (NLIHC) has for several years produced a report entitled *Out of Reach* that analyzes the country's wage-rent disparity. Specifically, NLIHC calculates the amount of money a household must earn in order to afford a rental unit of a range of sizes at the state or county's Fair Market Rent (FMR), based on the generally accepted limit of no more than 30% of income going to housing costs. The required income is then compared to the Area Median Income (AMI), the minimum wage, and the incomes of extremely low-income households (incomes below 30% of AMI). In addition, in 2004, the NLIHC released a report entitled *Up Against a Wall: Housing Affordability for Renters* analyzing rental housing related data from the 2003 American Communities Survey.

Together, these reports indicate that Washington suffers a lack of affordable housing. Using an index that takes into account the state's median gross rent, a ratio of rental costs to renters' incomes, and the percentage of renter households in the state spending more than 50% of income on rent, **the NLIHC ranked Washington as having the 10th-least affordable rental housing in the country.** Washington's median gross rent in 2003 was \$734, ranking the state 38th-cheapest nationally; its renter affordability ratio was likewise a weak 37th and the percentage of renters who are severely cost burdened (paying over 50% of income on rent) was 38th at 23.6% statewide.⁹⁷

Washington's "**housing wage**" is **\$14.32**. This represents the amount that a full-time (40 hours per week) worker must earn in order to afford a two-bedroom unit at the area's FMR. This is approximately twice the state's 2004 minimum wage. In other words, a minimum wage worker must work 86 hours per week to afford a two-bedroom unit at the area's FMR. **Washington's housing wage is 33rd-highest in the nation.**⁹⁸

An estimated 35% of Washingtonians rent their homes, and given the statewide housing wage, NLIHC reports that **46% of renters are unable to afford a two-bedroom unit at FMR.** In Franklin, Island, Kittitas, Pend Oreille, Whatcom and Whitman counties, this figure rises over 50% (equivalently, the income needed to afford a two-bedroom unit in these counties is above the renter median income).

4. CTED 2005-2010 Consolidated Plan

Specific resolutions of CTED's 2005-2010 Consolidated Plan include a substantial commitment by the state to permanently fund supportive housing for people with mental, developmental, and physical disabilities. The number of these persons in need of adequate housing with appropriate services vastly outstrips the supply. Homeless people are more likely to have health problems and use emergency rooms for treatment at costs that are much higher than prevention or regular treatment.

CFED, *SADRC*.

⁹⁷ NLIHC, *Up Against a Wall 2004*, <http://www.nlihc.org/pubs/uaw04/UpAgainstaWall.pdf>.

⁹⁸ NLIHC, *Out of Reach 2004*, <http://nlihc.org/oor2004>.

Furthermore, the State resolved to increase investment in the Housing Trust Fund (HTF), to \$100 million in FY 2005-2007. A model created by the Washington Center for Real Estate Research at the Washington State University determined each \$1 million of HTF appropriation creates 207.54 jobs. **The Plan draws attention to the fact that the Federal cutbacks in the Section 8 Housing Choice Voucher program that provides rental assistance for low-income people could by itself wipe out almost all of the gains represented by state and local funding for low-income housing programs during the past decade.**

The Plan recommends continued action by the State Legislature and the Insurance Commissioner to reduce insurance costs to builders and operators of affordable housing. Insurance costs have leveled off, but insurance agents warn that another upward spiral can be expected in the coming decade. Farmworker housing remains a high state priority, with a special focus on on-farm temporary housing for agricultural laborers and their families. Washington State's economy is highly dependent on the health of the agricultural industry, which is supported by the workers who cultivate and harvest agricultural commodities.

Lastly, the Plan advocates continued simplification of local zoning and building standards to reduce the cost of housing and to make it easier to achieve increased densities while preserving the quality and aesthetic character of communities.

B. AFFORDABLE HOUSING RESOURCES

1. CFED's Affordable Homeownership Program Rankings in 2002

CFED applauds Washington for supporting a strong housing trust fund and property tax circuit breakers for the elderly and for offering four out of six possible programs for first-time homeowners. The state scores just below the median in the share of private activity bonds for home mortgages (28th).⁹⁹

2. CTED Housing Resource Guide

CTED is the most important agency in Washington dealing with housing issues. **The Office of Community Development publishes a 72-page Housing Resource Guide** that contains an exhaustive listing of all grants, loans and other programs available during the pre-development, development, and operating stages of home construction and ownership in Washington.¹⁰⁰

CTED publishes a yearly performance evaluation in which current federal and state funding figures appear for the present year.¹⁰¹

⁹⁹ CFED, *SADRC*, pp. 78, 129-133.

¹⁰⁰ Copies can be ordered from the Office of Community Development, 360-725-2800.

¹⁰¹ Washington Office of CTED, *2003 Washington State Consolidated Annual Performance and Evaluation Report (CAPER)*, http://www.cted.wa.gov/portal/alias__cted/lang__en/tabID__497/DesktopDefault.aspx.

Resources Invested in Programs to Support Low-Income Homeowners

<i>Source of Funds</i>	<i>2002 Funding</i>	<i>2003 Funding</i>	<i>Number of Units or Households Assisted</i>	<i>Other Funds Leveraged</i>
HOME (federal)	\$1,926,108	\$2,834,614	208	\$360,611
Housing Trust Fund	\$2,375,672	\$4,173,441	173	\$24,313,650
US DOE	\$2,712,204	\$2,701,081	577	
HHS	\$5,137,198	\$4,122,165	881	
BPA (Carryover)	\$690,300	\$707,778	151	
Energy Matchmakers	\$3,289,068	\$3,478,395	1,046	\$3,500,000
CDBG	\$2,047,000	\$2,210,550	124	\$742,602
Mobile Home Relocation Assistance	\$10,117	\$486,800	16	
TOTAL	\$18,187,727	\$20,750,556		

Source: Washington State Office of Community, Trade and Economic Development

Resources Invested in Programs to Support Low-Income Renters

<i>Source of Funds</i>	<i>2002 Funding</i>	<i>2003 Funding</i>	<i>Number of Units or Households Assisted</i>	<i>Other Funds Leveraged</i>
HOME (federal)	\$9,646,254	\$6,349,746	340	\$15,893,225
Housing Trust Fund	\$36,752,679	\$54,675,135	1,976	\$203,629,552
LIHTC	\$22,346,918	\$19,336,620	2,838	
US DOE	\$1,884,752	\$1,763,972	377	
HHS	\$2,106,251	\$2,692,026	575	
BPA (Carryover)	\$479,700	\$462,222	99	
CDBG	\$600,000	\$77,340	36	
Energy Matchmakers	\$2,285,624	\$2,271,605	683	\$2,300,000
TOTAL	\$76,102,178	\$87,628,666		

Source: Washington State Office of Community, Trade and Economic Development

3. Federal Housing Programs

Funding of Selected Federal Housing Programs in Washington State

<i>Program</i>	<i>Source of Funds</i>	<i>State Administering Agency</i>	<i>Grantees</i>	<i>2002 Funding</i>	<i>2003 Funding</i>
HOME	HUD	CTED	Units of local government, nonprofits, public housing authorities	\$9,648,254	\$9,220,092
Weatherization	DOE, Bonneville, HHS	CTED	Community action agencies	\$10,904,154	\$12,449,244
CDBG	HUD	CTED	Non-entitlement local governments	\$16,183,000	\$18,900,000
ESGP	HUD	CTED	Units of local government, PHAs, nonprofits	\$1,062,000	\$1,053,000
LIHTC	Federal Tax Credits	Housing Finance Commission	For profit and not for profit housing developers	\$12,469,805	\$10,202,970
				\$9,877,113 tax credits on bond financed deals	\$9,133,650
PATH	HHS	DSHS	Units of local government	\$688,000	\$820,000
Administrative	HUD Fees	CTED	N/A	\$63,228	\$66,283
Supportive Housing Program	HUD	CTED	Nonprofits	\$1,413,094	\$2,999,151

HOPWA	HUD	CTED	Nonprofits	\$608,000	\$637,000
EDI - Special Project Grant	HUD	CTED	Growers & Farmers	\$1,340,410	\$0
TOTAL				\$64,257,058	\$65,481,390

Source: Washington State Office of Community, Trade and Economic Development

The U.S. Department of Housing and Urban Development funds a host of housing development projects, key among which are:

a. HOME Program

HUD's HOME program is administered by the State of Washington to finance and subsidize housing projects that will serve households at 50% of area median income or below for at least 25 years. Preference is given to rural areas that do not directly receive HUD funds.

b. American Indian/Alaska Native Block Grants

All federally recognized tribes and Alaskan Native villages are eligible for competitive Indian Community Development Block Grants for construction or improvement of housing stock in the community. Additionally, the Native American Housing Block Grant finances all aspects of housing assistance through tribes or tribally designated housing entities.

c. Homeless Programs

HUD operates the **Surplus Federal Property to Assist the Homeless (Title 5)** and **Emergency Shelter Grants/Emergency Shelter Assistance (ESG/ESAP)** programs. ESG provides up to \$100,000 to states and territories (and matches funds in excess of \$100,000) to build and operate shelters in accordance with a published Consolidated Plan.

d. Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. HOPWA funds may be used for an array of housing, rental assistance, supportive services and program planning and development costs. Activities include, but are not limited to: the acquisition, rehabilitation or new construction of community residences and SRO units, costs for the operation and maintenance of facilities, rental assistance, and short-term payments to prevent homelessness.

e. Youthbuild Program

This HUD program provides grants on a competitive basis to state agencies and public or private nonprofits that assist high-risk youth of ages 16-24 to learn housing construction job skills and complete high school. Program dollars are often combined with other grants to facilitate construction of low-income housing while including youth in the process. \$700,000 will go to

King County in 2005, the only Washington recipient in the \$54 million Youthbuild 2005 grant cycle.

f. Supportive Housing (SHP)

SHP helps develop housing and related services for households moving from homelessness to independent housing. The State administers HUD SHP funds in most cases.

Additionally, the U.S. Department of Agriculture sponsors numerous housing programs throughout the state, primarily oriented at rural housing development. Sponsored programs include the following:

a. USDA Multifamily Housing Program (Section 515)

This program provides nonprofits, limited profit borrowers, consumer cooperatives and public agencies to build, purchase, and/or rehabilitate rental housing and related facilities and surroundings for low-income families, individuals, seniors and disabled persons.

b. USDA Direct Homeownership Loans (Section 502)

This loan program provides low- and very low- income families with financing to build, purchase, repair, or refinance homes and building sites in rural communities with populations less than 10,000, on a farm or in open country.

c. USDA Farm Labor Housing Loans and Grants

USDA provides loans and grants to farm owners or nonprofits where there is a pressing need for housing for domestic farm labor that has not been met by other grants.

d. USDA Home Repair Loans and Grants (Section 504)

Low-income rural homeowners (less than 50% of county median income) may apply for grants to remove health and safety hazards.

e. USDA Housing Preservation Grant (HPG) Program

Rural housing development organizations, states, American Indian tribes, bands or nations and private nonprofits may apply for funds to cover repair and rehabilitation of housing properties serving low- and very low-income persons in rural communities.

f. USDA Self-Help Technical Assistance Grants

Grants are normally made on a two-year basis for the payment of salaries, office expenses, equipment, insurance, legal fees, and other related costs associated with the operation and administration of a program to assist needy families with home construction in rural areas.

g. USDA Guaranteed Rural Rental Housing Program (Section 538)

This loan program is intended to increase the supply of affordable moderate-income rural housing through the use of loan guarantees for new construction, purchase and rehabilitation, land acquisition and improvement, purchase and installation of appliances and infrastructure. Projects must be located in rural communities with populations below 10,000.

Other federal housing programs include the **Housing Improvement Program (HIP)**, sponsoring needy families living on or near a reservation earning less than 125% of poverty income for tribally-administered funds from BIA (up to \$2,500 in health and safety improvements and \$35,000 in repairs required for housing to meet building codes and home replacement if housing cannot be brought to code within budget), and the **Indian Loan Guarantee and Mortgage Insurance Program (Section 184 and 248)**. Section 184 provides for loan guarantees to lenders for private mortgage financing, whereas Section 248 insures properties and mortgages with owner occupants where approved by a tribal government.

4. State Housing Programs

Funding of Selected State Housing Programs in Washington State

<i>Program</i>	<i>Source of Funds</i>	<i>State Administering Agency</i>	<i>Grantees</i>	<i>2002 Funding</i>	<i>2003 Funding</i>
Housing Trust Fund	Washington State capital budget	CTED	Nonprofits, units of local government, housing authorities	\$39,128,351	\$45,453,499
Technical Assistance for Housing Projects	Washington State Housing Accounts	CTED	Nonprofits, units of local government, housing authorities	\$650,000	\$286,000
Energy Matchmakers	Washington State capital budget & oil overcharge funds	CTED	Community action agencies	\$5,574,692	\$5,750,000
Emergency Shelter Assistance Program	Washington State general fund	CTED	Nonprofits, units of local government, housing authorities	\$4,977,386	\$5,231,812
Non-Profit Housing (Capital Projects)	Bonds	WAHFC	Nonprofit providers	\$35,520,000	\$51,602,435
Multi-Family Housing (Capital Projects)	Bonds	WAHFC	For-profit homebuyers	\$125,493,000	\$105,004,030
Single-Family (House Key)	Participating lenders	WAHFC	First-time homebuyers	\$107,625,377	\$65,069,904
Office of Manufactured Housing	\$15 Title transfer fee per home, at sale	CTED	None – direct Ombudsman services	\$268,260	\$281,897
Mobile Home Relocation Assistance Program	New fees collected starting January 2003	CTED	Homeowners required to relocate due to park closures	\$10,117	\$486,800
Manufactured Housing Installer Program	Fees for initial training & rectification	CTED	None	\$32,713	\$84,156

Transition Housing Operating and Rental Assistance (THOR)	State General Fund	CTED	Nonprofits, units of local government, and housing authorities	\$2,276,604	\$2,290,614
TOTAL				\$321,553,500	\$281,523,147

Source: Washington State Office of Community, Trade and Economic Development

Washington State is well endowed with a variety of state-funded housing programs, key among which are:

a. Washington State Housing Trust Fund

Local governments, nonprofits, tribal and public housing organizations are eligible for construction, down payment, acquisition, and rehabilitation assistance for projects benefiting households at 80% of area median income and below. The State Office of Community Development finances the Trust Fund, and each biennium finances the construction or rehabilitation of more than 3,000 housing units.

b. Office of Community Development Homeownership Program

The State Housing Finance Unit provides funds to eligible organizations that demonstrate capacity to administer loans to homebuyers.

c. Farmworker Housing Program

The State Office of Community Development was granted \$8 million by the State Legislature in 1999 to provide housing for 10,000 workers in 2000-2010 by financing state agencies and community organizations.

d. Supportive Housing for the Elderly/Disabled (Section 202, Section 811)

These two programs provide rental assistance as well as construction and rehabilitation finance for nonprofits in the form of forgivable and renewable loans.

e. CDBG Community Investment, General Purpose & Housing Enhancement Grants

Eligible projects must demonstrate at least 51% benefit to low- and moderate-income earners in cities with less than 50,000 besides meeting other CDBG requirements.

f. Transitional Housing Operating and Rent Program (THOR)

The purpose of the THOR program is to provide transitional housing for homeless families with children so they can find suitable, affordable permanent housing. This includes an Operating Subsidy Program for transitional housing facilities and a Rental Assistance Program that provides partial payments for rent assistance to homeless families with children.

g. Comprehensive Improvement Assistance and Grant Program (CIAP, CGP)

CIAP is offered annually to public housing authorities (PHAs) operating fewer than 250 units to improve facilities and management and is a competitive program. CGP is offered to larger PHAs on a noncompetitive basis with the same objectives.

h. Energy Matchmakers/Weatherization

This State program provides matching grants to local communities to provide weatherization related improvements to eligible low-income renters and homeowners at or below 125% of the federal poverty level. The State weatherization program has served over 75,000 households as of 2004.

i. Homeless Housing Programs

The State Office of Community Development operates the **Housing Development Program for Homeless Families with Children**. 2004 was the first year of funding for the **Washington Families Fund** (Formerly the Homeless Families Services Fund), a public/private partnership overcoming homelessness through service-enriched housing. The Washington Families Fund was enacted by the Washington State Legislature, which appropriated \$2 million to the Fund in 2004. The purpose of the Fund is to expand the availability of supportive housing, an effective model for helping homeless families, by providing stable long-term funding for housing-based services. A key feature of the program is a public-private partnership that leverages and increases funding for services statewide. This initial investment of state funds, matched with private contributions and Section 8 Housing Choice Vouchers or other housing subsidies, is expected to provide housing-based services to approximately 150 homeless families at any one time. The **Washington State Coalition for the Homeless** is a nonprofit in existence since 1984 that provides training, education, and advocacy with and on behalf of individuals and families who are homeless in Washington, indirectly resulting in \$22.5 million in housing and services for families with homeless children since 1999, \$5 million for emergency shelter every two-year cycle, and more.¹⁰²

5. Other Sources

a. The Washington State Housing Finance Commission (WSHFC)

WSHFC is a self-supporting agency that provides below-market financing to buy, build, or preserve affordable housing and nonprofit capital facilities. The Commission builds partnerships with the private sector to raise capital needed to further these social and economic objectives at no cost to the taxpayers of Washington State.¹⁰³

¹⁰² Washington State Coalition for the Homeless, <http://www.endhomelessnesswa.org/>.

¹⁰³ Washington State Housing Finance Commission, *2004-2005 Housing Finance Plan*, pp. 16-19. See also the Washington State Housing Trust Fund, *Consolidated Five-Year Plan*, pp. 35-42.

WSHFC's homebuyer programs include:

- *House Key*, a state-bonded first mortgage program;
- *House Key Teacher*, a state-bonded first mortgage especially for teachers;
- *Homebuyer Education Seminars*, public seminars for first time homebuyers;
- *House Key Plus*, a downpayment assistance second mortgage program;
- *HomeChoice*, a downpayment assistance second mortgage program for the disabled;
- *House Key Extra*, a HomeChoice program for rural areas;
- *House Key Plus*, a downpayment assistance second mortgage program for the Seattle area;
- *House Key Training*, training for housing agencies to originate House Key series loans, and
- *Tacoma Open Door*, second mortgages for when a first mortgage is not from WSHFC.

WSHFC also operates programs for nonprofit capacity building, including issuing tax-exempt bonds for capital facilities and equipment that serve nonprofits. Through the Capital Plus! nonprofit loan program, WSHFC makes low-interest loans of up to \$500,000 with terms up to ten years.¹⁰⁴ WSHFC also issues tax-exempt bonds for nonprofit housing providers serving low- and moderate-income people. **WSHFC also administers the LIHTC**, issues multifamily housing bonds and operates its own housing preservation programs.

b. Federal Home Loan Bank of Seattle (FHLB)

The Federal Home Loan Bank of Seattle (FHLB) contributes to affordable housing in Washington through several programs, including its Challenge Fund, Community Investment Program (CIP), Affordable Housing Program (AHP), and Home\$tart Program. The programs are described in more detail below.¹⁰⁵

The Challenge Fund is a recoverable grant program that provides seed money of up to \$20,000 per project. Through it, the FHLB encourages the creation of affordable housing in geographic areas where there is a lack of development capacity. FHLB awards grants to member financial institutions that typically combine them with their own financial or in-kind contributions before passing them to the sponsor developer. Through the CIP, members can apply for advances (loans) to support affordable housing initiatives. This loan program is unique in that financial institution members can apply for advances that the Seattle Bank extends at 10 basis points below regular price, for terms from 5 – 30 years. Rate locks are also available for periods up to 24 months. These loans are especially effective when they support housing and commercial development in distressed or rural areas where financial resources are scarce.

The AHP offers grants to member financial institutions and their community sponsors to stimulate affordable rental and homeownership opportunities for low-income households. AHP grants have been used in a variety of ways, including to: lower the interest rate on a loan, reduce mortgage principal, fund rehabilitation and new construction, and cover down payment and closing costs. AHP is funded with 10% of the Federal Home Loan Bank of Seattle's net income each year. On average, the Seattle Bank supports about 60 projects each year and awards roughly \$7,000 for each unit developed.

¹⁰⁴ WSHFC, *Nonprofit Facilities*, <http://www.wshfc.org/bonds/npfacilities.htm>.

¹⁰⁵ FHLB Seattle, *Community Investment*, <http://www.fhlbsea.com/FHLBSEA/main/communityinvestment3/>.

The Home\$tart program provides first-time homebuyers with downpayment assistance and closing costs by matching their financial contributions with \$3 for every \$1 up to \$5,000. Households receiving public housing assistance qualify for a match of \$2 for every \$1 up to \$10,000. Funds for Home\$tart are available on a first-come, first-served basis, starting April 1. Approximately \$5.5 million was available to support homebuyers in Federal Home Loan Bank of Seattle's region in 2004.

c. **Impact Capital**

Impact Capital's **Predevelopment Loans** come in Phase I and Phase II types. Phase I are short-term, low-interest loans designed to assist eligible applications cover costs associated with funding applications. Phase II loans are designed to assist eligible applicants in covering costs associated with site management (property holding costs, consulting, legal, permit, and financing fees). The Subdebt Acquisition **Bridge Loan** is designed to assist eligible nonprofits, housing authorities and tribes acquire property (developed or undeveloped) that will serve low- and moderate-income populations. The Bridge Loan is intended to fill the gap between a primary lender's loan and property purchase price.

d. **Local Initiatives Support Corporation (LISC)**

LISC is a national community development agency that has served the Puget Sound area of Washington State since 1984, **providing development financing and lines of credit to nonprofit community development groups building affordable housing and other community development activities**. Since 1984, LISC has provided more than \$25 million in loans and grants to community development corporations to create more than 6,000 affordable houses and apartments, and 330,000 square feet of commercial/retail property in the Puget Sound area. In addition, LISC has raised more than \$15 million in local contributions and matching funds from National LISC, its parent agency, to support community development in Washington, received an additional \$7 million in grants and loans from National LISC to support housing, economic development, CDC strengthening, small business lending, job training, and community policing programs and projects, and \$100 million in investment equity in Washington's affordable housing through the National Equity Fund.

In mid-2000 LISC entered into a Memorandum of Understanding with Impact Capital that resulted in LISC expanding its focus statewide and agreeing to deliver programs in conjunction with Impact Capital. In addition, the Impact Capital Board of Directors serves as the LISC Local Advisory Committee for Washington State.¹⁰⁶

e. **Seattle Opportunity Fund**

The Seattle Opportunity Fund (SOF) Loan is identical in purpose to Impact Capital Phase I loans except that SOF charges no fee and final projects must be located within the City of Seattle.

¹⁰⁶ Local Initiatives Support Corporation, <http://www.lisc.org/>.

f. Low Income Housing Fund (LIHF) Loans

Based in New York and California, LIHF makes loans in Washington State through its California office. Eligible nonprofits or entities controlled by nonprofits are considered for short-term loans generally between \$5,000 and \$250,000 and long-term loans of up to \$1 million for planning, acquisition and construction of housing projects. LIHF additionally offers an Acquisition Line of Credit (ALOC) for transactions under \$400,000.

g. Washington Community Reinvestment Association (WCRA) Loans

The WCRA is a nonprofit consortium of financial institutions offering permanent, fixed-rate financing for construction, preservation through refinancing, acquisition, and moderate rehabilitation.

h. Bill & Melinda Gates Foundation: Sound Families

A \$40 million commitment from the Gates Foundation started the Sound Families program, which funds grants for capital plus approximately 30% of service dollars for five years. The innovation of the Sound Families program is the fact that it also provides on-site services such as job training, counseling, parenting skills training, and drug and alcohol treatment.¹⁰⁷

i. Association of Washington Housing Authorities (AWHA)

AWHA is an organization of nearly all Washington Housing Authority Executive Directors that meets three times a year to discuss joint projects of common benefit, maintain a legislative advocacy program, provide information to members, and coordinate members' efforts with other local and national organizations. There is an Executive Committee of four elected officers.¹⁰⁸

j. The Housing Development Consortium (HDC)

HDC works closely with community and government on funding and legislation that positively impacts the development, preservation and operation of affordable housing. HDC was founded in 1988 to promote awareness of low-income housing needs and provide developers all of the technical and policy skills necessary to engage in affordable housing projects.¹⁰⁹

k. Washington Low-Income Housing Alliance (WLIHA)

WLIHA is a nonprofit organization which has existed since 1993 and performs three main duties: preserving federally subsidized housing already in Washington; mobilizing members and other concerned parties to pass important housing legislation; sharing information with members

¹⁰⁷ Washington State Housing Finance Commission, *Annual Statewide Affordable Housing Conference*, <http://www.wshfc.org/conf/>.

¹⁰⁸ Association of Washington Housing Authorities, *AWHA Mission Statement*, <http://www.awha.org>.

¹⁰⁹ Housing Development Consortium, <http://www.hdc-kingcounty.org/home/index.php>.

and others who have an interest in low-income housing policies and programs.¹¹⁰ AIDS Housing of Washington is an organization that provides technical consulting to for-profit and nonprofit developers of housing for Washington's HIV/AIDS population. The Washington Affordable Housing Homepage maintains an online directory for developers.¹¹¹

¹¹⁰ Washington Low-Income Housing Alliance, using WLIHN website at <http://www.wlihn.org/>.

¹¹¹ Washington Affordable Housing, <http://www.indra.com/wahousing>.

VI. SMALL BUSINESS

Small business is crucial to Washington's economy and the nation as a whole. **Of all state workers, 12.5% were employed by small businesses as of 2001, the 13th-highest rate nationally.** 13.8% of Washingtonians were business owners in 2000, the 15th-highest rate in the country.¹¹²

Washington earns **strong scores for women and minority business ownership, but indicators suggest weak access to credit for small businesses** even while small businesses are a major engine for innovation and new employment in the state. According to the Public Policy Institute, the **technology sector is particularly strong in the state:** Washington ranked second in the nation. Areas requiring attention include **increased support for small businesses from financial institutions.**

A. SMALL BUSINESS NEEDS

1. General Background

Based on firm size data from 2000, small businesses (firms with fewer than 500 employees) accounted for 98.1% of businesses in 2000 (135,600 out of 138,200 employer firms). Companies employing fewer than 10 employees represented 77% of the total number of firms. The number of employer businesses grew by 6,000 firms or 2.9% to 206,699 firms during FY 2002, the fifth-highest rate of growth in the nation. Self-employment grew 7% to 241,000 individuals, the 17th-highest rate in the nation. **Washington has very high rates of business formation and termination (18% and 17.6%, respectively, both 3rd-highest in the nation).**¹¹³

Firms employing fewer than 10 workers accounted for 12.5% of total state employment, the 13th-highest rate nationally.¹¹⁴ The entrepreneurship rate, denoting the percentage of the general population that owns an employer or non-employer business, was 15th-highest nationally in 2000 at 13.8%.¹¹⁵

The number of firms in Washington increased 2.9% during 2003, significantly faster than the state's growth during 2002, but lower than the growth rates recorded in the early 1990s. Despite a strong business formation rate, the number of business bankruptcies filed by firms in Washington also ticked up in 2003. 737 firms filed for bankruptcy in 2003, an increase of 5.6% from 2002 levels, putting **Washington's business bankruptcy rate at 9th in the nation.** Nevertheless, business bankruptcies in 2003 were still only about half as high as levels during the early 1990s.¹¹⁶

¹¹² CFED, *SADRC*.

¹¹³ U.S. Census Bureau, *Survey of U.S. Business (SUSB) 2003*.

¹¹⁴ U.S. Census Bureau, *County Business Patterns 2001*.

¹¹⁵ CFED, *SADRC*.

¹¹⁶ U.S. Census Bureau, *Survey of U.S. Business (SUSB) 2003*; FDIC *Washington State Report - Fall 2004*.

2. CFED's Small Business Data from their 2002 Asset Development Report Card

Washington performs well in the rankings, coming in **15th nationally, in entrepreneurship.**¹¹⁷ Nearly 14% of the labor force in Washington owns employer and non-employer firms, compared to 9% in Nevada, the lowest-ranking state. Breaking down the small business ownership data by race and gender, Washington ranks 11th in minority entrepreneurship and 14th in women's business ownership. Minority- and women-owned businesses tend to be small, however. The state ranks in 31st and 36th in these measures, respectively. The state ranks a **distant 35th in the level of private loans to small businesses**, indicating poor access to credit.

3. CFED's Data from their Development Report Card for the States

CFED also publishes a report that ranks the 50 states according to economic benchmarks, business vitality, and development capacity. While not limited to small businesses, this CFED report does provide a valuable insight into the health and vitality of the overall business sector. In 2004, **Washington scored a "C" in Performance, "C" in Business Vitality, and "A" in Development Capacity**, identical to the state's scores in 2003. **The Performance score is brought down by a longstanding high inequality in incomes. Business Vitality scores are weak due to poor competitiveness of existing businesses, but buoyed by the strength of the entrepreneurial energy in the state.** Washington's weakest score was in income distribution (50th); the state's best scores were in renewable energy use, new companies, and technology industry employment (all first place scores). Washington scored very high in Development Capacity because of high levels of private R&D, technology adoption, cropland conversion and low energy costs. Private lending, despite still being an issue, has increased yearly since 2002.¹¹⁸

4. Progressive Policy Institute's 2002 State New Economy Index

Another measurement of the vitality of the state economy comes from the PPI's *State New Economy Index*, which aims to use a set of relatively novel indicators to measure the transformation of the state from a traditional manufacturing economy to an information and technology economy. The index is comprised of 17 indicators under the categories Knowledge Jobs, Globalization, Economic Dynamism and Competition, Transformation to a Digital Economy and Technological Innovation Capacity. In the PPI SNE index, **Washington scores second overall in the strength of its so-called New Economy.** The only correctable low scores the state received came from a relatively low score for computer and Internet use in schools.

5. Small Business Survival Index

Each year, the Small Business & Entrepreneurship Council publishes its *Small Business Survival Index*, which ranks each state on its policy environment for entrepreneurship. In October 2004, **Washington ranked fourth overall among the states for a positive entrepreneurial**

¹¹⁷ Percentage of business ownership does not measure the amount of capital represented by small business. Source: CFED, *SADRC*, which uses SBA and BLS data from 2000 and 2001.

¹¹⁸ CFED, *Development Report Card for the States*, <http://drc.cfed.org>.

environment. On individual categories provided in the appendices to the report, Washington's rankings in the top and bottom quintiles were (higher is always better):¹¹⁹

- Top personal income tax rate: 1st
- Top capital gains tax rate: 1st
- Top corporate income tax rate: 1st
- Sales, gross receipts, and excise tax as a share of personal income: 49th
- Adjusted unemployment tax rate: 42nd
- Per capita health care spending: 10th
- Electric utility costs: 9th
- Workers compensation premiums: 7th
- Crime rate: 45th
- State gas tax: 47th

6. Washington Policy Center's Business Environment Survey

The Washington Policy Center, a business-oriented research group, identifies some underlying causes of the state's low ranking in the *Small Business Survival Index*: the third-highest levels of benefits paid through workers' compensation in the country, the second-highest cost to business for unemployment insurance and the second-highest maximum weekly benefit, second-highest minimum wage and a complex state ergonomics law.¹²⁰ Washington does, however, offer a \$2,000 or \$4,000 (depending on total paid wages) credit against B&O tax to businesses for each job created within certain industries in eligible distressed counties and areas as part of the Community Empowerment Zone program.¹²¹

7. Passage of I-200

The passage of Initiative 200 in November 1998 ended state affirmative action programs; however, state agencies announced plans to replace race- and gender-based preferences with geographic-based preferences. The City of Seattle has been proactive, passing four ordinances in August 1999 collectively referred to as the Contract Equity Program. Within this framework, officials developed what they call the Boost Program, designed to increase minority small business participation in city contracting by giving a competitive discount of up to 10% in awarding city contracts.¹²²

¹¹⁹ Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*, http://www.sbsc.org/Media/pdf/SBSI_2004.pdf.

¹²⁰ Columbia Gorge Economic Development Association, *Resources: Government*, <http://www.cgeda.com/resources/bistax.shtml>.

¹²¹ WA CTED, Office of Trade and Economic Development.

¹²² Washington Policy Center, *Seattle's Contract Equity Program*, <http://www.washingtonpolicy.org/ECP/PBHollandECPBoost.html>

B. SMALL BUSINESS RESOURCES

1. CFED's Small Business Development Policy Rankings

Washington scores near the median in the nation for the amount of finance provided by SBICs, with SBIC financing equaling \$24.50 per worker in 2000.¹²³ As of 2001, the state did not have a CAP or microenterprise initiative, but does have a CDFI program as well as employment ownership policy programs and a self-employment option for unemployment insurance.

2. Washington State Office of Community, Trade and Economic Development (CTED)

The premier state economic development agency, CTED is extremely active in funding and providing leadership to small businesses. The resources it offers can be broken down into two general types: financial and technical assistance. Financial assistance at the state level comes from the CTED **Business Finance Unit**. Its loan programs include:¹²⁴

a. Child Care Facility Fund

This Fund provides loans and grants to start or expand childcare businesses. Low-interest loans are available for between \$25,000 and \$100,000 and matching grants are available for amounts between \$5,000 and \$25,000.

b. Child Care Micro Loan

This program provides loans of up to \$25,000 to licensed or certified childcare businesses for start-up, health and safety improvements or renovations.

c. Coastal Revolving Loan Fund

This fund lends to public agencies and private businesses in Jefferson, Clallam, Grays Harbor, Pacific, and Wahkiakum counties. Borrowers can qualify for up to \$150,000 to add new jobs in these counties and up to \$50,000 for technical assistance in planning.

d. Washington Coalition Brownfields Cleanup Revolving Loan Fund

Loans are available for the cleanup and redevelopment of commercial and industrial brownfield properties (except as a result of predominantly petroleum contamination) that are underutilized or abandoned due to real or perceived contamination.

e. Community Development Block Grant Float Loan

The CDBG Float Loan provides short term, low-interest financing of up to \$20 million for companies with an irrevocable letter of credit from a bank in order to create jobs accessible to low- and moderate-income people.

¹²³ CFED, *SADRC*, pp. 143-149.

¹²⁴ CTED, *Business Finance Unit*, <http://www.oed.wa.gov/ed/bfu>.

f. Forest Products Revolving Loan Fund

Loans of up to \$1 million are available for secondary wood product companies and their suppliers based in Washington.

g. HUD Section 108 Loan Guarantee

Businesses may be sponsored by a CDBG-eligible local government to receive up to \$7 million in loan guarantees when they can meet financial requirements, demonstrate funding gaps, and produce economic opportunities for low- to moderate-income people.

h. Rural Washington Loan Fund

The RWLF provides financing of up to \$700,000 in participation with private lenders to create jobs accessible to low- and moderate-income people in rural counties. The RWLF also offers minority- and women-owned business loans to eligible applicants in non-metropolitan counties.

i. Community Economic Revitalization Board (CERB) Loans

CERB provides low-interest loans and occasional grants to cities, counties, ports, special utility districts, public development authorities and federally-recognized Indian tribes for infrastructure improvements.

j. Downtown Revitalization

The Downtown Revitalization Program is a preservation-based economic and community development program aimed at helping communities improve the economy, appearance and image of their business districts at three levels of participation, ranging from limited technical assistance and consultation to financial assistance and intensive consulting services.

k. Tax Credits for Rehabilitation of Historic Structures

Businesses can get help applying for a 20% investment tax credit for certified rehabilitation of historic structures.

CTED's technical assistance programs are many and each targets a specific audience. The Service Core of Retired Executives (SCORE) is an organization of retired business executives and business owners who volunteer to advise small businesses free of charge. SBA Business Information Centers (BICs) serve all regions of the state providing one-stop small business planning and research centers. BICs are located in Seattle, Spokane, Tacoma, Southeastern Washington and Portland (serving Wahkiakum, Cowlitz, Clark & Skamania counties). Locally, CTED also works with the Small Business Development Center network, local Economic Development Councils (EDCs), Chambers of Commerce and business-related associations.

3. **The Small Business Development Center (SBDC) Network**

The SBDC is a cooperative effort of Washington State University, Western Washington University, community colleges, economic development organizations, and the U.S. Small Business Administration. The main services offered by the SBDC is a highly successful series of educational seminars and counseling which is estimated to have had a huge impact on small business in the state: an independent study found that \$105 million in increased sales, \$93.5 million in avoided lost sales, 1,207 jobs and nearly \$8 million in tax revenue was a direct result of SBDC's efforts. The rate of growth in sales for SBDC clients was 24% (6% in labor) versus 3.2% (0.2% in labor) for all state businesses on average. Certified and/or experienced managers provide one-on-one, confidential assistance at no charge for management and technical business affairs:

- starting, purchasing or selling of a business;
- choosing and incorporating new technology;
- financial management;
- business plan development;
- market plan development, and
- business research.

4. **Economic Development Council of Seattle and King County**

Economic Development Councils across the state provide a variety of services to assist businesses. These services may include local business assistance resources, community profiles, business seminars, industrial site information, export assistance, and finance assistance to small business wishing to expand their operation, and entrepreneurs who wish to start a business. The EDC of Seattle and King County offers tax exemptions and credits, customized employee training, and low interest loans in addition to federal government programs (SBA 504 & 7a loans; Targeted Job Tax Credits and Urban Development Action Grants). Ten King County corporations sell up to \$10 million of Industrial Revenue Bonds (IRBs) on behalf of private companies. The County also offers up to \$8 million in low-interest loans through the Community Development Interim Loan fund for projects deemed beneficial to local economic development or public housing.¹²⁵

At present, there are **11 Foreign Trade Zones in Washington State** that operate as duty-free ports, including all property of the Port of Seattle.

5. **U.S. Small Business Administration**

The SBA has two district offices in Washington state: one in Seattle and one in Spokane. In addition to these offices, the SBA operates four Business Assistance Centers: computer and library facilities which double as locations for training seminars sponsored by SBA, including classes in federal, state and local government procurement (a \$100 billion industry in Washington), minority and women's business enterprise counseling and general small business

¹²⁵ Economic Development Council of Seattle & King County, *Incentives*, http://www.edc-sea.org/research_data/economic_incentives.cfm.

consulting. Through the SBA, small businesses can get financing and hear about other small business programs in the state:

- the Spokane Intercollegiate Research and Technology Institute;
- the Washington Technology Center;
- the Washington State Innovation Assessment Center;
- the Small Business Innovative Research;
- the Washington Federal and State Technology Partnership Program;
- the Washington State University Tri-Cities Business LINKS;
- the MIT Enterprise Forum;
- the Minority Enterprise Development;
- the Women's Business Centers, and
- the Northwest Minority Business Council.

6. Pacific Northwest National Laboratory (PNNL)

Since 1965, PNNL has been engaged in scientific research in Washington. As part of its ongoing duties, PNNL provides substantial assistance to small business in the state:

- offering free technology assistance for qualifying businesses;
- offering a variety of assistance to help businesses get started and grow;
- maintaining a searchable listing of local, nonprofit groups that help businesses and entrepreneurs as well as a listing of local, technology-based businesses;
- listing technology-based job openings, resumes, and service providers Washington;
- housing the business seminar invitees of Three Rivers Venture Group, and
- making facilities & equipment available to technology companies.

VII. POVERTY AND ASSET ACCUMULATION

Approximately 11% of Washington's population lives in poverty, **ranking Washington 28th among all the states.**¹²⁶ The state scores well on measures of human capital accumulation, and particularly well in the advancement of IDA policy. The state has the smallest asset endowment gap between men and women and between races, but the **distribution of assets between income groups is a major problem.** Overall, 25% of Washingtonians are asset poor and 16% have zero net worth, both putting Washington in the bottom quartile.¹²⁷

A. POVERTY AND ASSET ACCUMULATION NEEDS

1. Poverty Statistics

Poverty nationwide has been on a slow upward move in the years 2000-2004. **In Washington, the poverty rate averaged 11.4% between 2001-2003, 28th-highest nationwide.**¹²⁸ The state's uninsured had also risen to 14.3% in 2002, the highest point in 10 years.¹²⁹ In 2000, Washington's poverty rates were 7.3% for families (11.2% of families with children under 18 and 14.9% of families with children under five).¹³⁰

The geography of poverty is likewise striking. **All fifteen counties with a poverty rate for families with children above 20% are located east of King County in agricultural areas** (King County is far below the state average with an 8.3% poverty rate and Eastern Washington except Spokane is far above with an average 22% rate).¹³¹ Washington has fewer urban poor as a share of total poor (12%) than the national average (16%). Otherwise, poverty in Washington closely matches national patterns.

County Poverty Rates, 2002

	<i>All ages in poverty</i>		<i>Median household income</i>
	<i>Number</i>	<i>Percent</i>	<i>Estimate</i>
Adams County	2,625	15.9	34,599
Asotin County	2,848	13.9	33,606
Benton County	14,369	9.4	50,288
Chelan County	8,538	12.7	37,904
Clallam County	7,943	12.1	37,199
Clark County	36,406	9.6	49,040
Columbia County	522	12.9	34,862
Cowlitz County	11,793	12.5	39,410

¹²⁶ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*.

¹²⁷ CFED, *SADRC*.

¹²⁸ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*.

¹²⁹ The Washington Office of Financial Management suggests a lower number, 8.4% in 2002. OFM reaches its calculations based on a larger sample than Census and double-checks reported answers against State Medicaid enrollment.

¹³⁰ 2000 Census data.

¹³¹ Washington State Office of Financial Management, Forecasting Division. From the 1999 Washington State Population Survey. A detailed survey is available in the Washington State University Study, *Changes in Income and Poverty in Washington State 1989-1999*.

Douglas County	3,991	11.9	38,794
Ferry County	1,414	19.1	29,680
Franklin County	8,772	15.9	38,417
Garfield County	311	13.3	33,103
Grant County	12,773	16.4	35,312
Grays Harbor County	10,159	15.2	34,151
Island County	5,888	7.8	46,432
Jefferson County	3,110	11.4	39,556
King County	144,069	8.3	53,644
Kitsap County	18,986	8.2	49,870
Kittitas County	4,443	13.6	34,164
Klickitat County	2,850	14.6	35,642
Lewis County	9,307	13.4	35,786
Lincoln County	1,193	11.8	36,546
Mason County	5,944	11.9	40,045
Okanogan County	7,613	19.6	29,478
Pacific County	3,142	15	30,990
Pend Oreille County	1,879	15.4	33,009
Pierce County	70,735	9.8	46,791
San Juan County	1,397	9.5	43,911
Skagit County	12,023	11.1	43,144
Skamania County	1,187	11.6	39,240
Snohomish County	53,972	8.5	52,083
Spokane County	51,496	12.3	38,552
Stevens County	6,145	15.1	34,792
Thurston County	18,924	8.6	49,510
Wahkiakum County	358	9.7	39,387
Walla Walla County	7,442	14.3	36,523
Whatcom County	21,577	12.5	40,533
Whitman County	5,936	16.4	30,573
Yakima County	40,939	18.3	34,022
Washington State	623,019	10.3	46,399

Source: U.S. Census Bureau¹³²

2. Personal Bankruptcy Filings

Washington ranks **15th nationally in its personal bankruptcy rate**, with 16.15 bankruptcies per 1000 households in the year ended March 2004.¹³³

3. CFED Asset Outcome Ranking

Washington earned a top score of “A” from CFED in both outcomes and policy. While CFED examines a variety of data in reaching its conclusions, the grades are primarily supported by strong marks in the areas of worth and human capital development, described on the following pages.

¹³² U.S. Census Bureau, *Small Area Income and Poverty Estimates (SAIPE)*, <http://www.census.gov/hhes/www/saipe/>.

¹³³ American Bankruptcy Institute, <http://www.abiworld.org/>.

a. **Net Worth and Asset Poverty Statistics**

Washington State has the eighth-highest mean net worth in the country (\$139,348). It has the smallest gap in the nation between assets of men and women. However Washington **scores poorly on the distribution of assets across income**. Asset poverty means that a household does not have the resources to support itself for three months in isolation. Almost 25% of households are asset poor and 16% have zero net worth (39th and 37th in the nation, respectively). This signifies a high level of vulnerability for Washington households.¹³⁴

b. **Human Capital and Insurance-Related Statistics**

The state scores very well on measures of human capital accumulation, ranking 11th in college attainment. Education is spread more equitably than asset wealth, as Washington has the third-smallest minority attainment gap and the fourth-lowest gap between men and women. Health insurance also props up Washington's high score, with high rates of insured low-income parents (ninth) and insurance for low-income children (16th).

Head Start program coverage is at the median level, with 20.2% of children ages 0-5 who are in poverty being served by a Head Start program as of 2001.¹³⁵ Washington fares well in college attainment as well, with 7.8% of people over 25 having at least an associate's degree (ninth) and with 28% of household heads having at least a college degree (11th). Washington truly shines in college attainment by race, with only 14% more white heads of households having college degrees than minority heads of household (third). The gender degree gap is negligible, near 1% (fourth). Income inequality appears again insofar as nearly five times as many degree holders come from the top 20% of residents as come from the bottom quintile, which is, however, relatively good for the nation at large, placing the state 13th.¹³⁶

Finally, Washington generally has middling scores on insurance-related comparatives. In 2000, the state ranked 32nd in the percentage of non-elderly covered by employer health plans but very highly for insurance for low-income children and parents (16th and ninth).

4. **The Asset Development Institute's Asset Index**

In September 2002, the Asset Development Institute at Brandeis University published a report entitled *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*. The report presents state-by-state data on individual outcomes for job-based and related income assets, human capital, and financial assets. These outcomes are the primary indicators of the economic security people have and the opportunity they enjoy. For each of these three categories, the report presents a cluster of indicators that point to important related asset-based outcomes and provides the numerical outcome for residents on each indicator as well as a national rank for on each indicator (for all indicators, 1st is "best" and 50th is "worst").

Washington ranks among the 10 best states for 10 of the 39 measured indicators and among the

¹³⁴ CFED, *SADRC*.

¹³⁵ *Ibid*, p. 99.

¹³⁶ *Ibid*, pp. 99-105.

worst 10 states on four of the indicators. **The state's worst rankings are in the areas of involuntary unemployment, food security, homeownership and housing security.** The study's authors conclude that "residents of Washington, compared to those of other states, have had **relatively more success in building human capital**, and mixed success in gaining job-based and related income assets and accumulating financial assets."¹³⁷

B. POVERTY AND ASSET ACCUMULATION RESOURCES

1. State Income Support Programs

The State Department of Social and Health Services (DSHS) administers the TANF block grant as well as Family Assistance, Diversion Assistance and General Assistance Unemployable (GAU) programs run by the state. In 2000, 276,780 residents received TANF grant funds and 103,135 participated in WorkFirst.¹³⁸ Other income support programs with state funding include:

a. Basic Food Program

Basic Food helps low-income individuals and families obtain a more nutritious diet by supplementing their income with Basic Food benefits.

b. Refugee Cash Assistance (RCA)

The RCA Program helps non-TANF-eligible refugees by providing cash and medical assistance (515,845 residents received food assistance and 1,975 received Refugee Assistance in 2000).

c. Diversion Cash Assistance

Diversion Cash Assistance (DCA) provides alternative assistance for families who have a short term need and do not wish to receive Temporary Assistance to Needy Families (TANF) assistance. Applicants are eligible for one thirty-day period per year with a maximum benefit of \$1,500. In 2000, the caseload was 6,840.

d. General Assistance Unemployable

General Assistance Unemployable (GAU) is a state-funded program that provides cash and medical benefits for persons who are physically and/or mentally incapacitated and unemployable for 90 days from the date of application. 31,320 residents received GAU funds in 2000.

¹³⁷ The Asset Development Institute, *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*, September 2002, <http://www.centeronhunger.org/pdf/ASSETINDEX.pdf>.

¹³⁸ Department of Social and Health Services, *Facing the Future*, <http://www1.dshs.wa.gov/FacingtheFuture/index.html>.

2. Individual Development Accounts (IDAs)

As of 2004, Washington was home to at least 12 IDA programs:¹³⁹

- Bremerton Housing Authority (Bremerton);
- Chelan-Douglas Community Action Council (Wenatchee);
- Christian Hope Association (Lynden);
- Diocese of Olympia/Refugee Resettlement Office (Seattle);
- Fremont Public Association (Seattle);
- International District Housing Alliance (Seattle);
- Lower Columbia Community Action Council (Longview);
- Olympic Community Action Programs (Port Townsend);
- Spokane Neighborhood Action Programs (Spokane);
- United Way (Seattle);
- Washington CASH (Seattle), and
- Washington State Office of Trade and Economic Development (Olympia).

United Way of King County operates the largest collaborative IDA program in the state, with approximately 350 accounts in December 2004. United Way's IDA program provides a 3:1 match for homeownership or education savings and a two-to-one match for small business savings, with a maximum of \$2,000 dollars matched over the four-year maximum lifetime of the IDA. United Way operates its IDA program in cooperation with its 12 partner agencies:¹⁴⁰

- Diocese of Olympia Refugee Resettlement Office;
- Fremont Public Association (homeownership and education savings only);
- El Centro de la Raza;
- Hopelink (homeownership and education savings only);
- International District Housing Alliance;
- Low-Income Housing Institute;
- Multi-Service Center (homeownership and education savings only);
- Seattle Housing Authority;
- Seattle Jobs Initiative;
- The Urban League (homeownership and education savings only);
- Washington CASH (business savings only), and
- YWCA of Seattle.

The second-largest IDA program is the Diocese of Olympia Refugee Resettlement Office, with approximately 300 accountholders and multiple funding sources (including United Way).¹⁴¹

The Spokane Neighborhood Action Program (SNAP)¹⁴² operates the third-largest IDA program in the state, with approximately 100 accountholders as of December 2004.¹⁴³

¹³⁹ CFED, *IDA Network*, <http://idanetwork.cfed.org/index.php?section=state&page=programs.php&state=WA>.

¹⁴⁰ United Way of King County, *Individual Development Account Program*, <http://www.uwkc.org/ida/>.

¹⁴¹ Nolte, Craig, Federal Reserve Bank of San Francisco (Personal correspondence, 12/8/04).

¹⁴² Spokane Neighborhood Action Program, *Individual Development Accounts*, http://snapwa.org/services_education_ida_ida.php.

¹⁴³ Nolte, Craig, Federal Reserve Bank of San Francisco (Personal correspondence, 12/8/04).

Fourth-largest is the United Way of Snohomish County’s IDA collaborative, with 44 accounts as of December 2004. The collaborative includes the following members:

- United Way of Snohomish County;
- Housing Authority of Snohomish County;
- Everett Housing Authority;
- Habitat for Humanity;
- Housing Hope;
- Volunteers of America;
- Interfaith Association of Snohomish County;
- Everett Community College;
- Sno-Isle Board of Realtors, and
- Las Americas Business Center, Inc.

3. CFED’s Asset Policy Rankings

CFED awards Washington State with an “A” in Asset Policy to complement the “A” the state earns in Asset Outcomes. CFED lauds the state’s leadership in affordable health care policies that shield families from emergencies. Additionally, the state has a strong IDA policy and a good history of tax accountability, which contribute towards this high grade.

a. **IDA Policy**

Washington is praised **for being at the forefront of IDA development**, having appropriated over \$1 million for IDAs, developing a state IDA, and including IDAs in the state’s TANF program.¹⁴⁴

b. **Other Financial Asset Building Policy Rankings**

Washington has no state income tax, which may contribute towards savings for low-income families. However, the state has a sales tax, which disproportionately affects large and low-income families. Washington is recognized for having a state minimum wage above the federal level. Washington has a relatively low countable asset limit for TANF, although, more positively, it does not have an asset test for Medicaid. These facts are consistent with the findings that Washington is a leader in affordable health care but not in poverty alleviation.¹⁴⁵

c. **Human Capital Development Policy Rankings**

Washington’s rankings by CFED for its human capital development policies are positive – with a few major caveats. While only 20% of young students in poverty are covered by the Head Start program (median for the country), Washington does make supplementary funds available. **The state is ranked 47th in funding for customized job training and 30th in K-12 per-pupil expenditures**, making these two areas of extreme need. On the bright side, the state ranks 10th in

¹⁴⁴ CFED, *SADRC*, p. 78.

¹⁴⁵ *Ibid.*, pp. 125-127.

the nation for the level of need-based aid available to undergraduates and 17th in school spending equalization, with spending in the poorest schools 94% of what would be necessary to achieve equality with the wealthiest.¹⁴⁶

d. Wage Protection Policy Rankings

Washington scores well in the array of CFED wage protection policy measures. The state ranks 30th in the country for workers' compensation (with 86.6% of workers covered) and a healthy 17th in the level of benefits paid out under the state plan. Likewise, Washington ranks 12th in the level of unemployment benefits, paying 40% of the state's average wage to recipients. Of three widespread reforms made to unemployment insurance plans, Washington has implemented two, only having yet to provide benefits to minimum wage earners to earn a full score from CFED.

e. Health Insurance Policy Rankings

CFED lauds the state's forward-oriented stance on health insurance, scoring second in the nation in the eligibility of low-income parents for publicly funded insurance. The state additionally is one of only a handful to have expanded coverage to low-income adults without children, and provides an unremarkable one year of transitional medical assistance once a family or individual's income rises above the state eligibility threshold. Further to the state's credit, small businesses are eligible for state health care subsidies.¹⁴⁷

f. Property Protection Policy

Property protection policy measures are intended to assess how well a state protects homeowners against loss of equity. Washington lacks anti-predatory lending legislation and requiring disclosure from property insurers to protect against redlining.¹⁴⁸

¹⁴⁶ Ibid., pp. 135-140.

¹⁴⁷ CFED, *SADRC*, pp. 163-165.

¹⁴⁸ CFED, *SADRC*, pp. 166-169.

VIII. NATIVE AMERICANS AND IMMIGRANTS

Across the nation, Native Americans and immigrants face deficient community development outcomes. Washington's population is nearly 2% Native American, and this relatively large population is far **more likely to be living in poverty, unemployed, or residing in substandard housing**. Gaming has partially reduced dependence on non-tribal sources of income, but economic outcomes among Native Americans remain below state and national standards. Fortunately, Washington has active government and nonprofit agencies that represent significant institutional strength on the side of Native Americans in the state.

Immigrants to Washington represent over 10% of the state population. Foreign-born citizens, representing 42% of all immigrants, are not particularly more likely to be living in poverty while non-citizens are significantly more likely. **Most immigrants to the state (39%) are from Asia (31% of immigrants speak Asian and Pacific Island languages at home).** Washington State has generally generous policies regarding benefits for non-citizens who are ineligible for federal aid.

A. NATIVE AMERICAN NEEDS

1. Statistics on Native Americans

Washington is ranked ninth in the nation in terms of the total estimated American Indian / Alaska Native (AIAN) population with approximately 93,000 AIAN persons – **1.6% of the state population – living in the state in 1999, a 10-year growth of over 20%**.¹⁴⁹ There are 29 federally recognized tribes in Washington State, including more than 85,000 residents living on or near 28 reservations widely dispersed across 21 of Washington's 39.

Native American Population on Reservations

<i>Reservation</i>	<i>BIA Total (1995)¹⁵⁰</i>	<i>Tribal Enrollment (1997)</i>
<i>Western Washington</i>		
Chehalis	871	525
Hoh	97	147
Jameston S' Klallam	641	230
Lower Elwha Klallam	1,149	750
Makah	1,753	2,300
Quileute	785	706
Quinault	2,975	2,217
Shoalwater Bay	743	150
Skokomish	1,333	820
Squaxin Island	515	643
<i>Western Washington Total</i>	<i>10,862</i>	<i>8,488</i>
<i>Puget Sound</i>		
Lummi	4,648	3,519
Muckleshoot	3,521	1,170
Nisqually	2,905	500

¹⁴⁹ U.S. Census Bureau, <http://www.census.gov/population/estimates/state/rank/aiea.txt>

¹⁵⁰ BIA enrollment reflects the number of residents on reservation lands while the tribal enrollment figure is the total number of enrolled tribal members on or off of the reservation lands.

Nooksack	820	1,341
Port Gamble S' Klallam	753	837
Puyallup	14,282	2,219
Samish	N/A	N/A
Sauk-Suiattle	120	237
Stillaguamish	1,476	176
Suquamish	1,032	665
Swinomish	959	753
Tulalip	4,549	2,934
Upper Skagit	610	504
<i>Puget Sound Total</i>	35,675	14,855
<i>Eastern Washington</i>		
Colville	4,929	8,404
Kalispell	170	258
Spokane	1,416	2,153
Yakima	15,968	8,870
<i>Eastern Washington Total</i>	22,483	19,685
<i>Washington State Total</i>	69,020	43,028

Source: U.S. Census Bureau, Census 2000 Data.¹⁵¹

The growth rate of the American Indian population in Washington exceeds the national average. However, **American Indians are relatively more concentrated in the rural regions**: more than 5% of Ferry, Okanagan, Yakima, and Stevens counties are American Indian, despite the fact that King County has the most American Indian residents in the state (18,000).

Reservations are responsible for an increasingly important share of the state's economy (\$1 billion in 1999), yet remain more impoverished than the rest of the state.¹⁵² **The individual poverty rate for the AIAN population in Washington was 23.8% in 1999.**¹⁵³ Whereas the statewide household poverty rate was just over 7% in 2000, the rate among Native American and Alaska Native households was 19%. Likewise, the rate for families with children under five was 30% for American Indian households (51% for such families where no male was present) while only 15% and 46% for the state population in general.¹⁵⁴

Unemployment rates range from 18 to 83% of the labor force, and 2,332 housing units were found substandard, 683 of which require total replacement.¹⁵⁵ Most tribes do not have residential construction enterprises, and the few such enterprises that exist are primarily engaged in residential construction and repair funded by the U.S. Department of Housing and Urban Development, as are most tribally owned finance, insurance, and real estate enterprises.¹⁵⁶

The recent explosion in Indian gaming since the 1988 Indian Gaming Regulatory Act (IGRA) has been a boon for Indian country in creating jobs and increasing non-natural resource economic activity. Given the requirements of the IGRA, tribes have been spending locally to

¹⁵¹ Washington Office of Financial Management, *Census 2000 Results for Washington*, <http://www.ofm.wa.gov/census2000/>.

¹⁵² Chase Economics for the Governor's Office of Indian Affairs, *Economic Impacts of American Indian and Alaska Native in Washington State (EIAIAN)*, 1999.

¹⁵³ U.S. Census Bureau, Census 2000 Data.

¹⁵⁴ Ibid.

¹⁵⁵ Washington State Housing Trust Fund Consolidated Housing Plan, III.4.

¹⁵⁶ *EIAIAN*, pp. 16-17.

build houses, schools and roads and to install utilities as well as underwriting health care and education costs. Tribally-owned gaming enterprises have, in short, reduced American Indians' economic reliance on non-tribal government assistance.

B. NATIVE AMERICAN RESOURCES

1. Local Programs

The Pacific Northwest is home to a number of local and regional associations offering a variety of services to the AIAN populations in the state:

a. Governor's Office of Indian Affairs

The Governor's Office offers government-to-government training courses and information on tribal IDAs and other financial instruments besides maintaining a business directory of American Indian companies in the northwest and working with the governor and State Office of Community, Trade and Economic Development (CTED) on AIAN issues.¹⁵⁷

b. Affiliated Tribes of Northwest Indians Economic Development Corporation

ATNI-EDC offers development and consultation services to tribes including a revolving loan fund, tribal administrative capacity building, telecommunications and information technology, and tribal energy and utility development.¹⁵⁸

c. Northwest Indian Housing Association

NIHA in Seattle coordinates with tribal housing authorities, industry and federal agencies to implement the 1996 Native American Housing Assistance and Self-Determination Act.¹⁵⁹

d. North Portland Area Indian Health Board

The regional IHB office serves member tribes by engaging health issues and promoting culturally sensitive health services.¹⁶⁰

e. Columbia River Inter-tribal Fish Commission

CRITFC coordinates tribal initiatives to protect the ecosystem of the Columbia River.¹⁶¹

f. Northwest Indian Fisheries Commission

Based in Olympia, NWIFC assists tribal fisheries upholds tribal fishing rights.¹⁶²

¹⁵⁷ Governor's Office of Indian Affairs, <http://www.goia.wa.gov>.

¹⁵⁸ Affiliated Tribes of Northwest Indians, <http://www.atniedc.com>.

¹⁵⁹ Northwest Indian Housing Association, <http://www.nwiha.org>.

¹⁶⁰ North Portland Area Indian Health Board, <http://www.npaihb.org>.

¹⁶¹ Columbia River Intertribal Fish Commission, <http://www.critfc.org>.

¹⁶² Northwest Indian Fisheries Commission, <http://nwifc.wa.gov>.

g. Northwest Indian Applied Research Institute

This research institute attached to Evergreen State College assists tribes with economic development and governance issues.¹⁶³

h. United Indians of All Tribes Foundation

UIAT is based at the Daybreak Star Cultural Center inside a 20-acre area within Seattle's Discovery Park. UIAT provides a host of services to 25,000 American Indians in the area, including foster care, cultural & clinical therapy, elders' services, youth housing, substance abuse prevention and outpatient treatment, and a GED testing center.¹⁶⁴

2. Federal Programs

The Bureau of Indian Affairs maintains a comprehensive list of federal programs oriented towards serving AIAN communities, including specialized programs offered by most major domestically-oriented federal agencies:

a. Department of Health and Human Services

The Portland Area Indian Health Service Office provides access to health care for an estimated 158,000 Indian residents of 42 Tribes located in Idaho, Oregon and Washington. All members of federally recognized Indian tribes and their descendants are eligible for services provided by the Indian Health Service (IHS). IHS operates a comprehensive health service delivery system for 1.6 million of the nation's estimated 2.6 million American Indians and Alaska Natives. Its annual appropriation is approximately \$3.5 billion. The IHS strives for maximum tribal involvement in meeting the needs of its service population.

b. Department of Housing and Urban Development

In addition to the Native eDGE program, HUD also hosts an interagency news site, Code Talk, designed specifically to deliver electronic information from government agencies and other organizations to Native American communities.¹⁶⁵

c. Department of Labor

The Department of Labor offers culturally-sensitive job training and employment programs through its office of Indian and Native American Programs.¹⁶⁶

¹⁶³ Northwest Indian Applied Research Institute, <http://www.evergreen.edu/nwindian/>.

¹⁶⁴ United Indians of All Tribes Foundation, <http://www.unitedindians.com/>.

¹⁶⁵ U.S. Department of HUD, <http://www.codetalk.fed.us/>.

¹⁶⁶ U.S. Department of Labor, <http://www.doleta.gov/DINAP/>.

d. Small Business Administration

The task of the Office of Native Affairs¹⁶⁷ is to improve awareness of SBA programs and the access of AIAN entrepreneurs to the business services offered by the SBA.

e. Department of Agriculture

The USDA American Indian Council (AIC)¹⁶⁸ is an employee organization, formed to give a voice to the American Indian and Alaska Native community and culture within the U.S. Department of Agriculture. The AIC seeks to support the USDA Secretary's diversity initiatives and works to promote cultural awareness among USDA employees. The USDA also provides a Guide to Programs for American Indians and Alaska Natives¹⁶⁹ which catalogues seven major types of assistance available to AIAN communities: environment, agriculture, rural development, nutrition, food safety, economic research, and marketing.

f. Veterans' Administration

A VA direct loan can be used to purchase, construct, or improve a home on Native American trust land. These loans may also be used to simultaneously purchase and improve a home or to refinance another VA direct loan made under this program in order to lower the interest rate. VA direct loans are generally limited to \$80,000.

g. Federal Reserve Bank Native Communities Initiatives

The Federal Reserve Bank of San Francisco offers education on financial issues of relevance to tribes as well as legal information and governance data.¹⁷⁰

3. National American Indian Housing Council

Founded in 1974, the National American Indian Housing Council, a 501(c)(3) corporation, with a membership of over 220 members & tribal housing entities, represents the housing interests of tribes and tribal housing entities across the United States. The NAIHC promotes, supports, and upholds tribes and tribal housing agencies in their efforts to provide culturally-relevant, decent, safe, sanitary, and affordable housing for Native people in American Indian communities and Alaska Native villages, including:¹⁷¹

- training in many areas of Indian housing management;
- an extensive schedule of free special project classes;
- on-site technical assistance to Indian housing professionals;
- research and information services on Indian housing issues and programs, and
- a mortgage policy program (MPP) to increase homeownership in tribal areas.

¹⁶⁷ U.S. Small Business Administration, <http://www.sba.gov/naa/>.

¹⁶⁸ U.S. Department of Agriculture, <http://www.usda.gov/da/employ/AICHomePage.htm>.

¹⁶⁹ U.S. Department of Agriculture, <http://www.usda.gov/news/pubs/indians/open.html> (updated 1997).

¹⁷⁰ Federal Reserve Bank of San Francisco, Native Communities Initiatives, <http://www.frbsf.org/community/native/index.html>.

¹⁷¹ National American Indian Housing Council, <http://naihc.net/index.asp>.

C. IMMIGRANT NEEDS

1. Immigrant Totals

Approximately 10.4% of Washingtonians are foreign born, compared to 11% for the nation as a whole. Washington ranks 14th in the percentage of foreign born as a share of the total state population and ninth in the nominal size of the foreign population (614,457 in 2000). **In the 10 years between 1990 and 2000, the size of the foreign-born population grew by 91%** (the 22nd-highest rate in the country) **compared to growth at the national level of 57.4%**. Nearly half of all foreign-born residents of Washington entered the United States between 1990 and 2000, a figure consistent with the national pattern.

Seventy-eight percent of foreign born in Washington speak a language other than English at home in 2000: 25% spoke Spanish, 17.7 spoke other Indo-European languages, 31% spoke Asian and Pacific Island languages. Nearly 42% of the foreign born in Washington are citizens, compared to 40.3% at the national level. The 2000 Census finds that 19% of Washington's foreign-born live in poverty (compared to 17.9% nationally): 9.7% of foreign-born citizens and 25% of non-citizens. The rates are lower than the national average for citizens (10.6%) but higher for non-citizens (22.8%).¹⁷²

2. Origin of Immigrants

Most of Washington's foreign born (39%) are from Asia. Additionally, 29% come from Latin America, 21% from Europe, 7.8% from elsewhere in North America, 3% from Africa, and 1.3% from Oceania. The biggest difference between the state and national pattern is that over half of immigration at the national level originates in Latin America. The top three single countries that were the source of immigration in 2000 were Mexico, the Philippines, and Canada.¹⁷³

D. IMMIGRANT RESOURCES

A state-funded portion of the Basic Food program (the state's USDA Food Stamp program) provides benefits to some legal immigrants who are ineligible to receive federally funded Basic Food benefits. Immigrants to Washington before 1996 or who are Hmong or Highland Lao are eligible for TANF, non-emergency Medicaid and SCHIP benefits, but immigrants after 1996 are ineligible for most benefits during the first five years of their residency. The state offers refugee assistance in the form of cash and medical assistance to eligible immigrants. Washington offers its own State Family Assistance Program to immigrants who are ineligible for TANF.¹⁷⁴ Washington started the Limited English Proficiency (LEP) Pathway in 1999 to help low-income refugees and immigrants develop job skills, find employment and increase their income. The pathway provided English-as-a-Second-Language (ESL) training to 2,686 Washington residents July 2000 through June 2002.

¹⁷² U.S. Census Bureau, Census 2000 Data.

¹⁷³ Ibid.

¹⁷⁴ WA DSHS, *Eligibility Manual*, <http://www1.dshs.wa.gov/esa/eazmanual/Default.htm>.

A directory of Hispanic/Latino community development organizations in Washington is maintained by the University of Washington.¹⁷⁵ The state's Ethnic Offices are another good source of community development resources for ethnic communities in Washington.

¹⁷⁵ Henry M. Jackson School of International Studies, *Community Organizations*, http://jsis.artsci.washington.edu/programs/latinam/Webs/Links/comm_orgs.asp.