

## Appendix J Subsidized Housing Needs and Funding

### Affordable Housing Funding Gap for the Birch Bay and Columbia Valley UGAs<sup>1</sup>

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 2022, 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 **\$556.65 million** in subsidy for construction of affordable housing units over the planning horizon, or **\$25.30 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

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<sup>1</sup> 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 March 30, 2026.

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 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	244	103	216	36	599
Columbia Valley UGA Units	95	46	92	18	251
<b>Total Units Needed</b>	<b>339</b>	<b>149</b>	<b>308</b>	<b>54</b>	<b>850</b>
Approx. Units per Year	15.41	6.77	14.00	2.45	38.64
2022 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	\$ 654,886	\$ 654,886	\$ 654,886	\$ 654,886	\$ 654,886
<b>Total Subsidy Needed</b>	<b>\$ 222,006,487</b>	<b>\$ 97,578,073</b>	<b>\$ 201,705,009</b>	<b>\$ 35,363,865</b>	<b>\$ 556,653,434</b>
<b>Annual Subsidy Needed</b>	<b>\$ 10,091,204</b>	<b>\$ 4,435,367</b>	<b>\$ 9,168,410</b>	<b>\$ 1,607,448</b>	<b>\$ 25,302,429</b>

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 Gaps**

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
<b>Housing and related services sales tax (<a href="#">RCW 82.14.530</a>)</b>	Implemented - Fund 133 - Affordable Housing, Behavior Health Facilities and Related Services Programs Fund - Established in 2021 and added new chapter (3.47) to Whatcom County Code	N/A
<b>Affordable housing property tax levy (<a href="#">RCW 84.52.105</a>)</b>	Not implemented	None
<b>REET 2 (<a href="#">RCW 82.46.035</a>) – GMA jurisdictions only and only available through 2025</b>  <b>NOTE: This is to address housing: "Until January 1, 2026, planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for those experiencing homelessness and affordable housing projects." This does not relate to other REET funds.</b>	Not implemented for housing uses.	N/A
<b>Affordable Housing Sales Tax Credit (<a href="#">RCW 82.14.540</a>) – was only available to jurisdictions through July 2020</b>	Implemented - Fund 129- 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.	N/A
<b>Lodging Tax (<a href="#">RCW 67.28.150</a> and <a href="#">RCW 67.28.160</a>) to repay general obligation bonds or revenue bonds</b>	Not implemented	None

Local option tools for addressing affordable housing funding gaps*	Implementation status	Plans for implementation
<b>Mental Illness and Drug Dependency Tax (RCW 82.14.460)</b> – jurisdictions with a population over 30,000	Implemented - Fund 124 - 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	N/A
<b>Donating surplus public lands for affordable housing projects (RCW 39.33.015)</b>	County partnered with community based agencies for an affordable housing project at Laurel & Forest and a shelter project at the Way Station. Though this specific statute may not have been the tool utilized, each project represented significant commitment of county owned-property and capital.	Ongoing
<b>Impact fee waivers for affordable housing projects (RCW 82.02.060)</b>	N/A - Whatcom County does not have impact fees	N/A
<b>Application fee waivers or other benefits for affordable housing projects (RCW 36.70A.540)</b>	Not implemented	None
<b>Multifamily Tax Exemption (MFTE) with affordable housing requirement (RCW 84.14)</b>	<u>Not</u> implemented in unincorporated Whatcom County	N/A
<b>General funds (including levy lid lifts to increase funds available)</b>	Implemented - Healthy Children Fund - 145. Passing funds through to local nonprofits to provide services including homelessness services.	N/A
<b>Sales and Use Tax for Public Facilities in Rural Counties (Housing authorization under RCW 82.14.370)</b>	Implemented with annual application cycles for affordable housing projects.	N/A

\* See MRSC’s summary of Affordable Housing Funding Sources for more details.