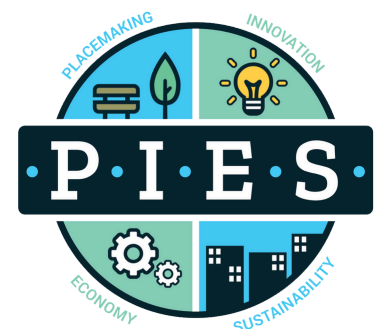


# HOUSING AND WORKFORCE TRANSFORMATION

## A Sustainability Report



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Coordinator

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## CA Message FROM THE CEO



*Rebecca Martin, CCE, IOM  
Greater Federal Way  
Chamber CEO*

The integration of affordable housing development with placemaking efforts offers Federal Way the opportunity to address multiple community needs simultaneously. By ensuring that workforce housing includes community gathering spaces, supports local business development, and creates conditions for entrepreneurial job creation, the city and its stakeholders will build more than housing. It will build economically and culturally strong neighborhoods that welcome job creation and sustain business growth.

Federal Way faces significant housing affordability challenges that mirror broader trends across Washington State and South King County. With a median home value of \$594,870 and median household income of \$82,144, the city exemplifies the growing gap between housing costs and earnings that affects working families throughout the region.

To properly tackle the housing crisis, we must use every tool available to us to act urgently and aggressively while recognizing that housing development shapes community character and economic opportunity.

### Key Findings:

- Federal Way's housing affordability challenges exceed state averages, with housing costs consuming disproportionate shares of household income
- The city's diverse population includes significant underserved communities requiring targeted housing solutions
- Regional workforce housing initiatives present opportunities for addressing middle-income housing gaps while driving placemaking efforts
- Affordable housing development serves as a foundation for community gathering spaces and entrepreneurial job creation
- Coordinated regional approaches are essential for meeting growing housing demands and fostering vibrant, economically diverse neighborhoods

This analysis examines current housing conditions, compares Federal Way to state and regional benchmarks, and identifies critical needs for underserved populations and expanding workforce housing as catalysts for community development and economic growth as we *Take the Federal Way*.

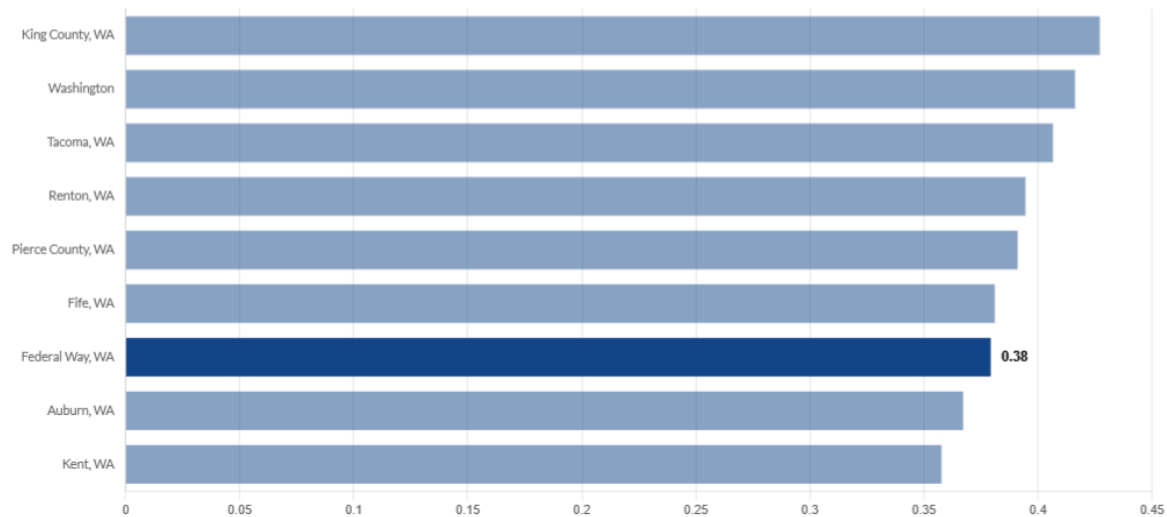


## CURRENT HOUSING MARKET CONDITIONS IN FEDERAL WAY

### Housing Costs and Market Dynamics

Federal Way's housing market demonstrates the intense pressures affecting South King County communities. As of October 2024, the median home value in Federal Way was around \$584,009, making it much more affordable than Seattle. However, this "affordability" remains relative within the broader Puget Sound context.

#### Housing per Capita



Source: Lightcast

Updated 03-25-2024

Dashboard by **eIMPACT**.  
A Lightcast Company

The relatively high home value compared to income in Federal Way shows that the housing stock is outpacing median household income in the area. With a high value-to-income ratio, housing is more difficult for a majority of households to affordably secure. The poverty rate in Federal Way is 11.77%.

Recent market indicators show:

- The median sale price of a home in Federal Way was \$643K in May, up 2.8% since last year
- Homes in Federal Way receive two offers on average and sell in around 11 days
- Federal Way housing inventory by bedroom type shows continued tight supply,

## Rental Market Pressures

Federal way has the highest rent-to-income ratio of the benchmarking group in South King County. This metric indicates a rental market that is potentially out of reach for the local workforce, and particularly problematic in lower wage sectors such as hospitality and retail.

Rent to Income Affordability by Region

RegionName	Median Rent	Median HH Incomej	Affordability Ratio
Tacoma	\$1,709	\$70,056	0.024
Kent	\$1,868	\$86,966	0.021
Auburn	\$1,900	\$91,306	0.021
Federal Way	\$1,886	\$80,340	0.023
King County	\$2,231	\$106,326	0.021
Pierce County	\$1,885	\$82,574	0.023
Washington	\$1,945	\$82,400	0.024

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The rental market presents additional challenges for Federal Way residents:

- Median gross rent in 2023: \$1,855
- In general, housing costs reach \$1,781 per month in Federal Way
- Of the 36,396 occupied housing units in Federal Way, 55.67% are owner-occupied, while 44.33% have renters living in them

## COMPARISON TO WASHINGTON STATE HOUSING CONDITIONS

### Statewide Affordability Crisis

Washington State faces a severe housing affordability crisis that contextualizes Federal Way's challenges. The state HAI for the start of 2024 is 63.1 suggesting that an average (median) income would only meet 63% of the housing costs for a median-priced home across the state.

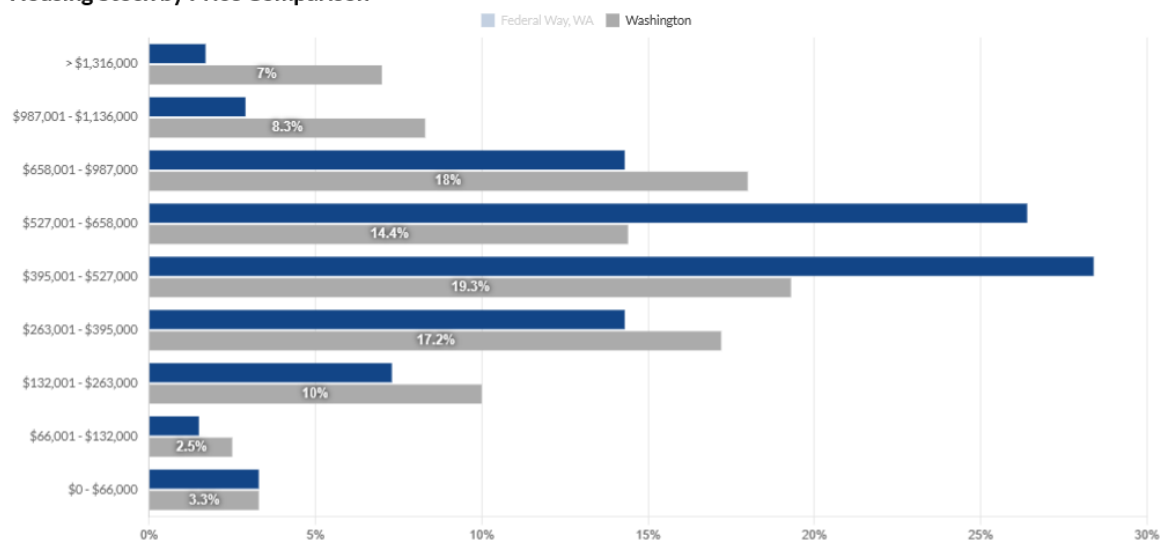
Key state-level statistics include:

- Median home price in Washington reached \$626,100 in Q1 2024
- Home ownership is unaffordable for 80% of Washington families, as the average percentage of area median income required to qualify for a loan is 194% or \$183,619
- Only 16.2% of Washington's population makes the \$165,100 in household income necessary to afford to purchase a median-priced home

### Federal Way in State Context

Relative to the State of Washington, Federal Way has a high proportion of homes in the "mid-price" tiers, which in today's market falls within the \$400k to \$650k price range. Federal Way has a smaller proportion of homes at the very high end for homes priced \$1M and up.

Housing Stock by Price Comparison



Source: NeighborhoodScout

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In terms of housing unit types, Federal Way has a smaller proportion of detached single-family homes and a larger portion of housing stock in small- and medium-sized multi-family structures as compared to the State of Washington.

Within the context of statewide housing conditions, Federal Way presents a mixed picture.

**Advantages:**

- Lower median home values than Seattle and other urban centers
- More diverse housing stock with options across price points
- Strategic location providing access to regional employment centers

**Challenges:**

- Housing costs still exceed affordability thresholds for most residents
- Limited new construction relative to demand
- Rising costs outpacing local income growth

## **SOUTH KING COUNTY REGIONAL ANALYSIS**

### **Regional Housing Challenges**

South King County, including Federal Way, faces unique pressures as communities of choice for families seeking more affordable alternatives to Seattle and Bellevue. In 2023, 70% of low-income households in King County spent more than 30% of their income on housing.

The region's characteristics include higher concentrations of working families and communities of color, a legacy of underinvestment in infrastructure and services. As a growth hub in South King County, Federal Way is impacted by rapid demographic and economic changes driving housing demand.

### **Federal Way in Regional Context**

Federal Way serves as a critical component of South King County's housing landscape. It provides relatively more affordable options compared to central Seattle and hosts diverse communities requiring culturally responsive housing solutions. It is also a strategic location near existing transit and employment centers which will be enhanced by the Sound Transit Light Rail development.

## **AFFORDABLE HOUSING AS A CATALYST FOR BUSINESS GROWTH**

### **The Housing-Placemaking Connection**

Affordable and workforce housing development in Federal Way represents more than addressing shelter needs—it serves as a fundamental driver of placemaking that creates vibrant, economically diverse communities. Strategic housing development can transform neighborhoods into destinations that attract residents, businesses, and investment while preserving community character and supporting existing residents.

### **Community Gathering Spaces and Social Infrastructure**

Workforce housing developments serve as anchors for community gathering spaces that strengthen social networks and support local economic activity. These spaces include:

Integrated Community Facilities include:

- Early learning centers that serve both resident families and the broader community
- Community rooms and meeting spaces for neighborhood organizations
- Shared outdoor spaces that encourage informal social interaction
- Cultural centers that preserve and celebrate community heritage

**Commercial and Retail Integration:** Mixed-income housing developments create natural customer bases for local businesses while providing affordable commercial space for entrepreneurs. The commercial portion of projects can incorporate small business incubation, non-profit organizational support, and culturally informed community services.

## **WORKFORCE HOUSING AND ENTREPRENEURIAL ECOSYSTEM**

### **Creating Conditions for Business Formation**

Workforce housing development supports entrepreneurial job creation through several mechanisms that address fundamental barriers to business formation in expensive housing markets:

## **Reduced Housing Cost Burden**

When working families spend less than 30% of their income on housing, they have more disposable income to support local businesses and services, invest in education and skill development, start small businesses or side enterprises, and participate in the local economy as consumers.

Affordable workforce housing creates a stable residential population that provides consistent customer demand for local businesses, developing long-term community connections and social capital. It supports service-oriented businesses like restaurants, retail, and personal services and, importantly, creates predictable markets for entrepreneurs.

## **Mixed-Income Community Benefits**

Mixed-income developments create diverse economic ecosystems where service workers, teachers, and other essential employees can live near employment centers. These communities are home to diverse skill sets and backgrounds that foster innovation and collaboration. They also are ideal for the creation of community gatherings spaces facilitate networking and business development

Modern workforce housing developments increasingly incorporate a Live-Work integration with:

- Home-based, business-friendly designs with appropriate spaces
- Co-working facilities within residential buildings
- Maker spaces and small-scale commercial kitchens
- Business incubator programs linked to housing developments

Culturally responsive housing can anchor ethnic business districts that preserve cultural traditions while fostering economic development and create destinations that attract visitors from across the region. Live-Work units also support immigrant and minority entrepreneurs while generating employment opportunities within the community.

## **Placemaking as Economic Strategy**

Federal Way's approach to affordable housing development should recognize that creating mixed-use places will drive economic development. Communities with high-quality public spaces, diverse housing options create opportunities to attract and expand businesses.



Live-Work developments are a mixed-use housing model that attracts:

- Young professionals and families seeking authentic community experiences
- Entrepreneurs looking for affordable commercial space and engaged customer bases
- Businesses seeking locations with good transit access and diverse workforce
- Cultural organizations and community groups that enliven neighborhood life.

## **HOUSING AND UNDERSERVED POPULATIONS**

### **Demographic Profile and Vulnerabilities**

The largest Federal Way racial/ethnic groups are White (38.5%) followed by Hispanic (20.1%) and Black (14.0%), with Asian residents comprising 15.3% of the population. The city reflects significant diversity, with 26.7% of residents categorized as foreign-born and substantial variations in educational attainment and economic outcomes across communities.

Economic vulnerability remains a pressing concern, with poverty rates varying significantly by race: 8.3% for White residents, 15.1% for Black residents, and 14.6% for Hispanic or Latino residents. These disparities are compounded by differences in homeownership rates, where 67.0% of White households live in owner-occupied homes compared to 24.3% of Black households and 38.7% of Hispanic households.

Despite comparable educational levels between some groups, with Black residents (29.8%) nearly as well educated as White residents (32.9%) holding bachelor's degrees, median household income for Black households (\$53,405) remains \$24,000 less than White households (\$77,885), highlighting systemic barriers to economic mobility and the need for targeted workforce housing solutions.

### **Specific Housing Needs**

*Low-Income Households:* Federal Way's significant population of cost-burdened households requires targeted interventions. Existing residents will have the option to stay in their apartments once renovations are completed. The remaining units will be filled with income-qualified households demonstrates approaches being implemented in similar communities.

*Immigrant and Refugee Communities:* With substantial foreign-born populations, Federal Way requires culturally responsive housing solutions that address language barriers, credit history challenges, and family size needs.

*Families with Children:* 32.49% of households have children, creating demand for larger units and family-oriented communities with appropriate services.

## **EXPANDING WORKFORCE HOUSING NEEDS**

### **Business Ownership and Entrepreneurship**

Federal Way demonstrates a significantly higher share of businesses owned by non-white individuals than regional and national benchmarks, with nearly 36% of businesses owned by people of color compared to 24% in King County and only 20% nationally.

However, business ownership patterns reveal both opportunities and challenges within the entrepreneurial ecosystem. While Asian residents comprise 15% of the city's population, they own nearly 26% of businesses, indicating strong entrepreneurial engagement within this community. Conversely, Black residents represent 14% of the population but own less than 3% of businesses, and Hispanic residents account for roughly 20% of the population while owning less than 5% of businesses.

These disparities extend to business performance metrics, where businesses owned by people of color typically have fewer employees and generate lower sales revenues than White-owned businesses, with average annual sales for non-white owned businesses being 36% less than those owned by White entrepreneurs.

This data underscores the need for targeted business development programs and capital access initiatives that can help bridge the entrepreneurship gap and support the growth of minority-owned enterprises that are already contributing significantly to Federal Way's diverse economic landscape.

### **The Workforce Housing Gap**

Federal Way exemplifies the regional challenge of housing essential workers who earn too much to qualify for traditional affordable housing but too little to afford market-rate housing. This workforce housing initiative would set rents at levels affordable to people earning between 50% and 120% of the area median income, specifically targeting households with incomes between \$52,700 and \$126,480.

This "missing middle" represents a significant portion of Federal Way's workforce, including healthcare workers serving regional medical facilities, education professionals

in Federal Way Public Schools, service sector employees supporting local businesses, and public safety personnel.

The connection between transportation and housing remains critical, as an investment in the workers who power our economy and who deserve sustainable and affordable housing close to where they work. Proximity between housing and employment centers not only benefits individual workers but strengthens the broader economic foundation of the community.

## HOUSING AFFORDABILITY INDEX ANALYSIS

Based on available data, Federal Way faces significant affordability challenges.

- Median home value: \$594,870 (Redfin, May 2025)
- Median household income: \$82,144
- Housing cost burden exceeds 30% threshold for majority of residents

**Comparative Affordability:** The Seattle-Tacoma-Bellevue MSA (4.1p), Snohomish County (6.8p), and Pierce County (3p) all receiving better scores than a quarter prior indicates regional improvement trends that may benefit Federal Way.

### State Affordability Context

The state's housing market is unaffordable for 81.8% of households, placing Federal Way within broader state affordability challenges. However, data suggests 73.3% of Washington families can afford a median-priced home of \$640,000 but it requires a \$128,000 down payment highlights the down payment barrier affecting Federal Way resident

## RECOMMENDATIONS AND STRATEGIC DIRECTION

The integration of affordable housing development with placemaking efforts offers Federal Way the opportunity to address multiple community needs simultaneously. By ensuring that workforce housing includes community gathering spaces, supports local business development, and creates conditions for entrepreneurial job creation, the city can build more than housing—it can build strong economically resilient neighborhoods.

To properly tackle the housing crisis, we must use every tool available to us to act urgently and aggressively while recognizing that housing development shapes

community character and economic opportunity. Federal Way's path forward must include aggressive pursuit of workforce housing development that serves as a catalyst for community building, preservation of existing affordable units that maintain neighborhood stability, and strong advocacy for the city's needs within regional planning processes that prioritize economic development outcomes.

The following recommendations serve as a guide to building a strategic direction that addressed workforce housing needs while providing opportunities for job creation in underserved populations.

### **1. Workforce Housing Development as Placemaking Strategy**

- Support regional workforce housing initiatives targeting 50-120% AMI with integrated community spaces
- Advocate for Federal Way's inclusion in county-wide housing programs that emphasize mixed-use development
- Pursue public-private partnerships for mixed-income development that includes commercial and community facilities
- Prioritize housing developments that incorporate small business incubation and entrepreneurial support services

### **2. Preserve and Enhance Existing Community Assets**

- Implement tenant protection policies that maintain community stability
- Support acquisition and rehabilitation of at-risk properties with community space components
- Develop community land trust models that include provisions for local business development
- Create programs linking existing residents with new economic opportunities generated by development

### **3. Transit-Oriented Development with Community Focus**

- Leverage light rail investments for affordable housing development that includes community-serving retail
- Update zoning to support higher density near transit while requiring community gathering spaces

- Create inclusionary housing requirements that incorporate small business development opportunities
- Establish business district overlays that support entrepreneur-friendly development

#### **4. Culturally Responsive Housing and Economic Development**

- Partner with community organizations serving immigrant populations to develop culturally appropriate commercial spaces
- Develop multilingual business assistance programs linked to housing development
- Support community-driven development initiatives that preserve cultural assets while fostering economic growth
- Create community land trusts that include commercial space for minority-owned businesses

#### **5. Regional Partnership Enhancement for Economic Development**

- Strengthen participation in South King County Housing and Homelessness Partnership with focus on economic development outcomes
- Advocate for equitable distribution of regional housing resources that support local business development
- Support countywide funding mechanisms that recognize housing as economic development infrastructure
- Develop regional approaches to linking workforce housing with entrepreneurial support services

#### **6. Policy and Regulatory Reform Supporting Place-Based Development**

- Advocate for state-level housing policy improvements that recognize community development benefits
- Reform local development regulations to incentivize mixed-use projects with community benefits
- Implement inclusionary housing policies that require community space and small business support
- Create regulatory frameworks that support live-work arrangements and home.

## OUTLOOK: HOUSING AS WORKFORCE TRANSFORMATION

Federal Way faces housing challenges that reflect broader regional and state trends while serving unique populations requiring targeted solutions. The city's role as a more affordable alternative within South King County creates both opportunities and pressures that can be leveraged for comprehensive community development. Success in addressing housing needs will require coordinated action across multiple levels of government, sustained community engagement, and innovative financing mechanisms that recognize affordable housing as fundamental economic development infrastructure.

Federal Way's path forward must include aggressive pursuit of workforce housing development that serves as a catalyst for community building, preservation of existing affordable units that maintain neighborhood stability, and strong advocacy for the city's needs within regional planning processes that prioritize economic development outcomes.

The data demonstrates that while Federal Way may be more affordable than Seattle, it remains unaffordable for most residents. Addressing this challenge requires understanding that housing is not just a local issue but a regional economic development imperative that affects the entire Puget Sound area's competitiveness and quality of life. When affordable housing includes community spaces and supports local entrepreneurship, it becomes a driver of economic vitality that benefits entire communities while addressing fundamental shelter needs.

Strategic affordable housing development can transform Federal Way into a destination that attracts residents, businesses, and investment while preserving the community character that makes it unique. By linking housing policy to placemaking and economic development goals, Federal Way can address the housing crisis while building the foundation for long-term community prosperity.

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*Analysis based on data from King County Regional Affordable Housing Dashboard, AWB Institute Housing Affordability Index, US Census, Lightcast, Federal Way Chamber of Commerce, and additional regional housing studies. Data reflects conditions as of 2024-2025.*

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