



# ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING

May 2012

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EPLER & ASSOCIATES

# FEDERAL WAY ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING 2012

## EXECUTIVE SUMMARY

In order for jurisdictions to certify to the federal government that they are affirmatively furthering fair housing, the jurisdiction must:

- Conduct an Analysis of Impediment to fair housing choice;
- Take appropriate action to overcome the effects of impediments identified through that analysis; and,
- Maintain records reflecting the analysis and actions.

The Federal Way Consolidated Plan 2012-2016, formally approved by HUD April 4, 2012, is the first such plan prepared directly by Federal Way. The City participated in the King County CDBG Consortium up to and including 2011. The City continues to participate as a member of the King County HOME Consortium, is involved in regional coordination of homeless programs and activities and in the countywide Regional Affordable Housing Program.

This is also the first Analysis of Impediments to Fair Housing completed by Federal Way. The City participated in fair housing activities and strategies as part of the King County Consortium including the most recent Fair Housing Action Plan 2007-2011. The City anticipates maintaining planning and implementation relationships with the King County Consortium and other regional efforts to identify impediments to fair housing and promote fair housing opportunities.

Potential and observed impediments identified in this analysis are the result of outreach conducted as part of the Federal Way Consolidated Plan 2012-2016 and this analysis, review of complaint and other data, and incorporation of impediments identified in the King County Consortium 2006 Fair Housing Choice Findings.

Proposed actions are consistent with current capacities and experience in Federal Way. They are also consistent with strategies contained in the King County Consortium Fair Housing Action Plan 2007-2011. The City will continue to participate in and support regional efforts to promote fair housing, recognizing the advantages of regional efforts.

## Summary of Findings and Recommendations

*Impediment 1: Information about fair housing resources and referrals is limited which might impede advocacy by agencies and inquiries by potential victims of discrimination.*

*Action 1: Understand and share information about the regional network and capacity of resources, including training, information and referral.*

There are a number of agencies providing information about fair housing and some that have the capacity to advise on landlord-tenant issues and screen fair housing inquiries. There are also limited resources to advise and advocate in legal matters. Given the scarcity of resources, a first step to efficient use of those resources is to understand the system. This is also a first step in the City's definition of its own role in the information and referral process. Some of the actions recommended below about training and advocacy require a system for processing inquiries, from individuals and agencies.

*Impediment 2: Resources for basic and supportive services and housing assistance, including fair housing, are limited and declining. Agencies, including fair housing agencies, are trying to do more with less.*

*Action 2: Participate in regional fair housing planning, affordable housing planning, and support regional strategies to promote fair housing.*

The upcoming King County Consortium fair housing planning activities and those of the Puget Sound Regional Council will benefit Federal Way, particularly possibilities of regional training and identification and support of assets.

*Impediment 3: Families and individuals seeking to rent housing have encountered discrimination.*

Complaints filed with HUD and with the Washington State Human Rights Commission over the last five years document instances of discriminatory practices in Federal Way. These may be the result of outright discrimination, or due to lack of understanding of laws, including the nature of reasonable accommodations. King County Consortium data from the 2006 Analysis of Impediments show testing results in unincorporated King County that demonstrate different treatment for several protected classes seeking to rental units.

*Impediment 4: Applicants for loans for acquisition, home improvements and refinance may have different success rates, and find different terms and conditions based on race and/or ethnicity.*

Reports provided by the Federal Financial Institutions Examination Council (FFIEC) summarizing loans reported under the Home Mortgage Disclosure Act (HMDA) show different rates of loan origination for racial and ethnic minorities. While the data are not conclusive because of failure to provide sufficient detail on qualifications of applicants, and because of substantial missing information, this bears continued scrutiny. Recent experience with sub-prime and predatory lending, along with ongoing foreclosures, warrants vigilance and continued training.

*Action 3: Train Federal Way staff on fair housing, beginning with personnel with responsibilities for projects funding with CDBG and other federal funds.*

Take advantage of HUD-sponsored trainings at least annually. Identify regional trainings, such as those that might be offered by the King County Consortium and the Fair Housing Center of Washington.

*Action 4: Promote training of providers, including lenders, realtors, public officials, and agencies/providers in Federal Way on fair housing.*

Promote fair housing training as a regular (perhaps annual) part of meetings of providers in Federal Way. This might include training provided by the Washington Association of Realtors; request to the Northwest Justice Project to present information before the City Council or planning staff request; or, a request to the King County Housing Authority to present on mobility and opportunity counseling they provide prospective Housing Choice Voucher holders. The City may want to explore expecting CDGB sub-grantees to attend the fair housing training as a way of increasing awareness and advocacy.

*Action 5: Promote training of consumers and those who advocate for consumers.*

Work in the community to promote fair housing. Actions might include distribution of information on fair housing in public locations; presentations to neighborhood organizations and/or at public events; taking advantage of other existing meetings to promote fair housing training; or, distribution by agencies using CDBG funds for housing activities to their service and housing recipients.

## **FAIR HOUSING LAWS**

### **Federal Laws**

Title VIII of the Civil Rights Act of 1968, as amended (Fair Housing Act), prohibits discrimination in the sale, rental and financing of dwellings, and in other housing-related transactions, based on race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under age 18), and handicap (disability).

The Fair Housing Act covers most housing.<sup>1</sup> In some circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker and housing operated by organizations and private clubs that limit occupancy to members.

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<sup>1</sup>HUD. (2002). *Fair Housing: Equal Opportunity for All*. ([www.hud.gov/fairhousing](http://www.hud.gov/fairhousing)).

In the *sale and rental of housing*: No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap (disability):

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale or rental
- For profit, persuade owners to sell or rent (blockbusting), or
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.

In *mortgage lending*: No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap (disability):

- Refuse to make a mortgage loan
- Refuse to provide information regarding loans
- Impose different terms or conditions on a loan, such as different interest rates, points, or fees
- Discriminate in appraising property
- Refuse to purchase a loan, or
- Set different terms or conditions for purchasing a loan.

In addition, it is illegal for anyone to:

- Threaten, coerce, intimidate or interfere with anyone exercising a fair housing right or assisting others who exercise that right.
- Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.

Additional protections for *persons with disabilities*: The landlord may not refuse to allow:

- Reasonable modifications to the dwelling or common use areas, at the tenant's expense and where the unit can be restored to the original condition, or
- Reasonable accommodations in rules, policies, practices or services, if necessary for the disabled person to use the property.

Buildings constructed after March 1991 are subject to accommodation requirements, depending on the number of units and presence of an elevator.

*Familial status* is protected unless the building or community qualifies as housing for older persons, that is:

- It is specifically designed for and occupied by elderly persons under a federal, state or local government program
- It is occupied solely by persons who are 62 or older, or
- It houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house persons who are 55 or older.

The U.S. Department of Housing and Urban Development (HUD) has been given the authority and responsibility for administering this law. This authority includes handling of complaints, engaging in conciliation, monitoring conciliation, protecting individual’s rights regarding public disclosure of information, authorizing prompt judicial action when necessary, and referring to the State or local proceedings whenever a complaint alleges a discriminatory housing practice.

**State Law**

Washington State has adopted a fair housing law, which is substantially equivalent to federal law and extends protection to the same populations. In addition it extends protection on the basis of marital status, sexual orientation (2006 addition), and military or veteran status (honorable discharge) (2007 addition).

The Washington State Human Rights Commission has a cooperative agreement with the Department of Housing and Urban Development to process and investigate dual-filed housing complaints for which the Commission receives funding under the Fair Housing Assistance Program (FHAP). Most of the Commission’s housing cases are dual-filed with HUD – the exceptions are cases covered under State but not covered under federal law.

**Summary of Federal and State Protected Classes**

Basis	Federal	Washington
Race	✓	✓
Color	✓	✓
National origin	✓	✓
Creed		✓
Religion	✓	
Sex	✓	✓
Disability	✓	✓
Familial status	✓	✓
Marital status		✓
Sexual orientation		✓
Gender identity		✓
Veteran/military status		✓

Source: Fair Housing Center of Washington (fhc.washington.org)

## FEDERAL WAY DEMOGRAPHICS AND HOUSING PROFILE

The following sections on population and housing are taken from the recently completed *Federal Way Consolidated Plan 2012-2016*. Prior to the current Consolidated Plan, the City participated in the King County CDBG Consortium, which served as the HUD grantee and passed through to the City a portion of the allocation based on the HUD formula. The City still participates as a member of the Consortium, as well as with other regional planning efforts.

### Population

The history of Federal Way is tied to the growth of major transportation routes; nearby industries like the Boeing Company and Weyerhaeuser; regional economic development; proximity to Seattle and Tacoma, among the major Puget Sound cities; and, demand for housing, commercial and retail development associated with the facility of commuting between jobs and homes in the whole Puget Sound region. In order to gain more self-determination in the face of this considerable development, Federal Way incorporated as a city in 1990.

**Table 1: Population 1990-2010**

Location	Year			Change 2000-10
	1990	2000	2010	
Federal Way	67,449	83,259	89,306	7%
King County	1,507,305	1,737,034	1,931,249	11%
Pierce County	586,203	700,820	795,225	13%
Washington	4,866,669	5,894,121	6,724,540	14%

Source: 2010 US Census.

As of the most recent decennial census (2010) there were 89,306 people living in Federal Way, which was a 7% increase over the population in 2000. Part of the population increase between 2000 and 2010 was due to annexations of portions of unincorporated King County.

### Race/Ethnicity

Federal Way has a very diverse population. Forty-three percent of the population identified their race as other than white alone in the 2010 census and 16% identified as Hispanic or Latino.

When data on race and ethnicity are combined, an even greater number of Federal Way residents could be defined as minority (Hispanic and/or a race other than white alone). Using this description, 48% of the population of Federal Way in 2010 was minority, compared to 35% in King County and 27% in Washington State.

**Table 2: Race/Ethnicity 2010**

Race*	Federal Way	King County	WA State
White	57%	69%	77%
Black/African American	10%	6%	4%
American Indian/Alaska Native	1%	1%	2%
Asian	14%	15%	7%
Native Hawaiian/Pacific Islander	3%	1%	1%
Other race	8%	4%	5%
Two or more races	7%	5%	5%
Ethnicity**	Federal Way	King County	WA State
Hispanic/Latino	16%	9%	11%

Source: 2010 US Census.

Most neighborhoods in Federal Way are diverse by race and ethnicity. However, there are some areas of concentration. Many of the neighborhoods with 50% and more minority population (again described as Hispanic and/or race other than white alone) are in areas with a higher number of multifamily units. Three census block groups have particularly high percentages of minority population – 70% or more of the total. All are located north of South 320<sup>th</sup> Street, most between the Pacific Highway and I-5.

### Linguistic Diversity and Isolation

A multilingual population is an asset in any community, as is a richly diverse population. In Federal Way, 30% of the population age five and older spoke a language other than English in the home. This was higher than King County and considerably higher than Washington as a whole. Among those in Federal Way who spoke a language other than English in the home, almost half (49%) spoke English less than very well.

**Table 3: Language Spoken at Home\***

Language at Home	Federal Way	King County	WA State
English	70%	77%	83%
Pacific Island/Asian	13%	10%	5%
Spanish	9%	6%	7%
Other Indo-European	6%	6%	4%
Other	1%	2%	1%

\*Population age five and older.

Source: 2005-2009 American Community Survey.

This linguistic diversity is reflected in Federal Way schools. Even though languages may come with less effort to children, they face real hardships in school without a comprehension of English. Just about 12% of students were enrolled in a transitional bilingual program at the end of the 2010-2011 school year. This does not nearly reflect the diversity of languages spoken – the Federal Way School District reports that 112 languages are spoken in the district. In addition to English, the most common languages are Spanish, Korean, Russian and Ukrainian.

The census defines “linguistically isolated households” as those in which all household members over the age of 14 spoke no English or spoke English less than very well. By that definition, 9% of households in Federal Way were linguistically isolated.

Whether new to the country or longer-term residents, people with limited English language skills face barriers in accessing services and understanding important life transactions. This includes comprehending legal rights, understanding how to qualify for and buy a home, responding to discrimination in housing, communicating with health-care professionals, and performing routine day-to-day activities without effort.

### Types of Households

More of Federal Way households are family households than is true of King County (66% in Federal Way compared to 58% in all of King County). In fact, data in Federal Way mirror Washington, as is shown in Table 4. (Note that all percentages shown in the table are of total households.)

Of the 34% of households that are non-family households, most (26% of all households in Federal Way) are people living alone. A smaller, though not insignificant portion (7% of all households in Federal Way) are single persons 65 and older. This portion of households is projected to increase with the projected increase in seniors over the next decades.

**Table 4: Types of Households 2010\***

Type of Household	Federal Way	King County	WA State
Total households	33,188	789,232	2,620,076
Family households	66%	58%	64%
With related children <18	32%	29%	31%
Husband-wife households	47%	45%	49%
With related children <18	21%	21%	22%
Female (no husband)**	14%	9%	10%
With related children <18	9%	6%	7%
Non-family households	34%	42%	36%
Living alone (single person)	26%	31%	27%
Single 65+	7%	8%	9%

\*All percentages shown are of total households. Same sex couples without related children or other related family members are included in non-family households.

\*\*Living in family household with no spouse present.

Source: 2010 US Census.

There were 11,732 households in Federal Way with children under 18 as of the 2010 census. Thirty-seven percent of households with children were single-parent households, which was higher than in King County as a whole. Single parents can face considerable challenges in raising children and meeting the financial obligations of running a household. They may also have higher needs for affordable

community services (including transportation, child care and recreation) and have more difficulty accessing those services.

Single parents may also experience discrimination in housing based on household composition. Discrimination in rental housing, in particular, can be a factor for families with children, large families, non-traditional families (same sex parents), and single parents.

### Household Size

Federal Way households were on average larger than those in King County and Washington. Some of this is due to the higher percentage of non-family households, particularly single person households in Seattle – 41% of households in Seattle in 2010 were single individuals.

**Table 5: Average Household Size 2010**

Type of Household	Federal Way	King County	WA State
Average household size	2.67	2.40	2.51
Average family household size	3.24	3.05	3.06

Source: 2010 US Census.

The number of large families has been declining over the years. Still, 13% of Federal Way households had five or more people as of the 2010 census, which was higher than in King County and Washington. Larger households may experience difficulty in finding housing with sufficient bedrooms to meet their needs, and may also experience discrimination based on household size.

**Table 6: Number of People in Household 2010**

Size of Household	Federal Way	King County	WA State
Households	33,188	789,232	2,620,076
1-person	26%	31%	27%
2-person	31%	33%	35%
3-person	16%	15%	16%
4-person	14%	13%	13%
5+ person	13%	8%	10%

Source: 2010 US Census.

### Income

The median household income in Federal Way was \$56,980 – 15% lower than the whole of King County, although on a par with Washington State. Federal Way median family income at \$67,120 was 22% lower than King County.

**Table 7: Median Income\***

Measure	Federal Way	King County	WA State
Median household	\$56,980	\$67,246	\$56,384
Median family	\$67,120	\$85,778	\$68,457
Median earnings male**	\$51,912	\$60,953	\$51,275
Median earnings female**	\$38,434	\$44,905	\$38,585
Per capita	\$27,307	\$37,797	\$29,320

\*Income in the last 12 months in 2009 inflation-adjusted dollars.

\*\*Full-time, year-round work.

Source: 2005-2009 American Community Survey.

Ranges of household income are shown in Table 8, with added detail for ranges below \$50,000 annually.

**Table 8: Range of Household Incomes\***

Measure	Federal Way	King County	WA State
Under \$15,000	10%	9%	11%
\$15,000 to \$24,999	8%	7%	9%
\$25,000 to \$34,999	11%	8%	10%
\$35,000 to \$49,999	14%	12%	14%
\$50,000 to \$74,999	21%	18%	20%
\$75,000 or more	35%	45%	36%

\*\*Income in the last 12 months in 2009 inflation-adjusted dollars.

Source: 2005-2009 American Community Survey.

Median household income varied substantially by race and ethnicity of the householder according to the 2005-2009 American Community Survey.

- Non-Hispanic white (alone): \$64,163
- Black (alone): \$42,929
- Asian (alone) \$52,087
- Hispanic (of any race): \$42,369

Median household income for households with a non-Hispanic white householder was 51% higher than for households with a Hispanic householder, 49% higher than for households with a black/African American householder, and 23% higher for households with an Asian householder.

Areas in Federal Way with the highest percentages of low and moderate income households (at or below 80% of HUD-define area median income) are along the corridor between Pacific Highway and I-5. Seven census block groups have particularly high percentages of low-income households – 70% or more of the households. Most of those block groups are located in the area north of South 320<sup>th</sup> Street.

## Poverty

The percent of people and families living below the official poverty level is shown in Table 9. Twelve percent of the population in Federal Way lived in poverty (compared to 10% in King County). Rates were highest for single women with children, especially young children. Half of female-headed households with preschool children (under the age of five) were living in poverty, compared to 37% in King County and 43% in Washington.

The data in Table 9 are based on the five-year American Community Survey (2005-2009). More recent data from the U.S. Census show that the poverty rate increased between 2009 and 2010. Real median household income declined during the same period and the number of people without health insurance increased.<sup>2</sup>

The percent of the population in poverty shown in Table 9 is also based on a point-in-time count. The figures mask the fact that people transition in and out of poverty. This means that more people than are counted experience poverty at some point during the year. The Survey of Income and Program Participation (SIPP) found that about 32% of the population had at least one two-month period of poverty during the four-year period from 2004-2007.<sup>3</sup> Chronic poverty, like homelessness, is less frequent – about 2% of the population lived in poverty continuously for a 48-month period (2004-2007).

**Table 9: Population Living in Poverty**

Measure	Federal Way	King County	WA State
Individuals (all)	12%	10%	12%
Under 18	18%	12%	15%
18 and older	10%	9%	11%
65 and older	8%	9%	8%
Families	10%	6%	8%
With related children <18	14%	9%	13%
Female householder (family)*	26%	20%	26%
With related children <18	31%	27%	34%
With related children <5	50%	37%	43%

\*No husband present.

Source: 2005-2009 American Community Survey.

## Housing

Current land use in Federal Way is, to a large extent, the result of development patterns that resulted from demand for housing and retail services, making Federal Way more of a residential hub than a source of jobs and industry. Indeed, data from the 2005-2009 American Community Survey showed that 75% of Federal Way workers aged 16 and older commuted outside of Federal Way to work.

<sup>2</sup> DeNavas-Walt, C., B. Proctor, and J. Smith. U.S. Census Bureau, Current population Reports, P60-239, *Income, Poverty, and Health Insurance Coverage in the United States: 2010*, U.S. Government Printing Office, Washington DC, 2011.

<sup>3</sup> Ibid.

The City has prioritized economic and jobs development in its planning efforts, including the recently completed *Federal Way Consolidated Plan 2012-2016*. While a range of housing choices, including options affordable to all residents, is also a priority, housing and jobs need to be balanced. Federal Way is part of the South King County Urban Subarea for regional planning and forecasting purposes. Growth projections and targets, including that anticipated to meet Washington State Growth Management Act requirements, are based on a ratio of housing and jobs.

The 2010 census counted 35,444 units of housing in Federal Way – both occupied and vacant. This was an increase of 9% over the 32,589 units counted in the 2000 census. A good amount of the increase (43%) was due to annexations between 2000 and 2006.<sup>4</sup>

Types of units are shown in Table 10. While the majority of housing units are single family (58% are), multifamily housing represents a substantial share of units in Federal Way. This is comparable to all of King County, the percentages for which are strongly influenced by Seattle which has a nearly 50-50 split on single family and multifamily housing. Mobile homes, making up 4% of Federal Way housing, are located in nine parks. Mobile homes can be an affordable housing option for lower income households, both as rentals and as owner-occupied units.

**Table 10: Types of Units as a Percent of Total Units**

Type of Unit	Federal Way	King County	WA State
Total housing units 2010	35,444	851,261	2,885,677
Single family	58%	60%	67%
Detached	54%	56%	63%
Attached	4%	4%	3%
Multifamily	39%	38%	26%
2-4 units	10%	6%	6%
5-9 units	9%	7%	5%
10-19 units	10%	8%	6%
20 plus units	9%	17%	9%
Mobile homes	4%	2%	8%

Sources: 2010 US Census (total units); 2005-2009 American Community Survey (types of units).

Over half of Federal Way households (56%) live in housing they own or are buying. While most of owner-occupied units are single family, not all are – 12% of detached single family houses are occupied by renters and 24% of attached single family units are renter-occupied. The majority of mobile homes are owner-occupied, although rented space is the most common arrangement.

There were differences in tenure by race and ethnicity of the householder.<sup>5</sup>

- 64% of non-Hispanic white householders lived in owner-occupied units.

<sup>4</sup> Washington Office of Financial Management. (2006). *2006 Population Trends*.

<sup>5</sup> 2010 US Census.

- 61% of Asian householders lived in owner-occupied units
- 44% of both African American and Hispanic householders lived in owner-occupied units.

**Table 11: Tenure by Unit Type**

Housing	Federal Way	King County	WA State
Owner-occupied all units	56%	59%	64%
Owner-occupied single family (detached)	88%	87%	85%
Owner-occupied single family (attached)	76%	74%	58%
Owner-occupied multifamily 2-20 units	12%	17%	12%
Owner-occupied mobile homes	90%	85%	78%
Renter-occupied all units	44%	41%	36%
Renter-occupied single family (detached)	12%	13%	15%
Renter-occupied single family (attached)	24%	26%	42%
Renter-occupied multifamily 2-20 units	88%	83%	88%
Renter-occupied mobile homes	10%	15%	22%

Sources: Overall tenure 2010 US Census; tenure by type of unit 2005-2009 American Community Survey.

## Housing Costs

Median housing costs are shown in Table 12. Owner-estimated values and costs were lower in Federal Way than in King County, particularly in estimated unit value (estimated values 28% lower in Federal Way than King County). Selected owner-costs for units with and without a mortgage were lower in Federal Way than King County (16% and 13% respectively).<sup>6</sup> Median gross rents were lower as well in Federal Way – but by just 6%.

Most owner-occupied units had a mortgage (78% did). This is similar to King County (77% with mortgage) and a little higher than Washington State (73% with a mortgage).

**Table 12: Housing Values and Costs**

Types of Cost	Federal Way	King County	WA State
Median value owner-occupied	\$286,000	\$398,600	\$277,600
Median monthly owner costs			
With mortgage	\$1,806	\$2,133	\$1,704
Without mortgage	\$529	\$609	\$461
Median gross rent	\$903	\$965	\$853

Source: 2005-2009 American Community Survey.

While Table 12 includes the cost of utilities, it should be recognized that those costs are increasing and represent a growing burden for lower income households. The King County Housing Authority utility allowances as of November 2010 are shown in Table 13. Allowances shown include tenant-provided sewer, water and trash as well as gas and electricity.

<sup>6</sup> Owner costs include mortgage, taxes, insurance, condo fees and utilities. Gross rent includes utilities, whether included in the rent or paid by the tenant.

**Table 13: Utility Allowances 2010\***

Housing Type	Number Bedrooms			
	0-1	2	3	4
Multifamily	\$124	\$150	\$186	\$227
Single family	\$166	\$206	\$254	\$315

\*Electricity and gas provided by Puget Sound Energy.  
Source: King County Housing Authority

### **Housing Choice Vouchers**

One of the largest forms of subsidy is Housing Choice Vouchers which provide the opportunity for tenants to select housing in locations of their choosing. The King County Housing Authority currently has 9,876 vouchers, 1,263 (13%) of which were being used in Federal Way as of the end of September 2011. By far the largest number (estimated over 90%) is used for households with incomes below 30% of Area Median Income (AMI). On average, families use Housing Choice Vouchers for about four years.

It is up to families to use the vouchers within 120 days of issuance, although extensions are often granted to families with disabilities. The Housing Authority estimates that about 14% of households with vouchers are not able to find housing and return them unused. Barriers to moving include the inability to cover move-in costs, poor credit ratings, poor landlord history, criminal background and lack of units in many areas. Federal Way, however, has affordable units for many households with vouchers.

### **Housing Affordability and Access to Opportunities in Federal Way**

Overall, opportunities for lower-income households to find affordable housing in Federal Way are substantial, as demonstrated in preceding sections. The City supports and encourages a mix of housing and opportunities for all residents. Thirty-nine percent of housing in Federal Way is multifamily, 44% of all housing was renter occupied as of the 2010 census, and 13% of King County Housing Authority Housing Choice Voucher holders were able to find housing in Federal Way.

Barriers to new affordable housing development in Federal Way, as in other substantially developed communities, include costs of new development, access to financing, and available land and infrastructure. Existing patterns of land use which have grown out of a long history of commuting in the Puget Sound region between employment and housing complicate redevelopment of housing, employment and associated opportunities. However, the collapse of inflated housing prices in recent years may provide new incentives for development, including modestly priced housing. Regional transportation and housing planning may further opportunities in Federal Way.

In support of affordable housing development, the City is reviewing the possibility of modifications in some areas to encourage more residential development including changes to the definitions of density

for conventional subdivisions which will increase the number of lots.<sup>7</sup> The City is also seeking to promote more density, including multifamily development, in the City Center.

The fact that the City is essentially “built out” requires innovative strategies to increase housing opportunity without changing the nature of existing neighborhoods. The City promotes infill as part of its housing strategy. In addition to “cluster housing” which is already permitted, strategies that might be considered include accessory dwelling units, duplexes, cottage developments, and low-density multifamily structures.

A significant barrier to housing development, particularly affordable housing, is cost. While the City has limited control over affordable housing development, it takes steps to boost affordable housing where possible. The City requires rental housing developments of 25 units or more to provide two units or 5% of the units (whichever is greater) to be affordable in exchange for one bonus market rate unit for each affordable unit included in the project and allows up to 10% increase in the number of units allowed in the underlying zoning district. The City provides an added incentive in the City Center in the form of a tax exemption to increase density and/or affordable units.

## **IMPEDIMENTS TO FAIR HOUSING**

Impediments to fair housing are defined as:<sup>8</sup>

- Any actions, omissions, or decisions taken because of race, color, religion, sex, disability, familial status, or national origin that restrict housing choices or the availability of housing choice.
- Any actions, omissions, or decisions that have this effect.

Impediments to fair housing choice include actions that:

- Constitute violations, or potential violations, of the Fair Housing Act.
- Are counterproductive to fair housing choice, such as:
  - Community resistance when minorities, persons with disabilities and/or low-income persons first move into white and/or moderate- to high-income areas.
  - Community resistance to siting of housing facilities for persons with disabilities because of the persons who will occupy the housing.
- Have the effect of restricting housing opportunities on the basis of race, color, religion, sex, disability, familial status, or national origin.

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<sup>7</sup> City of Federal Way *Comprehensive Plan*.

<sup>8</sup> U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity, *Fair Housing Planning Guide, Volume 1*.

## **FAIR HOUSING COMPLAINTS**

The Department of Housing and Urban Development has the responsibility to enforce the Fair Housing Act. Complaints that are filed may be investigated directly by HUD or may be investigated and processed by the Washington State Human Rights Commission, which receives reimbursement from HUD under the Fair Housing Assistance Program. The Washington State Human Rights Commission has separate jurisdiction over claims of discrimination covered under State law, but not covered under federal law.

The Fair Housing Center of Washington is a private fair housing agency that receives funding under the Fair Housing Initiatives Program (FHIP) to provide education at the local level to the housing industry and potential victims of housing discrimination. Individuals may contact the Fair Housing Center of Washington if they believe that have been a victim of illegal discrimination in housing. The Fair Housing Center may evaluate the complaint for substance and, where indicated, conduct an investigation that may include testing. Private fair housing organizations, including the Fair Housing Center of Washington, may also assist complainants in preparing and filing complaints.

After a complaint is filed, it is normally investigated to determine whether there is reasonable cause to believe the Fair Housing Act has been violated. HUD will also try to help conciliate the complaint and resolve the issue before taking it further. If conciliation is not reached and there is reasonable cause, the complaint goes before an Administrative Law Judge to be heard. The Administrative Law Judge can order relief, and award damages, and attorney's fees and costs. Either the respondent or complainant may choose to have the case decided in Federal District Court.

### **National Trends**

The *2011 Fair Housing Trends Report* prepared by the National Fair Housing Alliance<sup>9</sup> was based on the analysis of 28,851 fair housing claims and complaints in 2010 reported by member agencies, HUD, the Department of Justice and state and local government agencies. These complaints represent just a fraction of the estimated four million fair housing violations that occur annually.

Disability status was the most frequent protected class among the claims and complaints filed in 2010 – 40% of claims by National Fair Housing Association members (such as the Fair Housing Center of Washington) and 53% of HUD complaints processed. The report provides insight into the relatively high rate of disability complaints including the fact that apartment owners involved made direct comments refusing to make accommodations and the increased resources HUD devoted to disability issues.

Among transaction categories, complaints regarding the rental market accounted for the majority. However, complaints were noted in home sales, mortgage lending, homeowners insurance, and harassment.

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<sup>9</sup> [www.nationalfairhousing.org](http://www.nationalfairhousing.org)

## **Federal Way Complaints Filed with HUD**

Between January 1, 2007 and January 25, 2012, there were 20 complaints filed with the Department of Housing and Urban Development pertaining to Federal Way. One-quarter of the complaints filed had more than one basis. The most frequent basis (in 8 of the 20 cases) was disability, followed by national origin (6 of the 20 cases), and race (a basis in 4 of 20 complaints filed).

All complaints concerned rentals. Four of the complaints filed in this period had more than one issue or violation involved. Issues included the following (in order of frequency):

- Discriminatory refusal to rent (in 6 cases)
- Discriminatory terms, conditions, privileges, or services and facilities (in 6 cases)
- Discrimination in terms, conditions, privileges relating to rental (in 6 cases)
- Failure to make reasonable accommodations (in 3 cases)
- Discriminatory acts under Section 818 (coercion, etc.) (in 2 cases)
- Discriminatory refusal to rent and negotiate for rental (in 1 case)
- False denial or representation of availability (in 1 case)

Of the 20 complaints file with HUD between January 1, 2007 and January 25, 2012, all but one of the cases had been closed as of this writing. Among the closed complaints, 11 were closed because of a no cause determination, 6 were closed after successful conciliation and settlement, 1 was closed because the complaint was withdrawn by the complainant without resolution and 1 was closed because the complainant failed to cooperate. The highest settlement amount was \$1,723. Other settlements ranged from \$420 to \$1,500.

## **Federal Way Complaints Filed with the Washington State Human Rights Commission**

There were 20 complaints filed in the five-year period from the beginning of 2007 through 2011 with the Washington State Human Rights Commission pertaining to Federal Way. Most of these would be covered under the HUD complaints detailed above. It was not possible to distinguish based on case numbers. However, there have been a few (three to four) non-HUD sexual orientation/gender identity housing charges in Federal Way which were not included in the data supplied by the Washington State Human Rights Commission and, therefore, presumably filed earlier than 2007.

## **Fair Housing Center of Washington**

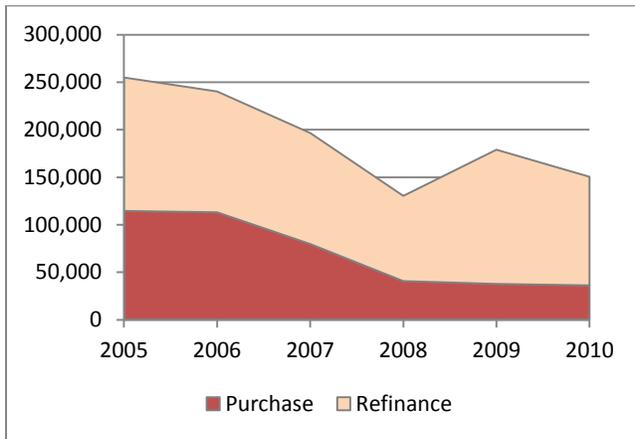
Data pertaining to calls to the Fair Housing Center of Washington were not available for this report. However, the Center does receive calls for information from throughout Western Washington, is active in providing training, and conducts audit and complaint-based testing in Western Washington. The King County Consortium in a summary of indicators prepared for the *Fair Housing Action Plan d2007-2011* reported results of testing in unincorporated King County. Those results were suggestive of

discrimination on the bases of race, parental/familial status, disability, marital status and national origin. Testing results can both support individual claims of discrimination and provide information to support communitywide efforts to educate providers, consumers and others with an impact on housing opportunities.

## HOUSING SALES AND FINANCING

### Home Mortgage Disclosure Act (HMDA)

**Figure 1: Single Family Owner-Occupied Loans Seattle-Tacoma-Bellevue MSA**



Source: HMDA data obtained from [socds.huduser.org](http://socds.huduser.org).

The Federal Financial Institutions Examination Council (FFIEC) prepares and distributes aggregate reports on behalf of the Federal Deposit Insurance Corporation, Federal Reserve Board, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision, and the Department of Housing and Urban Development. The Home Mortgage Disclosure Act (HMDA) data cover home purchases and home improvement loans and includes information on race, ethnicity and income of applicants, which allows an analysis of lending nationally and at the local level.

The level of lending has been significantly influenced by events following the mortgage loan scandal and resultant foreclosure and economic crises. Figure 1 shows the data for single family owner-occupied loans for the Seattle-Tacoma-Bellevue MSA from 2005 through 2010. The number of new loans declined after 2006 and the number of refinances increased. In 2005, loans to refinance represented 55% of all loans. This increased to 79% in 2009 although the number of loans was greatly diminished compared to the number in 2005.

Comparing the same loan data by race of applicant (white alone vs. other race/ethnicity combined), the percentage of loans did not vary substantially. Sixty-five percent of loans for new purchases in 2005 were to white applicants, as were 66% of new loans in 2010. Loans for refinances were similarly distributed in that 68% of loans for refinances in 2005 and in 2010 were to white applicants. There was

little variation in the loan ratios in the years in between – that is, from 2005 through 2010, roughly two-thirds of new and refinance loans were made to white applicants and roughly one-third in each year were made to minority applicants.

**Table 14: 2010 Home Mortgage Disclosure Act (HMDA) Aggregate Report  
Disposition by Race/Ethnicity of Applicant, Seattle-Bellevue-Everett MSA/MD**

Race/Ethnicity of Applicant*	FHA,VA, FSA/RHS Loans		Conventional Loans		Refinance Loans	
	Orig.**	Denied	Orig.	Denied	Orig.	Denied
White, non-Hispanic	75%	9%	72%	10%	66%	16%
Non-white and/or Hispanic	67%	15%	67%	13%	61%	19%
White (any ethnicity)	74%	10%	72%	10%	66%	16%
Black (any ethnicity)	62%	16%	58%	18%	47%	29%
Asian (any ethnicity)	65%	16%	68%	12%	63%	19%
Hispanic/Latino (any race)	64%	17%	64%	14%	50%	25%
Non-Hispanic (any race)	73%	11%	71%	10%	65%	17%
<b>Total</b>	<b>72%</b>	<b>11%</b>	<b>70%</b>	<b>11%</b>	<b>64%</b>	<b>17%</b>
Number of applications	14,567		23,331		125,842	

\*Selected categories; minority is Hispanic and/or race other than white.

\*\*Applications accepted and resulting in origination of a loan. There were also applications that were approved but not accepted by the applicant, withdrawn, or closed for incompleteness.

Source: FFIEC. (2011). *2010 Home Mortgage Disclosure Report, Aggregate Report*. ([www.ffiec.gov](http://www.ffiec.gov))

Table 14 shows the applications in 2010 that resulted in loan originations and the percent denied by type of institution and selected race/ethnicity of the applicant. By far the largest type of loan application in 2010 was for refinancing (1 to 4 unit dwellings) – more than five times the number of applications as those for conventional home purchase loans and more than eight times higher than FHA, VA, FSA/RHS loan applications.

Note that the HMDA information race and ethnicity has significant gaps. In fact, data on race was missing in 17% of applications and ethnicity was also missing on about 17% of the 163,740 loan applications included in this table.

Despite the problems with the data, the information in Table 14 shows that minority applicants (race other than white and/or Hispanic) had lower percentages of applications resulting in loan originations than did white, non-Hispanic applicants. Looking at race alone, black/African American applicants had the lowest percentages of loan originations. Comparing just by ethnicity, Hispanic applicants had lower rates of loans originated than non-Hispanic applicants.

The HMDA data are useful in identifying possible discrepancies in loans. The aggregate reports show that black/African American, Hispanic and other minority applicants are relatively less successful than white applicants at obtaining certain types of mortgage financing. The information did not provide enough data to determine if this was due to a consistent pattern of racial discrimination or if there were other factors affecting decisions.

Lenders consider many factors in rating loans, such as debt to income ratio, employment history, credit history, collateral and cash on hand. Additional research is required to determine the real cause of differences observed in these tables. However, these data suggest that there is continued opportunity to work with lenders, consumers, and consumer advocates about discrimination in lending and about reducing disparities that might be found.

Table 15 shows loan applications by applicant income as a percent of the median for the region (Seattle-Bellevue-Everett MSA/MD). The percent of applications resulting in loans increased and denials decreased as applicant income increased.

**Table 15: 2010 Home Mortgage Disclosure Act (HMDA) Aggregate Report  
Disposition by Income of Applicant, Seattle-Bellevue-Everett MSA/MD**

Income of Applicant*	FHA,VA, FSA/RHS Loans		Conventional Loans		Refinance Loans	
	Orig.**	Denied	Orig.	Denied	Orig.	Denied
<50% of median income	61%	19%	59%	22%	50%	30%
50% to 79% of median	73%	11%	68%	12%	59%	20%
80% to 99% of median	75%	9%	71%	10%	63%	18%
100% to 119% of median	74%	9%	73%	8%	66%	16%
>119% of median	76%	9%	72%	9%	67%	14%
Number of applications	14,567		23,331		125,842	

\*Based on median income for the MSA/MD.

\*\*Applications accepted and resulting in origination of a loan. There were also applications that were approved but not accepted by the applicant, withdrawn, or closed for incompleteness.

Source: FFIEC. (2011). *2010 Home Mortgage Disclosure Report, Aggregate Report*. ([www.ffiec.gov](http://www.ffiec.gov))

## Predatory Lending

Access to loans is not the only consideration in a review of lending practices. Unscrupulous practices by predatory lenders, appraisers, mortgage brokers and home improvement contractors can be very damaging. Low-income households and those with limited previous access to loans are particularly at risk and have been most impacted by these practices. Remarkably low interest rates in recent years, accumulated equity, the push to refinance and even assistance with down payments and other strategies to increase homeownership also increased the opportunity to take advantage of vulnerable borrowers.

Examples of predatory lending include:<sup>10</sup>

- Falsification of appraisals to sell properties for more than they are worth.
- Encouraging borrowers to lie about income or assets to get a loan.
- Knowingly lending more money than borrowers can pay.
- Charging higher interest than is warranted by credit history.
- Charging unnecessary fees.

<sup>10</sup> Taken from HUD publication "Don't Be A Victim of Loan Fraud: Protect Yourself from Predatory Lenders."

- Pressuring borrowers to accept higher-risk loans such as balloon loans, interest-only payments and steep pre-payment penalties.
- Targeting vulnerable people for cash-out refinancing.
- Convincing people to refinance over and over again when there is no benefit to the borrower.

### **Community Reinvestment Act**

The Community Reinvestment Act (CRA) was enacted by Congress in 1977 to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low and moderate income neighborhoods.<sup>11</sup> The CRA requires supervisory agencies to assess performance periodically. The four federal bank supervisory agencies are: the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), Office of Thrift Supervision (OTS), and Federal Deposit Insurance Corporation (FDIC). Performance is evaluated in terms of the institution (capacity, constraints and business strategies), the community (demographic and economic data, lending, investment, and service opportunities), and competitors and peers. Ratings assigned are: outstanding, satisfactory, needs to improve, and substantial noncompliance. Only two banks listed on the rating reports were shown as located or headquartered in Federal Way, both Washington State Banks. The Washington State Bank had satisfactory FDIC ratings in 1994 and 1996 and satisfactory OCC rating in 2000 and 2005.

### **POLICIES AND REGIONAL PLANNING FOR FAIR HOUSING**

In addition to regional planning efforts described below, HUD is in the process of gathering information and input that will impact fair housing actions and future analyses of impediments. HUD is expected to release new guidance on “how the federal government will address issues of systemic discrimination, segregation, and structural racism.”<sup>12</sup> The City of Federal Way will incorporate those modified guidelines in future updates analyses of impediments to fair housing and fair housing planning.

#### **King County Consortium Fair Housing Planning**

The King County Consortium is in the process of updating its Analysis of Impediments to Fair Housing. Although gathering information for the new analysis, the Consortium is awaiting new HUD guidelines before completing the report.

The City of Federal Way participated in the King County CDBG Consortium up to and including 2011. The Consortium served as the HUD grantee and passed through to the City a portion of the allocation based on the HUD formula. The Federal Way Consolidated Plan 2012-2016 is the first plan prepared directly by Federal Way. The City continues to participate as a member of the King County HOME Consortium, is

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<sup>11</sup> This discussion and ratings were taken from the Federal Financial Institutions Examination Council web site ([www.ffiec.gov](http://www.ffiec.gov)).

<sup>12</sup> National Fair Housing Alliance. (2011). *The Big Picture: How Fair Housing Organizations Challenge Systemic and Institutionalized Discrimination (2011 Fair Housing Trends Report)*. ([www.nationalfairhousing.org](http://www.nationalfairhousing.org)).

involved in regional coordination of homeless programs and activities and in the countywide Regional Affordable Housing Program.

Federal Way also participated in fair housing activities and strategies as part of the King County Consortium including the most recent Fair Housing Action Plan 2007-2011. Findings of the most recent King County Consortia Analysis of Impediments are shown here because these pertained to all communities in the Consortium, including Federal Way. It is presumed that impediments identified, including potential barriers identified in testimony and interviews, may pertain to Federal Way.

Selected findings in the King County Consortia 2006 Analysis of Impediments to Fair Housing Choice included:

- Discrimination in rental housing:
  - Complaint data showing that the top categories (in order of number of complaints) were disability, race/color, national origin, family status, and gender.
  - Testing (audit and/or complaint testing) in unincorporated areas of King County showed differences in cost, rental agreements, availability, policies and occupancy (to name some of the conditions) for protected classes.
  - Interviews and testimony indicated different treatment for persons who are undocumented; lack of understanding about reasonable accommodation; potentially discriminatory insurance requirements; gender preferences, including household composition; and, difficulties in using Housing Choice Vouchers.
- Disparate impacts in rental housing resulting from screening processes and requirements (including social security number) and language barriers.
- Discrimination in home purchase and ownership were not identified in testing, but there were differences in follow-up assistance. Lack of understanding of reasonable accommodations by condo associations may affect ease of ownership for persons with disabilities.
- Disparate impacts in home purchase and ownership include higher denial/withdrawal rates for minority applicants (based on HMDA data); and, highest subprime loans for minority applicants and in more diverse areas of the county (HMDA data).

The King County Consortia Fair Housing Action Plan 2007-2011 include the following summaries of action items:

- Action Area I: Coordinate fair housing workshops and training, regionally and with other offices/agencies. This applies to a wide audience including housing funders and providers, service providers, attorneys, planners, the judicial system and others who influence policy and practices.
- Action Area II: Coordinate ownership fair housing workshops and trainings on lending, predatory lending with Seattle-King County Coalition for responsible Lending, the King County Office of Civil Rights and other fair housing partners and community agencies.

- Action Area II: Coordinate with applicable agencies to provide written information about fair housing, basic landlord-tenant issues and fair lending/predatory lending for housing consumers, landlords, community agencies and others.
- Action Area IV: Provide technical assistance to contracted housing providers and consider enhanced fair housing requirements for contracted agencies.
- Action Area V: Work with the community to advance programs such as discrimination enforcement, and/or policy changes, such as legislative initiatives, that will reduce impediments to fair housing choice.

### **Puget Sound Regional Council**

The Puget Sound Regional Council is in the process of completing a Fair Housing and Equity Assessment as part of its multi-county (King, Pierce, and Snohomish) Growing Transit Communities initiative. This initiative will employ Opportunity Mapping which is a technique to identify communities with assets in education, economic health, neighborhood quality, mobility and transportation, health, and environmental assets.<sup>13</sup> Committee and workgroup members represent a wide spectrum of agencies and interests.

The regional analysis of impediments and fair housing action strategy will involve stakeholders in developing a fair housing planning guide, particularly along transportation corridors, that avoids patterns of segregation and advances fair housing opportunities.

*The AI and Fair Housing Action Plan will outline the strategies necessary to ensure that major investments in housing, transportation, employment, infrastructure (e.g., storm water and water treatment), and education are aligned with fair housing goals to develop diverse, healthy, and sustainable communities with access to opportunity for all residents of the region.<sup>14</sup>*

### **PROMOTING FAIR HOUSING IN FEDERAL WAY**

This is the first analysis of impediments to fair housing in Federal Way. As with all such analyses, it is a stepwise process to identify: impediments, actions to overcome them, effective local and regional partners, and ways to measure outcomes. Potential and observed impediments identified below are the result of outreach conducted as part of the Federal Way Consolidated Plan 2012-2016 and this Analysis of Impediments to Fair Housing, review of complaint and other data, and incorporation of impediments identified in the King County Consortium 2006 Fair Housing Choice Findings.

Proposed actions are consistent with current capacities and experience in Federal Way. They are also consistent with strategies contained in the King County Consortium Fair Housing Action Plan 2007-2011.

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<sup>13</sup> ([www.psrc.org](http://www.psrc.org))

<sup>14</sup> Central Puget Sound Growing Transit Communities Consortium Agreement/Memorandum of Understanding, Attachment B: Work Plan ([psrc.org](http://psrc.org)).

The City will continue to participate in and support regional efforts to promote fair housing, recognizing the advantages of regional efforts.

### **Conclusions and Recommended Fair Housing Actions**

*Impediment 1: Information about fair housing resources and referrals is limited which might impede advocacy by agencies and inquiries by potential victims of discrimination.*

*Action 1: Understand and share information about the regional network and capacity of resources, including training, information and referral.*

There are a number of agencies providing information about fair housing and some that have the capacity to advise on landlord-tenant issues and screen fair housing inquiries. There are also limited resources to advise and advocate in legal matters. Given the scarcity of resources, a first step to efficient use of those resources is to understand the system. This is also a first step in the City's definition of its own role in the information and referral process. Some of the actions recommended below about training and advocacy require a system for processing inquiries, from individuals and agencies.

*Impediment 2: Resources for basic and supportive services and housing assistance, including fair housing, are limited and declining. Agencies, including fair housing agencies, are trying to do more with less.*

*Action 2: Participate in regional fair housing planning, affordable housing planning, and support regional strategies to promote fair housing.*

The upcoming King County Consortium fair housing planning activities and those of the Puget Sound Regional Council will benefit Federal Way, particularly possibilities of regional training and identification and support of assets.

*Impediment 3: Families and individuals seeking to rent housing have encountered discrimination.*

Complaints filed with HUD and with the Washington State Human Rights Commission over the last five years document instances of discriminatory practices in Federal Way. These may be the result of outright discrimination, or due to lack of understanding of laws, including the nature of reasonable accommodations. King County Consortium data from the 2006 Analysis of Impediments show testing results in unincorporated King County that demonstrate different treatment for several protected classes seeking to rental units.

*Impediment 4: Applicants for loans for acquisition, home improvements and refinance may have different success rates, and find different terms and conditions based on race and/or ethnicity.*

Reports provided under the Home Mortgage Disclosure Act (HMDA) show different rates of loan origination for racial and ethnic minorities. While the data are not conclusive because of failure to provide sufficient detail on qualifications of applicants, and because of substantial missing information, this bears continued scrutiny. Recent experience with sub-prime and predatory lending, along with ongoing foreclosures, warrants vigilance and continued training.

*Action 3: Train Federal Way staff on fair housing, beginning with personnel with responsibilities for projects funding with CDBG and other federal funds.*

Take advantage of HUD-sponsored trainings at least annually. Identify regional trainings, such as those that might be offered by the King County Consortium and the Fair Housing Center of Washington.

*Action 4: Promote training of providers, including lenders, realtors, public officials, and agencies/providers in Federal Way on fair housing.*

Promote fair housing training as a regular (perhaps annual) part of meetings of providers in Federal Way. This might include training provided by the Washington Association of Realtors; request to the Northwest Justice Project to present information before the City Council or planning staff request; or, a request to the King County Housing Authority to present on mobility and opportunity counseling they provide prospective Housing Choice Voucher holders. It might be possible to require sub-grantees to attend the fair housing training as a way of increasing awareness and advocacy.

*Action 5: Promote training of consumers and those who advocate for consumers.*

Work in the community to promote fair housing. Actions might include distribution of information on fair housing in public locations; presentations to neighborhood organizations and/or at public events; taking advantage of other existing meetings to promote fair housing training; or, distribution by agencies using CDBG funds for housing activities to their service and housing recipients.