

Appendix J Subsidized Housing Needs and Funding

Affordable Housing Funding Gap for the Birch Bay and Columbia Valley UGAs¹

As a result of the Final Decision and Order of the Washington State Growth Management Hearings Board Case No. 25-3-0003 (*Futurewise, Kian Bradley, and Trevor Reed, Petitioners v. City of Mercer Island, Respondent* – August 1, 2025), the Washington Department of Commerce's document entitled "Considerations Regarding New GMHB Housing Cases", posted on the Department of Commerce Website in November 2025, suggests that jurisdictions provide additional analysis of funding gaps and quantify potential needed subsidy to meet their affordable/subsidized unit targets as part of the Adequate Provisions analyses required by RCW 36.70A.070(2) in their comprehensive plans. This analysis considers the targets for units available to households earning under 80 percent of the Area Median Income (AMI) in Whatcom County's two unincorporated Urban Growth Areas (UGAs) – Birch Bay and Columbia Valley. The Department of Commerce, in its *Guidance for Updating Your Housing Element (v.3.4)*, estimates that, as of 2023, the cost of developing a subsidized unit in Whatcom County would be \$475,118. For this analysis, Leland Consulting Group assumed that the cost per unit would increase by 2.5 percent annually due to inflation. Applying this to the combined housing targets for Birch Bay and Columbia Valley shows a need for **\$617.7 million** in subsidy for construction of affordable housing units over the planning horizon, or **\$28.1 million** per year. However, it is particularly likely that the lower-income units will need to be subsidized, and it is possible that some smaller market-rate units could meet the need in the 50-80% category. This analysis assumes that subsidies are needed for the following percentage of units in each income category:

- 0-30% Area Median Income (Permanent Supportive Housing (PSH) and non-Permanent Supportive Housing (non-PSH)): 100% of the units
- 30-50% Area Median Income: 100% of the units
- 50-80% Area Median Income: 53% of the units

The Washington State Department of Commerce's *Guidance for Updating your Housing Element* (August 2024) states on p.61 that all units serving income bands under 50 percent AMI should be counted in this analysis, and a portion of 50-80

¹ The Affordable Housing Funding Gap for Birch Bay and Columbia Valley UGAs section of Appendix J is based upon a memo from Leland Consulting Group dated December 8, 2025.

percent AMI at the discretion of jurisdictions. In Whatcom County, 53 percent of households earning 50-80 percent AMI experience some level of cost-burden (meaning they pay more than 30 percent of their income in housing costs). Therefore, this share of units was used to estimate units requiring subsidy for this analysis. The estimated subsidy needed is shown for each income band below for the 22-year planning period between 2023-2045:

Figure 1. Subsidy Gap Analysis for Birch Bay and Columbia Valley

	Income Band (as a % of Area Median Income)				Total
	0-30% non-PSH*	0-30% PSH*	>30-50%	>50-80%	
Birch Bay UGA Units	285	111	238	37	671
Columbia Valley UGA Units	136	53	113	18	320
Total Units Needed	421	164	351	55	991
Approx. Units per Year (rounded to nearest unit)	19	7	16	3	45
2024 Cost per Unit	\$ 475,118	\$ 475,118	\$ 475,118	\$ 475,118	\$ 475,118
Inflation Rate	2.5%	2.5%	2.5%	2.5%	2.5%
Avg. Cost per Unit	\$ 623,330	\$ 623,330	\$ 623,330	\$ 623,330	\$ 623,330
Total Subsidy Needed	\$ 262,421,975	\$ 102,226,138	\$ 218,788,868	\$ 34,283,156	\$ 617,720,137
Annual Subsidy Needed	\$ 11,928,272	\$ 4,646,643	\$ 9,944,949	\$ 1,558,325	\$ 28,078,188

*PSH = Permanent Supportive Housing

The Whatcom County Health & Community Services Department and the Bellingham & Whatcom County Housing Authorities indicated in emails dated December 4, 2025 that they are not aware of local, state or federal funding going towards construction of affordable housing in the Birch Bay UGA or Columbia Valley UGA in the last 10-years.

Local Option Tools for Addressing Affordable Housing Funding Gaps²

The checklist below is from the Washington State Department of Commerce's *Guidance for Updating your Housing Element* (August 2024). It is intended to identify tools that local governments can consider to address funding gaps for affordable housing.

Figure 2. Checklist for Local Option Tools for Addressing Affordable Housing Funding Gaps

Local option tools for addressing affordable housing funding gaps*	Implementation status	Plans for implementation
Housing and related services sales tax (RCW 82.14.530)	Implemented - Fund 1856 - Affordable Housing, Behavior Health Facilities and Related Services	Already Implemented

² The Local Option Tools for Addressing Affordable Housing Funding Gaps section of Appendix J is based upon a checklist in an email from Leland Consulting Group dated December 10, 2025.

Local option tools for addressing affordable housing funding gaps*	Implementation status	Plans for implementation
	Programs Fund - Established in 2021 and added new chapter (3.47) to Whatcom County Code	
Affordable housing property tax levy (RCW 84.52.105)	Does not appear to be implemented	None
REET 2 (RCW 82.46.035) – GMA jurisdictions only and only available through 2025	Implemented - Fund 3240 - REET II Fund. Established in 2004.	Already Implemented
Affordable Housing Sales Tax Credit (RCW 82.14.540) – was only available to jurisdictions through July 2020	Implemented - Fund 1855- Affordable & Supportive Housing Fund. Established in 2019 to receive an additional tax distribution from the state sales and use tax, to be used for affordable and supportive housing.	Already Implemented
Lodging Tax (RCW 67.28.150 and RCW 67.28.160) to repay general obligation bonds or revenue bonds	Does not appear to be implemented	None
Mental Illness and Drug Dependency Tax (RCW 82.14.460) – jurisdictions with a population over 30,000	Implemented - Fund 1853 - Behavioral Health Program Fund. Established in 2008 to impose a sales and use tax for the purpose of providing new or expanded chemical dependency or mental health treatment services	Already Implemented
Donating surplus public lands for affordable housing projects (RCW 39.33.015)	Does not appear to be implemented	None
Impact fee waivers for affordable housing projects (RCW 82.02.060)	N/A - Whatcom County does not have impact fees	Already Implemented
Application fee waivers or other benefits for affordable housing projects (RCW 36.70A.540)	Does not appear to be implemented	None
Multifamily Tax Exemption (MFTE) with affordable housing requirement (RCW 84.14)	Appears to be implemented by the city: https://cob.org/services/planning/development/mfte	N/A
General funds (including levy lid lifts to increase funds available)	Implemented - Healthy Children Fund - 1858. Passing funds through to local nonprofits to provide services.	N/A

* See MRSC's summary of [Affordable Housing Funding Sources](#) for more details.