



# 2023 South Sound Communities/JBLM Housing Study 2.0



SOUTH SOUND MILITARY &  
COMMUNITIES PARTNERSHIP



# 2023 South Sound Communities/JBLM Housing Study 2.0

*Prepared for:*



SOUTH SOUND MILITARY &  
COMMUNITIES PARTNERSHIP

*Prepared by:*



707 17<sup>th</sup> Street  
Suite 3150  
Denver, CO 80202

**Updated: January 5, 2024**

# Table of Contents

<b>Executive Summary</b> .....	<b>6</b>
<b>Introduction</b> .....	<b>9</b>
Data Sources .....	9
<b>Demographic and Housing Status Profile</b> .....	<b>11</b>
Population .....	11
Household Income.....	14
Basic Allowance for Housing.....	16
Tenure .....	18
Tenure by Income .....	19
Physical Characteristics .....	20
<b>Rental Market Analysis</b> .....	<b>22</b>
Apartments .....	22
Detached Single-Family Homes .....	26
Townhomes .....	30
Zillow Observed Rent Index .....	34
<b>For-Sale Market Analysis</b> .....	<b>36</b>
Median Home Sale Price .....	36
Available Inventory .....	37
Median Days on the Market .....	39
<b>The Stabilizing Impact of JBLM on the Market During the COVID-19 Pandemic</b> .....	<b>41</b>
<b>Crime and Housing Affordability</b> .....	<b>44</b>
<b>Affordability Analysis I: Basic Allowance for Housing</b> .....	<b>46</b>
Buying Power of Basic Allowance for Housing in the Rental Market .....	46
Buying Power of Basic Allowance for Housing in the For-Sale Market .....	53
<b>Affordability Analysis II: Household Income</b> .....	<b>58</b>
Renter Affordability .....	58
Renter Affordability by Unit Size .....	58
Existing Homeowner Affordability.....	60
New Homeowner Affordability .....	61
<b>Off-Base Housing Gap Analysis</b> .....	<b>63</b>
Trends in Household Formation and Permitting .....	63

Gaps in the Active-Duty Military’s Share of the Off-Base Rental Inventory by Unit Size..... 65

Implications for Military Readiness..... 66

**Privatized On-Base Housing Overview .....68**

**Synopsis of Stakeholder Engagement .....71**

**Comparison of 2020 SSMCP Housing Study and 2020 Army HMA .....73**

**Comprehensive Housing Strategy .....75**

Local-Level Recommendation I: Regulate Short-Term Rentals and Incentivize Short-to-Long-Term Rental Conversion ..... 75

Local-Level Recommendation II: Establish a Community Land Trust in Pierce County and Augment the Thurston Housing Land Trust ..... 77

Local-Level Recommendation III: Subsidize Accessory Dwelling Units..... 78

Local-Level Recommendation IV: Reevaluate Onerous Parking Requirements ..... 79

Local-Level Recommendation V: Loosen Restrictions on “Missing Middle” Housing ..... 79

Local-Level Recommendation VI: Aggressively Market the Rental Partnership Program ..... 80

State-Level Recommendation I: Create a Down Payment Assistance Program for Active-Duty Military ..... 80

Federal-Level Recommendation I: Extend the Period of Permissive Temporary Duty Status During the PCS Process ..... 81

Federal-Level Recommendation II: Improve Procedures Related to Privatized On-Base Housing ..... 82

Multilevel Recommendation I: Limit Corporate Homeownership..... 83

Multilevel Recommendation II: Create a “Missing Middle” Property Tax Abatement Program ..... 83

**Appendix: Summary Recommendations Memo .....85**

## List of Figures

Figure 1. Number of Active-Duty Sponsors by Zip Code, 2022 .....	12
Figure 2. Number of Active-Duty and Guard/Reserve Sponsors by Zip Code, 2022 .....	13
Figure 3. Number of Active-Duty Sponsors, Guard/Reserve Sponsors, Retiree Sponsors, and Civilian Employees by Zip Code, 2022.....	14
Figure 4. Median Household Income, 2021 .....	15
Figure 5. Median Active-Duty Household Income in Pierce and Thurston Counties, 2016 to 2021 .....	15
Figure 6. Active-Duty Household Income Distribution in Pierce and Thurston Counties, 2021 .....	16
Figure 7. Housing Tenure in Pierce and Thurston Counties, 2021 .....	18
Figure 8. Active-Duty Homeownership Rate by County, 2016 to 2021 .....	19
Figure 9. Housing Tenure by Income Among Active-Duty Households in Pierce and Thurston Counties, 2021 .....	20
Figure 10. Physical Characteristics of Active-Duty-Occupied Housing Units.....	21
Figure 11. Average Asking Apartment Rent, 2020 Q1-2023 Q1 .....	22
Figure 12. Average Asking Apartment Rent by Zip Code, 2023 Q1 .....	23
Figure 13. Average Asking Apartment Rent by Unit Size, 2023 Q1 .....	24
Figure 14. Apartments Available for Rent, 2020 Q1-2023 Q1 .....	24
Figure 15. Apartments Available for Rent by Unit Size, 2020 Q1 and 2023 Q1.....	25
Figure 16. Apartments Available for Rent by Zip Code, 2023 Q1 .....	26
Figure 17. Detached Single-Family Homes Available for Rent, July 2023 .....	27
Figure 18. Single-Family Homes Available for Rent by Zip Code, July 2023 .....	28
Figure 19. Median Asking Rent for Available Single-Family Homes, July 2023.....	29
Figure 20. Median Asking Rent for Available Single-Family Homes by Zip Code, July 2023.....	30
Figure 21. Townhomes Available for Rent, July 2023 .....	31
Figure 22. Townhomes Available for Rent by Zip Code, July 2023.....	32
Figure 23. Median Asking Rent for Available Townhomes, July 2023 .....	33
Figure 24. Median Asking Rent for Available Townhomes by Zip Code, July 2023 .....	34
Figure 25. Zillow Observed Rent Index, January 2020-May 2023 .....	35
Figure 26. Median Home Sale Price, March 2020-May 2023 .....	36
Figure 27. Median Home Sale Price by Place, May 2023 .....	37
Figure 28. Homes Available for Sale, March 2020-May 2023 .....	38
Figure 29. Homes for Sale by Place, May 2023 .....	39
Figure 30. Median Days on the Market, March 2020-May 2023 .....	40
Figure 31. Average Asking Apartment Rent, 2020 Q1-2020 Q4 .....	41
Figure 32. Apartment Vacancy Rate, 2020 Q1-2020 Q4 .....	42
Figure 33. Percent Change in Home Sales from Previous Year, March 2020-February 2021.....	43
Figure 34. Relationship Between Crime Rate and Average Rents by Zip Code, 2022 and 2023.....	44
Figure 35. Zip Codes with Average Apartment Rents Below \$1,500 by Property and Violent Crime Rate, 2022 and 2023 .....	45
Figure 36. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Average Asking Rent with Utilities for Apartments, 2023 Q1.....	47
Figure 37. Comparison of Officer With-Dependent BAH Rates to Adjusted Average Asking Rent with Utilities for Apartments 2023 Q1.....	48

Figure 38. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Townhomes, July 2023 ..... 49

Figure 39. Comparison of Officer With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Townhomes, July 2023 ..... 50

Figure 40. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Detached Single-Family Homes, July 2023..... 51

Figure 41. Comparison of Officer With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Detached Single-Family Homes, July 2023..... 52

Figure 42. Comparison of With-Dependent Enlisted BAH Rates to Adjusted Median Monthly Mortgage Payment with Utilities, May 2023 ..... 54

Figure 43. Comparison of With-Dependent Officer BAH Rates to Adjusted Median Monthly Mortgage with Utilities, May 2023 ..... 56

Figure 44. E6 With-Dependent BAH as a Percentage of Median Mortgage and Utility Cost by Place, May 2023 ..... 57

Figure 45. Comparison of Minimum Income Required to Afford Median Rent by Unit Size to Actual Median Active-Duty Renter Household Income, 2021 ..... 59

Figure 46. Percentage of Active-Duty Renter Households Able to Afford Median Rent by Unit Size, 2021 ..... 60

Figure 47. Trends in Household Formation and Housing Permits Issued in Pierce County, 2011-2019 ..... 63

Figure 48. Comparison of Number of Households Formed to Housing Permits Issued Between 2019 and 2021 in Pierce County ..... 64

Figure 49. Trends in Household Formation and Housing Permits Issued in Thurston County, 2011-2019..... 64

Figure 50. Comparison of Number of Households Formed to Housing Permits Issued Between 2019 and 2021 in Thurston County ..... 65

Figure 51. Duplexes as a Share of Total Housing Stock, 2012, 2017, and 2022..... 84

## List of Tables

Table 1. Recommendations by Level of Action ..... 7

Table 2. With-Dependent Basic Allowance for Housing Rates for Tacoma Military Housing Area (South Sound Region), 2020-2023 ..... 17

Table 3. Rental Affordability in Pierce and Thurston Counties, 2021..... 58

Table 4. Existing Owner Affordability in Pierce and Thurston Counties, 2021 ..... 61

Table 5. Affordability of the Median Home Purchased in December 2021 ..... 62

Table 6. Off-Base Rental Unit Shortages in Pierce and Thurston Counties, 2022 ..... 66

Table 7. Privatized Housing Inventory at Joint Base-Lewis McChord, July 2023 ..... 68

Table 8. Joint Base Lewis-McChord Privatized Housing Waitlist, July 2023 ..... 69

Table 9. Age of Privatized Homes at JBLM..... 69

Table 10. Short-Term Rental Market in Selected Places, September 2023 ..... 76

## Executive Summary

In February 2023, the South Sound Military and Communities Partnership (SSMCP) commissioned Matrix Design Group, in association with SCJ Alliance (the Matrix Team), to update the *JBLM Off-Installation Housing Study*, otherwise referred to as the 2020 SSMCP Housing Study. Most notably, the study found that the resident population faced an over 8,000-unit housing shortage in the immediate vicinity of Joint Base Lewis-McChord (JBLM). This shortage contributed to rising housing costs in the region, thereby leading many service members to opt for housing located beyond a reasonable commuting distance to the installation. This new study primarily seeks to assess housing affordability and availability in Pierce and Thurston Counties using post-2020 data, as well as propose solutions aimed at improving current conditions.

The Department of Defense (DoD) maintains an “off-base first” housing policy, meaning it depends on local communities and the free market to provide quality affordable housing for service members and their families. Accordingly, approximately 70% of Joint Base Lewis-McChord’s (JBLM) population, which consists of nearly 55,000 personnel, live off base. To pay for housing in the off-base market, active-duty service members rely on the Basic Allowance for Housing (BAH), which is calculated annually to cover 95% of median rental and utility costs in the region surrounding the installation. Typically, BAH is based on the prior year’s rental market, making it ill-equipped to respond to market volatility. In times of rapid rent increases, as witnessed in the JBLM region during 2021 and 2022, rates are more likely to fall short of the aforementioned 95% threshold, increasing service members’ out-of-pocket housing costs.

In some respects, conditions have improved for service members in the rental market since the early years of the COVID-19 pandemic. Although average apartment rent rose 17% in Pierce County and 15% in Thurston County between early 2020 and early 2023, rents had begun to stabilize by early 2022, in part due to a surge in apartment inventory. Moreover, over the same three-year period, BAH rates for enlisted personnel increased by between 17% and 30%, depending on rank. E5-and-below accompanied personnel, however, likely continued to struggle to find affordable units with three or more bedrooms, particularly in Pierce County.

The single-family rental market poses more significant challenges for service members. In mid-2023, the median three-bedroom home, which rented out for over \$2,500, was unaffordable to E1 through E6 personnel and early-career officers. Townhomes were almost equally unaffordable. **These findings are concerning given that as recently as 2021, 73% of off-base active-duty households in Pierce and Thurston Counties lived in some form of single-family home.**

Although BAH is based on rental costs, service members are free to use the funds on a mortgage payment. Thirty-six percent of off-base active-duty households in Pierce and Thurston Counties owned their homes in 2021. While more recent data have yet to be released, there is strong reason to believe the ownership rate has fallen over the past two years. Between March 2020 and May 2023, the median home sale price increased by 36% in Pierce County and 44% in Thurston County. The precipitous rise in interest rates that occurred amid efforts to combat inflation compounded challenges for prospective home buyers. **Assuming a 7% interest rate and no down payment (as is allowable under a VA loan), the median mortgage payment for a home purchased in May 2023 amounts to \$3,625 in Pierce County and \$3,348 in Thurston County.** E6 with-dependent BAH currently represents just 67% and 72% of

these sums, respectively. By contrast, the median home purchased in March 2020, when interest rates hovered around 3.5%, carries a mortgage payment of \$1,796 in Pierce County and \$1,571 in Thurston County.

The findings also reveal that housing shortages persist, both on and off the installation. In 2022, 3,756 two-or-more bedroom rentals were available in the community to house 6,073 military families, leaving a deficit of 2,317 units. Similarly, as of July 2023, the waitlist for privatized on-base housing totaled 616 families, 144 of whom indicated they were available to move in immediately. Taken together, the findings suggest that there exists significant demand for additional privatized on-base units.

**Our results consistently demonstrate that service members would be best served by additional entry-level for-sale housing and family-sized rentals.** To that end, we developed a set of actionable recommendations aimed at increasing the supply of these housing products. Because macroeconomic forces are the primary determinant of housing costs, one should avoid viewing any one of these recommendations as a panacea. However, evidence from other communities suggests they may help reduce shortages, which in turn would foster quality of life among service members and military readiness. As Table 1 shows, there exists opportunity for local, state, and federal action.

*Table 1. Recommendations by Level of Action*

Local
Regulate short-term rentals and incentivize short-to-long term rental conversion
Establish a community land trust in Pierce County and augment the Thurston Housing Land Trust
Subsidize accessory dwelling units
Reevaluate onerous parking requirements
Loosen restrictions on “missing middle” housing
Aggressively market the Rental Partnership Program
State
Create a down payment assistance program for active-duty military
Federal
Extend the period of permissive temporary duty status during the PCS process
Improve procedures related to privatized on-base housing
Multilevel
Limit corporate homeownership
Create a “missing middle” property tax abatement program

Source: Matrix Design Group



Finally, the Matrix Team was tasked with reconciling the results of the 2020 SSMCP Housing Study and the 2020 Army Housing Market Analysis (HMA). **Ultimately, we found that the discrepant results regarding future housing needs were the result of the studies' different research questions, methodological approaches, assumptions, and periods under examination.** It is important to recognize that the 2020 HMA's finding that privatized on-base housing needs would decline significantly through 2025 is likely to have limited influence in the future. **An out-of-cycle HMA conducted in 2023 determined that the five-year need was approximately four times higher than original projections.** Furthermore, garrison leaders recently announced plans to add 212 units to JBLM's privatized inventory by 2027.

Below are the major findings from this study:

- In 2021, the median active-duty household reported an income of \$73,747 in Pierce County and \$91,274 in Thurston County. Consistent with this income gap, the active-duty homeownership rate was 52% in Thurston County but just 27% in Pierce County.
- Service members who live off base have a strong preference for single-family homes. In 2021, 54% of active-duty personnel resided in detached single-family homes, while an additional 20% opted for townhomes and other types of attached single-family homes. Primarily due to rising home prices and interest rates, however, these figures have likely fallen since then.
- Apartment rents climbed sharply from early 2020 to early 2022, at which point they began to stabilize. In 2023 Q1, the average apartment rented out for \$1,576 in Pierce County and \$1,633 in Thurston County. Between 2020 Q1 and 2023 Q1, apartment vacancies in both counties increased by 47%. Apartments with up to two bedrooms were widely affordable to service members in early 2023. When it came to larger units, however, with-dependent BAH for ranks E1 through E5 was generally inadequate, especially in Pierce County.
- In July 2023, 291 detached single-family homes and 72 townhomes were available for rent in Pierce and Thurston Counties. For both housing types, median three-bedroom rent was approximately \$2,500 (excluding utilities). As a result, service members ranked E6 or below generally had to settle for smaller single-family homes or apartments.
- Homeownership is now unattainable for the vast majority of service members. Affording the median Tacoma home in May 2023, for example, required a BAH rate of at least \$3,341—a threshold not met by even accompanied O7s. Moreover, at least in terms of the for-sale market, Tacoma was among the more affordable communities in the region.
- From 2011 to 2021, construction failed to keep pace with population growth. Even though 76,010 households formed in Pierce and Thurston Counties during this period, just 59,337 permits for new housing units were issued.
- As of 2022, service members and their families faced a deficit of 2,317 two-or-more bedroom rentals in the community, underscoring the need for additional privatized on-base housing units. There exists significant demand for new on-base housing, as evidenced by the 616-family waitlist reported in July 2023.
- State and local leaders have recently implemented various reforms to encourage affordable housing. Thurston County, for example, enacted a 0.1% county-wide sales tax in 2022 to finance such projects. Concerningly, however, the stakeholders we interviewed were generally unaware of JBLM's Rental Partnership Program, which incentivizes landlords to lease their units to service members at a discounted rate, and the significant growth in the military population that has occurred over the past decade.

## Introduction

In 2020, the *JBLM Off-Installation Housing Study* was completed on behalf of the South Sound Military and Communities Partnership (SSMCP). **The study concluded that the area surrounding the installation had an 8,585-unit shortfall.** Further, the region required an additional 104,127 units by 2040 to accommodate projected population growth. The housing shortage had far-reaching consequences, forcing some service members to expand their housing search to neighborhoods located beyond the immediate vicinity of the installation, such as Auburn, Eatonville, Bellevue, and Shelton, and, in turn, endure long commutes.

Necessarily, the 2020 SSMCP Housing Study relied primarily on pre-pandemic data. Conditions have changed significantly since that time, however, leading some to question whether the study's major findings still hold. In the early years of the pandemic, rental and for-sale housing costs increased at an unprecedented rate across the U.S. Subsequently, mortgage rates rose sharply as the Federal Reserve sought to combat surging inflation. Due to its inherently lagging nature, the Basic Allowance for Housing (BAH) was often inadequate to cover the promised share of housing and utility costs (95%). In addition, a 2020 Housing Market Analysis (HMA) conducted on behalf of the Army uncovered a decreasing need for privatized on-base housing at JBLM through 2025—a result that seemingly conflicted with the main findings of the 2020 SSMCP Housing study. **These developments prompted SSMCP to retain Matrix Design Group, in association with SCJ Alliance (the Matrix Team), to update its 2020 study.**

Following an initial, “kick-off” meeting with SSMCP, installation leadership, and other local stakeholders, the Matrix Team commenced a lengthy, robust research effort. First, leveraging an array of high-quality data sources, we analyzed the region's demographics; the housing-related decisions of service members living off base; and trends in housing inventory, costs, and affordability. Second, to complement our quantitative analyses, we conducted a series of stakeholder engagements. Third, we closely analyzed the methodological approaches of the 2020 SSMCP Housing Study and 2020 HMA in an effort to reconcile their apparent differences. Finally, we developed a set of recommendations that, if implemented, would improve existing conditions and reduce projected future shortages. Importantly, the recommendations assume that local governments will continue to be constrained by the Growth Management Act (GMA) for the foreseeable future. Enacted in 1990 as part of an effort to limit “urban sprawl,” the GMA restricts the land available for housing development to predetermined “urban growth areas.”

## Data Sources

The Matrix Team relied primarily on the six data sources listed below to conduct the quantitative analyses. Each data source serves a unique purpose and is widely recognized among housing researchers for its reliability. Most are publicly available, allowing others to replicate our analyses.

**American Community Survey:** Administered by the U.S. Census Bureau on an ongoing basis, the American Community Survey (ACS) is the premier source of demographic, socioeconomic, and housing data. Due to its use of random sampling, it has unrivaled scientific validity. The data are typically accessed in aggregate form on the Census website, but through [IPUMS](#), researchers can also analyze responses at the individual level, known as microdata. The Matrix Team relied on IPUMS to compile data on service members in the JBLM region. The ACS is available in one- and five-year versions. Because

the data collection, compilation, and distribution process is so intensive, estimates are unavailable for the current year.

**CoStar:** This commercially available data source provides detailed information on apartment rents and vacancies. In order to be included in the database, a property must have at least five units. CoStar offers two advantages over the ACS: First, the data cover the period through the present; second, because the database aims to include all commercial multi-family properties, the estimates are virtually free of sampling error.

**Redfin:** The Redfin Real Estate Data Center compiles data from multiple listing service (MLS) databases, which track real estate transactions in nearly real time, in every locale across the country. A variety of indicators that, collectively, shed light on the state of the for-sale housing market are available. For our purposes, median sale price, median days on the market, and inventory size are of particular interest.

**Defense Enrollment Eligibility Reporting System:** Commonly referred to as DEERS, this data source provides information on all uniformed service members. The population estimates used in our analysis were disaggregated by zip code and family size.

**Zillow:** The Zillow Observed Rent Index (ZORI) uses a complex methodology to estimate typical rent in a region. Technically, the estimates are neither averages nor medians; instead, they are calculated by, first, statistically adjusting the sample of listings on Zillow to reflect the entire rental market and, second, taking the mean of the thirty-fifth to sixty-fifth percentiles of asking rents. Uniquely, this metric provides up-to-date rent estimates for all unit types, including single-family homes.

**Apartments.com:** In an effort to provide a complete picture of the rental market, the Matrix Team collected data on all single-family rentals that appeared on this site in July 2023. We then compiled the data to produce estimates of available inventory and median asking rent.



## Demographic and Housing Status Profile

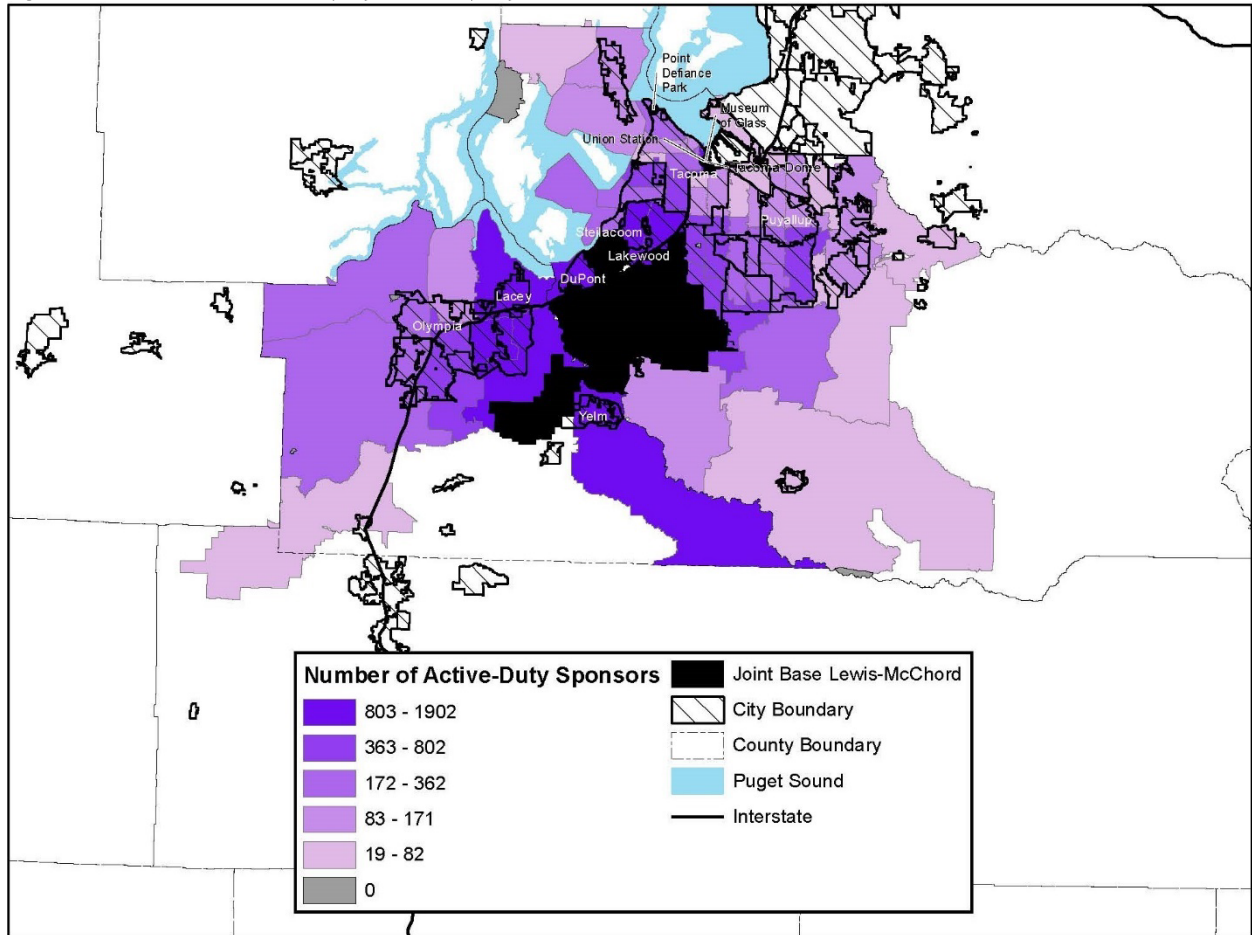
This section provides a demographic overview of the JBLM population. After presenting the geographic distribution of the installation's off-base workforce, we analyze service members' household incomes and Basic Allowance for Housing Rates—both of which have increased markedly in recent years. In fact, active-duty households living in Thurston County generally outearn their civilian counterparts when all forms of compensation are considered. We then examine the types of housing that service members living off the installation reside in. **Overall, 36% of active-duty households owned their homes in 2021.** But consistent with their higher-income status, those in Thurston County enjoyed a far higher ownership rate. **We conclude by demonstrating that service members overwhelmingly lived in single-family homes in 2021—a finding that likely no longer holds given the sharp rise in interest rates and home prices that have affected the region since then.**

### Population

The JBLM population consists of about 55,000 personnel in total. **Approximately 32,000 personnel—70% of whom live off base—are on active duty.** Figure 1 displays the geographic distribution of the active-duty population throughout the JBLM region. The data were obtained from the Defense Enrollment Eligibility Reporting System (DEERS). Not surprisingly, the active-duty population was concentrated in the zip codes most proximate to the installation. **In particular, the zip codes to the immediate west (in or near DuPont, Lacey, and Olympia) and south (in or near Yelm) of the installation had among the largest active-duty populations.** The communities to the installation's immediate north (i.e., Lakewood and Tacoma) and east (in or near Puyallup) had sizeable populations as well, but they were dispersed across several zip codes. Despite their larger land mass, the zip codes farther from the installation tended to have around 100 or fewer active-duty personnel due to the long commutes required to reach the installation.

*The JBLM population consists of about 55,000 personnel in total. Approximately 32,000 personnel—70% of whom live off base—are on active duty.*

Figure 1. Number of Active-Duty Sponsors by Zip Code, 2022

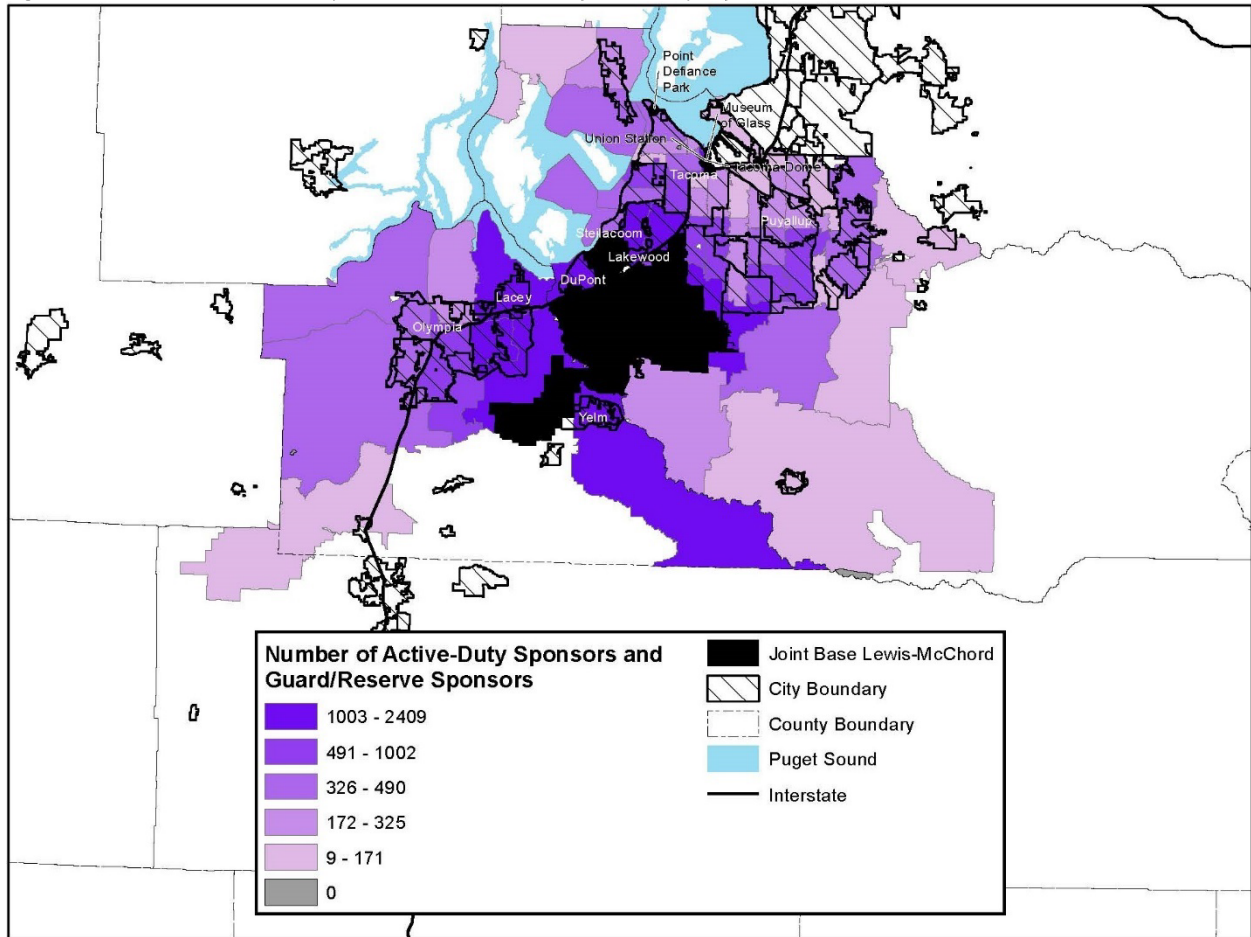


Source: 2022 Defense Enrollment Eligibility Reporting System data; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

Figure 2 adds National Guardsmen and Reservists to the population totals, while Figure 3 features all the groups included in the previous two maps, along with retirees and civilian employees. Because active-duty members constitute the overwhelming majority of JBLM personnel, the three maps are nearly indistinguishable from one another. Indeed, even when non-active-duty personnel are factored into the totals, the population centers continue to be Lakewood, DuPont, Tacoma, Olympia, Puyallup, Lacey, and Yelm, as well as neighboring unincorporated communities.

Figure 2. Number of Active-Duty and Guard/Reserve Sponsors by Zip Code, 2022

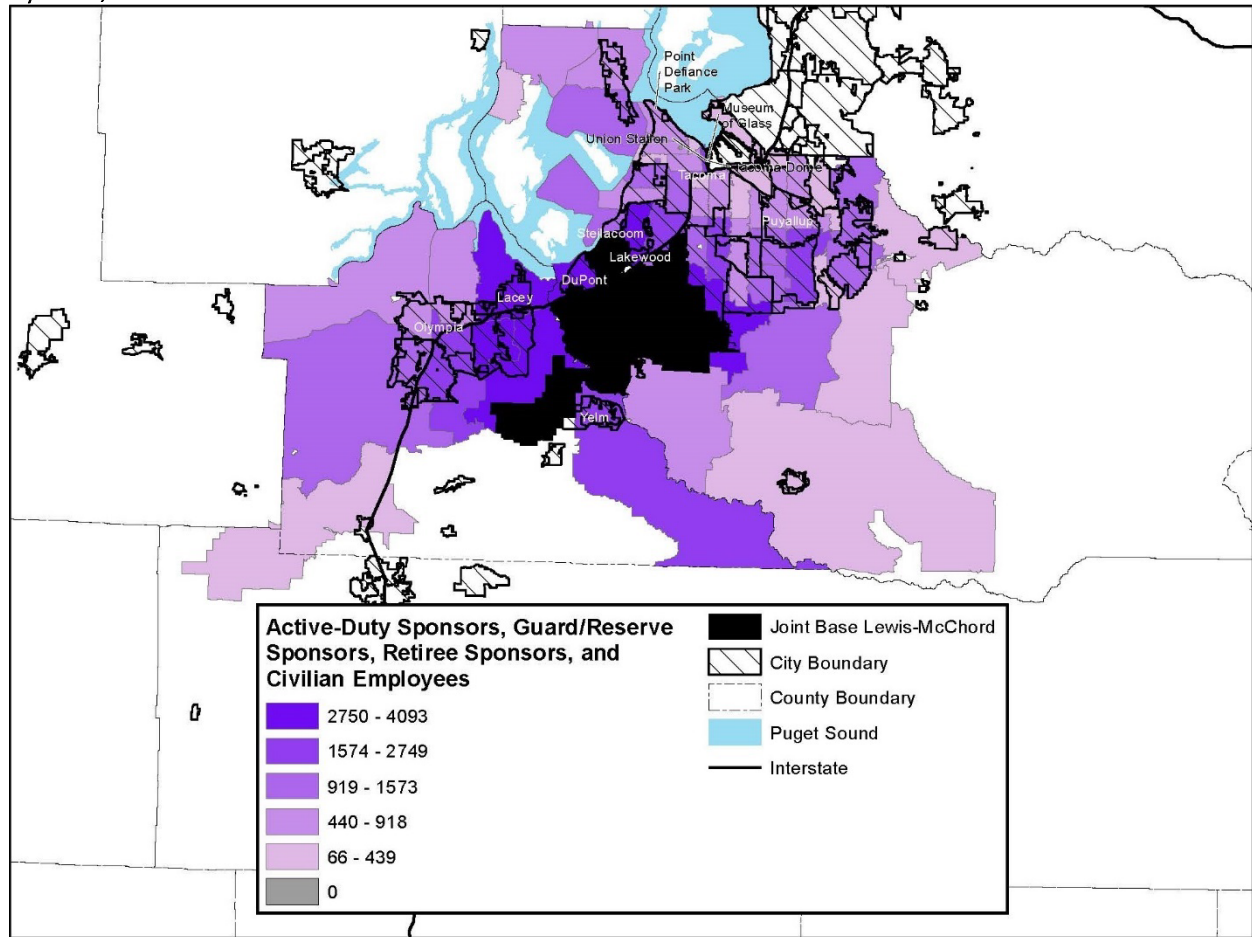


Source: 2022 Defense Enrollment Eligibility Reporting System data; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.



Figure 3. Number of Active-Duty Sponsors, Guard/Reserve Sponsors, Retiree Sponsors, and Civilian Employees by Zip Code, 2022



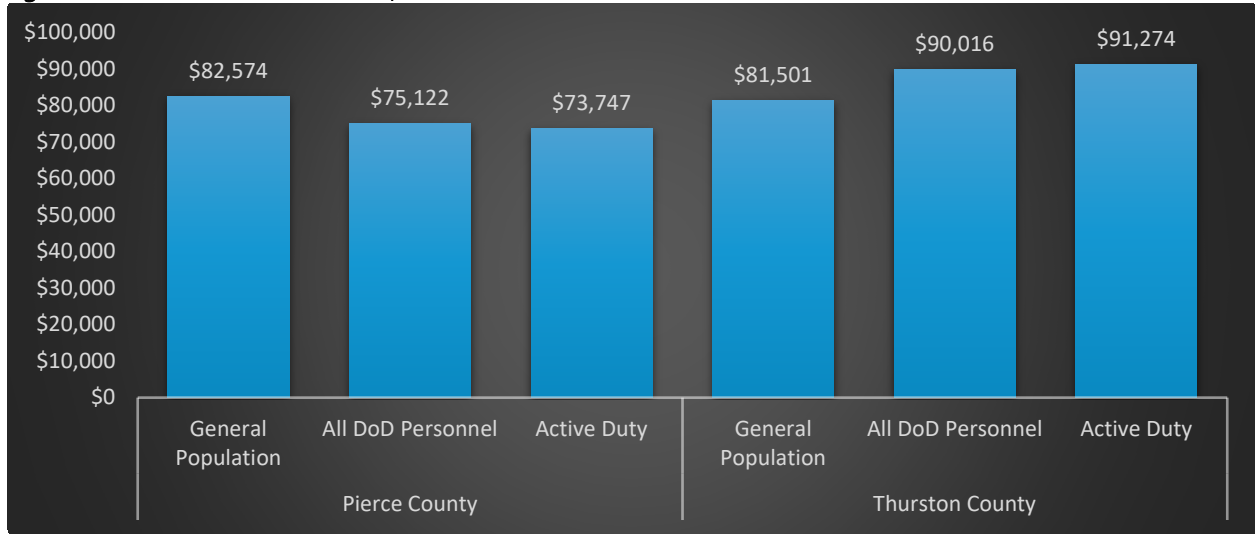
Source: 2022 Defense Enrollment Eligibility Reporting System data; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

## Household Income

Based on 2021 ACS microdata, Figure 4 presents separate median household income estimates for the general population, all DoD personnel, and active-duty members living in the community. Although not taxable income, the Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) are factored into these totals. The median DoD household earned \$75,122 in Pierce County and \$90,016 in Thurston County. **Among the subset of these households with at least one active-duty member, median income was lower in Pierce County (\$73,747) but higher in Thurston County (\$91,274).** For context, among the population as a whole, median household income was \$82,574 in Pierce County and \$81,501 in Thurston County.

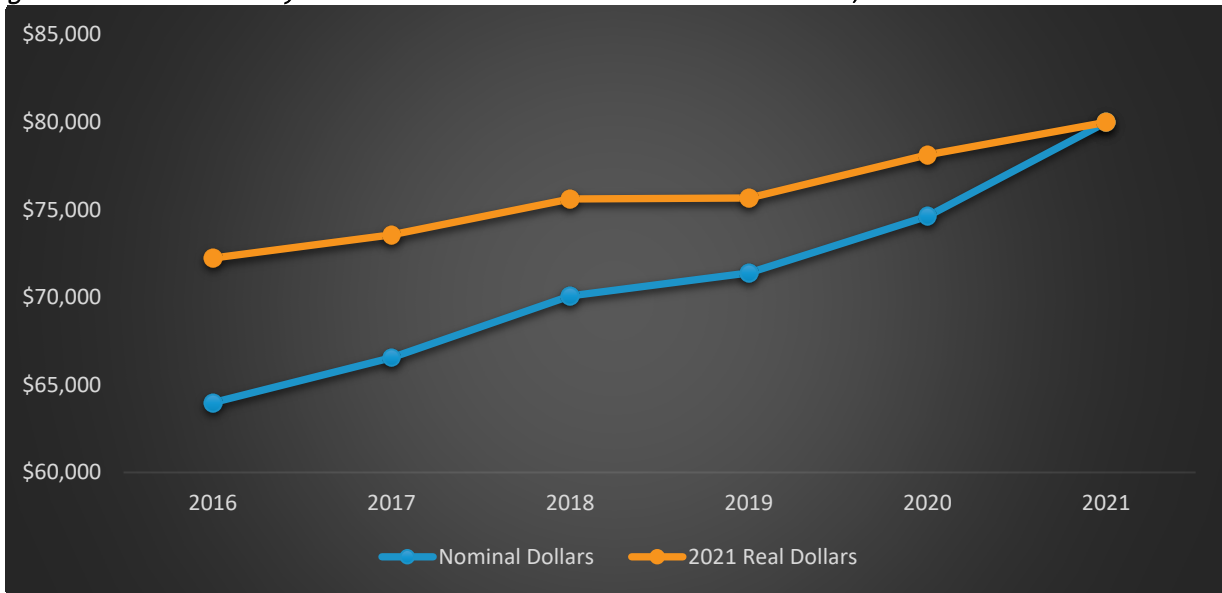
Figure 4. Median Household Income, 2021



Source: IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.  
 Note: Only households living off the installation are factored into active-duty estimates.

Figure 5 plots median income among off-base active-duty households in the JBLM region from 2016 to 2021. **During that period, nominal income grew by 25%, from \$63,987 to \$80,000.** The largest increase occurred from 2020 to 2021, when the median household’s earnings grew by over \$5,000. 2021 incomes were high enough to offset high levels of inflation. Over the period as a whole, service members experienced a substantial rise in spending power, as evidenced by the nearly \$8,000 increase in real household income between 2016 and 2021.

Figure 5. Median Active-Duty Household Income in Pierce and Thurston Counties, 2016 to 2021

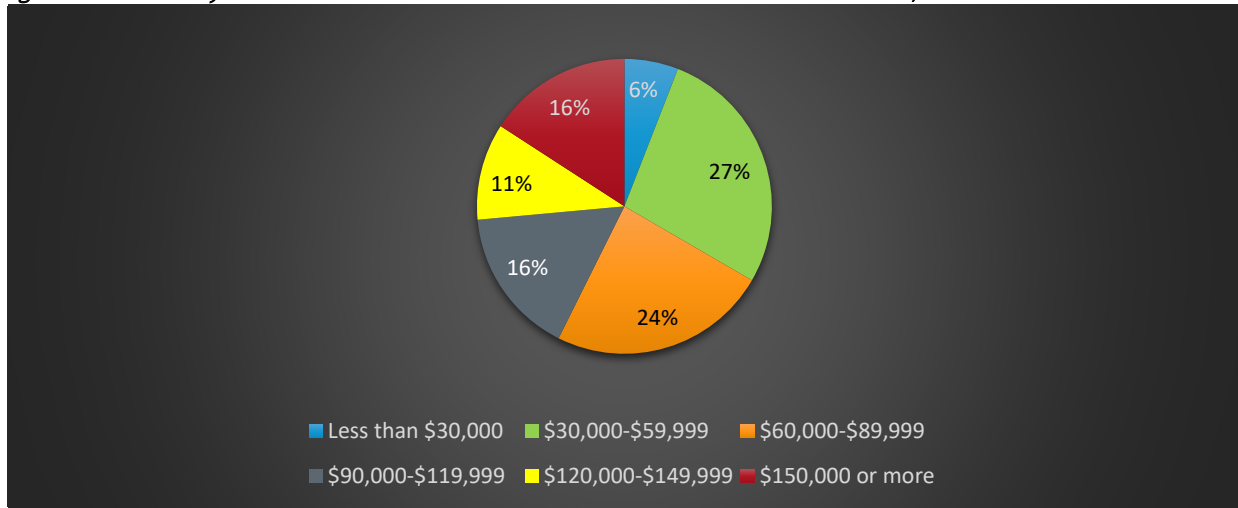


Source: IPUMS 2016-2021 five-year American Community Survey microdata; Matrix Design Group, Inc.  
 Note: Only households living off the installation are factored into estimates.



Figure 6 presents the income distribution for active-duty households in the JBLM region. In 2021, 33% of off-base households earned less than \$60,000, while an additional 24% earned between \$60,000 and \$89,999. Twenty-seven percent of service members reported household incomes between \$90,000 and \$149,999. The top income bracket (\$150,00 or more) included 16% of active-duty households. Because income streams other than military compensation, such as income from civilian spouses, are factored into household income, the income categories do not correspond perfectly with enlisted or officer status and rank. However, it is safe to assume that households at the lower end of the income spectrum generally include lower-ranking enlisted personnel, while officers in general, but especially those with more seniority and higher ranks, disproportionately belong to higher-income households.

Figure 6. Active-Duty Household Income Distribution in Pierce and Thurston Counties, 2021



Source: IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: Only households living off the installation are factored into estimates. Values reflect household incomes within the past year. Some incomes are outside the expected range for active-duty households because the service member was in the military for only part of the previous year.

## Basic Allowance for Housing

Table 2 presents with-dependent Basic Allowance for Housing (BAH) rates for the Tacoma Military Housing Area (South Sound Region) from 2020 to 2023. The rates are updated annually and are based on the prior year’s median rental and utility costs. As of July 2023, BAH rates are calculated to cover 95% of these costs, meaning service members are expected to contribute out of pocket to meet their total housing expenses. However, DoD is reportedly considering restoring the percentage of housing costs covered by BAH to 100%. The program’s inherently lagging nature means that in periods of rapid rent increases, BAH will commonly fail to meet the 95% target. Occasionally, the DoD will authorize temporary increases in MHAs that have experienced drastic increases in housing costs, but they typically do not take effect until October. The South Sound Region failed to qualify for the temporary BAH increases authorized in late 2021 and 2022.

In 2020, with-dependent BAH rates ranged from \$1,833 for E1s through E4s to \$2,622 for O7s. Rates increased across the board in each of the next three years. Officers and higher-ranking enlisted

personnel generally enjoyed the largest relative increases. O3s, for example, saw their allowances rise by 30%, from \$2,250 to \$2,928. **For E6s, the rank at which enlisted personnel commonly begin to live off base at JBLM, 2023 BAH totaled \$2,691—a 21% increase over the 2020 rate.** While E6 BAH far exceeded the sums received by lower ranking enlisted personnel, which started at \$2,145, it was significantly less generous than the greater-than-\$3,000 allowances that mid-to-late career officers received.

*Table 2. With-Dependent Basic Allowance for Housing Rates for Tacoma Military Housing Area (South Sound Region), 2020-2023*

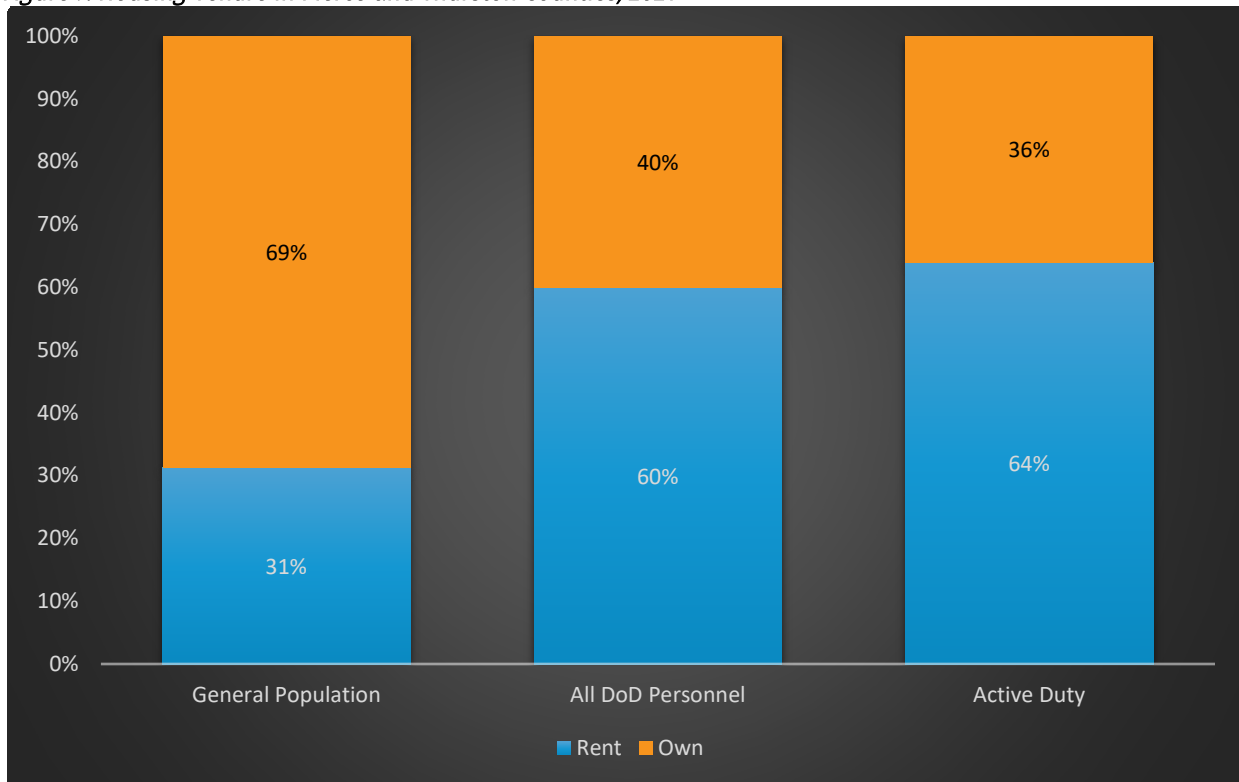
Rank	2020	2021	2022	2023	2020-2023% Change
<b>Enlisted Personnel</b>					
<b>E1</b>	\$1,833	\$1,908	\$2,034	\$2,145	17%
<b>E2</b>	\$1,833	\$1,908	\$2,034	\$2,145	17%
<b>E3</b>	\$1,833	\$1,908	\$2,034	\$2,145	17%
<b>E4</b>	\$1,833	\$1,908	\$2,034	\$2,145	17%
<b>E5</b>	\$1,974	\$2,022	\$2,205	\$2,298	16%
<b>E6</b>	\$2,217	\$2,214	\$2,553	\$2,691	21%
<b>E7</b>	\$2,235	\$2,265	\$2,586	\$2,778	24%
<b>E8</b>	\$2,244	\$2,328	\$2,622	\$2,868	28%
<b>E9</b>	\$2,283	\$2,424	\$2,682	\$2,976	30%
<b>Officers</b>					
<b>O1</b>	\$2,007	\$2,049	\$2,250	\$2,352	17%
<b>O2</b>	\$2,214	\$2,211	\$2,550	\$2,688	21%
<b>O3</b>	\$2,250	\$2,364	\$2,643	\$2,928	30%
<b>O4</b>	\$2,433	\$2,574	\$2,775	\$3,099	27%
<b>O5</b>	\$2,577	\$2,727	\$2,868	\$3,222	25%
<b>O6</b>	\$2,598	\$2,751	\$2,889	\$3,249	25%
<b>O7</b>	\$2,622	\$2,769	\$2,910	\$3,276	25%

Source: Department of Defense; Matrix Design Group, Inc.

## Tenure

Although often impractical for military families, homeownership is critical to building intergenerational wealth. Figure 7 presents a breakdown of Pierce and Thurston County households by tenure. Not surprisingly, DoD personnel in general, and active-duty members in particular, were far more likely than the general population to identify as renters. **Per the latest (2021) ACS estimates, 31% of households in the general population reported renting their homes, compared to 60% of all DoD households and 64% of active-duty households.**

Figure 7. Housing Tenure in Pierce and Thurston Counties, 2021

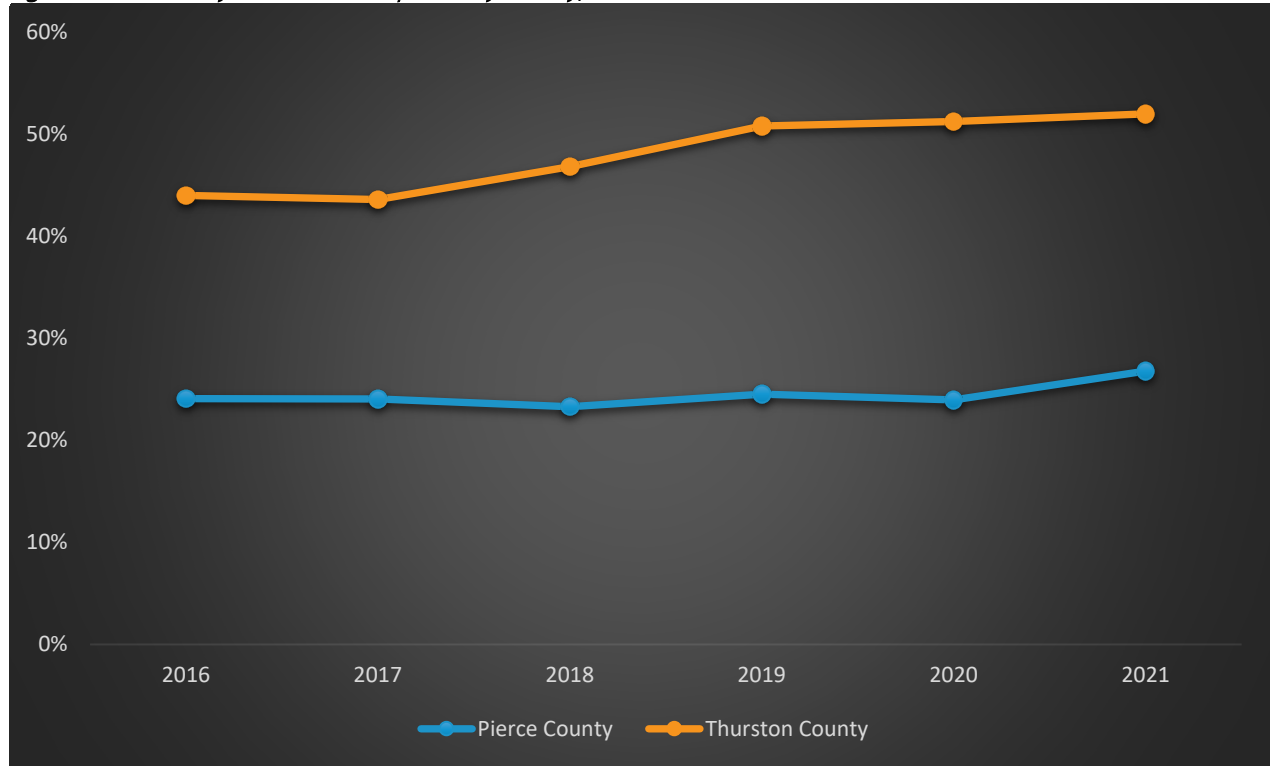


**Source:** IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

**Note:** Only households living off the installation are factored into active-duty estimates.

Figure 8 reveals a wide disparity in the active-duty homeownership rates of Pierce and Thurston Counties that has only increased over time. In 2016, 24% of service members living off the installation in Pierce County were homeowners, compared to 44% of those in Thurston County. By 2021, as Thurston County’s ownership rate grew to 52%, the gap between the two counties had reached twenty-five percentage points. While the upward trend in Thurston County is encouraging, it is important to note that those stationed at JBLM overwhelmingly live in Pierce County. **Furthermore, given the concurrent rise in home sale prices and interest rates over the past two years, the ownership rate is almost certainly lower today than it was in 2021.**

Figure 8. Active-Duty Homeownership Rate by County, 2016 to 2021



Source: IPUMS 2016-2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

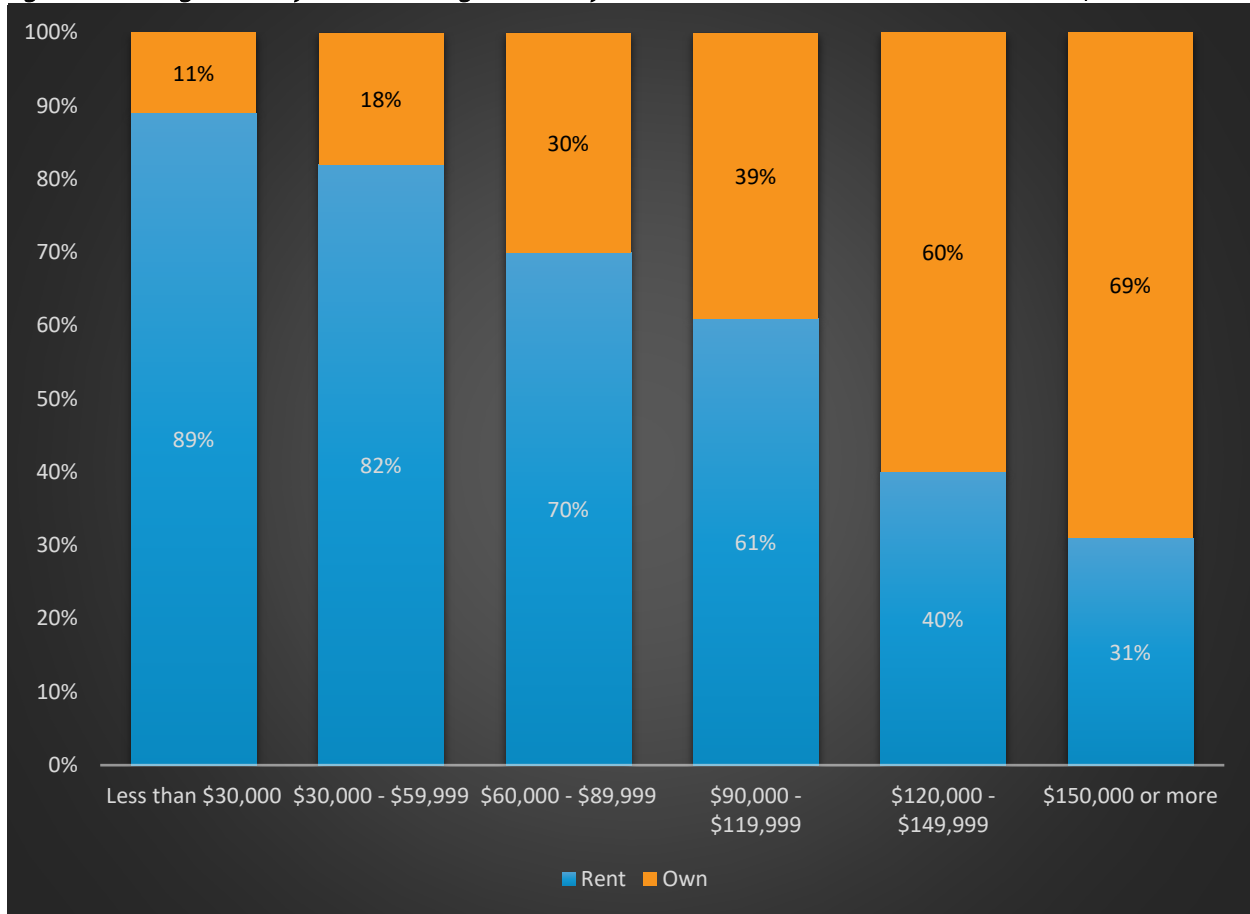
Note: Only households living off the installation are factored into estimates.

## Tenure by Income

Figure 9 displays the tenure composition by household income. **The results reveal that income is a major determinant of tenure decisions among active-duty personnel.** Only 11% of households earning below \$30,000 reported owning their homes, compared to 18% of those in the \$30,000 to \$59,999 bracket and 30% of those in the \$60,000 to \$89,999 bracket.<sup>1</sup> **Even among households in the \$90,000 to \$119,999 income range, homeownership was the exception, rather than the rule, with 39% of service members claiming to own their homes.** On the other hand, a strong majority of the most affluent households—that is, those earning \$120,000 or more—were homeowners. The ownership rate was 60% for the \$120,000 to \$149,999 range and 69% for the \$150,000-or-more range.

<sup>1</sup> The ACS asks respondents to provide their household incomes in the past year. Some active-duty members were in the military for only part of the previous year. Active-duty homeowners with household incomes below \$30,000 were likely unemployed, underemployed, or students in the previous year. It is also possible that the home was owned outright by someone other than the active-duty member, such as a relative.

Figure 9. Housing Tenure by Income Among Active-Duty Households in Pierce and Thurston Counties, 2021



Source: IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

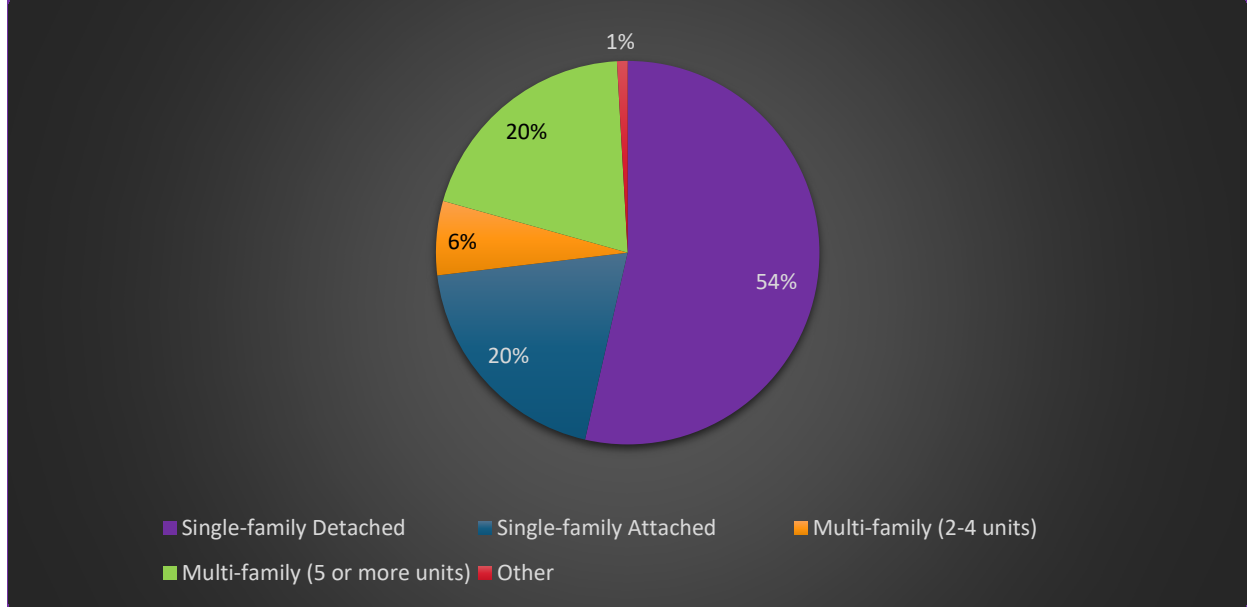
Note: Only households living off the installation are factored into estimates. Values reflect household incomes within the past year. Some incomes are outside the expected range for active-duty households because the service member was in the military for only part of the previous year.

## Physical Characteristics

Figure 10 displays the percentage of active-duty households that, as of 2021, lived in each of the following five housing types: single-family detached, single-family attached, multi-family with two to four units, multi-family with five or more units, and other (e.g., mobile homes). The data indicate a clear preference for single-family homes among service members. **Fifty-four percent of households resided in single-family detached homes, while an additional 20% opted for single-family attached homes, such as townhomes.** Relatively few households (6%) lived in multi-family units with between two and four units, otherwise known as duplexes, triplexes, or quadruplexes. **These homes form an integral part of the so-called “missing middle”—that is, the housing types that developers have traditionally neglected in favor of single-family homes and large apartment complexes.** Multi-family properties with five or more units were the choice of 20% of households. A negligible share of households (1%) resided in mobile homes, trailers, or other alternative housing types. For the purposes of calculating BAH,

these homes are considered inadequate or unsuitable, although service members are free to rent or purchase them.

Figure 10. Physical Characteristics of Active-Duty-Occupied Housing Units



Source: IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: Only households living off the installation are factored into estimates.



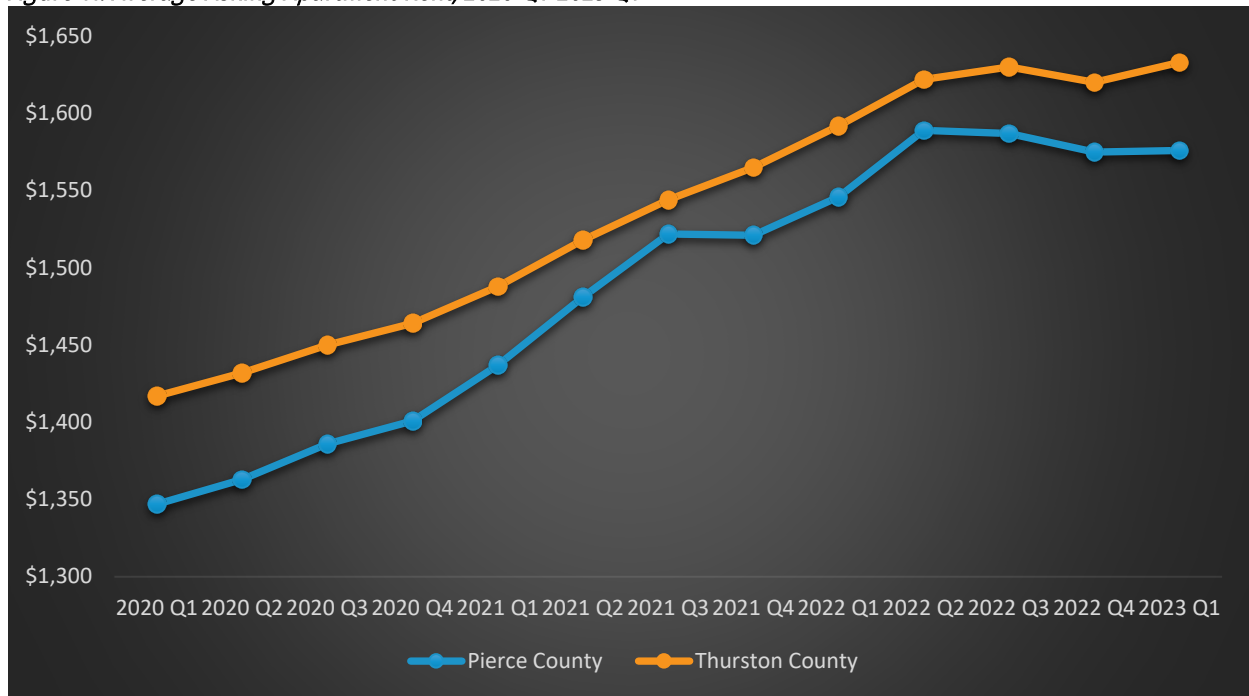
## Rental Market Analysis

This section features a thorough assessment of the region’s rental market. We examine rents and available inventory separately for the area’s apartments, detached single-family homes, and townhomes. **The findings demonstrate that apartment inventory has improved since 2020, causing rents to stagnate. Availability of rentable single-family homes and townhomes, however, is far more limited.** In addition, we present the Zillow Observed Rent Index for Pierce and Thurston Counties. This measure provides arguably the most valid estimate of typical rent in an area.

### Apartments

Figure 11 presents average asking rents for apartments in Pierce and Thurston Counties. Rents rose substantially over the more than three-year period represented in the figure. In 2020 Q1, the average unit rented out for \$1,347 in Pierce County and \$1,417 in Thurston County. Through mid-2022, average rent would steadily rise, peaking at \$1,630 in Thurston County and \$1,589 in Pierce County. **Thereafter, rents began to stabilize, marked by marginal shifts from quarter to quarter.** As of 2023 Q1, average rent was \$1,576 in Pierce County and \$1,633 in Thurston County—17% and 15% higher than the levels from three years prior, respectively.

Figure 11. Average Asking Apartment Rent, 2020 Q1-2023 Q1

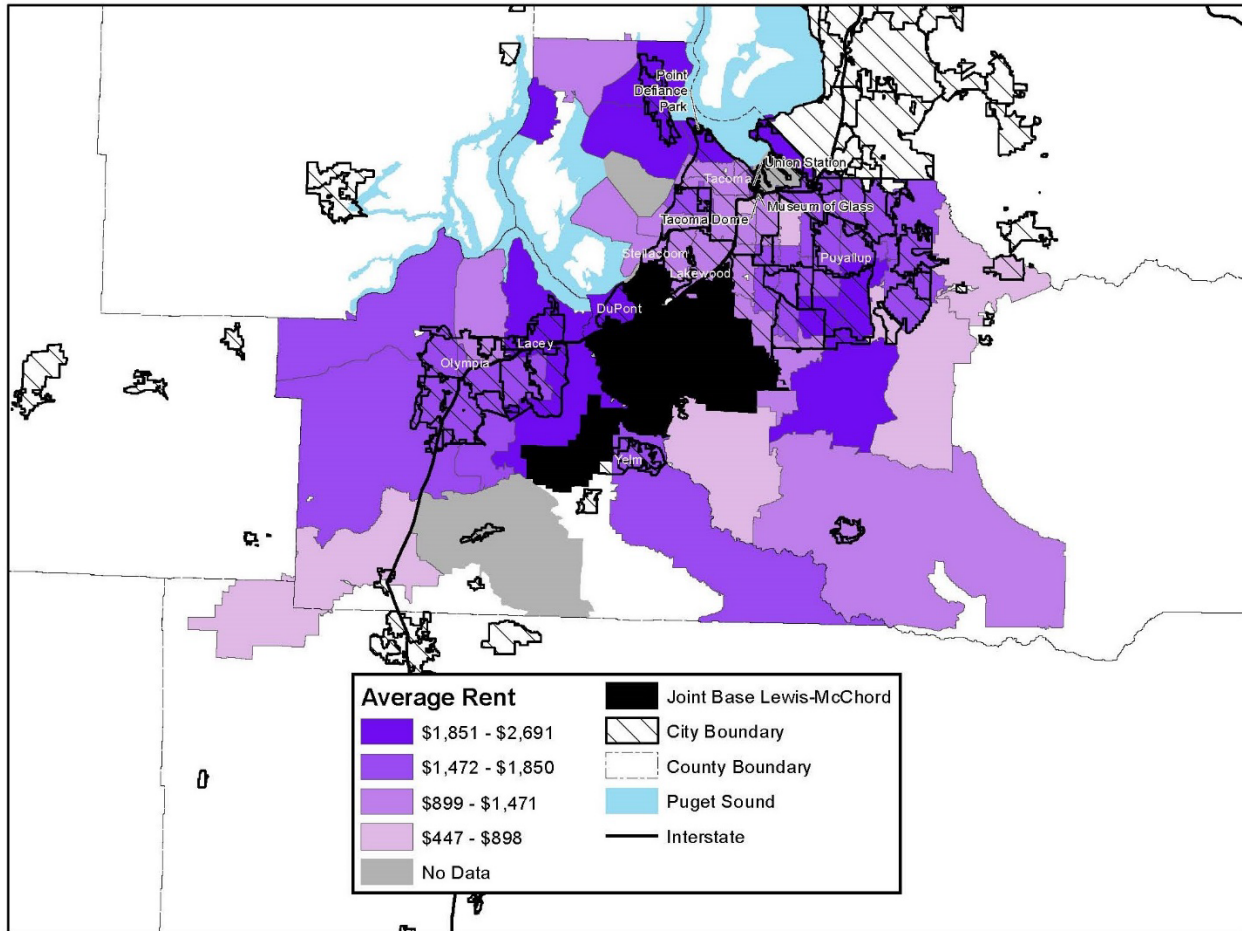


Source: CoStar; Matrix Design Group, Inc.

Figure 12 displays average asking apartment rents by zip code. Examples of areas with the most expensive rents include northern Tacoma, unincorporated communities to the east and southeast of JBLM (e.g., Graham), DuPont, and northern Lacey/Puget. Zip code 98375, located to the south of Puyallup, had the highest asking rent, at \$2,691. By contrast, in the rest of the Puyallup area, average

rent generally fell between \$1,472 and \$1,850. **The average rent of \$2,494 in zip code 98327 (DuPont) is particularly concerning, as this community borders the installation.** Encouragingly, Lakewood and southern Tacoma were relatively affordable. In one major Lakewood zip code (98498), for example, rent was typically under \$1,500.

Figure 12. Average Asking Apartment Rent by Zip Code, 2023 Q1



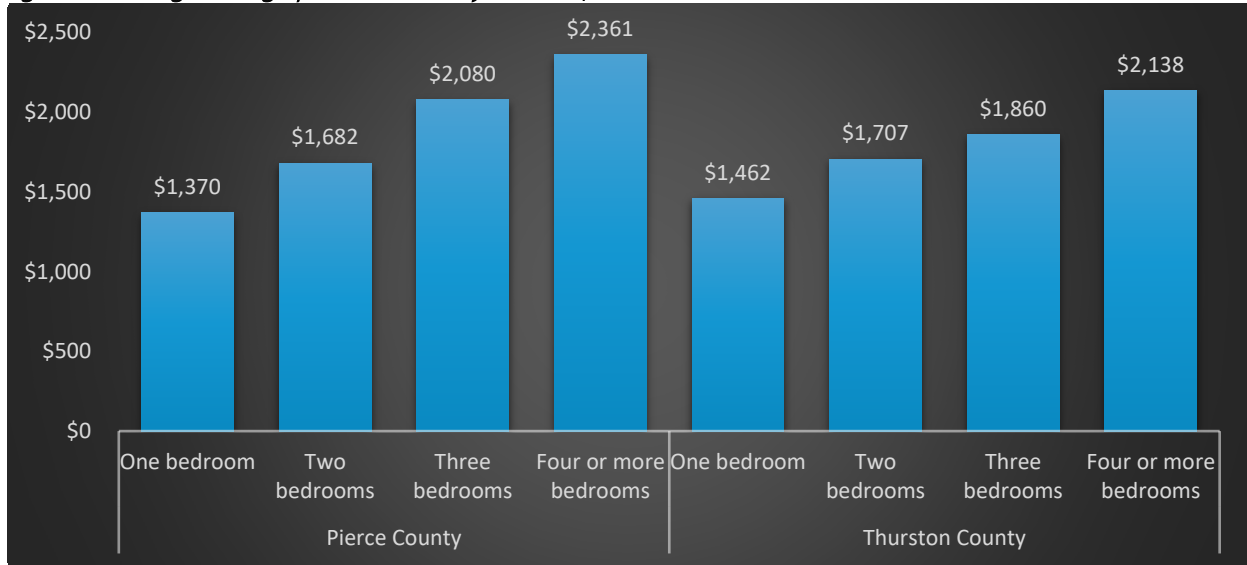
Source: CoStar; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

Figure 13 presents average asking rents by unit size. **Interestingly, smaller units tended to be cheaper in Pierce County than in Thurston County.** As of early 2023, the average one-bedroom unit rented out for \$1,370 in Pierce County, compared to \$1,462 in Thurston County. **On the other hand, Thurston County boasts more affordable three-or-more-bedroom units.** The average three-bedroom unit cost \$2,080 in Pierce County, over \$200 more than a comparable unit in Thurston County. Nearly \$400 separated the average rents of two- and three-bedroom units in Pierce County. Rent for the typical four-or-more bedroom unit was \$2,361 in Pierce County and \$2,138 in Thurston County. For context, the 2023 E1-to-E4 with-dependent BAH rate was \$2,145.



Figure 13. Average Asking Apartment Rent by Unit Size, 2023 Q1

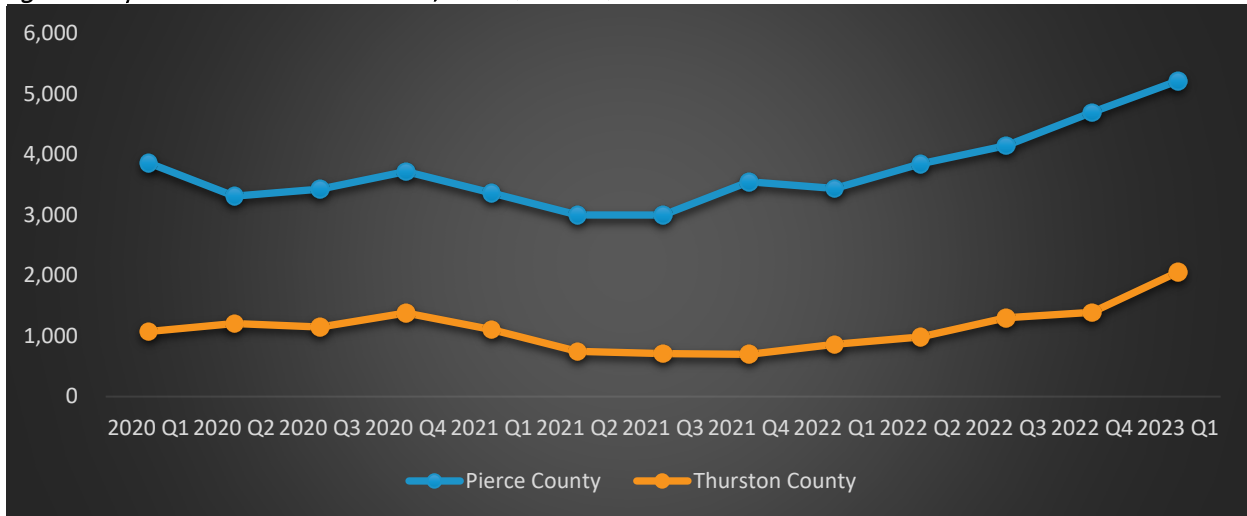


Source: CoStar; Matrix Design Group, Inc.

Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

Figure 14 displays the number of available apartments by county over time. In Pierce County, amid the rapid, pandemic-induced escalation of rents, the number of available units hovered between 3,000 and 4,000. In 2020 Q1, Pierce County had 3,862 unoccupied units, but by the year’s second quarter, that figure had dropped to 3,000. **Shortly thereafter, the trend began to reverse, and by 2022 Q3, the number of available units exceeded pre-pandemic levels.** As of 2023 Q1, over 5,000 units were available for rent. Thurston County experienced similar shifts in unit availability, although it has consistently had fewer unoccupied units than Pierce County. **For the entirety of 2021, Thurston County had fewer than 1,000 available units, but by 2023 Q1, that figure had more than doubled.**

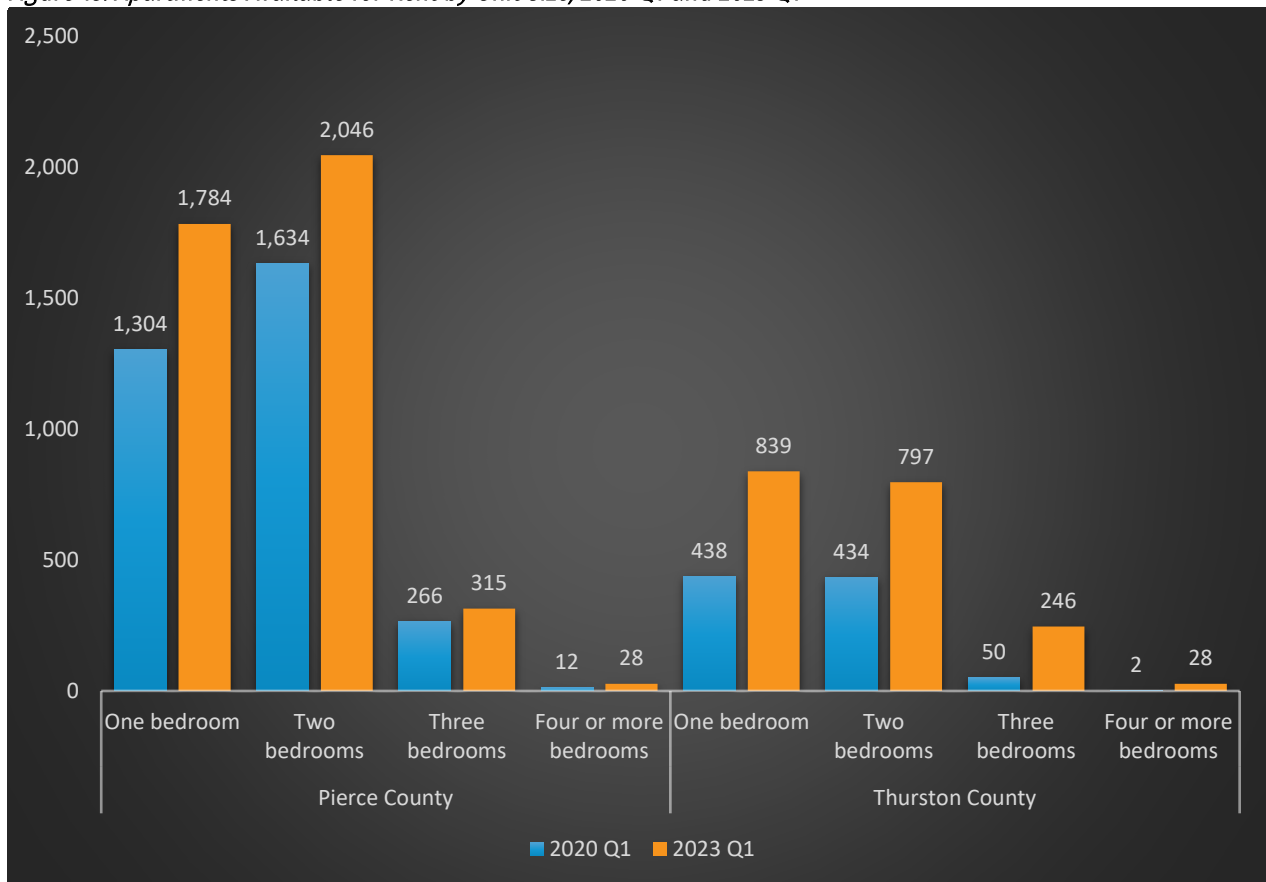
Figure 14. Apartments Available for Rent, 2020 Q1-2023 Q1



Source: CoStar; Matrix Design Group, Inc.

The increase in apartment availability since 2020 holds for all unit sizes (see Figure 15). Between 2020 Q1 and 2023 Q1, the total number of one-or-more bedroom vacancies increased from 3,216 to 4,173 in Pierce County and from 924 to 1,910 in Thurston County. Availability of one- and two-bedroom units, which constituted the majority of the region’s inventory, increased the most. **By comparison, three-or-more bedroom units remained rare, accounting for just 8% and 14% of Pierce’s and Thurston’s respective inventories (equal to 617 units) in 2023 Q1.** The wide price disparity between three-or-more bedroom units and two-or-fewer bedroom units resulted, in part, from the fact that the former were in far shorter supply.

Figure 15. Apartments Available for Rent by Unit Size, 2020 Q1 and 2023 Q1

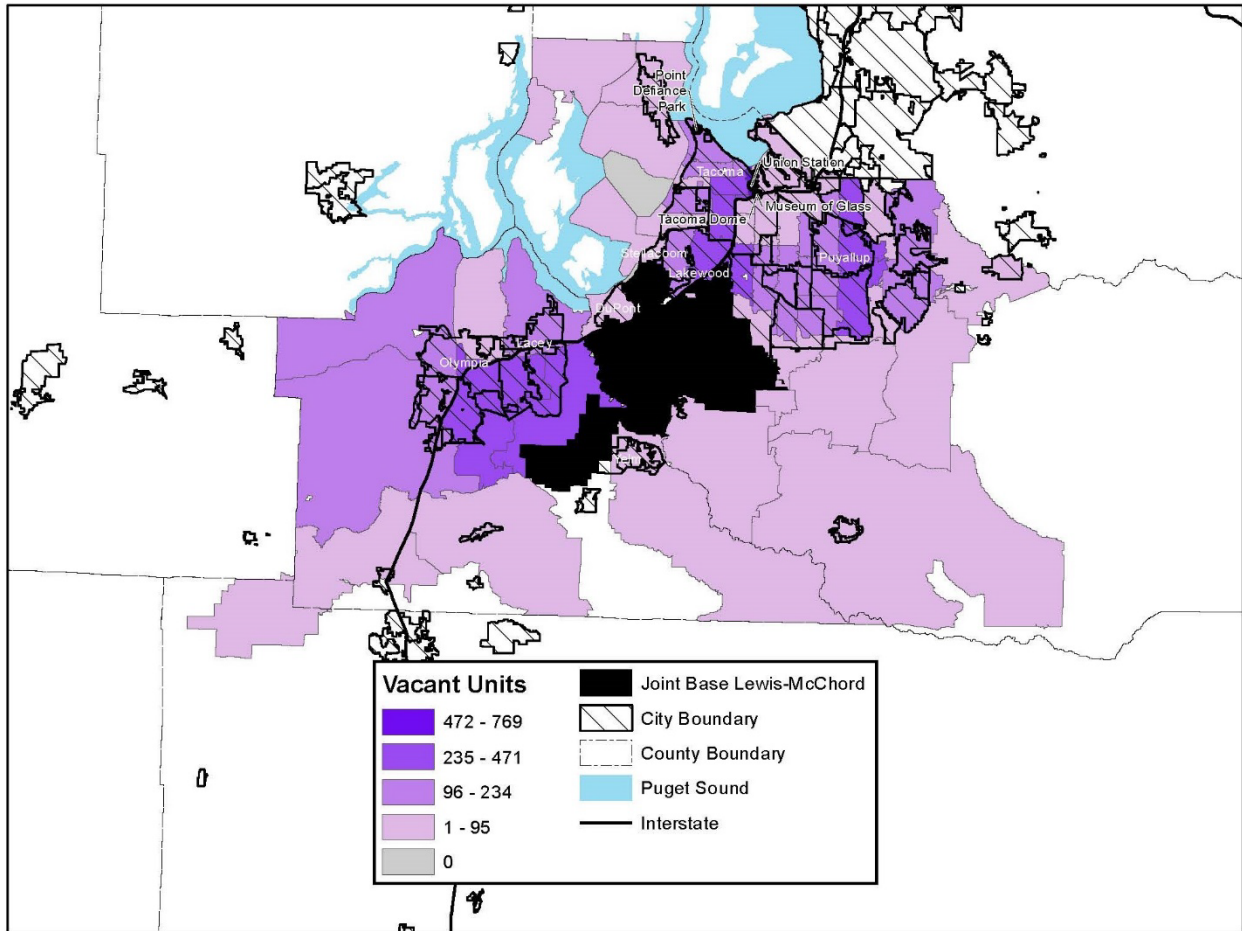


Source: CoStar; Matrix Design Group, Inc.

Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

The geographic distribution of the available apartment inventory as of early 2023 is displayed in Figure 16. **The richest supply existed in a Tacoma zip code (98402), which had 769 vacant units.** A Lacey zip code (98499) had the second-largest available inventory, at 471 units. An additional 10 zip codes scattered across the area had at least 235 units. Tacoma, Lacey, Olympia, and Puyallup, as well as incorporated parts of Pierce and Thurston Counties, were among the communities located exclusively or partially in these zip codes. **Notably, the inventory was considerably smaller in the zip codes to the immediate south and southeast of the installation. Similarly, despite their proximity to JBLM, zip codes in DuPont, Steilacoom, and University Place had relatively few available units.**

Figure 16. Apartments Available for Rent by Zip Code, 2023 Q1



Source: CoStar; Matrix Design Group, Inc.

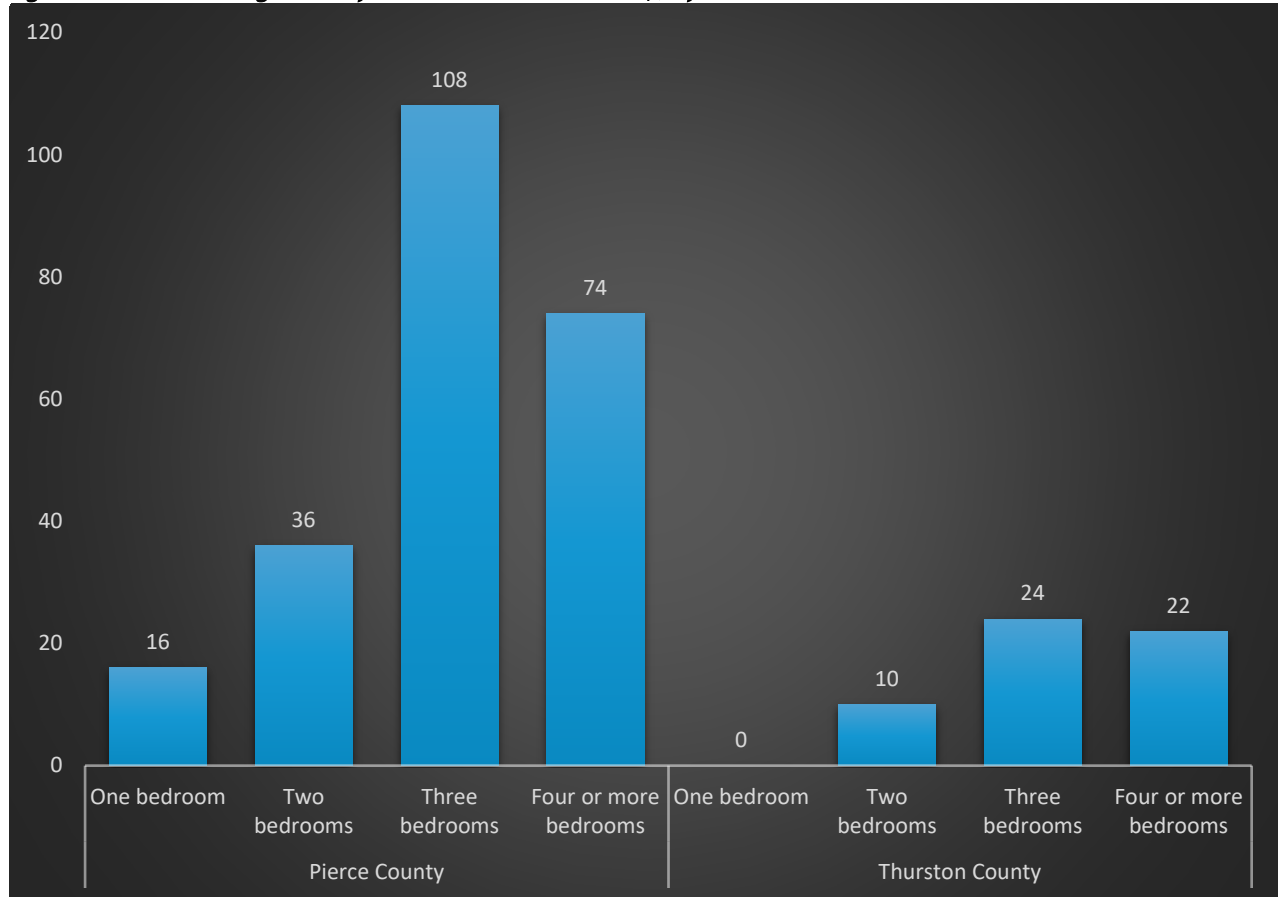
Note: Categories were determined using Jenks Natural Breaks Classification Method.

## Detached Single-Family Homes

**Particularly in comparison to apartments, single-family rentals are uncommon in the JBLM region.**

As of July 2023, a total of 234 detached single-family homes were available for rent in Pierce County (see Figure 17). Of those homes, 78% had at least three bedrooms. One- and two-bedroom rentals were rare by comparison, with only 52 such homes appearing on the market. Thurston County had a considerably smaller available inventory, at a mere 56 homes. Another notable distinction between the two counties was the complete absence of rentable one-bedroom homes in Thurston.

Figure 17. Detached Single-Family Homes Available for Rent, July 2023



Source: Apartments.com; Matrix Design Group, Inc.

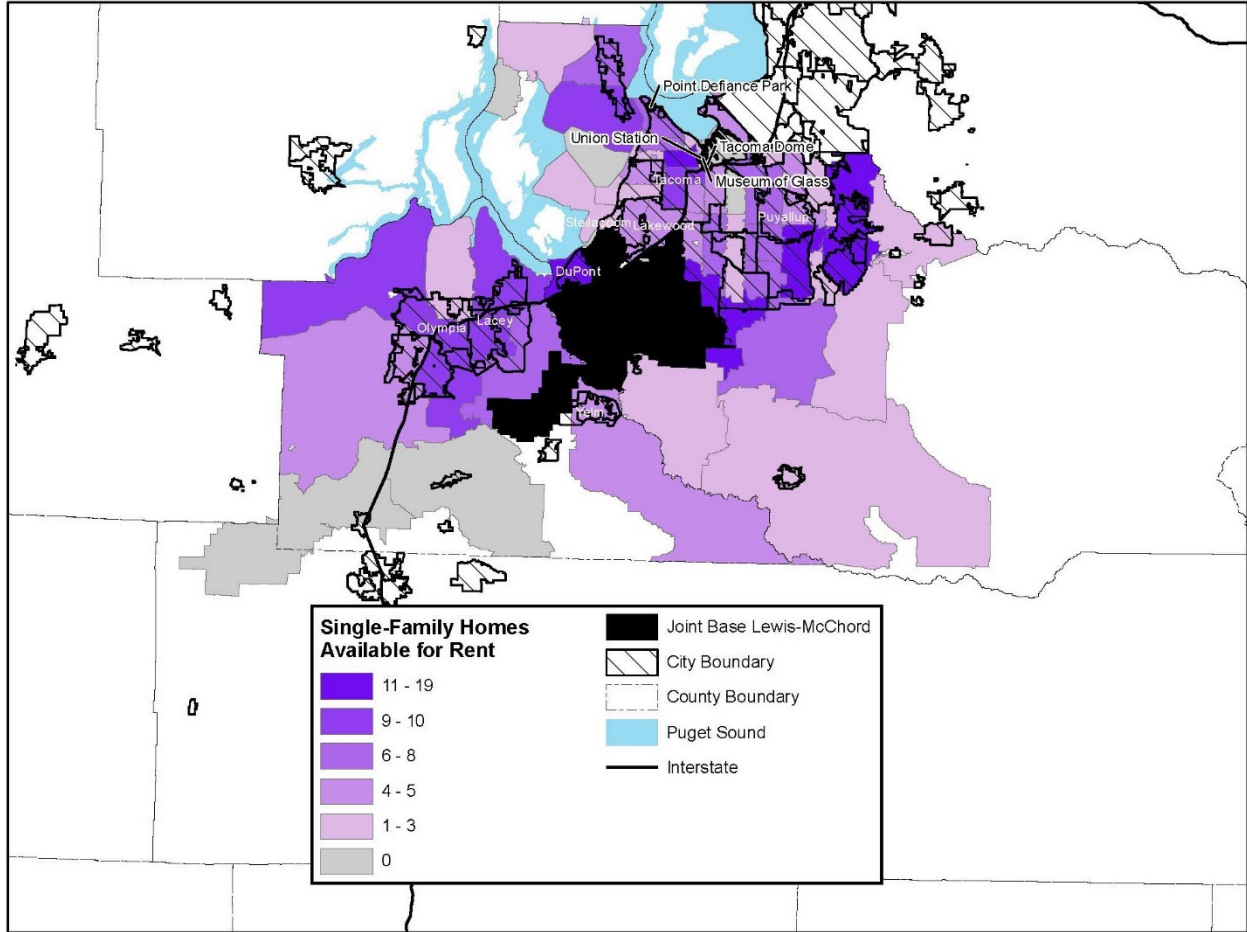
Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

The geographic distribution of detached single-family rentals appears in Figure 18. As of July 2023, the richest concentrations of these homes existed in or near four distinct parts of the JBLM area: Spanaway, DuPont, Puyallup, and northern Tacoma.



The inventory was notably smaller in many communities with large service member populations, including Lacey, Olympia, Lakewood, Yelm, and most of Tacoma. **The limited availability of single-family rentals near JBLM drives rents upward, making attached housing the only feasible option for families in many cases.**

Figure 18. Single-Family Homes Available for Rent by Zip Code, July 2023



Source: Apartments.com; Matrix Design Group, Inc.

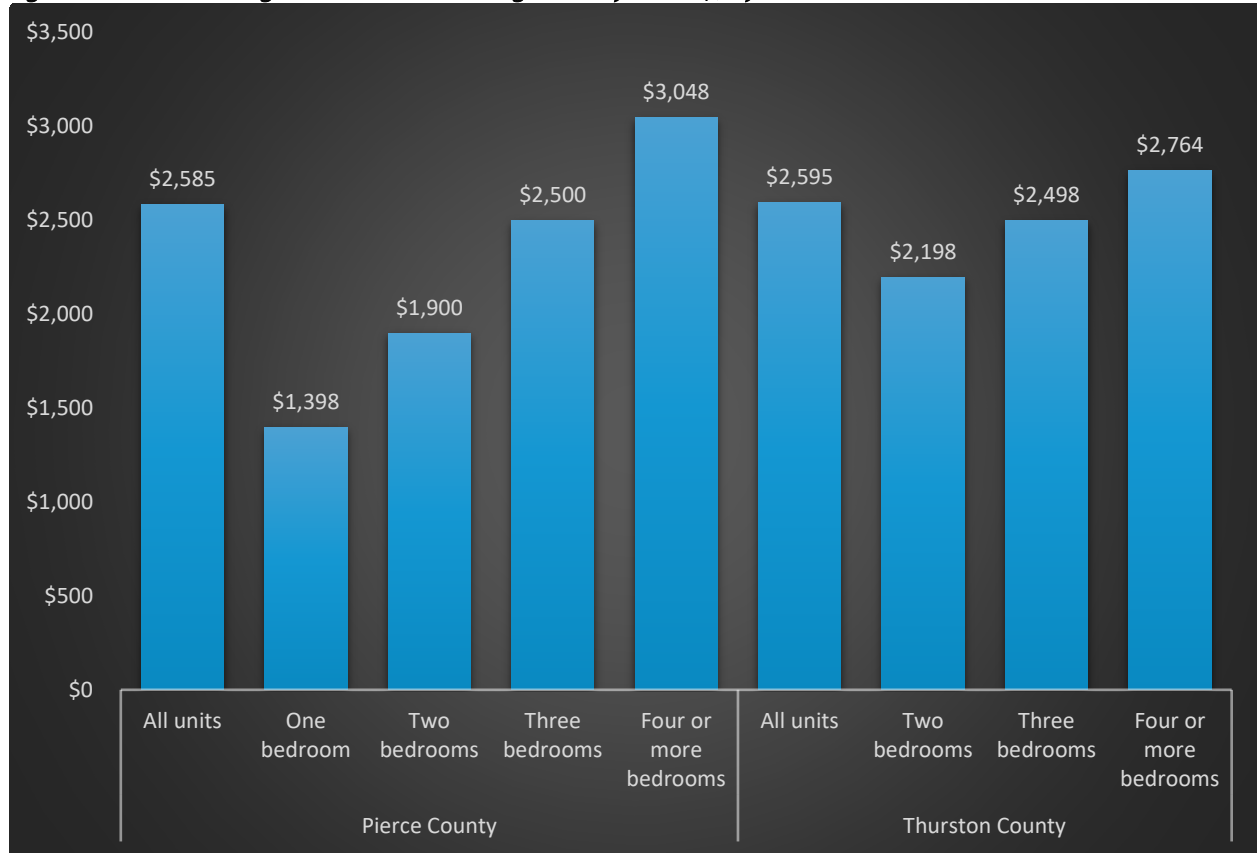
Note: Categories were determined using Jenks Natural Breaks Classification Method.

Figure 19 displays median asking rents for available single-family homes of various sizes. **Among all rentable homes, median rent was virtually identical in the two counties, at \$2,585 in Pierce and \$2,595 in Thurston.** Contrary to expectations, the typical two-bedroom home was nearly \$300 more expensive in Thurston County than in Pierce County in July 2023. However, this result should be interpreted with caution due to the limited number of such homes available for rent in the former county. Whereas three-bedroom homes were priced virtually identically in the two counties, at approximately

*The limited availability of single-family rentals near JBLM drives rents upward, making attached housing the only feasible option for families in many cases.*

\$2,500, there was a sizeable gap in asking rents for four-or-more bedroom homes. In Pierce County, median rent for such a home was \$3,048, compared to \$2,764 in Thurston County.

Figure 19. Median Asking Rent for Available Single-Family Homes, July 2023



Source: Apartments.com; Matrix Design Group, Inc.

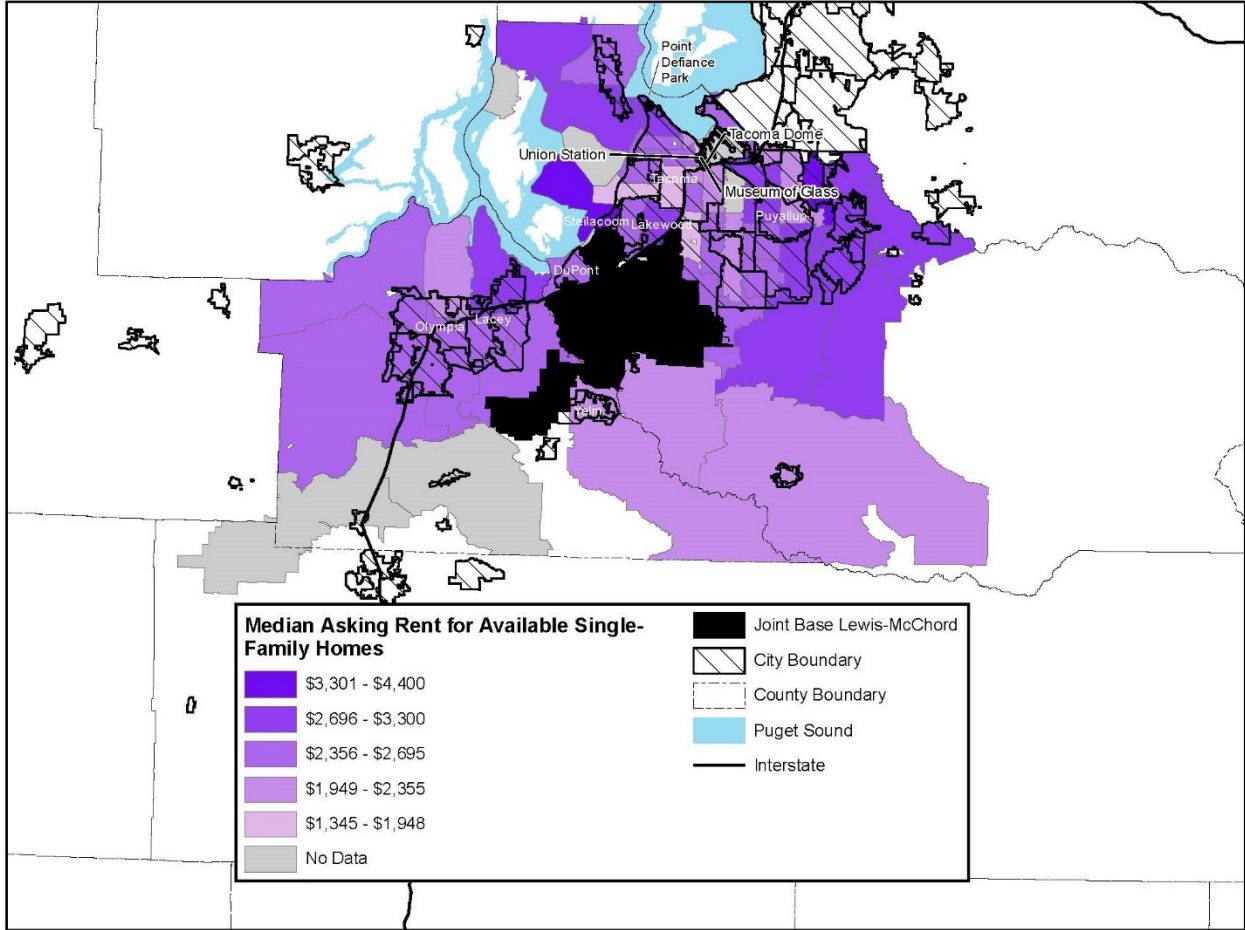
Note: Median rent was unavailable for one-bedroom single-family homes in Thurston County because no such homes were on the rental market.

How do single-family home rents vary throughout the JBLM region? Figure 20 presents median asking rents by zip code.



**Of the 49 zip codes in Pierce and Thurston Counties with single-family rentals on the market, 15 carried rents of \$2,696 or more.** For context, 2023 E6 with-dependent BAH was \$2,691. Among the communities with the most expensive homes were Sumner, Puyallup, Steilacoom, Fife, northern Lacey, and Graham. At the opposite end of the spectrum were neighborhoods in or near Yelm, pockets of Tacoma, University Place, and Spanaway/Parkland.

Figure 20. Median Asking Rent for Available Single-Family Homes by Zip Code, July 2023



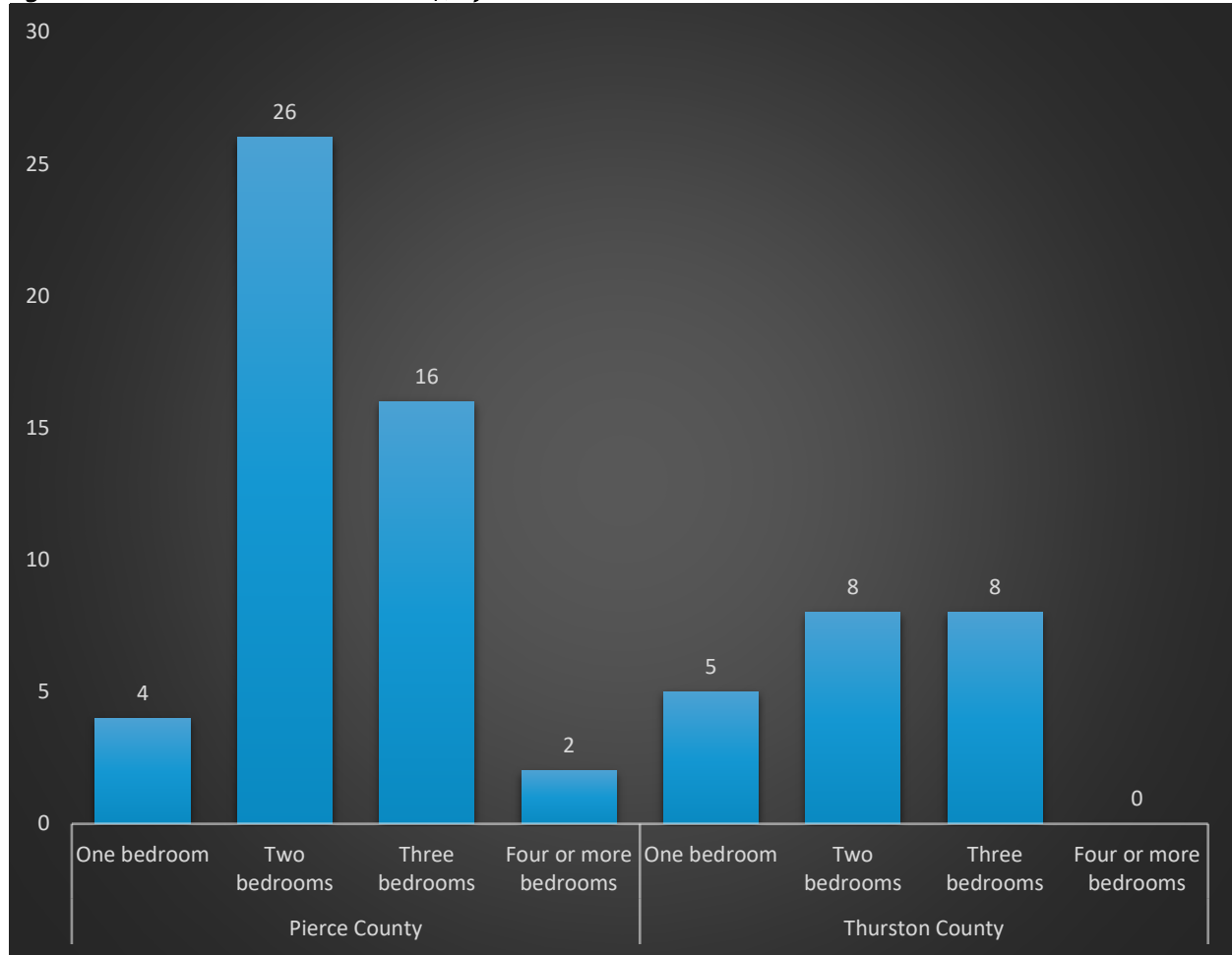
Source: Apartments.com; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

## Townhomes

The available inventory of townhomes in July 2023 is presented in Figure 21. During this month, a total of 69 townhomes were available throughout Pierce and Thurston Counties. Two-bedroom units represented a plurality of the region’s rentable townhomes. In Pierce, they accounted for 26 of the 48 available units. Of the remaining 22 townhomes, 16 had three bedrooms, leaving four one-bedroom units and two four-or-more bedroom units. One-bedroom townhomes were proportionally more common in Thurston County, where they accounted for nearly a quarter of available units, while rentable four-or-more bedroom units were nonexistent.

Figure 21. Townhomes Available for Rent, July 2023



Source: Apartments.com; Matrix Design Group, Inc.

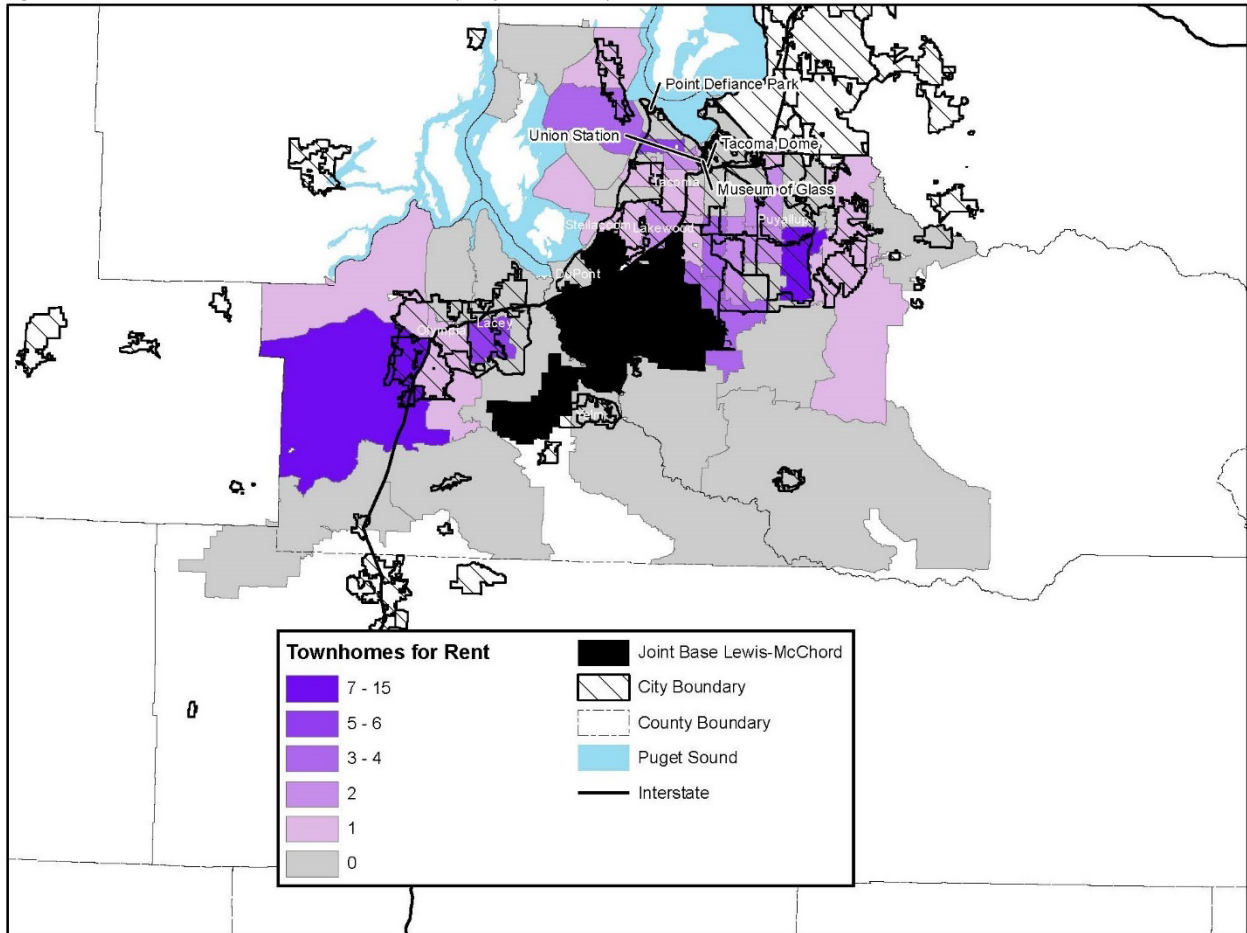
Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

Figure 22 reinforces the finding that townhomes are in limited supply in the JBLM region. **Indeed, townhomes were available for rent in about half as many zip codes as single-family homes.** Further, in the few zip codes with any townhome availability, an average of only three units were on the market. A Tumwater/Olympia zip code (98512) had the most available units (15), followed closely by a southern Puyallup/South Hill zip code (98374), which had 13 townhomes on the market. **Supply was particularly scarce in the neighborhoods closest to the installation.** For example, among the zip codes with the most abundant supply in this area was 98503 (Lacey), which had a mere five townhomes available.

***In the few zip codes with any townhome availability, an average of only three units were on the market.***



Figure 22. Townhomes Available for Rent by Zip Code, July 2023

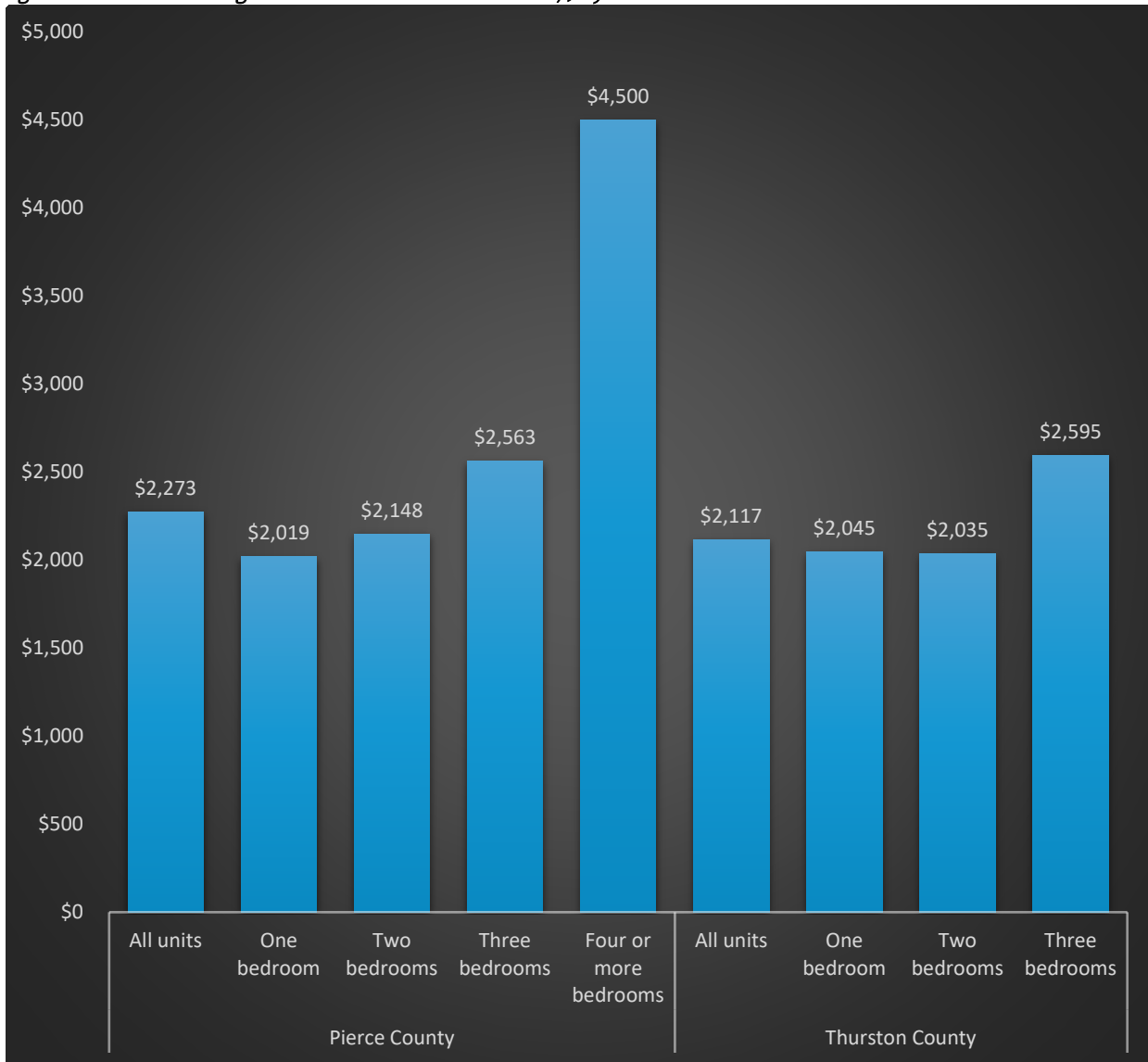


Source: Apartments.com; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

Median townhome asking rents by unit size are featured in Figure 23. **Among all units, rent was \$2,273 in Pierce County and \$2,117 in Thurston County.** For townhomes with at least one bedroom, rent typically exceeded \$2,000. One- and two-bedroom units were generally available for less than \$2,150, making them significantly less expensive than their three-bedroom counterparts, which tended to rent out for more than \$2,500. In Pierce County, the median four-or-more bedroom cost \$4,500, but given the small number of such units on the market at the time of data collection, outliers could have heavily influenced this result.

Figure 23. Median Asking Rent for Available Townhomes, July 2023

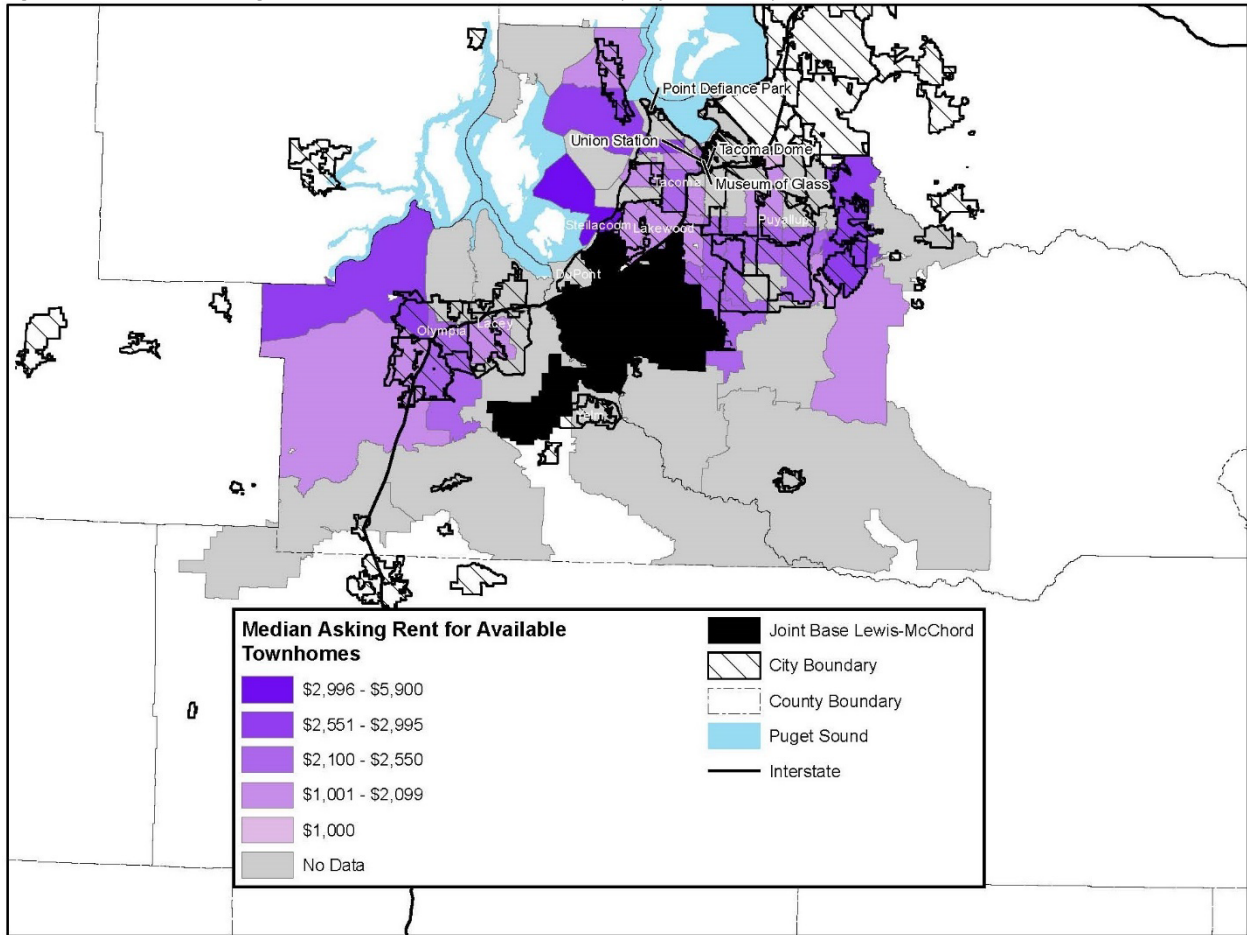


Source: Apartments.com; Matrix Design Group, Inc.

Note: Median rents were unavailable for four-or-more bedroom townhomes in Thurston County because no such homes were on the rental market. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

The wide variance in townhome rents from zip code to zip code is made evident in Figure 24. **In the zip codes with available units, median rent ranged from \$1,000 to \$5,900.** Zip codes 98512 (Tumwater/Olympia) and 98374 (southern Puyallup/South Hill) stood apart from the rest of the region, offering a balance between affordability and availability. In July 2023, these zip codes posted median rents of \$2,045 and \$2,158, respectively. Zip code 98406 (Tacoma) was significantly less affordable, despite having the third-largest inventory of all zip codes. There, the typical townhome rented out for \$2,995. This rent exceeds BAH for all accompanied enlisted personnel, regardless of rank.

Figure 24. Median Asking Rent for Available Townhomes by Zip Code, July 2023



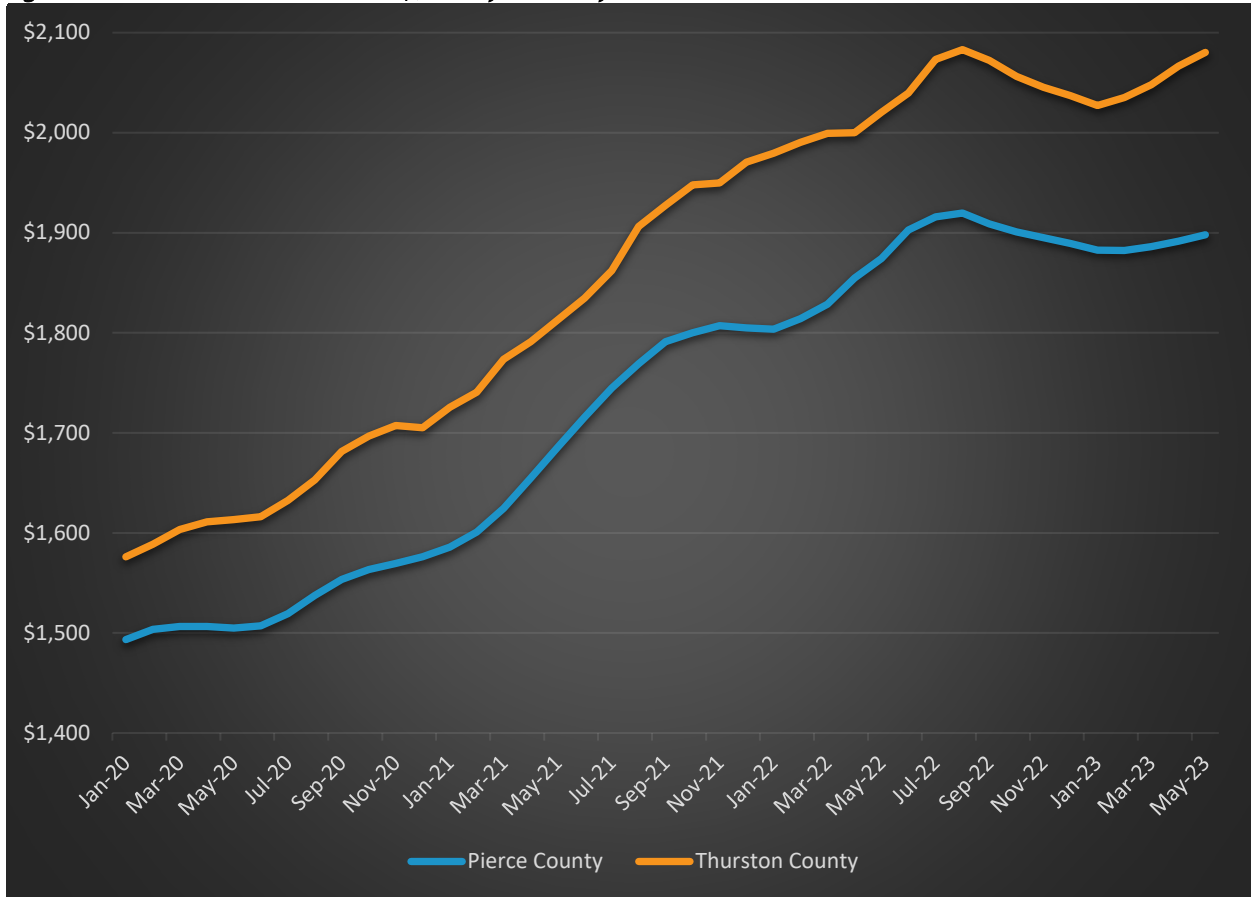
Source: Apartments.com; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

## Zillow Observed Rent Index

Figure 25 presents monthly estimates of the Zillow Observed Rent Index (ZORI) from January 2020 to May 2023. The estimates are for all rental units, including single-family homes, and are computed using a complex methodology that accounts for changes in the quality of the available inventory over time, seasonality, and other factors. Zillow argues that the values, which represent the mean of the middle 30% of asking rents (i.e., the thirty-fifth to sixty-fifth percentiles), more closely approximate typical rents than simple averages or medians. Between January 2020 and May 2023, the ZORI estimate for Pierce County rose from \$1,576 to \$2,080—the equivalent of a 32% increase. The increase was comparable in Thurston County, where ZORI reached \$1,898 in May 2023. **Given that rent increases were markedly smaller for apartments over a similar timeframe, we have strong reason to believe that the rent increases are being driven by single-family homes.**

Figure 25. Zillow Observed Rent Index, January 2020-May 2023



Source: Zillow; Matrix Design Group, Inc.



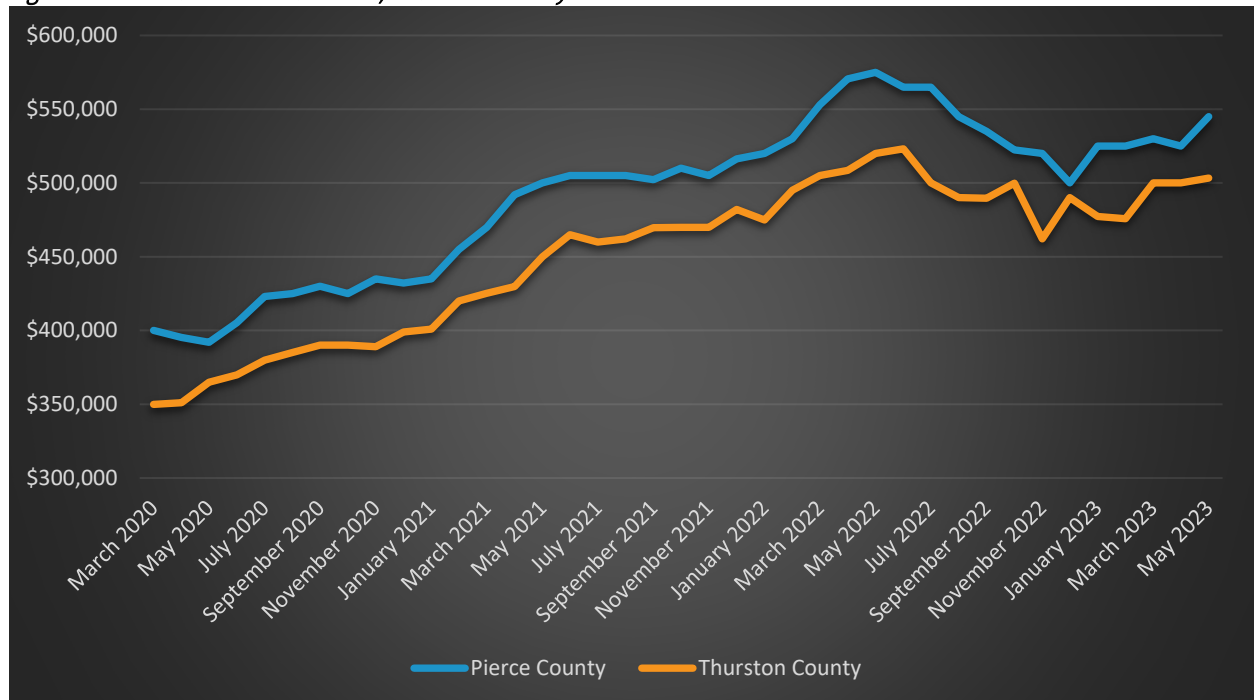
## For-Sale Market Analysis

This section assesses the state of the region’s for-sale market through May 2023. We analyze home sale prices, available inventory, and time from listing to sale. **By and large, the data indicate that the housing market has failed to revert to pre-pandemic dynamics, particularly when interest rates are factored in.** This is exemplified by the consistently high home prices that the region has seen since 2021.

### Median Home Sale Price

The evolution of home sale prices since the onset of the pandemic is depicted in Figure 26. In March 2020, the median home sold for \$400,000 in Pierce County and \$349,900 in Thurston County. Following a temporary decline, the median sale price in Pierce County grew to \$432,250 by the end of 2020. Over the same period, the median home sale price in Thurston County increased at a comparable rate, reaching \$398,875. The price hikes witnessed by both counties from early 2021 to the spring of 2022 were more drastic. **In Pierce County, the median home sale price peaked at \$575,000 in May 2022.** **Thurston County experienced its peak one month later, at \$523,155.** Subsequently, home sale prices declined considerably, with the median buyer in December 2022 paying \$500,000 in Pierce County and \$462,000 in Thurston County. Since then, home prices have been on the rise, reflecting the tendency of buyer competition to increase in the spring. In May 2023, the typical home sold for \$545,000 in Pierce County and \$503,250 in Thurston County. While these prices were lower than the prior year’s peaks, they remained significantly higher than pre-pandemic levels. **Specifically, from March 2020 to May 2023, prices increased by an astounding 36% and 44% in Pierce and Thurston Counties, respectively.**

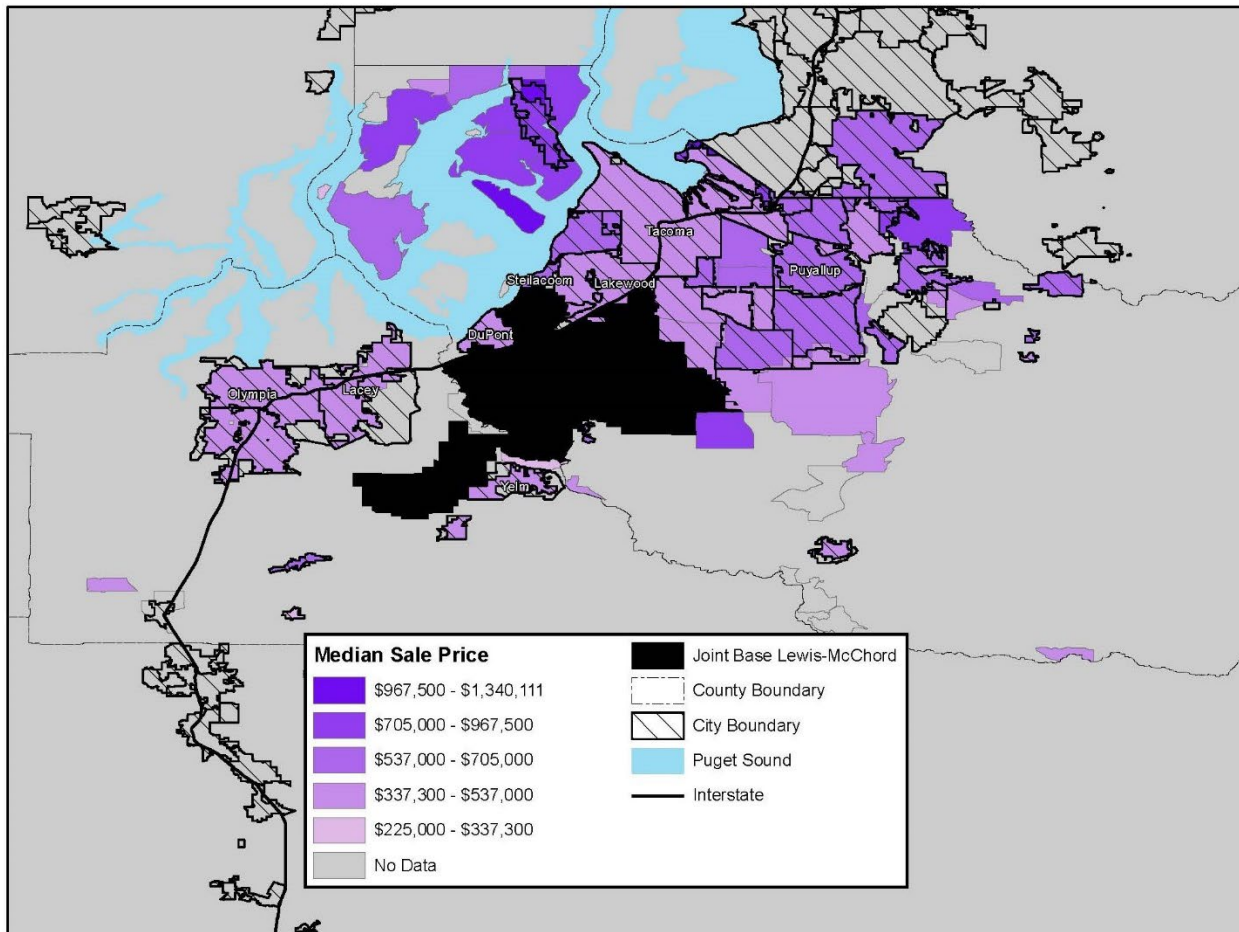
Figure 26. Median Home Sale Price, March 2020-May 2023



Source: Redfin; Matrix Design Group, Inc.

Figure 27 displays median home sale price by place (i.e., city, town, or Census-designated place) as of May 2023. **Median sale price ranged from \$225,000 in Herron Island to \$1.3 million in Fox Island.** In addition to Fox Island, two other communities had median sales prices greater than \$1 million (Dash Point and Canterwood). **In Lacey, Tacoma, Lakewood, and DuPont, all of which are located in the immediate vicinity of the installation, homes typically sold for \$475,000, \$461,000, \$537,000, and \$500,000, respectively.** Of the communities with a minimum of 10 homes on the market in May 2023, Parkland, Tacoma, Yelm, Lacey, and Spanaway boasted the lowest sale prices, making them among the most attractive options for prospective home buyers stationed at JBLM.

Figure 27. Median Home Sale Price by Place, May 2023



Source: Redfin; Matrix Design Group, Inc.

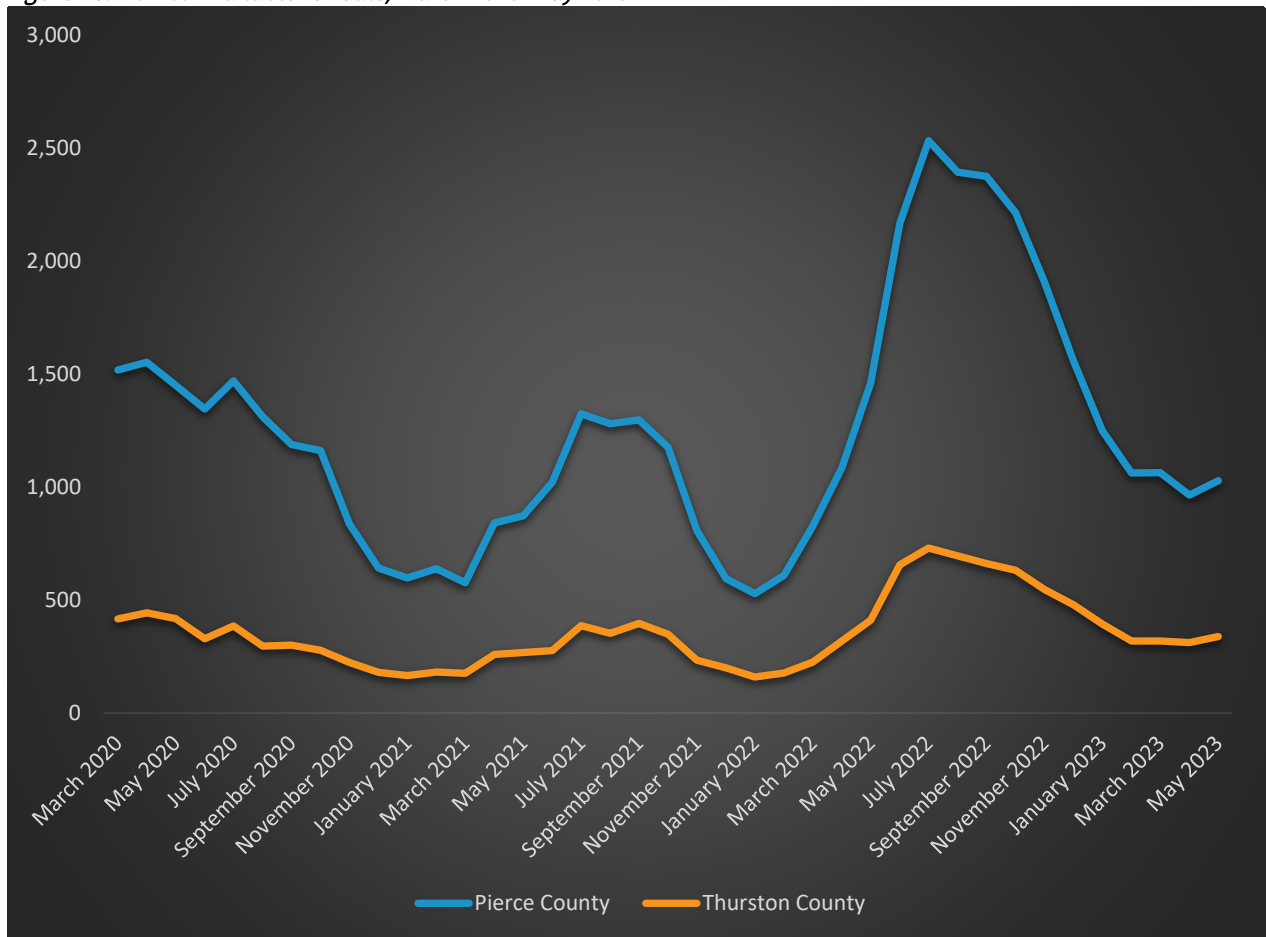
Note: Data unavailable for unincorporated communities that did not have Census-designated place status. Categories were determined using Jenks Natural Breaks Classification Method.

## Available Inventory

Figure 28 offers insight into a key determinant of home prices: the number of homes on the market. The two variables are inversely related, with price surges generally following reductions in the available inventory, and vice versa. During the pandemic's first year or so, the supply of homes dropped

substantially, particularly in Pierce County. From March 2020 to March 2021, the number of available homes fell from 1,519 to 577 in Pierce County and from 417 to 176 in Thurston County. Through July 2021, supply grew, before declining over the next several months. In January 2022, a combined 689 homes were available in both counties—the lowest number for the period under examination. **This dramatic reduction in supply foreshadowed the unprecedented price hikes that would occur in subsequent months.** In July 2022, supply reached its highest point since the beginning of the pandemic, at 2,535 homes in Pierce County and 731 homes in Thurston County. Supply has been on a downward trend since then. **In May 2023, Pierce and Thurston had a combined available inventory of 1,369 homes.**

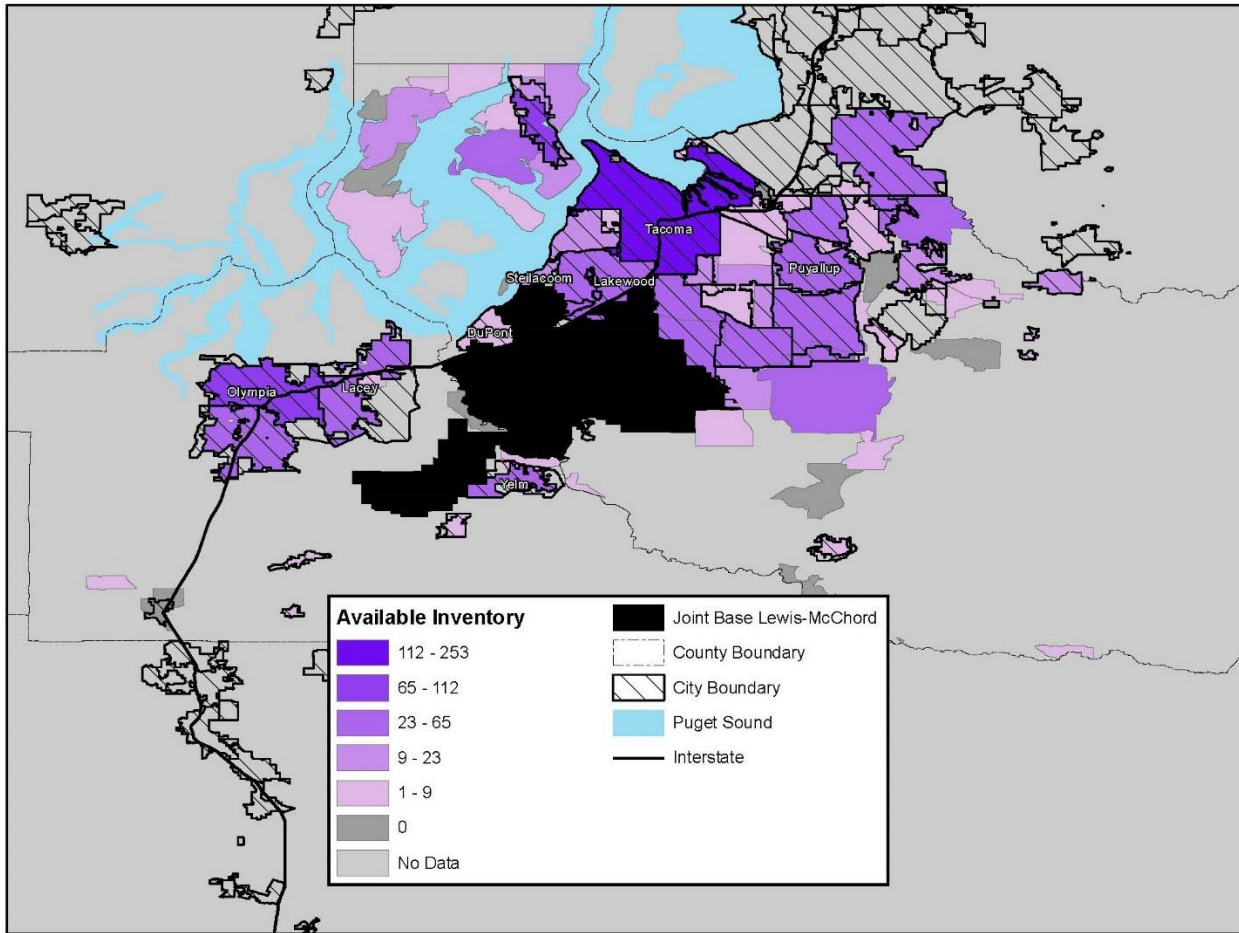
Figure 28. Homes Available for Sale, March 2020-May 2023



Source: Redfin; Matrix Design Group, Inc.

Figure 29 presents the number of homes for sale by place as of May 2023. **Of the over 1,300 homes on the market in Pierce and Thurston Counties, about one-third were located in just three cities: Tacoma (253), Gig Harbor (112), and Olympia (89).** Sizeable inventories also existed in Auburn (65), Spanaway (52), South Hill (48), Lacey (47), Lakewood (47), and Puyallup (45). For the remaining 72 communities, an average of eight homes were on the market. In 16 of those communities, no homes were for sale. Given its proximity to JBLM, the paucity of available homes in DuPont (8) was notable.

Figure 29. Homes for Sale by Place, May 2023



Source: Redfin; Matrix Design Group, Inc.

Note: Data unavailable for unincorporated communities that did not have Census-designated place status. Categories were determined using Jenks Natural Breaks Classification Method.

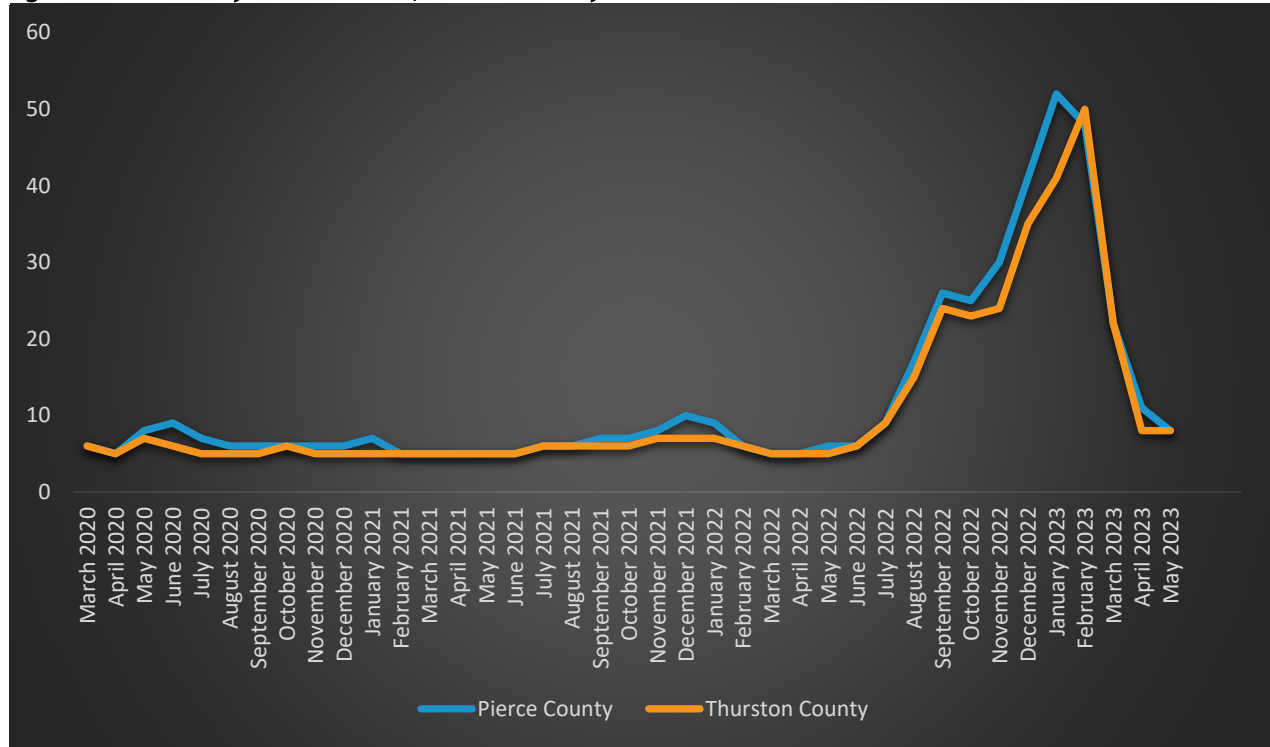
## Median Days on the Market

The number of days a home spends on the market is a proxy for the level of demand at a given point in time. In 2020 and 2021, homes consistently sold in 10 or fewer days in both counties, indicating high buyer demand (see Figure 30). The same was true in the first seven months of 2022. Starting in August 2022, however, list-to-sale times grew drastically. By September 2022, the median home in both counties spent over 20 days on the market. In the following winter, homes typically took around 50 days to sell.

**The latest figures suggest that demand has returned to the levels seen during most of 2020 and 2021.** In May 2023, the median home sold 8 days after being listed in Pierce and Thurston Counties.



Figure 30. Median Days on the Market, March 2020-May 2023



Source: Redfin; Matrix Design Group, Inc.

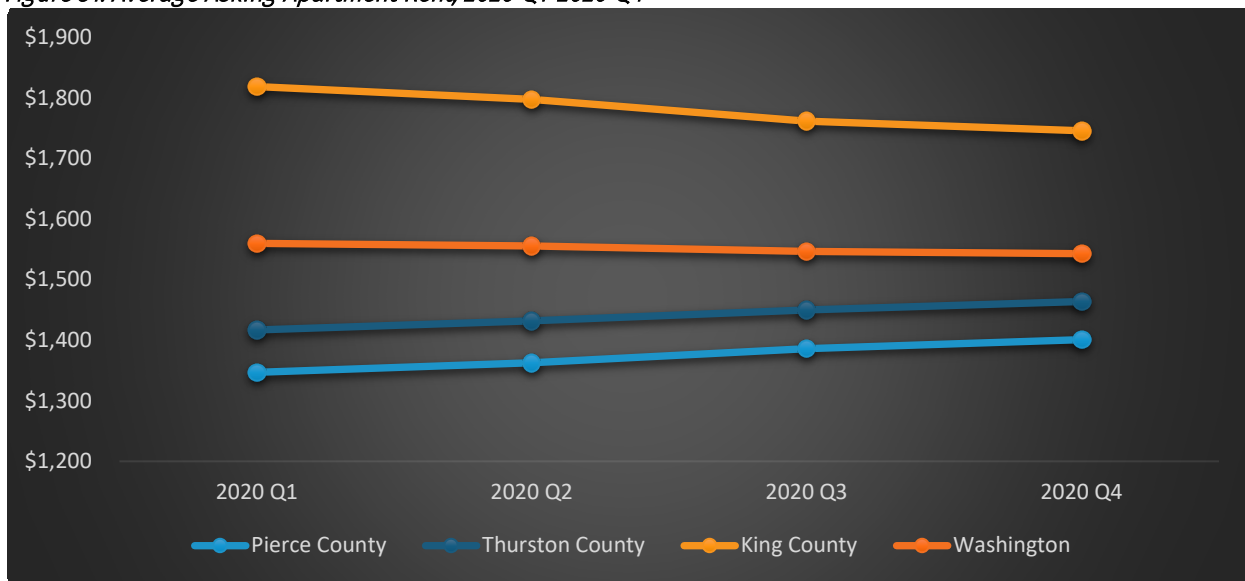


## The Stabilizing Impact of JBLM on the Market During the COVID-19 Pandemic

The onset of the COVID-19 in March 2020 had devastating economic consequences. State-mandated lockdowns compelled businesses to shutter their doors overnight, leading to mass layoffs. At its peak in April 2020, the unemployment rate reached 14.7%—a level unseen since the Great Depression. Service workers, whose jobs require in-person work, were disproportionately affected by the lockdowns. Deprived of their paychecks, the newly laid-off workers faced a high risk of being unable to pay rent. To halt a massive spike in evictions, the federal government instituted an eviction moratorium via the CARES Act, enacted in March 2020.

**As service members' incomes were not disrupted by the pandemic, they were able to continue making their monthly rent and mortgage payments.** Accordingly, one might expect that the housing markets of defense communities, including the South Sound Region, exhibited more stability than those of other communities. Figure 31 provides an initial test of this proposition, comparing average asking apartment rent across Washington by quarter in 2020. In Pierce County, average rent was \$1,347 in 2020 Q1, and it proceeded to increase gradually in subsequent quarters. By year's end, the average apartment in the county carried a rent of \$1,401. Thurston County experienced a similar trend. There, average gross rent rose from \$1,417 to \$1,464 over the course of the year. Both counties were outliers in the state, which saw average asking rent marginally decrease during the same period. The decline was more pronounced in King County, where rent fell from \$1,819 to \$1,746, on average. **In short, at a time when landlords throughout the rest of the state were forced to reduce rents in order to attract tenants, the long-term trend of steady rent increases continued in Pierce and Thurston Counties due to the large service member population's reliable source of income.**

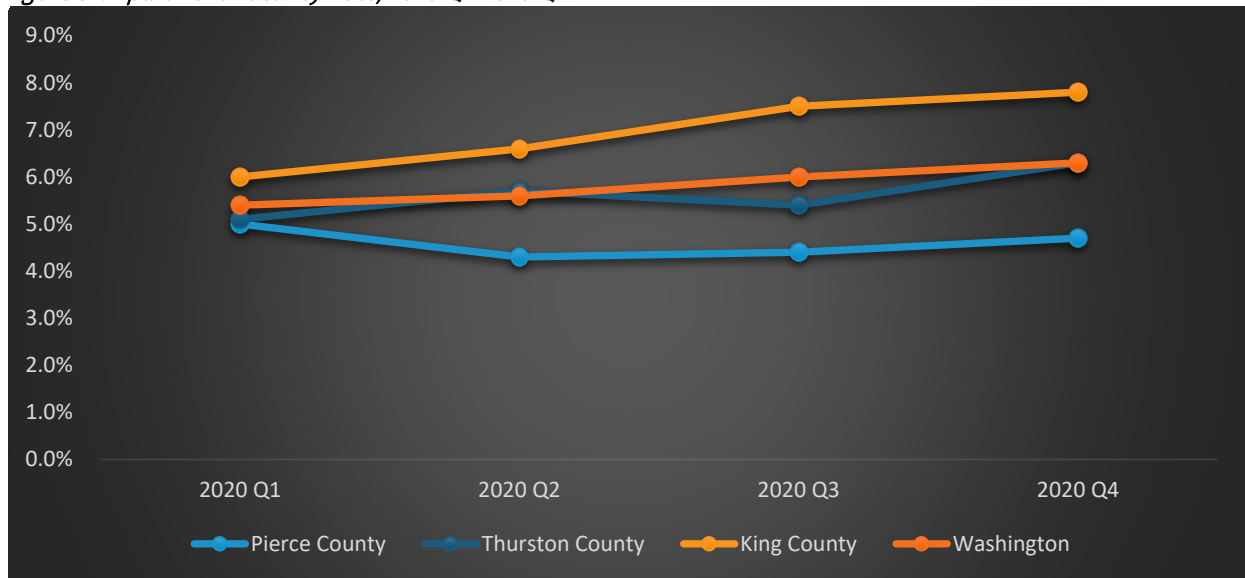
Figure 31. Average Asking Apartment Rent, 2020 Q1-2020 Q4



Source: CoStar; Matrix Design Group, Inc.

Relatedly, the pandemic contributed to a rise in vacancies in most of Washington, with the statewide apartment vacancy rate increasing from 5.4% to 6.3% throughout 2020 (see Figure 32). The increase was twice as large in King County, where vacancies rose from 6% to 7.8%. The finding could indicate that a segment of the unemployed civilian labor force, unable to afford rent, voluntarily opted to vacate their units and relocate. **By contrast, the vacancy rate in Pierce County declined from 5% to 4.7%, as demand for rental housing remained at a healthy level due to JBLM's presence.** The trend in Thurston County resembled that in the state as a whole, possibly due to its substantially smaller military population. **Overall, then, we find suggestive evidence that JBLM served to stabilize the rental market during the pandemic.**

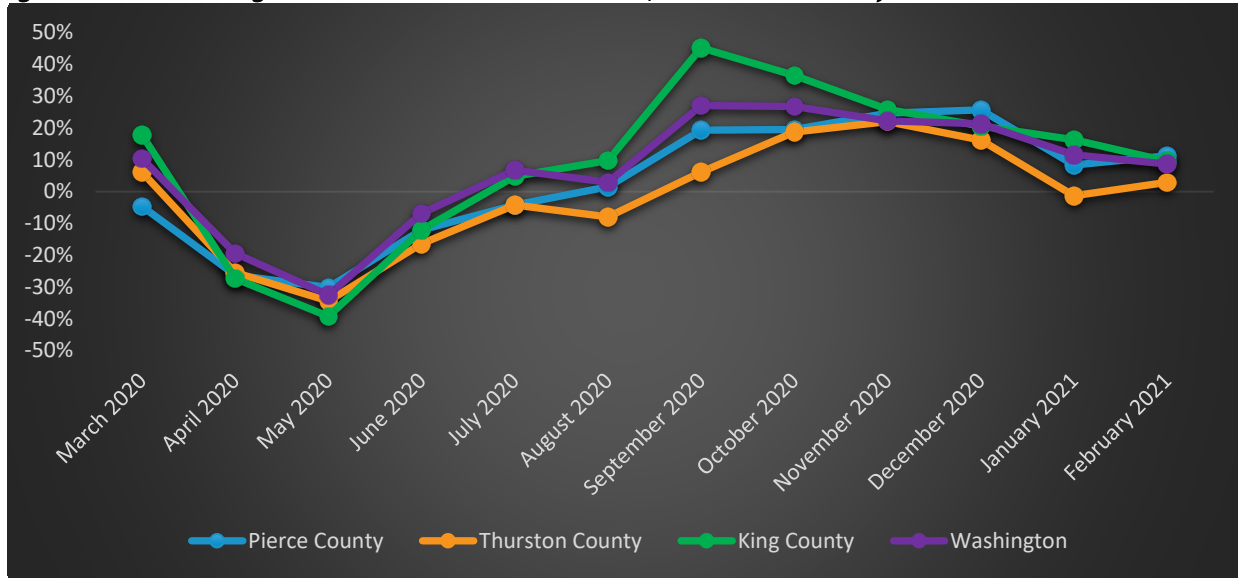
Figure 32. Apartment Vacancy Rate, 2020 Q1-2020 Q4



Source: CoStar; Matrix Design Group, Inc.

We evaluate JBLM's impact on the for-sale market by examining the percent change in home sales from the previous year over the period from March 2020 to February 2021 (see Figure 33). **In general, market dynamics in Pierce and Thurston Counties did not differ markedly from those in surrounding areas.** Beginning in April 2020, home sales declined sharply from the previous year's levels. Specifically, sales dropped by 36% in Pierce County, 25% in Thurston County, 27% in King County, and 19% statewide. The decline was even steeper the following month. By June 2020, home sales had begun to recover, and September 2020 sales actually eclipsed those from the prior year. Given that home sale trends in Pierce and Thurston Counties tracked closely with those in King County and the state as a whole throughout the pandemic, there is no evidence that JBLM's stabilizing impact extended to the owner market. **That this impact was confined to the rental market could be a product of the relatively low ownership rate among service members.**

Figure 33. Percent Change in Home Sales from Previous Year, March 2020-February 2021



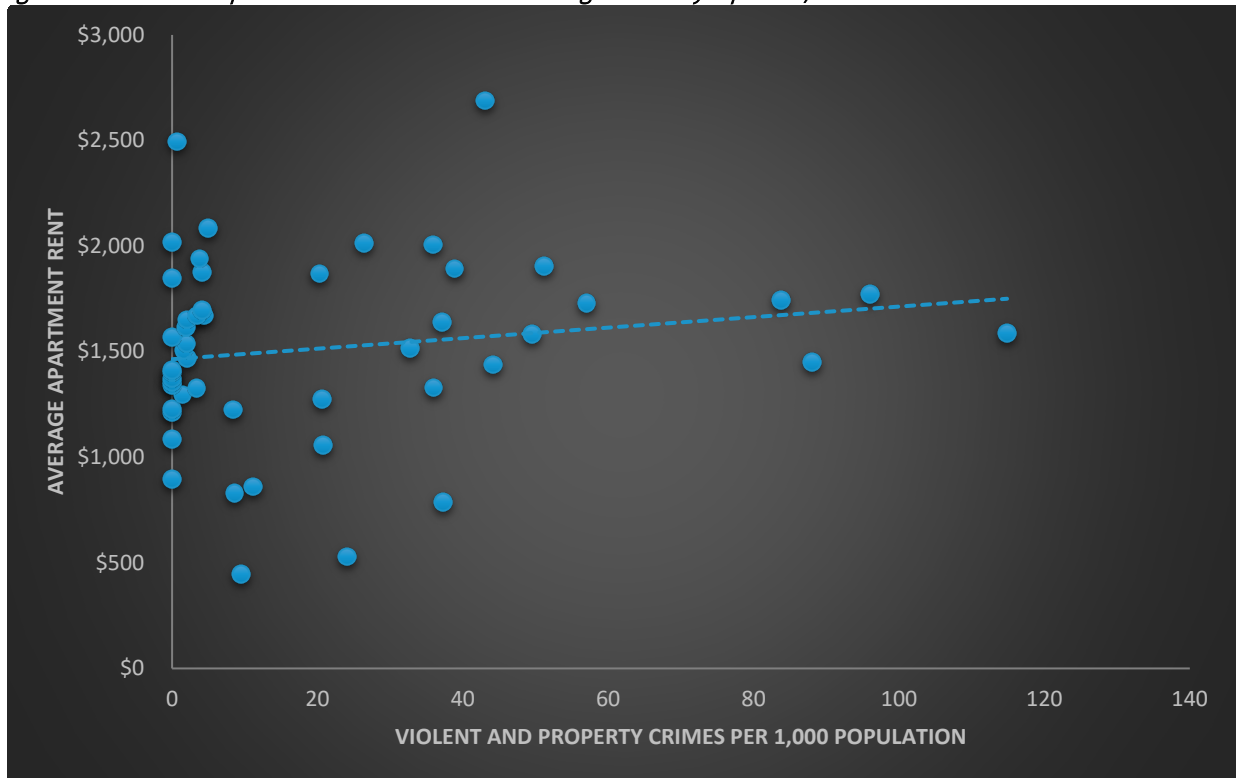
Source: Redfin; Matrix Design Group, Inc.

*At a time when landlords throughout the rest of the state were forced to reduce rents . . . the long-term trend of steady rent increases continued in Pierce and Thurston Counties*

## Crime and Housing Affordability

It is widely believed that affordable housing in the JBLM region is concentrated in high-crime neighborhoods. However, Figure 34, which examines the relationship between the incidence of crime and average rent by zip code in the area surrounding JBLM, dispels this notion. **In general, a zip code's property and violent crime rate is weakly correlated with its average rent, implying that lower rents can be found in both safe and unsafe neighborhoods.**

Figure 34. Relationship Between Crime Rate and Average Rents by Zip Code, 2022 and 2023

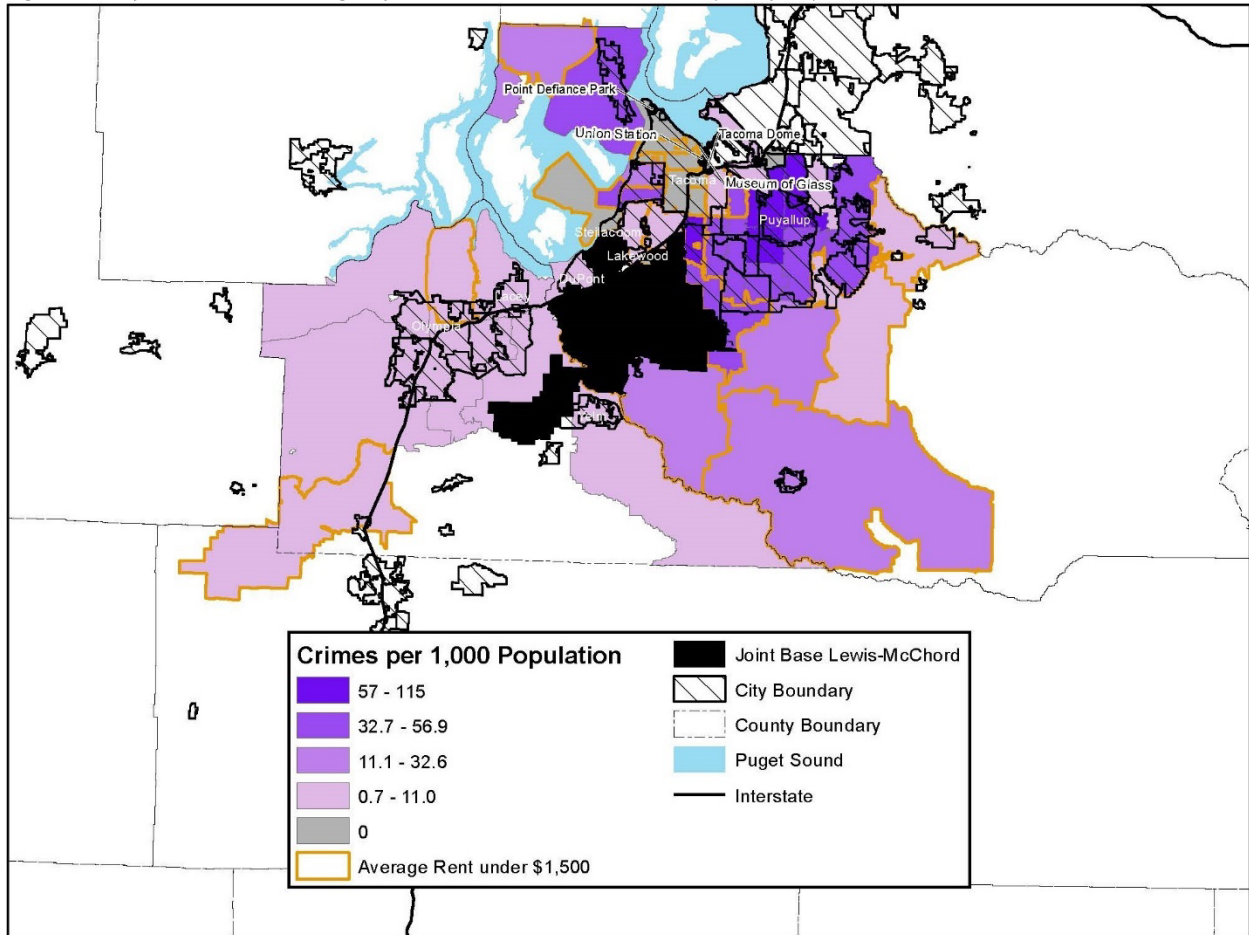


Source: CoStar; Pierce and Thurston County Open Data; Matrix Design Group, Inc.

Note: Crime rates estimated over a one-year period. This period was January to December 2022 for Pierce County zip codes and June 2022 to June 2023 for Thurston County zip codes. Rents are from 2023 Q1.

Figure 35 displays the property and violent crime rate by zip code in the JBLM region, with darker shades denoting neighborhoods with more crimes per 1,000 population. The map further indicates the subset of zip codes with average rents below \$1,500. **In the average zip code, the annual crime rate was 20.7 per 1,000 population (or 2%).** This rate was close to the 2022 national average of 19.5 per 1,000 population. **In several zip codes near the installation, however, rates of victimization were significantly higher.** In two Puyallup zip codes (98371 and 98373), approximately 10% of people were victims of property or violent crime. Distressingly, zip code 98444, which borders the installation, had a comparable crime rate, at 88 per 1,000 population (or 9%). By contrast, neighborhoods in Olympia, DuPont, Lacey, and Lakewood were among the safest in the region. **Of the twenty-three zip codes with average rents below \$1,500, sixteen had crime rates lower than 20 per 1,000 population (or 2%).** Notable examples included 98499 (Lakewood) and 98405 (upper Tacoma).

Figure 35. Zip Codes with Average Apartment Rents Below \$1,500 by Property and Violent Crime Rate, 2022 and 2023



**Source:** CoStar; Pierce and Thurston County Open Data; Matrix Design Group, Inc.

**Note:** Crime rates estimated over a one-year period. This period was January to December 2022 for Pierce County zip codes and June 2022 to June 2023 for Thurston County zip codes. Rents are from 2023 Q1. Categories were determined using Jenks Natural Breaks Classification Method.

*Neighborhoods in Olympia, DuPont, Lacey, and Lakewood were among the safest in the region.*

## Affordability Analysis I: Basic Allowance for Housing

This section measures the buying power of BAH in today's rental and for-sale markets separately for enlisted personnel and officers. **Not surprisingly, the results demonstrate that apartments are significantly more affordable to service members than single-family rentals. Relatedly, the typical mortgage payment in today's housing market far exceeds BAH for the vast majority of service members, effectively ruling out homeownership for most new arrivals to JBLM.**

### Buying Power of Basic Allowance for Housing in the Rental Market

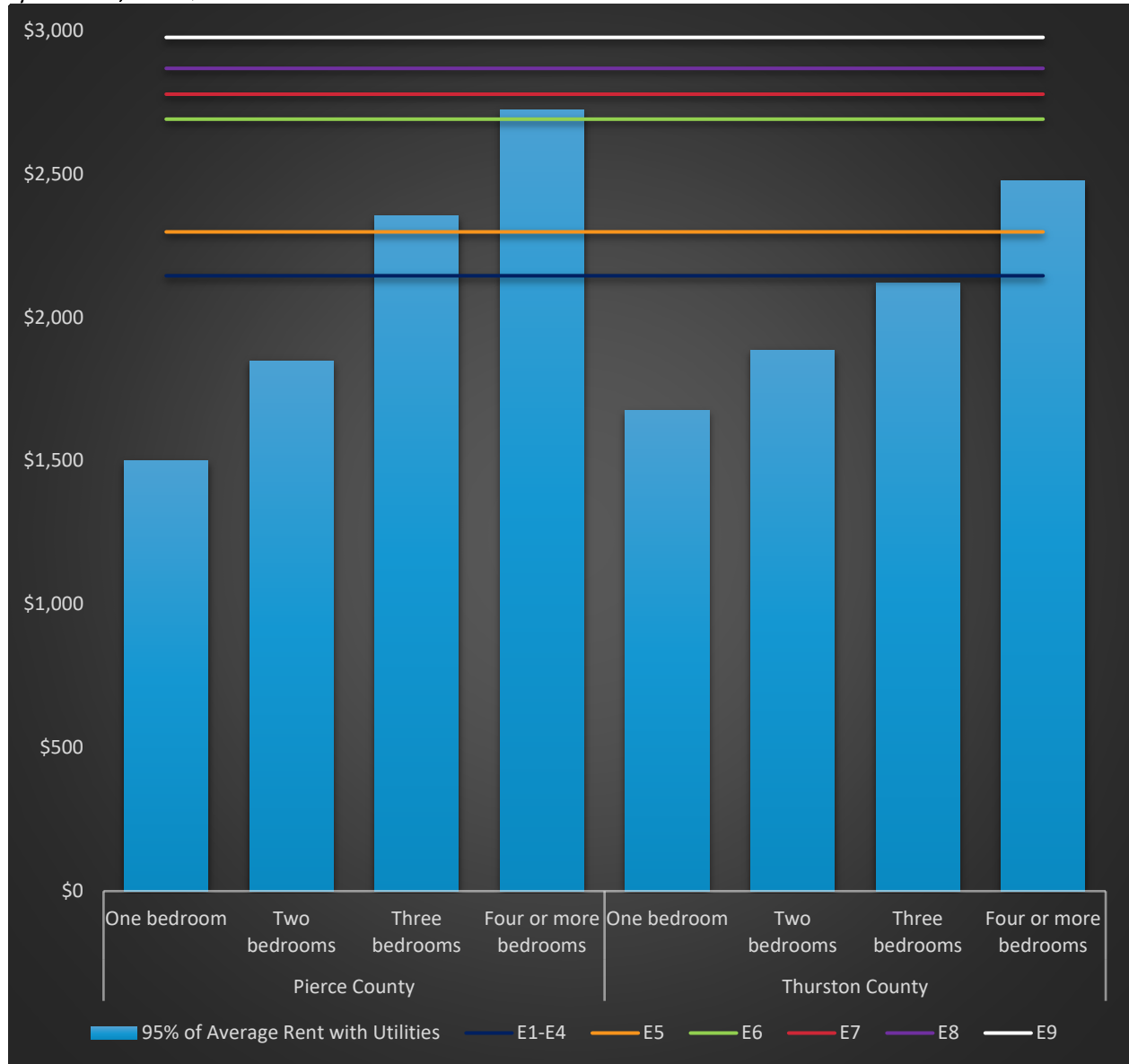
Figures 36 to 41 evaluate the performance of BAH by comparing rates for accompanied personnel of varying status, as indicated by the solid lines, to typical rental and utility costs. Rental and utility costs were adjusted to reflect the share of housing costs (95%) that BAH is intended to cover. These adjusted costs by unit type are represented by the bars. Note that if the bar extends above the line, then the unit is unaffordable for the associated rank. Using ACS data, we estimated utility costs based on the number of bedrooms in the unit and its location. In Pierce County, the utility cost estimates ranged from \$130 for an efficiency unit to \$361 for a four-or-more bedroom unit. In Thurston County, an efficiency unit was estimated to incur \$212 in utility costs, compared to \$337 for a four-or-more bedroom unit.

In early 2023, apartment affordability varied significantly depending on rank. For E1s to E5s, adjusted average rent and utilities for one- and two-bedroom units in Pierce County fell below BAH, while the same was true for units with up to three bedrooms in Thurston County. Only E7-and-above personnel were able



to afford the average four-or-more bedroom unit in both counties. **E7 with-dependent BAH exceeded average adjusted four-or-more bedroom rent and utilities by \$56 in Pierce County and \$303 in Thurston County.**

Figure 36. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Average Asking Rent with Utilities for Apartments, 2023 Q1



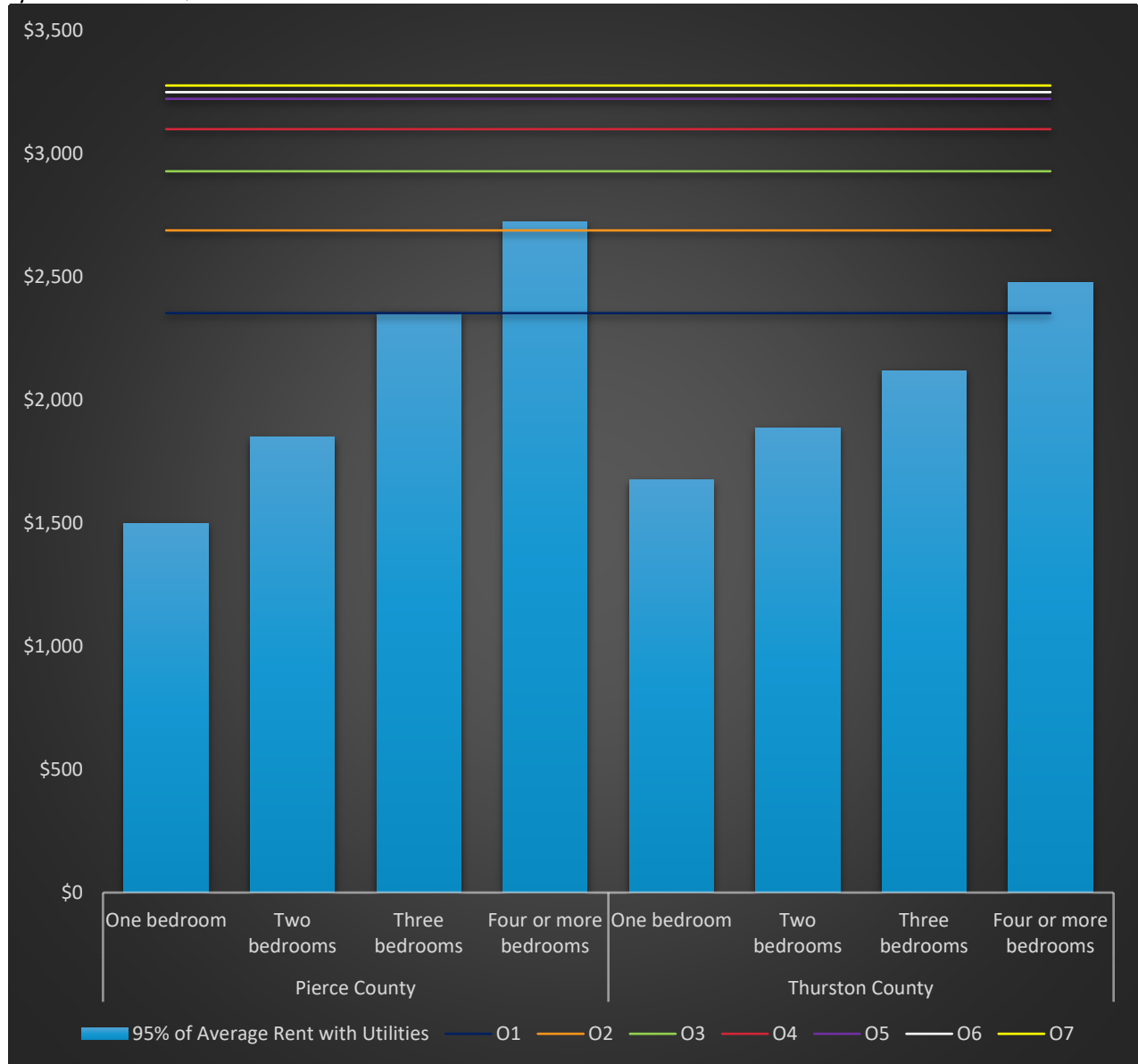
Source: CoStar; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: The bars represent the share of rental and utility costs (95%) that BAH is intended to cover. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

Figure 37 assesses apartment affordability for officers of all ranks. In 2023 Q1, units with three or fewer bedrooms were generally affordable to even the most poorly compensated accompanied officers in both counties. O2 BAH fell just below 95% of rent and utilities for the average four-or-more bedroom unit in Pierce County (\$2,722), while O3 BAH exceeded this sum by \$206. In Thurston County, O2-and-above officers were easily able to afford even the largest units.



Figure 37. Comparison of Officer With-Dependent BAH Rates to Adjusted Average Asking Rent with Utilities for Apartments 2023 Q1



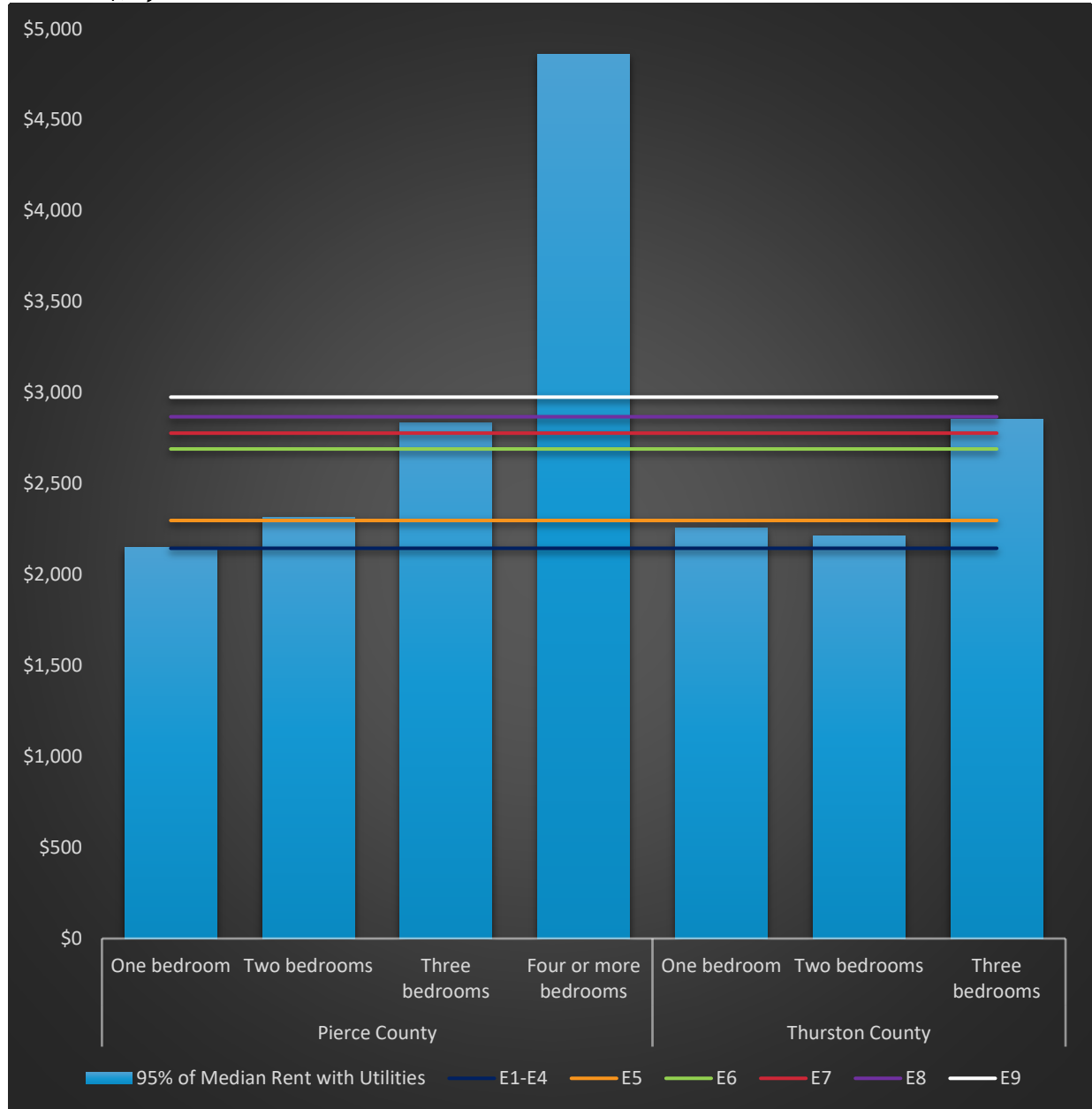
Source: CoStar; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: The bars represent the share of rental and utility costs (95%) that BAH is intended to cover. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

BAH is more likely to be inadequate for soldiers and airmen seeking to rent townhomes (see Figure 38). **In both counties, BAH failed to cover 95% of median three-bedroom rental and utility costs for ranks E7 and below.** Moreover, the only available four-bedroom units in the region were unaffordable to enlisted personnel of all ranks. Although less suitable for families, one- and two-bedroom townhomes

were relatively affordable. The median two-bedroom townhome in Thurston County required an allowance of \$2,215—a threshold exceeded by E5 personnel and nearly met by E1 through E4 personnel.

*Figure 38. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Townhomes, July 2023*

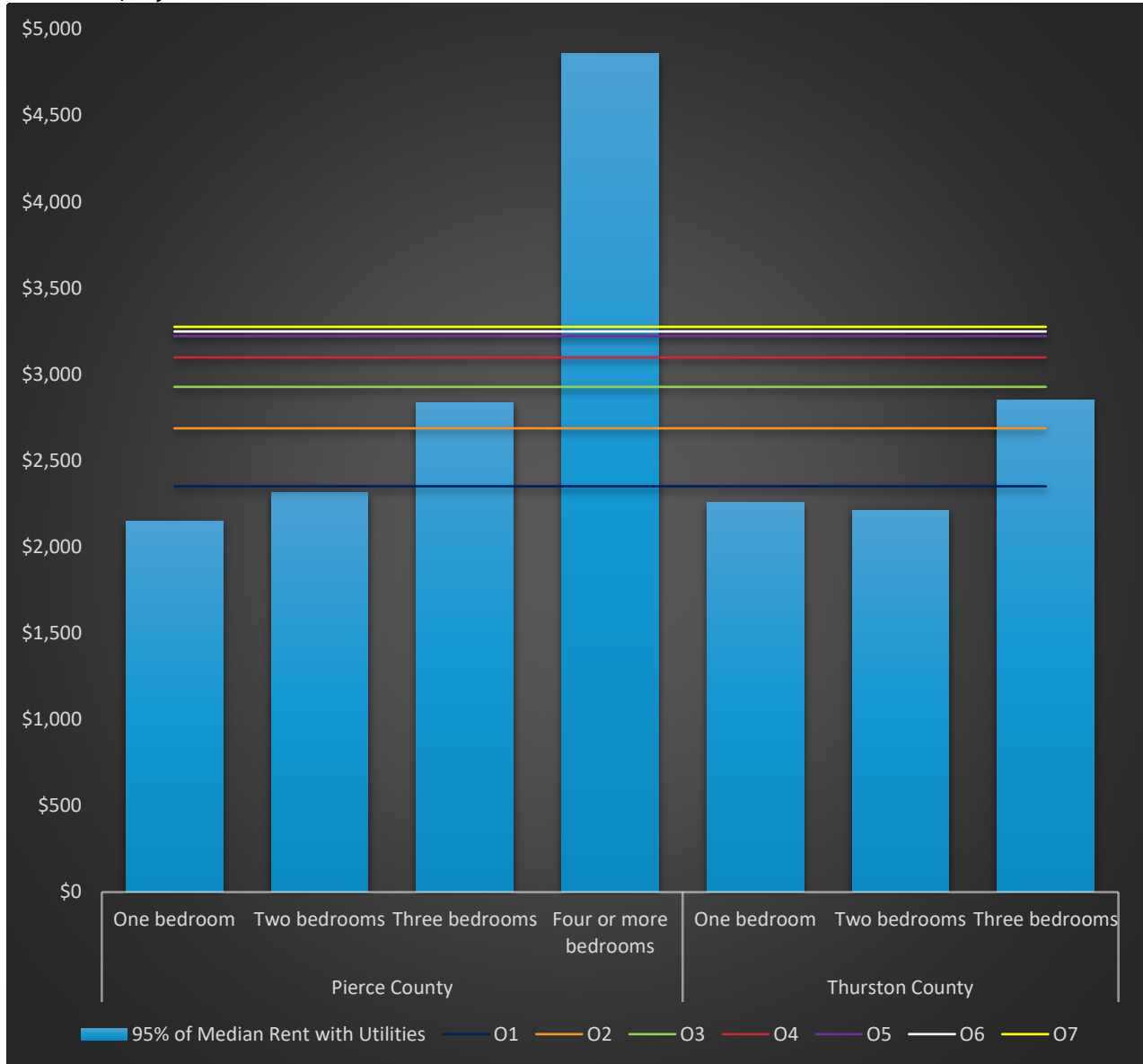


**Source:** Apartments.com; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

**Note:** Median rents were unavailable for four-or-more bedroom townhomes in Thurston County because no such homes were on the rental market. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

As Figure 39 shows, accompanied officers' townhome rental options varied dramatically depending on pay grade. **In general, only those who had attained at least O3 status were able to afford a three-bedroom townhome.** O1 and O2 personnel usually had to settle for a one- or two-bedroom unit. The BAH rate for even the most senior officers (\$3,276) fell far short of the threshold needed to afford the median four-or-more bedroom townhome on the market.

Figure 39. Comparison of Officer With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Townhomes, July 2023

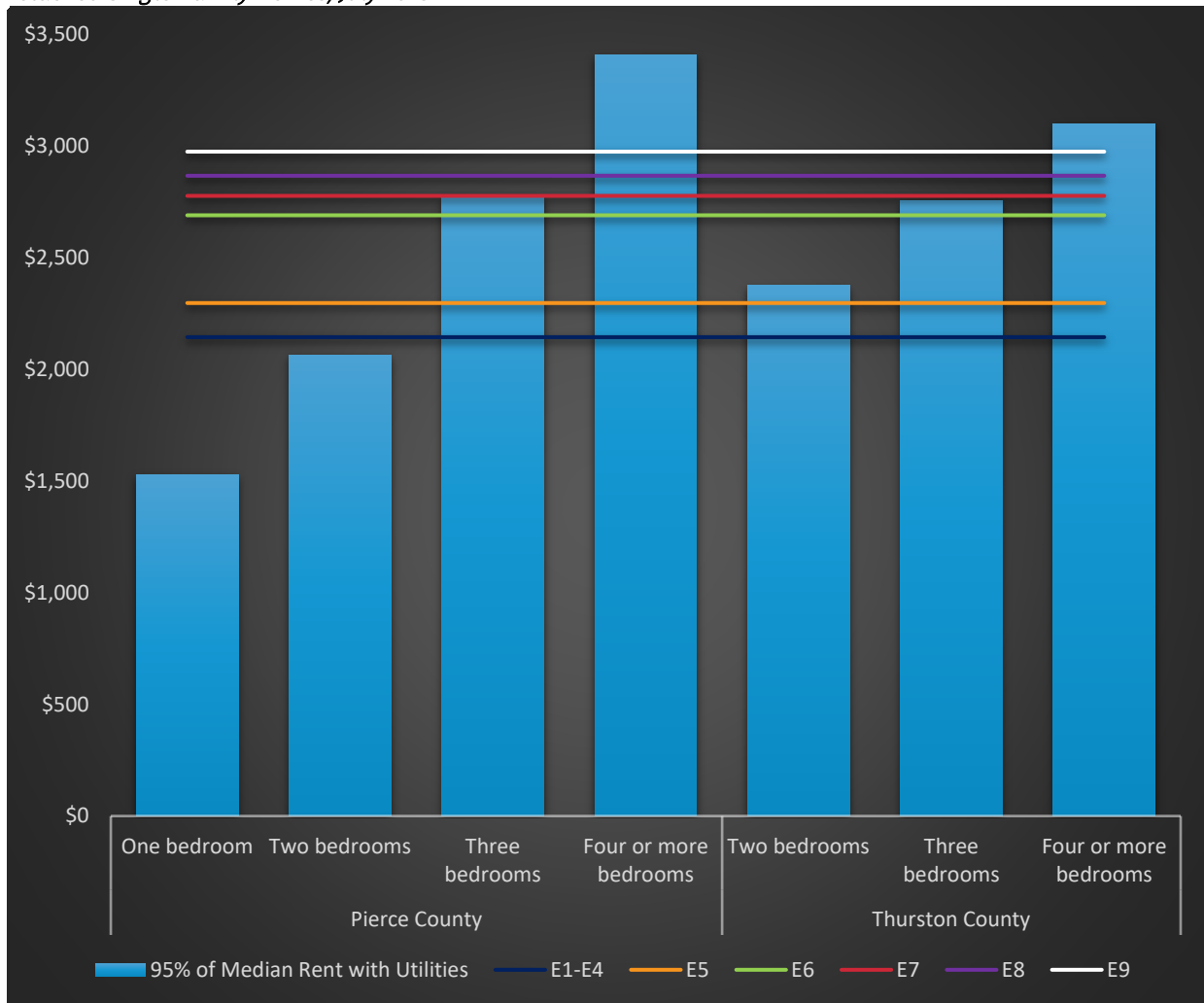


**Source:** Apartments.com; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

**Note:** The bars represent the share of rental and utility costs (95%) that BAH is intended to cover. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

Not surprisingly, detached single-family homes present the most significant affordability challenges of all rental types (see Figure 40). **Throughout the JBLM region, the median three-bedroom home was unaffordable to all personnel below the rank of E7 in July 2023.** By a narrow margin, the E7 allowance of \$2,778 exceeded the threshold needed to afford the typical three-bedroom home. Further, the BAH rates for even the highest-ranking enlisted personnel (E8 and E9), whose respective allowances totaled \$2,868 and \$2,976, fell short of adjusted median rent and utilities for four-or-more bedroom homes in both counties. Two-bedroom homes were within reach for accompanied E1 through E5 personnel in Pierce County, but not Thurston County.

Figure 40. Comparison of Enlisted With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Detached Single-Family Homes, July 2023

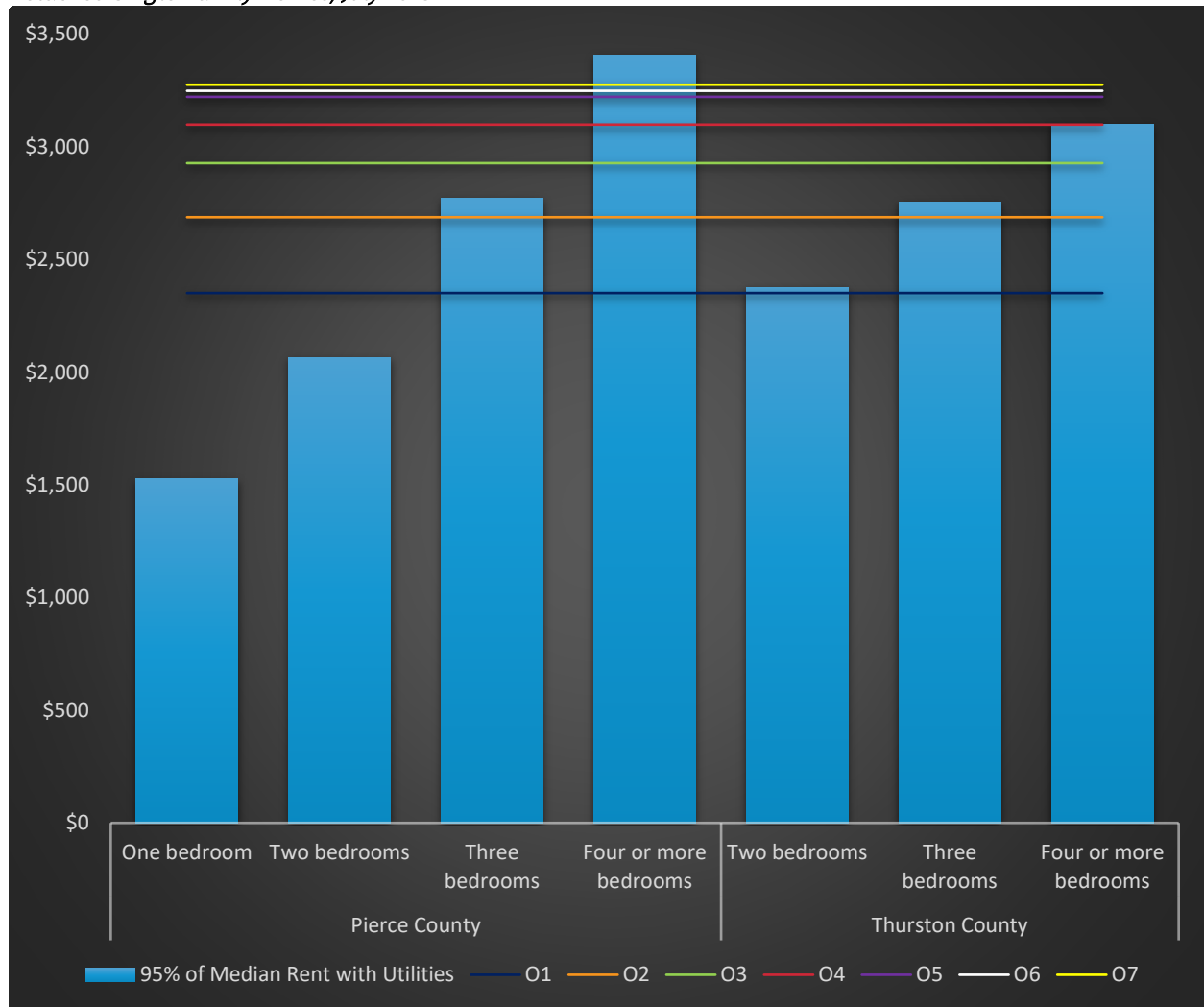


**Source:** Apartments.com; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; CoStar; Matrix Design Group, Inc.

**Note:** Median rents were unavailable for efficiency single-family homes in Pierce County and one-bedroom single-family homes in Thurston County because no such homes were on the rental market. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

How affordable were detached single-family rentals for officers? According to Figure 41, all with-dependent BAH rates exceeded median rent for two-bedroom homes in both counties. **The median three-bedroom home, however, required a minimum allowance of \$2,774 in Pierce County and \$2,756 in Thurston County—thresholds exceeded only by accompanied O3-and-above personnel.** In Thurston County, only the more senior officers (O5 and above), whose with-dependent BAH rates started at \$3,222, were able to afford the typical home with four or more bedrooms, while adjusted median rent and utilities for a comparable home in Pierce County (\$3,408) exceeded the maximum officer BAH rate.

Figure 41. Comparison of Officer With-Dependent BAH Rates to Adjusted Median Asking Rent with Utilities for Detached Single-Family Homes, July 2023



**Source:** Apartments.com; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

**Note:** The bars represent the share of rental and utility costs (95%) that BAH is intended to cover. For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing.

## Buying Power of Basic Allowance for Housing in the For-Sale Market

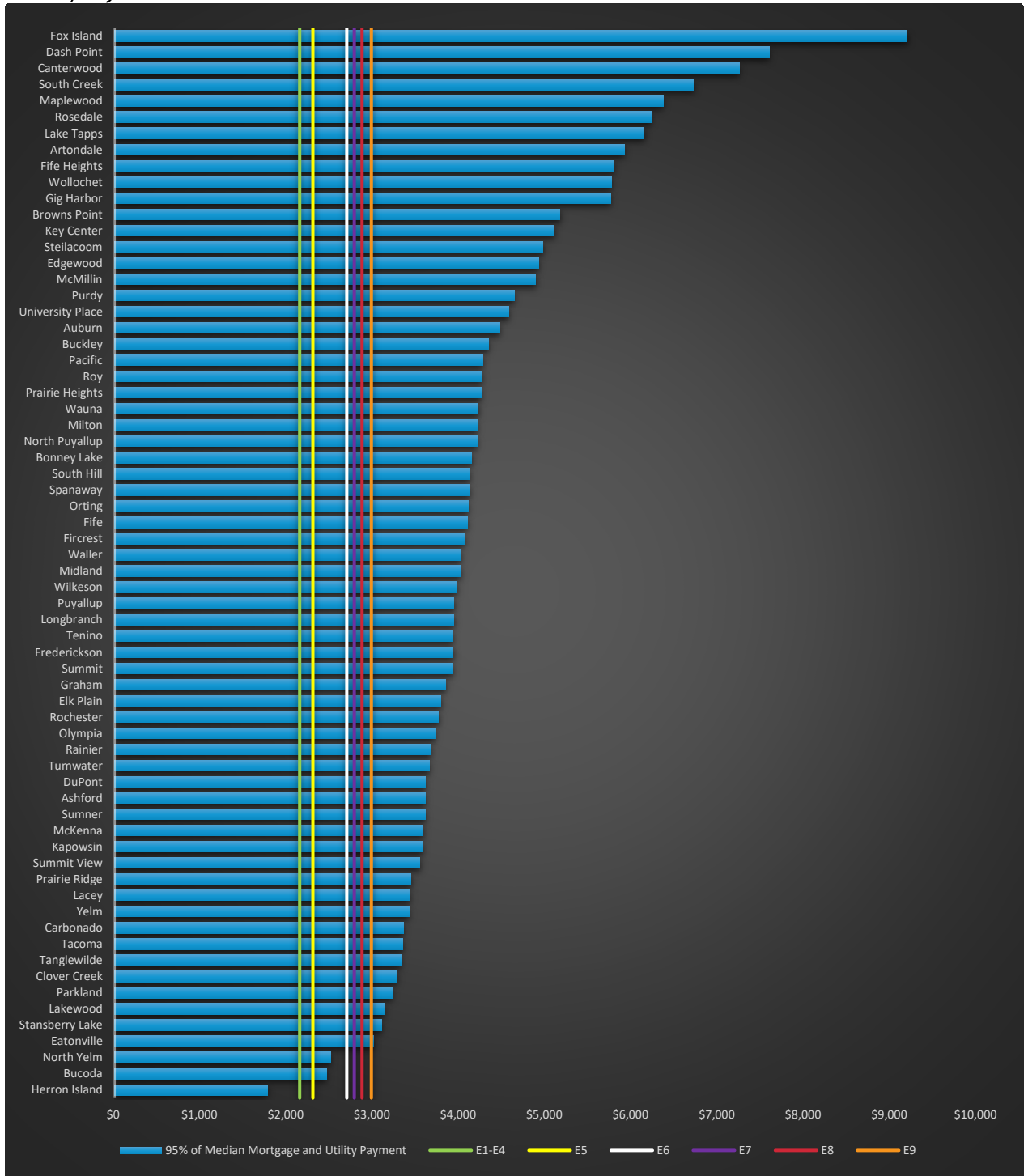
To what extent does BAH cover monthly homeownership costs throughout Pierce and Thurston Counties? As a first step in addressing this question, we estimated the median mortgage and utility costs for a home sold in May 2023 by place.<sup>2</sup> For the calculations, we assumed no down payment (as is allowable under a VA loan), a 7% interest rate, and a 30-year loan term. Figure 42 compares adjusted monthly mortgage and utility costs by place to BAH rates for selected ranks. Only one community (Herron Island) posted a median mortgage and utility payment below E5 with-dependent BAH. Given its location and low inventory, however, it does not represent a viable option for service members. In addition to Herron Island, North Yelm and Bucoda were affordable to accompanied E6-and-above personnel, but these communities each only had one home for sale in May 2023. **In the remaining 63 communities, homes tended to carry mortgage and utility payments of over \$3,000, which exceeded with-dependent BAH for enlisted personnel of all ranks.**



---

<sup>2</sup> Other ownership costs—including property taxes, insurance, and HOA fees—were not included in the payment totals.

Figure 42. Comparison of With-Dependent Enlisted BAH Rates to Adjusted Median Monthly Mortgage Payment with Utilities, May 2023



Source: Redfin; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

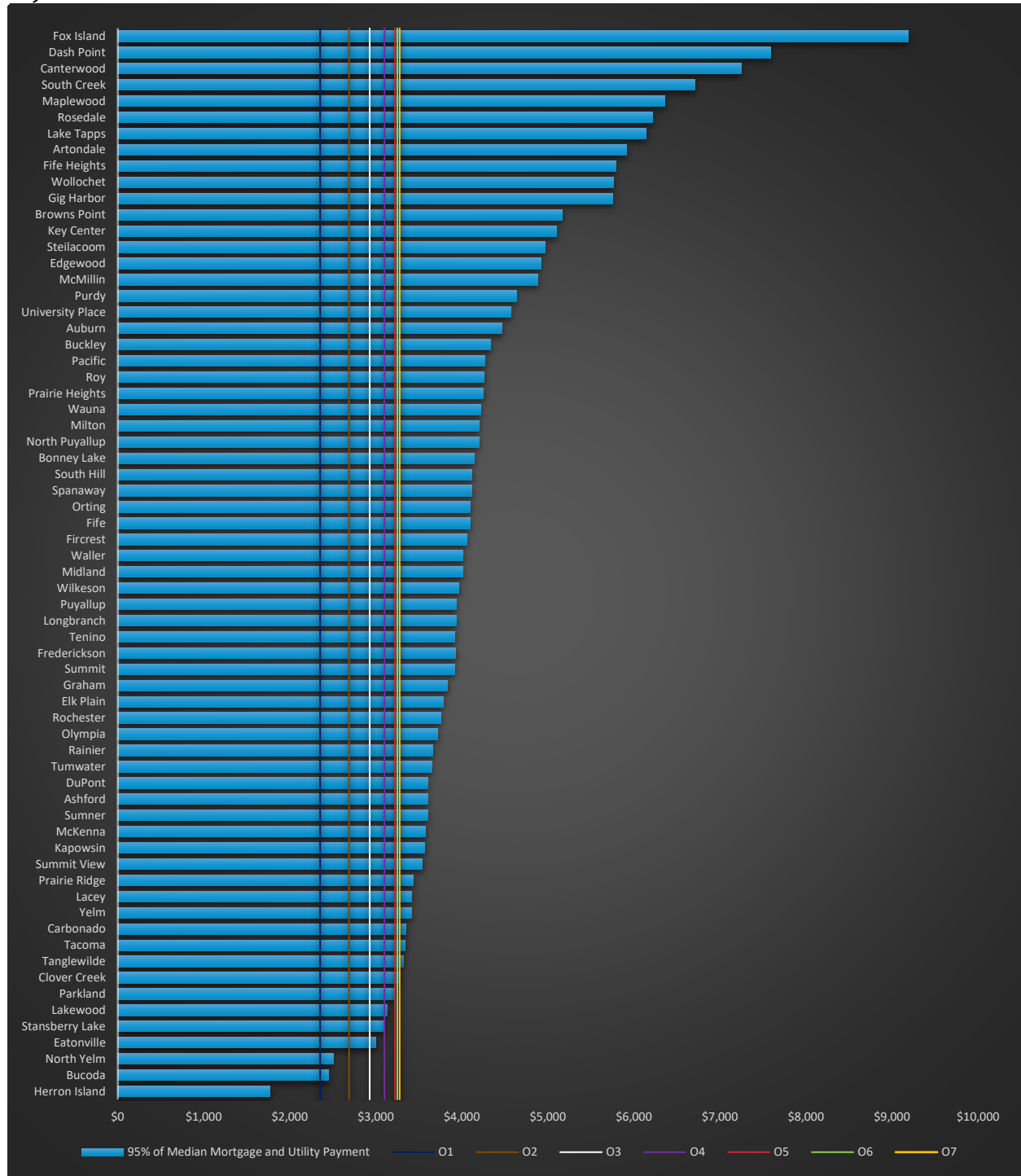
Note: The bars represent the share of rental and utility costs (95%) that BAH is intended to cover.

Figure 43 shows that the outlook for officers in today's housing market is not significantly better. **Just three communities were affordable to accompanied early-career (O1 to O3) officers (Herron Island, North Yelm, and Bucoda).** However, O3 personnel came just \$73 short of being able to afford a home in Eatonville. **For mid-to-late career officers (O4s to O7s), whose 2023 with-dependent BAH rates ranged from \$3,099 to \$3,276, Lakewood and Parkland presented the best opportunity for finding an affordable home.** Allowances of \$3,132 and \$3,217, respectively, were sufficient to afford homes in these communities.





Figure 43. Comparison of With-Dependent Officer BAH Rates to Adjusted Median Monthly Mortgage with Utilities, May 2023

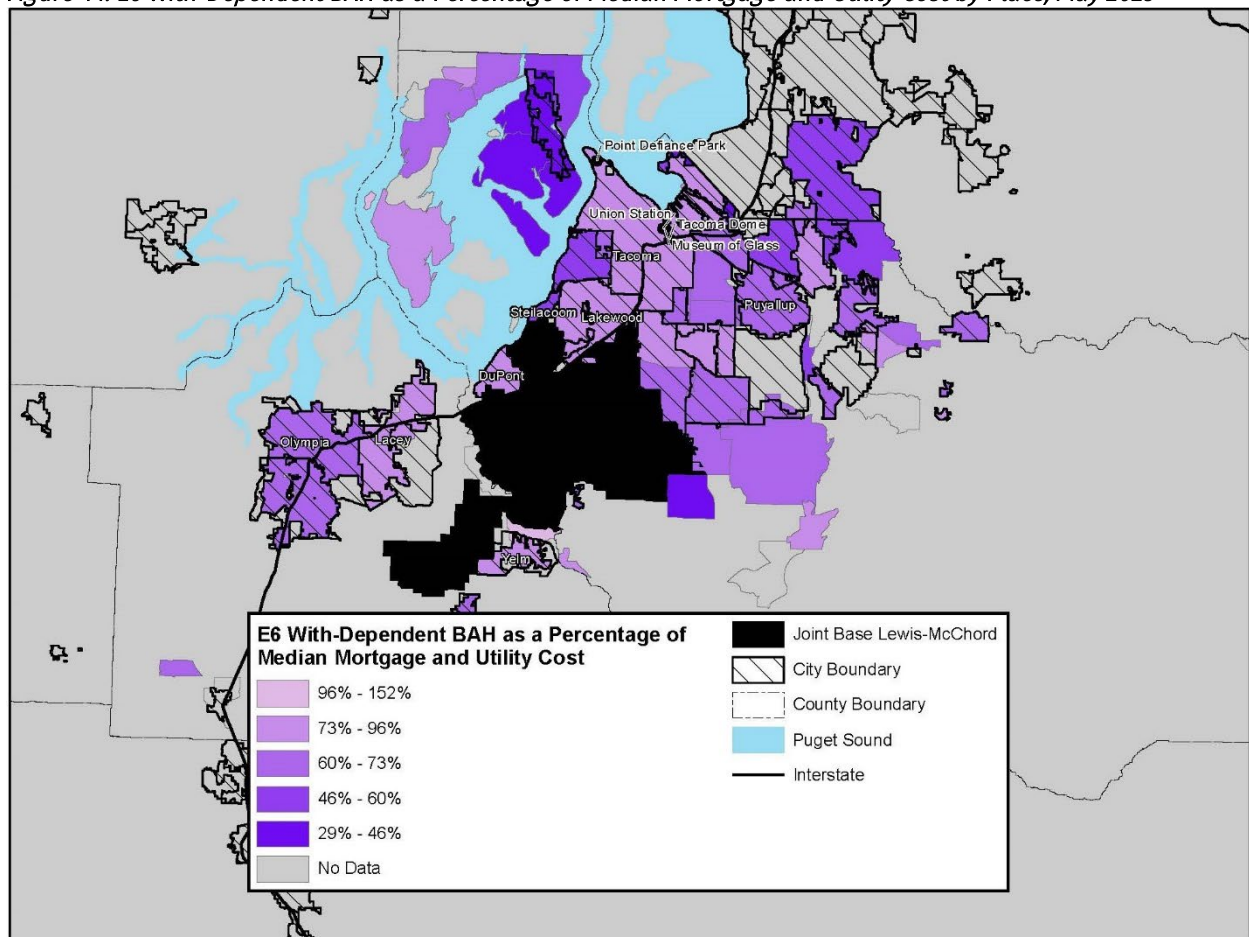


Source: CoStar; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: The bars represent the share of housing costs (95%) that BAH is intended to cover.

The percentage of total (i.e., unadjusted) mortgage and utility costs represented by E6 with-dependent BAH for the median home sold in May 2023 appears in Figure 44. In Herron Island, Bucoda, and North Yelm, BAH represented 152%, 110%, and 108% of the median mortgage and utility payments, respectively. A combined 24 homes were available in these communities in May 2023. **In the remaining 63 communities that reported home sales that month, BAH failed to cover 95% of costs.** Of those communities, Eatonville, Stansberry Lake, Lakewood, Parkland, Clover Creek had the lowest out-of-pocket costs, with BAH covering between 82% and 90% of the median mortgage and utility payments. **In DuPont, Lacey, and Tacoma—three cities with among the highest concentrations of airmen and soldiers—E6 with-dependent BAH accounted for 75%, 79%, and 81% of the median mortgage and utility payments, respectively.** In 32 communities, including Spanaway, South Hill, and University Place, BAH covered less than two-thirds of these costs. **BAH’s inadequacy in covering typical mortgage and utility costs in today’s market means the vast majority of new arrivals to JBLM are precluded from reaping the benefits of homeownership.**

Figure 44. E6 With-Dependent BAH as a Percentage of Median Mortgage and Utility Cost by Place, May 2023



Source: Redfin; Department of Defense; IPUMS 2021 five-year American Community Survey microdata; Matrix Design Group, Inc.

Note: Categories were determined using Jenks Natural Breaks Classification Method.

## Affordability Analysis II: Household Income

Housing affordability is conventionally assessed in relation to household income. **As a general rule, rental and ownership costs are said to be burdensome if they account for 30% or more of household income.** In this section, we apply this approach to service members in the JBLM region. **The most recent household income data, sourced from the 2021 ACS, indicate that the costs of most family-sized rentals would have burdened the median active-duty renter household.** Further, while existing active-duty homeowners, who generally had household incomes in excess of \$110,000, generally had little difficulty meeting their monthly housing costs, the majority of all active-duty households living off the installation were unable to afford the median home even in 2021. The results, therefore, serve to buttress those presented in the previous section, despite the different methodological approaches, data sources, and periods of analysis.

### Renter Affordability

According to the 2021 ACS, median gross rent was \$1,444 in Pierce County and \$1,373 in Thurston County. To avoid qualifying as cost burdened by median rent under the aforementioned 30% rule, a household’s annual earnings needed to equal at least \$57,760 in Pierce County and \$54,920 in Thurston County (see Table 3). **By this definition, 57% and 68% of off-base active-duty households in Pierce and Thurston Counties, respectively, earned enough to comfortably afford median rent.** While it is welcome news that median rent was affordable to most renters, it is nonetheless the case that a substantial minority of them, particularly in Pierce County, would have spent 30% or more of income on rent.

Table 3. Rental Affordability in Pierce and Thurston Counties, 2021

County	Median Rent	Minimum Income Required to Afford Median Rent	Actual Median Active-Duty Renter Household Income	Percentage of Active-Duty Renter Households Able to Afford Median Rent
Pierce	\$1,444	\$57,760	\$63,586	57%
Thurston	\$1,373	\$54,920	\$74,289	68%

Source: IPUMS 2021 five-year American Community Survey microdata; 2021 five-year American Community Survey; Matrix Design Group, Inc.

Note: Only households living off the installation are factored into active-duty household income estimates.

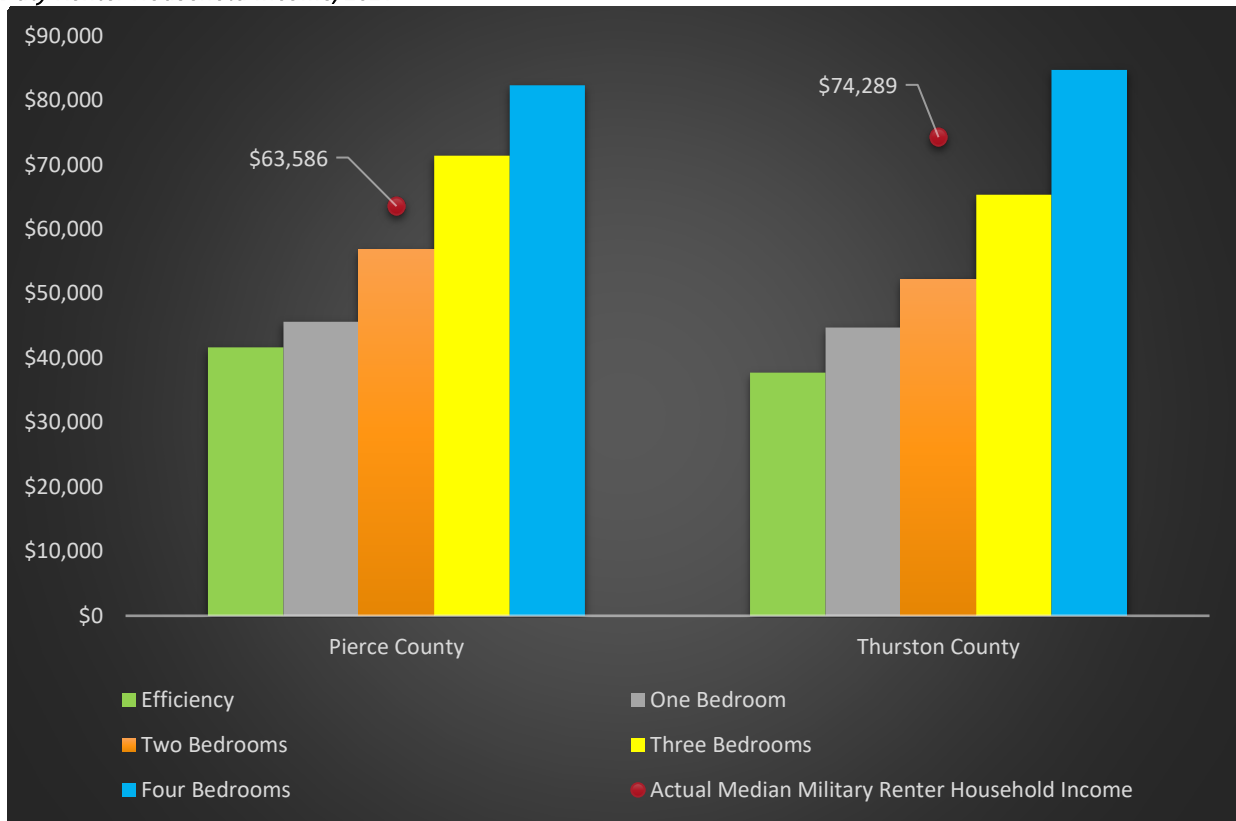
### Renter Affordability by Unit Size

What size rental unit can the typical active-duty household afford? Figure 45 sheds light on this question, comparing actual median renter household income, as represented by the green dots, to the minimum income required to afford median rent by unit size. If a bar extends above the green dot, then the associated unit is unaffordable to the typical household. In Pierce County, the median active-duty renter household, which earned \$63,586, was able to afford most units with two or fewer bedrooms. **A**

household needed to earn at least \$71,440 to afford the median three-bedroom unit, however, meaning the majority of renters living off-base would have been burdened by the associated rental costs. Four-bedroom units were even more unaffordable. The median renter household fell \$18,774 short of the income (\$82,360) required to contain the typical four-bedroom unit’s rent to less than 30% of income.

In general, Thurston County is more affordable to active-duty families. Whereas actual median renter income eclipsed the minimum income required to afford the typical two-bedroom unit in Pierce County by less than \$10,000, the gap between these two figures was \$22,049 in Thurston County. **Moreover, unlike in Pierce County, the median renter household in Thurston County, which earned \$74,289, easily met the three-bedroom minimum income requirement (\$65,360).** Four-bedroom units, however, were even more expensive than in Pierce County, requiring a minimum income of \$84,720—a threshold that exceeded the median active-duty renter household income by \$10,431.

Figure 45. Comparison of Minimum Income Required to Afford Median Rent by Unit Size to Actual Median Active-Duty Renter Household Income, 2021



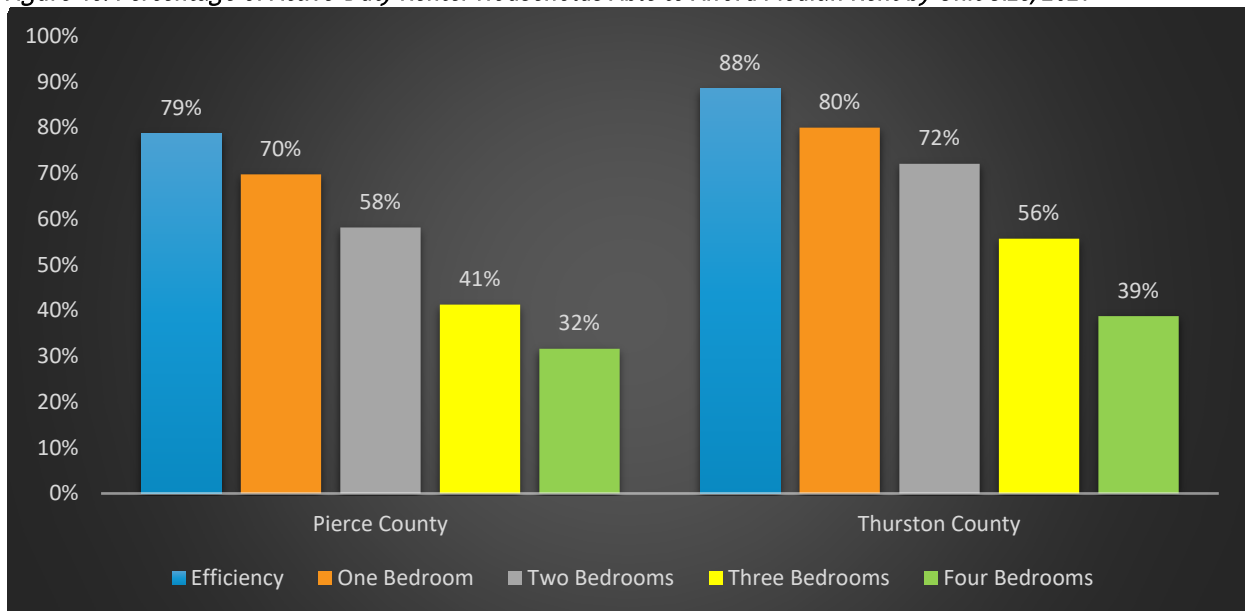
Source: IPUMS 2021 five-year American Community Survey microdata; 2021 five-year American Community Survey; Matrix Design Group, Inc.

Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing. Only households living off the installation are factored into active-duty household income estimates.

The share of active-duty renter households whose incomes met or exceeded the minimum income required to afford median rent by unit size appears in Figure 46. **For the majority of such households**

**in both Pierce and Thurston Counties, the median efficiency, one-bedroom, and two-bedroom units were affordable.** On the other hand, median three-bedroom rent was out of reach for 41% of active-duty renters in Pierce County—nine percentage points higher than the rate for median four-bedroom rent. In Thurston County, while 56% of households were able to afford the median three-bedroom unit, rent for the typical four-bedroom unit represented less than the recommended cost threshold (30% of income) for just 39% of households. **Given that three- and four-bedroom rentals are disproportionately single-family homes, these findings are consistent with the earlier observation that rents for single-family homes, in particular, have become unaffordable.**

Figure 46. Percentage of Active-Duty Renter Households Able to Afford Median Rent by Unit Size, 2021



Source: IPUMS 2021 five-year American Community Survey microdata; 2021 five-year American Community Survey; Matrix Design Group, Inc.

Note: For the purposes of calculating BAH, efficiency units are considered unsuitable or inadequate housing. Only households living off the installation are factored into active-duty household income estimates.

## Existing Homeowner Affordability

Table 4 offers insight into the affordability of median ownership costs for active-duty households in Pierce and Thurston Counties. As of 2021, the median homeowner in Pierce County with a mortgage paid \$2,041 in total monthly housing costs. Note that this total includes not only the mortgage but also utilities, fuels, insurance, property taxes, and similar costs. A minimum income of \$81,640 was required to limit median ownership costs to less than 30% of income. **The median active-duty owner household income of \$118,690 was significantly more than this sum.** Accordingly, a large majority of such households (73%) would have been able to adhere to affordability guidelines. However, it is important to recognize that these findings apply to *existing* homeowners, who do not represent a random sample of the population. Rather, higher-income households tend to select into homeownership, implying that among all active-duty households, the share who would have been able to afford median ownership costs

was substantially lower. Further, many of these homeowners purchased their homes at a time when prices and interest rates were low by historical standards.

**In Thurston County, homeownership is generally more attainable.** There, the median mortgagor household paid \$1,905 in monthly housing costs. The median active-duty owner household earned \$110,526—\$34,326 more than the minimum income required to comfortably afford those costs. **Overall, 73% of owner households would have fallen below the 30% income-to-housing cost ratio.** Despite earning over \$8,000 less than his or her counterpart in Pierce County, then, the typical Thurston County active-duty homeowner was in a similarly secure position due to the latter county’s lower home prices.

*Table 4. Existing Owner Affordability in Pierce and Thurston Counties, 2021*

County	Median Ownership Costs with Mortgage	Minimum Income Required to Afford Median Ownership Costs with Mortgage	Actual Median Active-Duty Owner Household Income	Percentage of Active-Duty Owner Households Able to Afford Median Ownership Costs with Mortgage
Pierce	\$2,041	\$81,640	\$118,690	73%
Thurston	\$1,905	\$76,200	\$110,526	73%

**Source:** IPUMS 2021 five-year American Community Survey microdata; 2021 five-year American Community Survey; Matrix Design Group, Inc.

**Note:** Only households living off the installation are factored into active-duty household income estimates.

## New Homeowner Affordability

Given the drastic increase in home prices in recent years, it is imperative to also analyze affordability for new homeowners specifically (see Table 5). In December 2021, the median home in Pierce County sold for \$516,000. Assuming a 3.5% interest rate and no downpayment (as is allowable under a VA loan), this home would carry a monthly mortgage of \$2,317. A household earning less than \$92,680 would find its budget strained by this cost. **Just 37% of all active-duty households reached this income threshold, implying that even before the unprecedented rise in home prices and interest rates in 2022 and 2023, homeownership had become unfeasible for the vast majority of service members.**

In Thurston County, the median home sale price in December 2021 was \$482,000. Under the terms of a typical VA loan issued at the time, one could expect to pay a monthly mortgage of \$2,164 for such a home. The median active-duty household earned \$4,714 more than the minimum annual sum required to avoid meeting or exceeding the aforementioned 30% affordability threshold. More than half of households (52%), then, could afford the typical home. **The greater affordability of homes in Thurston County explains why it has consistently enjoyed a higher active-duty ownership rate than Pierce County.**

These findings are subject to multiple limitations. First, although more recent household income data are unavailable, it is safe to assume that incomes have risen since 2021 due to increases in base pay, BAH, and BAS. Second, home sale prices and mortgage rates have likewise increased considerably. **As of May 2023, the median home sale price was \$545,000 in Pierce County and \$503,000 in Thurston County, and due to efforts by the Federal Reserve to reduce inflationary pressures, the typical interest rate for a 30-year term hovered between six and seven percent.** It is exceedingly unlikely that these increased homeownership costs have been negated by increases in income, although we cannot say so with complete confidence in the absence of newer household income data. Third, as mentioned previously, there are additional costs associated with homeownership beyond the mortgage payment, including



property taxes, insurance, and HOA fees. Fourth, although VA loans do not typically require borrowers to make a down payment, many opt to do so in order to build equity faster, increase their competitiveness in the market, and reduce the amount financed.

*Table 5. Affordability of the Median Home Purchased in December 2021*

County	Median Home Sale Price (December 2021)	Monthly Mortgage Payment (30-year term)	Mortgage Rate	Minimum Income Required to Afford Median Home	Actual Median Active-Duty Household Income	Percentage of Active-Duty Households Able to Afford Median Home
Pierce	\$516,000	\$2,317	3.5%	\$92,680	\$73,747	37%
Thurston	\$482,000	\$2,164	3.5%	\$86,560	\$91,274	52%

**Source:** Redfin; IPUMS 2021 five-year American Community Survey microdata; 2021 five-year American Community Survey; Matrix Design Group, Inc.

**Note:** Only households living off the installation are factored into active-duty household income estimates.

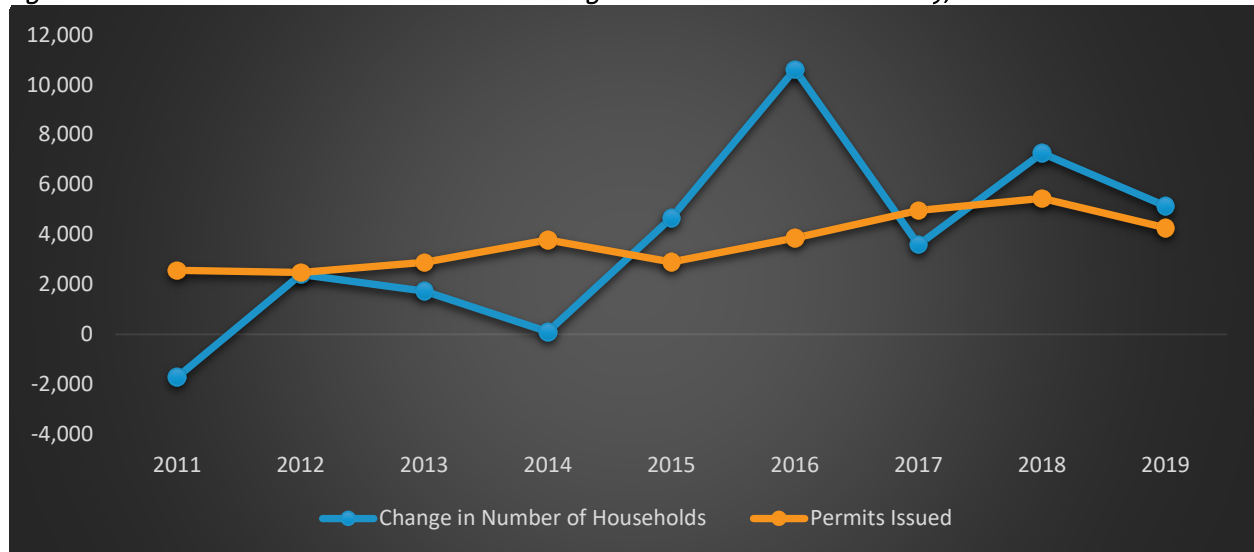
## Off-Base Housing Gap Analysis

It is well documented that the JBLM region faces a housing shortage. According to the 2020 SSMCP Housing Study, the deficit totaled 8,585 units in 2019. Rather than simply replicate and update this analysis, we build on the prior study by measuring the shortage as it applies to military families specifically. **The results show that demand for two-or-more bedroom rentals among active-duty families far exceeds the supply available to them, in part because population growth has outpaced new construction since 2011.** The consequences of the JBLM region’s housing shortages are far reaching, impacting not only service members’ quality of life but also military readiness.

### Trends in Household Formation and Permitting

Taken together, Figures 47 and 48 document whether and to what extent households have formed at a faster rate than permits for new housing units have been issued, or vice versa, in Pierce County. In every year except one (2011), Pierce County added households. Between 2012 and 2014, 4,228 households formed. Over the same period, the county issued 9,148 permits for new housing units, meaning there were 2.16 permits for every new household. Beginning in 2015, however, the landscape shifted dramatically. That year, the county added 4,668 households while issuing only 2,897 permits. **In every subsequent year except 2017, household formation outpaced the issuance of permits.** The gap was largest in 2016, when the county added 10,615 households while issuing a mere 3,865 permits. Due to the COVID-19 pandemic’s impact on the administration of the ACS, estimates of household formation are unavailable for 2020. For this reason, Figure 48 compares household formation to permit activity from 2019 to 2021. Over that period, household formation exceeded the number of permits issued by 3,017. **In total, from 2011 to 2021, Pierce County added 47,792 households while approving 44,159 new housing units.** That construction has not kept pace with population growth is a contributing factor to the affordability challenges facing the county.

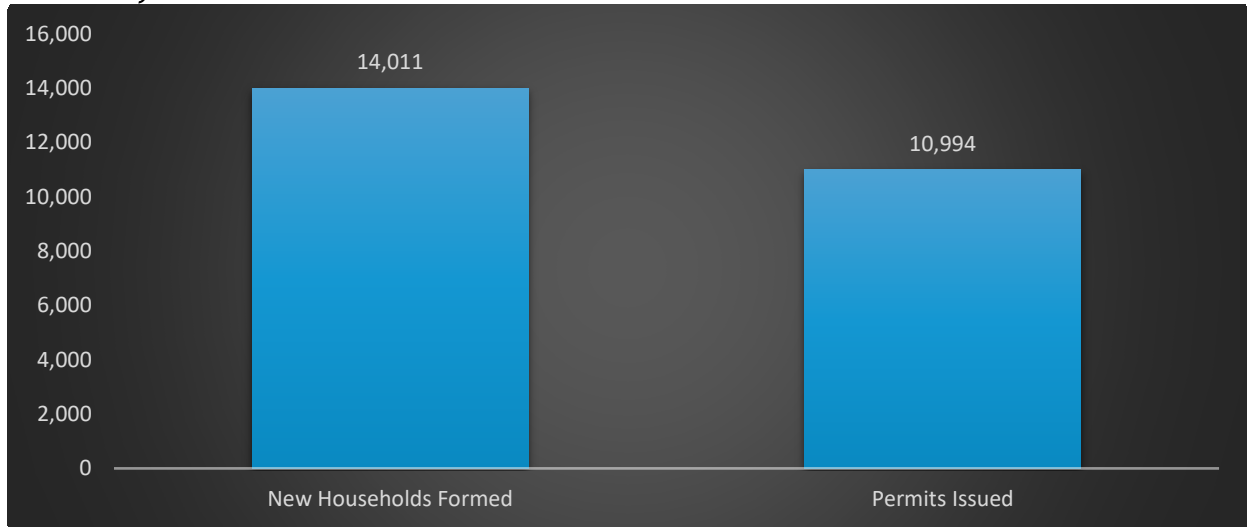
Figure 47. Trends in Household Formation and Housing Permits Issued in Pierce County, 2011-2019



Source: Department of Housing and Urban Development SOCDS Building Permits Database; 2011-2019 one-year American Community Survey; Matrix Design Group, Inc.



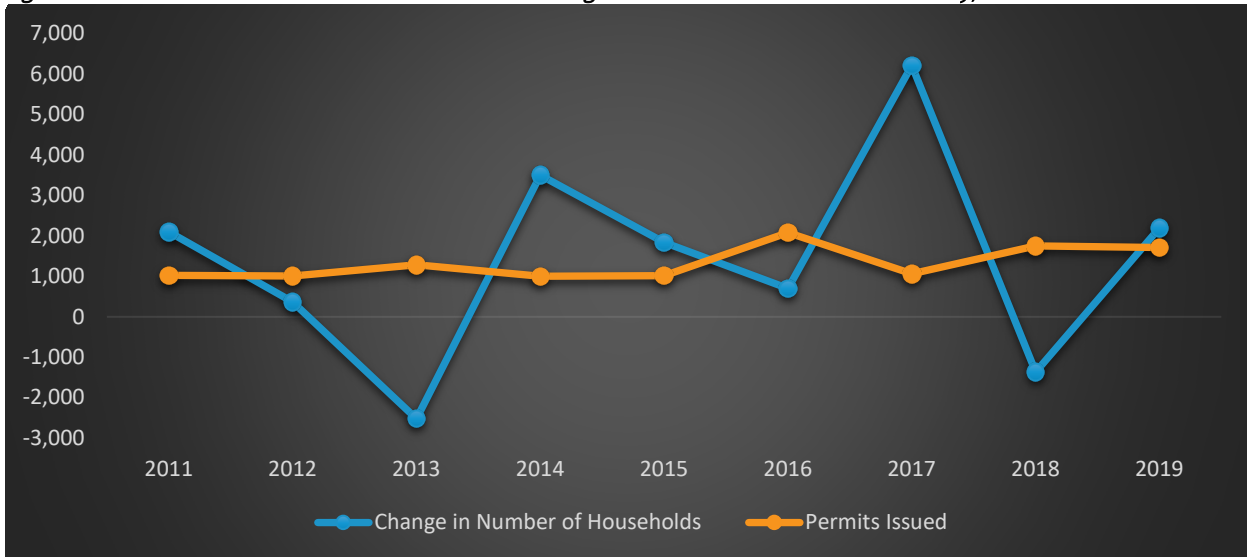
Figure 48. Comparison of Number of Households Formed to Housing Permits Issued Between 2019 and 2021 in Pierce County



Source: Department of Housing and Urban Development SOCDS Building Permits Database; 2019-2021 one-year American Community Survey; Matrix Design Group, Inc.

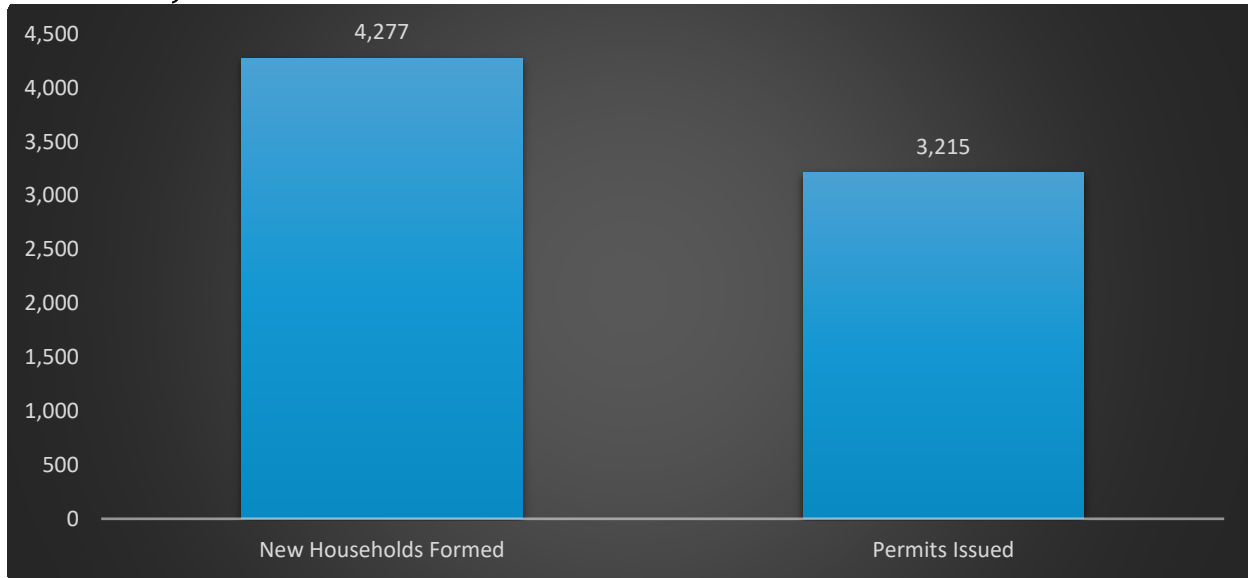
To what extent has Thurston County added housing units to accommodate its growing population? This question is addressed in Figures 49 and 50. From 2011 to 2015, the county consistently issued around 1,000 new permits annually. During these five years, an average of 1,058 households were formed annually, indicating that supply and demand were near equilibrium. However, despite adding 12,027 households since 2017, the county has issued permits for just 9,826 units during this time. **Overall, then, from 2011 to 2021, the county issued 0.88 permits for each new household.**

Figure 49. Trends in Household Formation and Housing Permits Issued in Thurston County, 2011-2019



Source: Department of Housing and Urban Development SOCDS Building Permits Database; 2011-2019 one-year American Community Survey; Matrix Design Group, Inc.

Figure 50. Comparison of Number of Households Formed to Housing Permits Issued Between 2019 and 2021 in Thurston County



Source: Department of Housing and Urban Development SOCDS Building Permits Database; 2011-2019 one-year American Community Survey; Matrix Design Group, Inc.

## Gaps in the Active-Duty Military's Share of the Off-Base Rental Inventory by Unit Size

Table 6 provides estimates of the housing shortage by unit size as it applies to active-duty military families specifically. To perform this analysis, we first determined the number of rental units available to this demographic using data on the entire inventory. These estimates directly reflect the percentage of the employed population who identified as active-duty military (3.3% in Pierce County and 2.9% in Thurston County), as measured by the ACS. Next, leveraging DEERS data on family size, we inferred the number of units in demand among active-duty military. We assumed that the average family requires one fewer bedroom than the number of family members. Similar to the JBLM HMA, we excluded for-sale housing and on-base housing from the analysis. The difference between the active-duty military's share of the rental stock and the number of active-duty families in need of each unit type is referred to as the *housing gap*.

Due to data limitations, our analysis is restricted to units with at least two bedrooms. **In total, the military's share of the two-or-more bedroom rental inventory in Pierce and Thurston Counties amounted to 3,756 units in 2022. A majority of those rentals (2,173) had two bedrooms. In contrast, 6,073 active-duty families required units with at least two bedrooms, resulting in a total deficit of 2,317 units.** The most significant shortage existed for two-bedroom rentals. More than 3,000 active-duty families consisted of three persons, yet only 2,173 two-bedroom units were available in the community. Deficits of three- and four-bedroom rentals were also high, at 498 and 410 units, respectively. Five-or-more bedroom units were in undersupply as well, although the shortage was considerably smaller, at 166 units.

Table 6. Off-Base Rental Unit Shortages in Pierce and Thurston Counties, 2022

Unit Size	Units Available to Active-Duty Families	Units in Demand among Active-Duty Families	Housing Gap
Two bedrooms	2,173	3,416	(1,243)
Three bedrooms	1,185	1,683	(498)
Four bedrooms	251	661	(410)
Five or more bedrooms	147	313	(166)
<b>Total</b>	<b>3,756</b>	<b>6,073</b>	<b>(2,317)</b>

Source: DEERS; 2022 One-Year American Community Survey

Note: Analysis assumes all active duty require off-base rental housing.

## Implications for Military Readiness

Housing shortages and their resulting upward price pressures have the potential to undermine military readiness. An abundance of research finds that unaffordable housing costs and housing instability can negatively impact one’s mental health.<sup>3</sup> There is reason to believe that extended stays in temporary lodging, which have become increasingly common in the JBLM region as a result of its housing shortfall, can have similar adverse effects. **The emotional toll stemming from financial struggles manifests in psychosocial stress, depression, and anxiety.** Among service members, mental health challenges can lead to reduced performance, productivity, and unit cohesion; absenteeism; and an increased injury risk, among other physical conditions.<sup>4</sup> Accordingly, the more prevalent psychological disorders are in the military, the less prepared personnel will be for combat.

In order to locate suitable housing, service members stationed at JBLM may find that they are forced to live far from the installation. **This is concerning given that long commutes have negative ramifications for military readiness.** There are several key risks. The first risk is the inability of military personnel to timely respond to safety and readiness events. JBLM regularly administers deployment readiness exercises that test the ability of units to mobilize quickly in the event of a national emergency. Longer distance commutes may hamper unit response time for these readiness exercises. The second risk is a lack of access to the base. The primary access route to JBLM is I5. Longer commutes increase

<sup>3</sup> See, for example, a study that recently appeared in the *Social Psychiatry and Epidemiology* entitled [“Trajectories of Housing Affordability and Mental Health Problems: A Population-Based Cohort Study.”](#)

<sup>4</sup> A 2021 *Military Medicine* study, [“Associations Between Mental and Physical Health Conditions and Occupational Impairments in the U.S. Military.”](#) examines the reciprocal relationship between service members’ mental and physical health.

the risk that service members will be unable to access the base at all. This risk is best exemplified by the 2017 Amtrak derailment that temporarily cut off access to the installation for all personnel south of DuPont, WA. Particularly during inclement weather, travel is also more dangerous for those required to drive long distances. In addition, service members with long morning commutes may be more likely to sacrifice sleep in an effort to reach the installation on time. There exists a strong scientific consensus that sleep deprivation has far-reaching negative effects on mental and physical health, performance, and productivity, all of which are strongly related to military readiness.



## Privatized On-Base Housing Overview

Privatized on-base housing is an especially attractive option for accompanied personnel who cannot locate suitable housing in the community. As witnessed at JBLM in 2021 and 2022, demand for on-base housing rises during times of rapidly escalating housing costs in the community. On the other hand, it falls when there is a surplus of attainable housing (particularly for purchase) off the installation. Table 7 provides a breakdown of the privatized on-base housing inventory at JBLM. 4,124 of the 5,159 homes are reserved for enlisted personnel ranked E1 to E6. **Seventy-two percent of those homes have three bedrooms.** Two- and four-bedroom homes make up virtually all the remaining units. An additional 562 homes are intended for E7 through E9 personnel, 323 of which have three bedrooms. The E7 through E9 inventory has proportionally more four-bedroom homes than the E1 through E6 inventory, while the inverse is true for two-bedroom homes.

Just 473 homes are reserved for officers. **Of the 301 homes occupied by O1 to O3 personnel, 272 have two or three bedrooms.** In contrast, a large majority of O4 through O6 homes (75%) have four bedrooms. A mere five homes are reserved for O7 officers, all of which have a minimum of four bedrooms.

**Significantly, DoD has authorized the construction of 212 new on-base units.** As of February 2023, the project is estimated to cost \$130 million and has a completion date of 2027. The breakdown of the new units in terms of rank and number of bedrooms has yet to be determined.

*Table 7. Privatized Housing Inventory at Joint Base-Lewis McChord, July 2023*

Rank	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms	Total
<b>E1-E6</b>	657	2,978	483	6	<b>4,124</b>
<b>E7-E9</b>	18	323	221	0	<b>562</b>
<b>O1-O3</b>	22	221	51	7	<b>301</b>
<b>O4-O6</b>	0	36	126	5	<b>167</b>
<b>O7</b>	0	0	2	3	<b>5</b>
<b>Total</b>	<b>697</b>	<b>3,558</b>	<b>883</b>	<b>21</b>	<b>5,159</b>

Source: Liberty Military Housing

Details on the privatized on-base housing waitlist are presented in Table 8. As of July 2023, the waitlist consisted of 616 households. **Of those households, 144 were available immediately to move into a home, evincing a strong preference for on-base housing over their current living arrangements.** Relatedly, 22 households had signed month-to-month leases, possibly so they would have the ability to transition to on-base housing on short notice in the event of a vacancy. An additional 101 households had signed long-term leases. The remaining 349 households were on the waitlist for various miscellaneous reasons. **In sum, the fact that so many households seem willing to move into on-base housing on short or no notice suggests JBLM has a substantial on-base housing shortfall.**

Table 8. Joint Base Lewis-McChord Privatized Housing Waitlist, July 2023

Status	Number of Households
Admin Hold	30
Available ASAP to Accept a Home	144
Deferred – Future JBLM Assignment – Not Yet Stationed at JBLM	170
Deployment Hold	13
Interpost Transfer within JBLM	21
Lease Hold – Housed Off Base in an Active Lease	101
Month-to-Month Lease Off Base	22
Other – Choosing to Wait for Home of Choice w/ a Long Wait Time	115
<b>Total</b>	<b>616</b>

Source: Liberty Military Housing

Table 9 lists the years that the various privatized homes at JBLM were built. The oldest homes (Broadmoor quarters one through five) date back to 1929, while the newest homes (Stoney Oak) were constructed in 2015. Three other homes were built in the 2010s: Cascade Village, Wescott Hills, and Meriwether Landing. New units have been added to the inventory in every decade except the 1970s.

Table 9. Age of Privatized Homes at JBLM

Name	Year Constructed
The Bricks (Historic)	1939
Cascade Village	2010
Olympic Grove	1998
Stoney Oak	2013-2015
Wescott Hills	2010
Wescott Hills – 6201-6203 Grand Fir Dr	2010
Carter Lake	1958-1966
Heartwood	1958

Heartwood (Demo)	1958
Sound Barrier (Demo)	1958
Eagle View	1997-2001
Meriwether Landing	2012-2013
Beechwood North (BWII)	2002
Beechwood South	1959 & 2003
Madigan	1961
New Hillside South	1960
New Hillside North	1960
Evergreen	1984 & 1995
Discovery Village	2006
Hillside	1956-1957
Parkway	1951
Towncenter	2009
Davis Hill	1960-1962
Greenwood I (Historic)	1931-1934 & 1939
Greenwood II (Non-Historic)	1958
Broadmoor (Historic)	1931-1948
Broadmoor – Quarters 1-5	1929
Broadmoor – 2301-2305	1931-1948
Broadmoor II (Non-Historic)	1959-1963
Clarkdale	1956 & 1960

Source: Liberty Military Housing

***The fact that so many households seem willing to move into on-base housing on short or no short notice suggests JBLM has a substantial on-base housing shortfall.***

## Synopsis of Stakeholder Engagement

Following a kick-off meeting with installation leadership, the Matrix Team conducted a series of interviews with land use planners and municipal staff in Pierce and Thurston Counties. The interviews complemented our quantitative analyses by further assessing housing accessibility challenges and the role of the service member population in the region.<sup>5</sup> The Matrix Team was able to complete interviews with representatives of the following organizations:

- City of Yelm
- City of Steilacoom
- Thurston County
- Thurston County Chamber of Commerce
- City of Lacey
- Thurston Regional Planning Council
- City of Puyallup
- City of Lakewood

According to American Community Survey data, between 2010 and 2022, the active-duty population increased from 21,577 to 31,651—a 47% increase that dwarfs the growth rate for the population as a whole. **Yet a majority of stakeholders were unaware of the significant growth in the service member population that has occurred in recent years.** One stakeholder expressed a desire to be notified by JBLM about imminent changes in the service member population. **Matrix further learned that many communities' Housing Action Plans do not explicitly acknowledge the unique housing needs of the military population.** Perhaps these dynamics will change as the South Puget Sound becomes even more defense-oriented in the coming years.

There was widespread acknowledgement that the region has been severely impacted by housing affordability, supply, and accessibility challenges. **A major contributing factor to the crisis is that population growth has, in some cases, far exceeded projections.** The City of Lacey, for example, noted that it has already reached its projected 2045 population of 59,180 despite having only 80% of the housing units needed to support a population of that size. Stakeholders shared insightful anecdotes about the experiences of military families. In Yelm, active-duty military reportedly represent a significant share of buyers in search of low or moderately priced homes. Another stakeholder noted that there is intense competition for reasonably priced housing in the immediate vicinity of JBLM due to the civilian population's desire to live near I5 and major transportation corridors.

---

<sup>5</sup> All interviewees were asked the following six questions:

1. Do you believe the military population in your community has increased or decreased? How are you tracking that change?
2. What has the city/county done in the last several years to address housing affordability/availability challenges?
3. Is this approach working?
4. Are you aware of the Rental Partnership Program?
5. What assistance can JBLM or the SSMCP provide to improve the housing challenges in your community?
6. Is there anything else you could share about these issues?



Encouragingly, state and local officials have been working to ameliorate the region’s housing challenges. Nearly three years before accessory dwelling units (ADUs) were essentially legalized statewide, Thurston County had updated its zoning code to permit them. The Thurston Board of County Commissioners also recently approved a 0.1% county-wide sales tax, the revenues of which are earmarked for affordable housing development.<sup>6</sup> The program is projected to generate \$6 million annually and will help the county realize the goals of the 2021 amendment to the Growth Management Act, which requires counties to consider income levels in their plans for new housing. Thurston’s new affordable housing fund is part of a broader effort by local governments to place increased emphasis on multi-family residential developments. **For example, the City of Lakewood has completed subarea plans within the past four years that allow high-density residential development at Town Center and within the Lakewood Station District, which is served by Sounder Commuter Rail.** 200 units in the pipeline are set to take advantage of the Multi-Family Housing Tax Exemption, designed to incentivize the development of affordable housing. Finally, local governments see an increased need to prioritize housing, as exemplified by the City of Lacey’s recent creation of a Housing Coordinator position.

Stakeholders were asked specifically whether they were aware of JBLM’s Rental Partnership Program (RPP), designed to encourage properties to rent to service members. In exchange for providing service members with a five percent or more discount on rent and waiving their security deposits and credit check fees, properties receive free advertising from the installation. Further, by leasing to tenants who pay by military allotment, they lower their risk of losing rental income or receiving late payments. **Concerningly, six of the seven interviewees had no knowledge of the program, although they were interested in learning about it.** Considering that the interviewees are considerably more knowledgeable about housing issues than the general population, this finding suggests a lack of awareness about the RPP could be limiting its reach.

A common narrative that emerged was that JBLM and SSMCP have a critical role to play in improving housing conditions. **A representative of the City of Yelm argued that they should focus on urging the city to complete its major transportation projects, which have repeatedly been delayed.** This is because resident opposition to new housing development has primarily been driven by its perceived potential traffic impacts. Other interviewees requested that the installation actively contribute to the comprehensive plan update process. Multiple stakeholders expressed a desire for more open lines of communication, particularly for data-sharing purposes.

*Thurston’s new affordable housing fund is part of a broader effort by local governments to place increased emphasis on multi-family residential developments.*

<sup>6</sup> Olympia and Tenino have enacted similar taxes and are therefore exempt from the county-wide tax.

## Comparison of 2020 SSMCP Housing Study and 2020 Army HMA

The divergent results of two 2020 studies of the JBLM housing market are a key concern of the SSMCP. The first study, the 2020 Army Housing Market Analysis (HMA), was conducted by Robert D. Niehaus, Inc. (RDN). RDN is the DoD's prime contractor for the data collection required to update the BAH rates for military housing areas worldwide. The *JBLM Off-Installation Housing Study*, also known as the 2020 SSMCP Housing Study, was conducted by AHBL, Inc. and ECONorthwest. As its name implies, this second study is community focused, estimating total current and future housing needs in the region surrounding the installation.

The dichotomy between the two studies is encapsulated below:

*The Army HRMA found a decreasing need for military family housing, from 3,021 in 2020 to only 245 in 2025. Conversely, the SSMCP Housing Study found population is projected to grow significantly in the JBLM Study Area between 2020 and 2040. Approximately 113,000 new off-base housing units are needed in the JBLM Area to accommodate projected future growth by 2040. This illustrates an increasing rather than decreasing housing need.*

Despite making every effort do so, the Matrix Team has been unable to obtain a copy of the 2020 Army HMA from the JBLM garrison command and RDN due to confidentiality requirements. Fortunately, however, the Matrix Team has retained copies of other RDN HMAs for a variety of other military communities. These similar studies have provided valuable insight into the data and methodological approach that RDN employs to estimate on-base housing need.

The quantitative data underpinning the 2020 Army HMA and 2020 SSMCP Housing Study are largely the same. Both studies utilize the most recent ACS data to inform their analyses. The ACS is an ongoing project that provides comprehensive household, housing unit, and demographic data. In addition, both studies utilize multiple listing service (MLS) databases such as Redfin, Trulia, and Zillow to track real estate sales and transaction trends over time and collect monthly median real estate pricing data in aggregate.

The 2020 Army HMA assesses the availability of suitable and affordable housing for both accompanied and unaccompanied personnel stationed at JBLM. RDN's first step was to define the military housing area (MHA) for JBLM. The MHA's boundaries are located within a one-hour commute of JBLM during peak traffic times. RDN then quantified the housing stock in the MHA. Their totals exclude all housing units that do not meet DoD's requirements for safe and acceptable housing, including efficiency, or studio, apartments; mobile homes; exorbitantly priced homes; and housing located in high-crime neighborhoods.

The MHA's filtered housing stock was then combined with current and projected housing construction in the region to determine the total adequate housing. This figure was measured against the current and projected numbers of servicemembers needing housing. **Notably, the level of projected military housing demand was estimated under a hypothetical scenario in which on-base housing is**

**reduced to zero.** The difference between the projected number of servicemembers and the military’s share of the total adequate housing stock is referred to as the *community housing shortfall*.

Consistent with the 2020 SSMCP Housing Study, the 2020 HMA acknowledges that the service member population is likely to increase over the next several fiscal years. **However, its projections of housing construction are sufficient to offset this anticipated population growth.** This explains why the need for additional on-base housing is estimated to decrease sharply through 2025, to a mere 245 units.

By contrast, the 2020 SSMCP Housing Study determined the current overall (i.e., civilian and military) community housing shortfall in a study area with 20-minute drive-time boundaries to the installation. **The shortage, estimated at 8,585 housing units, is equal to the number of units needed to reach the “target ratio” of 1.06 housing units per household.** Based on the 2019 Puget Sound regional average of housing units to households, this ratio supposedly accounts for both the housing market’s need to consistently have sufficient inventory and the fact that a non-negligible share of units will be unavailable due to being second or vacation homes or substandard. Additionally, the authors determined that in order to accommodate projected population growth through 2040, the study area required an additional 104,127 housing units. **Unlike the 2020 HMA, this study does not factor in projected construction. In short, the studies employ vastly different methodological approaches to address related, but distinct, questions.**

**An out-of-cycle HMA is projecting a four-fold increase in the future housing deficit over previous estimates.**

Recent developments indicate that the 2020 HMA is unlikely to significantly influence the future of on-base housing at JBLM. As previously mentioned, 212 new homes are set to be added to a Lewis North community in 2027 despite the projected diminishing need for on-base housing. Additionally, an out-of-cycle HMA to reassess JBLM’s housing needs is currently underway. **At the time of this writing, it is projecting a four-fold increase in the future housing deficit over previous estimates.**



## Comprehensive Housing Strategy

The Matrix Team’s extensive research informed the development of a set of actionable, evidence-based recommendations that, if implemented, would improve existing conditions. **Most are aimed at reducing the region’s shortages of entry-level for-sale housing and family-sized rentals, both of which particularly impact service members living off the installation.** Federal, state, and local actors have a role to play in combating these shortages. Accordingly, we recommend that the SSMCP and JBLM pursue action at all three levels.

### Local-Level Recommendation I: Regulate Short-Term Rentals and Incentivize Short-to-Long-Term Rental Conversion

The emergence of platforms such as Airbnb and Vrbo has prompted the proliferation of short-term rentals (STRs). While supporters of STRs tout the tourism and resulting economic activity that they generate, critics emphasize their negative impact on the supply of housing for local residents. A [2018 study](#) by researchers at McGill University attributed the removal of as many as 13,500 units from New York City’s long-term rental supply over a four-year period to the city’s burgeoning STR market.<sup>7</sup> This ultimately led rental costs to increase by an estimated \$380 annually. [Another study](#), authored by the Economic Policy Institute, concluded that Airbnb’s deleterious impact on the long-term rental market had failed to outweigh its broader economic benefits.<sup>8</sup>

How large is the STR market in the JBLM region? **According to Table 10, in 11 of the region’s high active-duty-population communities, a combined 1,759 listings appeared on Airbnb or Vrbo in September 2023.** Over half of those listings (919) were for STRs in Tacoma. Olympia had the second-most listings, at 378, followed by Puyallup (167) and Lakewood (112). By significant margin, Olympia and Yelm had the most STRs as a share of their total housing stocks, at 15 and 14.1 per 1,000 housing units, respectively. STRs were also relatively widespread in Tacoma and Puyallup, accounting for about 10 of every 1,000 housing units in each city. **These findings suggest that STRs have served to measurably exacerbate the well-documented housing shortage facing the region.**

*A 2018 study attributed the removal of as many as 13,500 units from New York City’s long-term rental supply over a four-year period to the short-term rental market.*

<sup>7</sup> Wachsmuth, David, David Chaney, Danielle Kerrigan, Andrea Shillolo, and Robin Basalaev-Binder. “The High Cost of Short-Term Rentals in New York City.” Urban Politics and Governance Research Group at McGill University’s School of Urban Planning, 2018.

<sup>8</sup> Bivens, Josh. “The Economic Costs and Benefits of Airbnb.” Economic Policy Institute, 2019.

Table 10. Short-Term Rental Market in Selected Places, September 2023

	Active Listings	Active Listings Per 1,000 Housing Units
<b>Olympia</b>	378	15.0
<b>Yelm</b>	46	14.1
<b>Tacoma</b>	919	10.0
<b>Puyallup</b>	167	9.8
<b>DuPont</b>	21	4.8
<b>Lakewood</b>	112	4.1
<b>Spanaway</b>	31	2.6
<b>Graham</b>	23	2.1
<b>Lacey</b>	43	2.0
<b>University Place</b>	16	1.1
<b>Steilacoom</b>	3	1.1

Source: AirDNA; 2021 five-year American Community Survey; Matrix Design Group, Inc.

Fortunately, unlike other states, Washington affords local governments wide latitude in regulating STRs. Seattle and Gig Harbor are perhaps the two most prominent jurisdictions in the state to attempt to limit the spread of STRs. In addition to requiring STR operators to obtain both a business license tax certificate and regulatory license, Seattle has barred homeowners from operating more than two dwelling units as STRs since 2019. Gig Harbor, which passed an STR ordinance in February 2023, has even stricter rules, limiting the number of STRs to one per homeowner. Preliminary evidence suggests the new rules have had their intended impact. In the five months after the new ordinance took effect, STR listings in the city increased by an average of 3.4% per month, compared to 5.8% over a similar period in 2022. **The enactment of similar restrictions throughout the region, but especially in Tacoma, Olympia, Puyallup, and Lakewood, would tangibly benefit service members and others struggling to locate attainable housing.**

A major impetus for the spread of STRs is their higher profitability compared to long-term rentals. For example, between October 2022 and September 23, the average STR’s revenue collections were \$40,200 in Tacoma and \$45,100 in Olympia. By comparison, the average apartment generated less than \$20,000 of rental income in both cities over a similar period. **One way to reduce the profitability gap between short- and long-term rentals is to financially compensate STR operators who agree to lease their units to local residents.** In partnership with a California-based company known as Placemate, local governments throughout the U.S. have experimented with programs intended to incentivize short-to-long-term rental conversion. Established in 2021, Summit County’s Lease to Locals is a model example of such a program. It offers between \$10,000 and \$22,000 to STR operators who rent

their units out at below market rate to locally employed tenants on a long-term basis. The size of the subsidy varies depending on home size, with each additional bedroom increasing the payment by about \$6,900. The average unit's overall subsidy amounts to about \$14,000.

Summit County's Lease to Locals has yielded encouraging results. At the time of this writing, the program is poised to be renewed for a third time. As a sign of the initiative's popularity, demand eventually exceeded the available funding. **From 2021 to 2023, county officials oversaw the conversion of 107 STRs to long-term rentals.** In response to the success of Lease to Locals, a number of other communities have replicated the program, including Placer County, California; Sedona, Arizona; and Eagle County, Colorado. It is important to recognize, however, that short-to-long-term rental conversion programs require significant public investment. Summit County officials estimate that the program has cost \$1.65 million to operate and administer since 2021.

## Local-Level Recommendation II: Establish a Community Land Trust in Pierce County and Augment the Thurston Housing Land Trust

Community land trusts (CLTs) are nonprofit or quasi-governmental organizations that aim to create perpetually affordable housing. They do so through multi-phase process that involves acquiring the property through public or private funds; building a new home or renovating the existing one; and selling the home, but not the underlying land, to an income-eligible household. By leasing rather than selling the land, CLTs are able to reduce a home's sale price to 75% or less of the property's assessed value and to as low as 37% of the median home sale price in the broader MSA. Furthermore, restrictive covenants or ground leases forbidding the buyer from using the home as an investment property and selling it at market rate or higher in the future are the norm. CLTs also have a strong record of promoting housing stability, as evidenced by the low rates of foreclosure and delinquency that [researchers have observed](#) among CLT home buyers.<sup>9</sup>

The ability of CLTs to promote attainable homeownership is well documented in communities across the U.S. Since 2022, the Arizona-based Newtown Community Land Trust has completed four sales to households earning from 73% to 95% of AMI (approximately \$65,000 to \$84,000) in Peoria, a Phoenix suburb. **Purchase prices ranged from \$270,000 to \$310,000—considerably less than Peoria's median home sale price of \$492,000 over the same period.** Two other examples demonstrate the potential of CLTs to have a significant long-term impact. The Northern Communities Land Trust completed 232 home sales between 1994 and 2009, almost exclusively in the city in which it was based (Duluth, Minnesota). **As is typical of CLTs, it specialized in providing affordable entry-level housing, with first-time home buyers accounting for 91% of purchasers.** Similarly, once it became firmly

---

<sup>9</sup> Thaden, Emily. "Making Sense of the Low Rates of Delinquencies and Foreclosures in Community Land Trusts." Lincoln Institute of Land Policy, 2010.

established, the Northwest Vermont-Based Champlain Housing Trust was able to add an average of 23 units to its portfolio annually. Over a 25-year period, it completed 683 home sales.

**Since 2018, Thurston County has been served by the Thurston Housing Land Trust (THLT).**

Eligibility is restricted to buyers who have not owned a home within the past three years. Another stipulation is that buyers are required to make a minimum down payment of \$2,500. While most homes are sold to households earning less than 80% of AMI (\$81,440 in 2023), the organization is willing to relax this threshold in certain cases. It is common for a service member's Regular Military Compensation to fall below 80% of AMI. For example, a JBLM-based E5 with four years of service, head of household tax filing status, and two dependents is set to earn \$75,898 in 2023.

**Thus far, THLT's projects have relied exclusively on donations from charitable organizations and individuals.** However, Thurston County's Pipeline program has conditionally granted funding to the organization for a future project. Additionally, it is currently collaborating with the City of Olympia and Thurston County on an application for funding from HUD's Pathway to Removing Obstacles (PRO) program, which supports efforts to update zoning and land use regulations, renovate infrastructure, improve neighborhood amenities, and remove inefficient procedures, among other things. **To increase THLT's reach, it is vital that local governments throughout the county actively work to augment it.**

At the time of this writing, Pierce County lacks a CLT. However, it has come to our attention that the county is in the process of establishing one. We commend local leaders for recognizing the role that CLTs can play in promoting housing affordability and urge them to finalize the formation of Pierce's counterpart to the THLT.

## Local-Level Recommendation III: Subsidize Accessory Dwelling Units

Accessory dwelling units (ADUs), otherwise known as granny flats, mother-in-law suites, and carriage houses, have gained traction in recent years as communities have confronted their housing challenges. These typically 600 to 1,200 square-foot structures are added by homeowners to single-family lots and, increasingly, leased to tenants. This arrangement thus not only enables low-to-moderate income households to live in single-family, suburban neighborhoods at a relatively affordable rate but also generates rental income for the homeowner.

**In May 2023, Washington joined California in effectively legalizing ADUs throughout the state.** The legislation (HB 1337) also forbid municipalities from imposing restrictions that could discourage the construction of ADUs, such as the requirement that the homeowner occupy the principal unit on the lot and height limitations less than 24 feet. Notably, however, municipalities retain the authority to ban the use of ADUs as STRs. **While the evidence from California suggests that HB 1337 will spur the production of ADUs, its impact is likely to be limited by the inadequate financing options available to homeowners.** Indeed, cash-out refinancing and home equity loans and lines of credit particularly disadvantage borrowers with little equity and fail to account for the ADU's projected rental income. **To fill funding gaps, HB 1337 should be paired with subsidies for homeowners seeking to build ADUs.** The subsidies, which can come in the form of grants, zero-interest loans, forgivable loans, and deferred interest-free loans, would likely need to start at \$50,000.

There is no precedent for a statewide ADU subsidy program. However, locally funded and administered programs have started to diffuse throughout the U.S. Boston, for example, launched a pilot program in 2017 that initially provided zero-interest deferred equity loans up to \$30,000. Eventually, this sum was increased to \$50,000. In less than a year, the program attracted 72 applicants and ultimately produced 12 permits for ADUs. A similar program exists in Napa County, California, which offers between \$45,000 and \$105,000 in financing, to be forgiven over the course of a five-year period, to homeowners who lease the units to income-eligible tenants. Available funding is projected to subsidize between 65 and 75 ADUs. Another approach, first adopted in Montpelier, Vermont, is to leverage federal Community Development Block Grants to fund ADUs.

## Local-Level Recommendation IV: Reevaluate Onerous Parking Requirements

Excessive minimum off-street parking space requirements exacerbate housing affordability and availability challenges via at least two means. First, they serve to directly increase development costs, which are ultimately passed on to the homeowner or renter. [One study](#) found that two space-per-unit requirements cause housing costs to rise by 25%, on average.<sup>10</sup> Second, because some lots lack the land needed to meet minimum parking requirements, these regulations limit the number of lots where development can occur. **The Washington State Legislature has acknowledged the challenges posed by parking mandates.** Enacted in 2020, HB 2343 imposed caps on parking requirements for senior, multifamily, and affordable housing developments. Three years later, lawmakers introduced a bill (HB 1351) to invalidate parking space requirements imposed on properties located within a quarter mile of transit stations, but it stalled in the House.

**Our review of various jurisdictions' zoning codes revealed that burdensome parking requirements are widespread in the JBLM region.** Tacoma, Lacey, Steilacoom, and Yelm impose a two space-per-unit requirement on duplexes and, in some cases, triplexes. DuPont extends this requirement to all multi-family properties, including apartment complexes. **Considering the 2022 American Community Survey data indicating that renter households own one or fewer vehicles at a rate of 52% in Pierce County and 59% in Thurston County, local governments should reevaluate existing parking space requirements.** We recommend that multi-family off-street parking standards be reduced to 1 to 1.5 spaces-per-unit in all areas, but especially those near public transit.

## Local-Level Recommendation V: Loosen Restrictions on “Missing Middle” Housing

In May 2023, Governor Inslee signed into law HB 1110, a bill aimed at expanding “missing middle” housing to areas traditionally reserved for detached single-family housing. Under the new law, cities with populations between 25,000 and 75,000 must allow at least two units per lot, while larger cities are

---

<sup>10</sup> Litman, Todd. “Parking Requirement Impacts on Housing Affordability.” Victoria Transport Policy Institute, 2023.



required to allow at least four units per lot. To achieve the minimum density requirements, cities are required to permit at least six of the nine types of “missing middle” housing that were commonplace before the advent of exclusionary single-family zoning in the mid-twentieth century: duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing. **The units created as a result of the legislation will fill a critical gap in the housing supply and likely appeal to accompanied service members, who have a clear preference for detached single-family homes over apartments but are often unable to afford the former.**

**A limiting feature of HB 1110, however, is that cities do not need to comply with its requirements until six months after their next comprehensive plan updates.** As such, it is likely to be several years before its zoning reforms are fully implemented across the JBLM region. **To expedite housing production, local governments should consider lifting restrictive zoning regulations before they are legally required to do so.** Indeed, our analysis of the Tacoma, Lakewood, and Steilacoom zoning codes uncovered a number of overly strict regulations. In particular, all three municipalities place severe restrictions on duplexes and townhomes, at minimum. Currently, Tacoma bans duplexes, triplexes, and townhomes in R-1, also known as Single-Family Dwelling, Districts. Lakewood’s zoning code is even stricter, allowing only single-family detached dwellings in three of its four base residential zones. Although duplexes are technically permitted in Steilacoom’s single-family districts (R-7.2 and R-9.6), they are unnecessarily limited to 14,000 square foot-or-greater lots. Similarly, townhomes are confined to planned area developments (PADs). By contrast, Lacey and Yelm have more accommodating zoning codes, with both permitting duplexes and townhomes in low-density residential districts. Like Steilacoom, though, Yelm imposes an excessive minimum lot size on duplexes (14,520 square feet).

## Local-Level Recommendation VI: Aggressively Market the Rental Partnership Program

While service members learn about the RPP during in-processing at JBLM, the Matrix Team learned through its engagements that there is a general lack of awareness of the RPP in the broader community. **To increase the program’s reach, JBLM should partner with local governments to conduct an aggressive marketing campaign that educates the general public and property owners on the program’s aforementioned benefits.** Given the ACS data indicating that service members have a strong preference for single-family homes, we recommend that the installation target mom-and-pop landlords with detached single-family homes and similar types of homes (i.e., townhomes, duplexes, and triplexes) available for rent. Social media ads and other electronic communications are likely the most effective means of reaching this audience.

## State-Level Recommendation I: Create a Down Payment Assistance Program for Active-Duty Military

Due to the sharp rises in sales prices and interest since 2020, homeownership has become unattainable for the vast majority of service members stationed at JBLM. Mortgage and utility payments of over \$3,000 are the norm throughout Pierce and Thurston Counties, particularly for homebuyers unable to make a significant down payment. **To make homeownership more accessible to service members, the state should establish a statewide down payment and closing cost assistance program for active-duty personnel.** The program would also accomplish the secondary goal of increasing service members’

competitiveness in the home-buying market. Under existing law, only income-eligible veterans and dependents of deceased veterans (spouses and children) qualify for down payment assistance. The Veterans Downpayment Assistance Loan Program, administered by the Housing Finance Commission, provides loans of up to \$10,000 at a three percent interest rate.

**In an acknowledgement of the significant challenges service members face in locating affordable for-sale housing, a bipartisan group of 24 legislators sponsored legislation (HB 1633) in January 2023 to establish a Homes for Heroes Program in the state.** At the time of this writing, the bill has yet to advance since being referred to the House Capital Budget Committee. Citing the dramatic increase in home sale prices since 2020, the bill argued that the housing crisis served to stymie recruiting efforts in a number of essential fields of employment. **To that end, it proposed providing zero-interest loans equal to the lesser amount of up to five percent of the mortgage amount or \$25,000.** Eligible professions included active-duty military, health care workers, law enforcement, and firefighters. **Crucially, the assistance would be restricted to households earning less than state median household income, which equaled \$91,306 in 2022.** The incomes of most active-duty households fall below this threshold. In collaboration with the Commerce Department, the Housing Finance Commission would have been responsible for creating and evaluating a pilot version of the program.

**At least four other states—Iowa, Florida, Massachusetts, and Utah—offer targeted down payment and closing cost assistance to active-duty personnel.** The assistance typically comes in either the form of grants or reduced interest loans. The Florida Hometown Heroes program seems to have been the model for Washington’s HB 1633. It provides 30-year zero-interest, non-amortizing loans equal to the lesser amount of up to five percent of the mortgage amount or \$35,000. In addition, borrowers are eligible for reduced mortgage rates and other fees. A key distinction between Florida’s Hometown Heroes and Washington’s proposed Home for Heroes is that the former’s income limits vary by county and far exceed median household income. Through its Military Homeownership Assistance Program, the Iowa Finance Authority provides \$5,000 grants for down payments and closing costs to service members. Massachusetts offers a similar, albeit less generous, program. Active-duty military, National Guardsmen, Reservists, veterans, and Gold Star families can receive \$2,500 grants via the MassHousing (otherwise known as the Massachusetts Housing Finance Agency) Closing Cost Credit for Veterans and Service Members. Neither program stipulates that grant recipients must be first-time homebuyers. Like Massachusetts, Utah offers \$2,500 grants that can be applied to down payments, closing costs, and other mortgage expenses, but eligibility criteria are stricter. The Utah Veteran First-Time Homebuyer Grant, as the name implies, is unavailable to those who have owned a home in the state within the past seven years. Furthermore, only active-duty military and veterans are eligible.

## Federal-Level Recommendation I: Extend the Period of Permissive Temporary Duty Status During the PCS Process

The PCS (Permanent Change of Station) process refers to how the military transfers service members between installations. This process begins with the receipt of orders from the service members’ respective service commands human resources department. Following the receipt of orders, the servicemember will coordinate movers, contact the receiving installation, and prepare for the move. As service members arrive at the installation, their receiving unit’s Commander will usually sign off on ten days of permissive temporary duty status (PTDY). PTDY is privilege afforded to arriving servicemembers

to search for housing, enroll family members in school, and acclimate to their new surroundings. **Given the difficulties of finding suitable housing in the vicinity of JBLM, arriving families would benefit from having the period of PTDY extended from 10 days to 12 to 15 days.** This additional time would increase the likelihood that families will locate suitable accommodations; under existing policy, they are incentivized to select whatever is first available.

## Federal-Level Recommendation II: Improve Procedures Related to Privatized On-Base Housing

Recent developments at JBLM underscore the need for strengthened federal oversight of privatized on-base housing. According to the *Military Times*, multiple Liberty Military Housing-managed units have been affected by persistent mold issues and rodent infestations.<sup>11</sup> Enacted by Congress in 2019, the Tenant Bill of Rights (TBOR) was intended to compel housing contractors to remedy substandard housing conditions. In addition to requiring contractors to disclose a unit's maintenance history, the legislation establishes a formal dispute resolution process and empowers tenants to withhold rent payments under certain circumstances. Following its passage, however, the shortcomings of the TBOR quickly became apparent. **For fear of retaliation, military families are reportedly hesitant to initiate the dispute resolution process.** Further, many families in need of recourse are unaware of their rights under the legislation. Another weakness of the TBOR is that it does not explicitly define penalties for contractors.

It is within the power of Congress, the DoD, and the installation to address the TBOR's deficiencies. **One bipartisan bill recently introduced in Congress, the Military Housing Readiness Council Act, would convene a body consisting of DoD officials, service members, military families, and military housing experts to oversee the DoD's implementation of the TBOR and the creation of an associated public complaint database.** At the time of this writing, the database has yet to be created, despite being provided for in the 2020 National Defense Authorization Act. In addition, the Council would be tasked with reviewing and making recommendations to the Secretary of Defense regarding inspection practices, resident surveys, and related issues. We also suggest that the Secretary of Defense explore whether he has the legal authority to cancel contracts with non-compliant contractors. Members of the Senate Armed Services Committee maintain that he has this authority, but any attempt to exercise it would likely provoke a legal challenge, the fate of which is uncertain. Finally, to increase service members' awareness of the TBOR, we recommend that the installation redouble its efforts to educate service members on their right to seek recourse in cases where the on-base housing company is unresponsive to their complaints.<sup>12</sup>

---

<sup>11</sup> Tornay, Kaylee. "Military Families Battle Mold, Rodents, and More at Washington Base." *Military Times*, 2023.

<sup>12</sup> The Matrix Team was encouraged to learn that service members are educated on the Tenant Bill of Rights during in-processing at JBLM.

## Multilevel Recommendation I: Limit Corporate Homeownership

**In 2021 and 2022, the U.S. witnessed a surge in the number of homes purchased by investors.**

According to Redfin, investor market share reached 20% nationally in the first quarter of 2022. By comparison, in the decade leading up to the pandemic, average investor market share was 13%. Further, a [CoreLogic analysis](#) found that this surge was driven by “mega investors,” defined as those that own 1,000 or more properties.<sup>13</sup> These mega investors are often out-of-state private equity firms, rather than mom-and-pop landlords, and they target entry-level homes suitable for accompanied service members. While investor activity declined in mid-2023, it remains substantially higher than pre-pandemic levels. Of course, personnel are usually ill-equipped to outbid large private equity firms.

There exists little legislative precedent for addressing corporate homeownership, but there is potentially a role for each level of government to play. **First, at the local level, one potential solution is to limit the number of STR licenses that any one property owner can obtain, a step already taken by Seattle and Gig Harbor.** If expanded to Thurston County and the remainder of Pierce County, such a rule would thwart investors seeking to purchase large numbers of properties for the sole purpose of converting them to STRs. **Second, state legislators should convene a task force on corporate homeownership, to be housed in the Washington Department of Commerce.** The task force would be modeled after the one established in Colorado in 2023, which is responsible determining the extent of corporate homeownership in the state, assessing its implications for housing affordability and availability, and proposing legislative solutions to this phenomenon. **Finally, members of Congress have introduced legislation, the Stop Predatory Investing Act, to deny certain tax deductions to investors who acquire 50 or more homes.** We recommend that SSMCP and its allies lobby Congress to enact this bill.

## Multilevel Recommendation II: Create a “Missing Middle” Property Tax Abatement Program

Property tax abatements are an effective means of encouraging developers to build housing products that the market would otherwise neglect. These programs increase the profitability of affordable housing projects by reducing the property owner’s tax liability for a fixed period of time, often on the condition that a certain share of units are reserved for households earning substantially below AMI. The most prominent abatement program in Washington is the Multi-Family Housing Tax Exemption (MFTE), which exempts developers from paying property taxes on residential improvements consisting of at least four units for eight, twelve, or twenty years. The longer the exemption period, the stricter the affordability requirements. **Established in 1995, the program has been successful by any measure, producing nearly 35,000 total units through 2019, of which 21% are designated as affordable housing.**

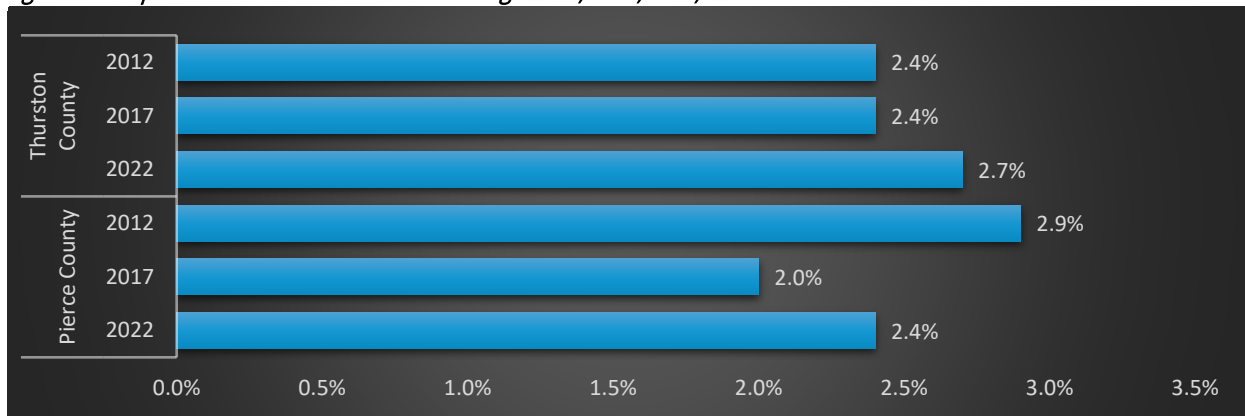
**To meet the needs of service members, the Washington State Legislature and local governments should explore expanding the abatement program to duplexes and triplexes.** The program should require that some or all of the property’s units be affordable to households earning 115% of AMI or less

---

<sup>13</sup> Malone, Thomas. “US Home Investor Share Remained High in Early Summer 2023.” CoreLogic, 2023.

for a specified duration. A key part of the “missing middle,” duplexes and triplexes represent a small portion of Pierce and Thurston Counties’ housing stocks, despite being a relatively affordable option for families who desire the amenities traditionally associated with single-family neighborhoods, such as lower housing density, and closely resembling detached single-family homes. As Figure 51 shows, although duplexes have become more common in Thurston County over time, they constituted just 2.7% of all housing units in 2022. A similarly small share of housing units in Pierce County (2.4%) were categorized as such. Critics of tax abatement programs contend, often rightly, that they cost local governments significant tax revenue. This argument only holds, however, if the developer would have built the property even in the absence of the abatement. Given the meager rate at which developers are filling the “missing middle” in Pierce and Thurston Counties, it is likely the case that they will not prioritize duplexes and triplexes unless they are incentivized to do so.

Figure 51. Duplexes as a Share of Total Housing Stock, 2012, 2017, and 2022



Source: 2012, 2017, and 2022 one-year American Community Survey

There is reason to believe that a “missing middle” abatement program may ameliorate the housing shortages most adversely affecting military families. **In late 2021, Des Moines, Iowa established a novel program designed specifically to incentivize the development of duplexes, triplexes, and similar structures known as the Missing Middle Residential Tax Abatement.** It offers six, eight-, or nine-year declining abatements, depending on the property’s location. For at least half the abatement period, the project’s entire value is exempt from property taxes. As reported by the [Des Moines Register](#), preliminary evidence suggests the incentives have spurred the development of “missing middle” housing.<sup>14</sup> More systematic, concrete evidence will not be available until the program is further along in implementation, however.

<sup>14</sup> Joens, Philip. “Missing Middle’ is Becoming More Popular in Des Moines.” *Des Moines Register*, 2023, February 17.

## Appendix: Summary Recommendations Memo

Local	
<p><b>Regulate short-term rentals and incentivize short-to-long term rental conversion</b></p>	<p>In 2023 Q2, a combined 1,598 short-term rentals (STRs) were on the market in Olympia, Tacoma, and Puyallup. While STRs may increase economic activity by attracting tourists, they have the effect of decreasing the supply of units available to long-term residents and thereby promote rent hikes. City officials may want to follow the lead of cities such as Seattle and Gig Harbor in limiting the number of STRs that any one property owner can operate. Similarly, we recommend that municipalities create pilot programs similar to Sedona, Arizona’s Rent Local Program and Summit County, Colorado’s Lease to Locals Program, which financially incentivize STR operators who agree to convert their units to long-term rentals.</p>
<p><b>Establish a community land trust in Pierce County and augment the Thurston Housing Land Trust</b></p>	<p>Community land trusts (CLT) are nonprofit organizations that create perpetually affordable housing. They are able to do so by selling homes to income-eligible households while retaining ownership of the underlying land and requiring homeowners to resell the homes at affordable prices.</p> <p>Since 2018, Thurston County has been served by the Thurston Housing Land Trust (THLT). We recommend that Thurston County, as well as its constituent municipalities, augment the THLT through financial contributions. Pierce County lacks a CLT altogether, although the process of forming one has reportedly begun. We urge local leaders to complete this process expeditiously.</p>
<p><b>Subsidize accessory dwelling units</b></p>	<p>A new law enacted by the Washington State Legislature (HB 1337) effectively legalizes ADUs in single-family residential districts across the state. Conventional financing methods for ADU construction often prove to be inadequate, however, as they depend on the amount of equity that the homeowner has accumulated and do not account for projected rental income. Government-</p>

	<p>funded grants and deferred interest-free or forgivable loans starting at \$50,000 can help homeowners secure the necessary financing to build an ADU. Financing should be contingent on the homeowner agreeing to lease the ADU to an income-eligible household.</p>
<p><b>Reevaluate onerous parking requirements</b></p>	<p>Some existing parking space requirements in the JBLM region are likely excessive. For example, Tacoma requires two off-street spaces per dwelling unit for duplexes, despite the ACS data indicating that 62% of renter households own fewer than two vehicles. Given that parking space requirements deter development and ultimately raise ownership and rental costs, municipalities would benefit from reevaluating existing regulations and reducing them as necessary.</p>
<p><b>Loosen restrictions on “missing middle” housing</b></p>	<p>A new state law (HB 1110) expands “missing middle” housing to areas traditionally reserved for single-family housing. However, municipalities do not need to comply with its requirements until six months after their next comprehensive plan updates. As a result, it may take several years for the zoning reforms to be fully implemented across the JBLM region. Municipalities with restrictive zoning codes, including Tacoma, Lakewood, and Steilacoom, could expedite housing production by easing their regulations before they are legally required to do so.</p>
<p><b>Aggressively market the Rental Partnership Program</b></p>	<p>Through its engagements, the Matrix Team learned that there is a general lack of awareness about JBLM’s Rental Partnership Program in the community. The installation and SSMCP, in partnership with local governments, could therefore potentially increase the program’s reach by conducting an aggressive marketing campaign that educates property owners on the program’s considerable benefits to them. The evidence indicates that these advertising efforts should target mom-and-pop landlords with available single-family rentals.</p>

**State**

<p><b>Create a down payment assistance program for active-duty military</b></p>	<p>Service members are commonly at a competitive disadvantage in the home-buying market due to their inability to make a significant down payment. Moreover, particularly in times of rapidly escalating home prices or interest rates, a service member who makes a small down payment is likely to be burdened by the mortgage payment. We therefore suggest that the legislature expand the Veterans Downpayment Assistance Loan Program, administered by the Washington State Housing Finance Commission, to cover income-eligible, first-time homebuyers currently serving as active-duty personnel. Other states, including Iowa, Florida, Massachusetts, and Utah, offer between \$2,500 and \$25,000 of down payment and closing cost assistance to active-duty residents.</p>
<p><b>Federal</b></p>	
<p><b>Extend the period of permissive temporary duty status during the PCS process</b></p>	<p>Upon arriving at JBLM, service members receive ten days of permissive temporary duty status (PTDY) to search for housing, enroll family members in school, and acclimate to their new surroundings. However, due to the shortage of family-sized rentals in the community and long waitlists for privatized on-base housing, a ten-day PTDY period often proves to be inadequate. Hence, to increase the chance that service members will be able to locate suitable housing, we recommend that this period be extended to twelve to fifteen days.</p>
<p><b>Improve procedures related to privatized on-base housing</b></p>	<p>Recent reporting from <i>Military Times</i> indicates that mold and rodents have impacted multiple Liberty Military Housing-managed homes at JBLM. One bill recently introduced in Congress (The Military Housing Readiness Council Act) would convene a body to oversee the DoD’s implementation of the Tenant Bill of Rights (TBOR) and creation of an associated public complaint database. In addition, members would be tasked with reviewing and making recommendations to the Secretary of Defense regarding inspection practices, resident surveys, and related issues. Those living in on-base privatized housing at JBLM would benefit</p>



	<p>from this enhanced oversight. Relatedly, we recommend that the installation redouble education efforts on the TBOR.</p>
<b>Multilevel</b>	
<p><b>Limit corporate homeownership</b></p>	<p>Nationwide, nearly one-third of homes are purchased by investors. Increasingly, the buyers are out-of-state private equity firms that proceed to rent the homes out. A disproportionate share of the homes removed from the ownership market would have been suitable for first-time homebuyers. It is unclear how prevalent this phenomenon is in Pierce and Thurston Counties, as well as Washington more generally. To better understand the extent of corporate homeownership and devise solutions to limit it, Washington should follow the example of Colorado in forming a task force to closely study the issue. Additionally, municipalities may be able to discourage corporate homeownership by limiting the number of STR licenses that any one owner can operate. At the federal level, legislation to deny certain tax deductions to investors who acquire 50 or more homes could also prove effective. One such bill, the Stop Predatory Investing Act, is currently stalled in Congress.</p>
<p><b>Create a “missing middle” property tax abatement program</b></p>	<p>Established in 1995, Washington’s Multi-Family Housing Tax Exemption program has been successful by any measure, producing nearly 35,000 total units, 21% of which are designated as affordable housing, through 2019. A limitation of the exemption, however, is that properties must have four or more units in order to qualify. Accordingly, we recommend that lawmakers design an abatement program specifically for developers of affordable “missing middle” housing. Preliminary evidence suggests that a similar program in Des Moines, Iowa has succeeded in spurring development.</p>



SOUTH SOUND MILITARY &  
COMMUNITIES PARTNERSHIP



**Matrix**