

Retaining the Rich Cultural Heritage of White Center: A Homeownership Strategy

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In 2001, HomeSight, a nonprofit community development corporation, drafted a homeownership strategy for White Center in a report titled “The White Center Community: A homeownership strategy perspective.” This organization has focused its efforts on households that have been squeezed out of the home purchase market due to either lack of affordability or obstacles to accessing the private lending community. The intent of HomeSight’s homeownership strategy is to increase homeownership rates in White Center by decreasing crime, increasing civic participation, creating strong home values and improving property conditions.¹ Other research generally supports this notion. In “Homeownership and Neighborhood Stability,” Rohe and Stewart show that increased homeownership enhances neighborhood quality in terms of improved property maintenance, longer lengths of tenure and increased community participation.²

In addition to HomeSight’s goal of increased neighborhood quality in White Center, there are more reasons to implement a homeownership strategy. In communities such as White Center, which are relatively more affordable than the surrounding areas and yet still close to central cities, the threat of gentrification is a cause for concern. A homeownership strategy targeted towards minorities could preserve the cultural makeup of White Center before gentrification moves in, as it has in similar communities throughout King County.

The strategy can also help preserve affordability for current residents in the community. Although White Center is relatively more affordable than the rest of King County, median priced homes are still unaffordable for White Center residents and renters are having a harder time keeping up with rising housing costs. Lastly, minority homeownership rates are lower than whites in White Center as well as in the nation, and a targeted homeownership strategy in White Center could address this disparity at the local level.

HomeSight’s strategy is threefold: to rehabilitate properties in White Center, to utilize revolving loan assistance to help meet modest affordability gaps in home purchasing, and to build new homes coupled with the use of a revolving loan fund to assist low- and moderate-income homebuyers. HomeSight recommends various strategies for achieving these three recommendations:

1. Culturally specific outreach - Provide outreach to non-English speakers and other cultures. This is critical in White Center where 40% of residents are people of color.
2. Create affordable and accommodating housing - Partner with current property owners (churches, banks, etc.) to create affordable housing on underutilized properties as well as

¹ The White Center Community: A homeownership strategy perspective. HomeSight for the Annie E. Casey Foundation. June 2001. 22 October 2005.

² Rohe, William M. and Leslie Stewart. “Homeownership and Neighborhood Stability.” Housing Policy Debate, Volume 7, Issue 1 (1996): 37-81.

create homeownership opportunities that accommodate White Center's larger families. The average home size in White Center is 3.29 people, which is higher than the county average.

3. Make available rehabilitation assistance – Ensure that the White Center community is aware of both rental and ownership rehabilitation assistance and services, especially for low- and moderate-income households.

4. Make available education and counseling – Implement homeownership and education strategies including first time home buyer education and counseling as well as mortgage default prevention education and one-on-one counseling.

5. House Key Program – Increased marketing of the Washington State Housing Finance Commission House Key Program in White Center. This program offers below market interest rate mortgages to first time homebuyers and purchasers of housing in target areas of Washington State. The House Key program has several components including: down payment assistance for low-income households, below market interest rate mortgages, extra assistance in targeted areas, and flexible mortgage products such as FHA, VA, RHS and Conventional loans, including Fannie Mae products. Census Tract 265, which is located in White Center, is targeted for extra assistance under this program.

6. Create purchase incentives – Create partnerships with private banks in White Center to offer purchase incentives for homebuyers, more specifically first-time buyers earning at or below a certain level of income.

7. Combat discrimination – Work with King County Office of Civil Rights to review lending records for both purchase and rehabilitation loans in White Center. Given the number of loans approved but not accepted or denied outright in White Center, there is reason to review this data.

HomeSight's strategy would be a tool to slow the potential gentrification of the area that could result from White Center's relative affordability in King County. In 2000, the income required to buy a median value home in King County was \$70,411 while the actual median income was \$53,157. During this same time frame, the income required to buy a median priced home in White Center was only \$50,408, while the median income of White Center was \$40,480. The HomeSight report states that, "Buyers in the market wishing to purchase in Seattle will choose to buy in White Center to live as closely as possible to the city, potentially leaving White Center residents and low- and moderate-income buyers squeezed out of the market."³ Demand for units below \$300,000 near the city of Seattle continues to increase and since the median priced home in White Center as of 2004 was \$233,975,⁴ it is clear that demand for homes in the area will only increase and drive prices up further. For most White Center residents, buying a home was still

³ The White Center Community: A homeownership strategy perspective. HomeSight for the Annie E. Casey Foundation. June 2001. 22 October 2005.

⁴ "Countywide appreciation breaks records." Seattle Times. [Seattle] 13 May 2005.

unaffordable in 2000, but the median income in King County was right in line with that required to buy in White Center.

These data predict a growing trend of gentrification that other communities in the Seattle area have experienced. For instance, similar pressures have affected Seattle's Central District neighborhood, an area close to downtown and traditionally black and low-income. In this area, these pressures have caused the white population to increase by 52% from 1990 to 2000, while non-whites taken together saw a 5% loss in population over the same time period.⁵ These same types of pressures may have already started to restrict the ability of low- to moderate-income and minority residents of White Center from the possibility of buying a home or being able to afford to continue to live in their community.

If HomeSight's strategy to increase minority homeownership rates in White Center is targeted specifically to minorities, it could preserve the unique cultural heritage of the area. White Center contains greater racial and ethnic diversity than King County. White Center is comprised of 45% minority residents, while King County is made of up only 25% minority residents.⁶ **Figure 1** and **Figure 2** give greater detail regarding the breakdown of the racial composition of White Center compared with King County. The White Center community has a greater proportion of people that are African American, Pacific Islander and American Indian and almost all of White Center's population growth over the past 10 years consisted in increases of Hispanic/Latino, Asian/Pacific Islander, and African Communities.⁷ Immigrants and refugees make up a significant percentage of the population and over 28 languages are spoken regularly. One third of residents speak a language other than English with the five most common languages being Vietnamese, Spanish, Ukranian, Somali and Cambodian. Gentrification threatens to shift this racial mix towards a higher population of white residents. This would eliminate the reasons that many minorities call White Center home – diversity, cultural resources, and social networks.

White Center as a cultural center differs significantly from its neighboring cities. Burien and Tukwila are two cities located south and west of White Center. These two cities have a lower percentage of American Indian/Alaskan Natives and Hawaiian/Pacific Islanders compared with White Center. All three areas have a similar population percentage of Latinos, and though higher than Burien, White Center has a smaller percentage of blacks compared with Tukwila. White Center not only has the highest percentage of Asians out of these three communities, it also has a higher real Asian population than both Burien and Tukwila combined.⁸

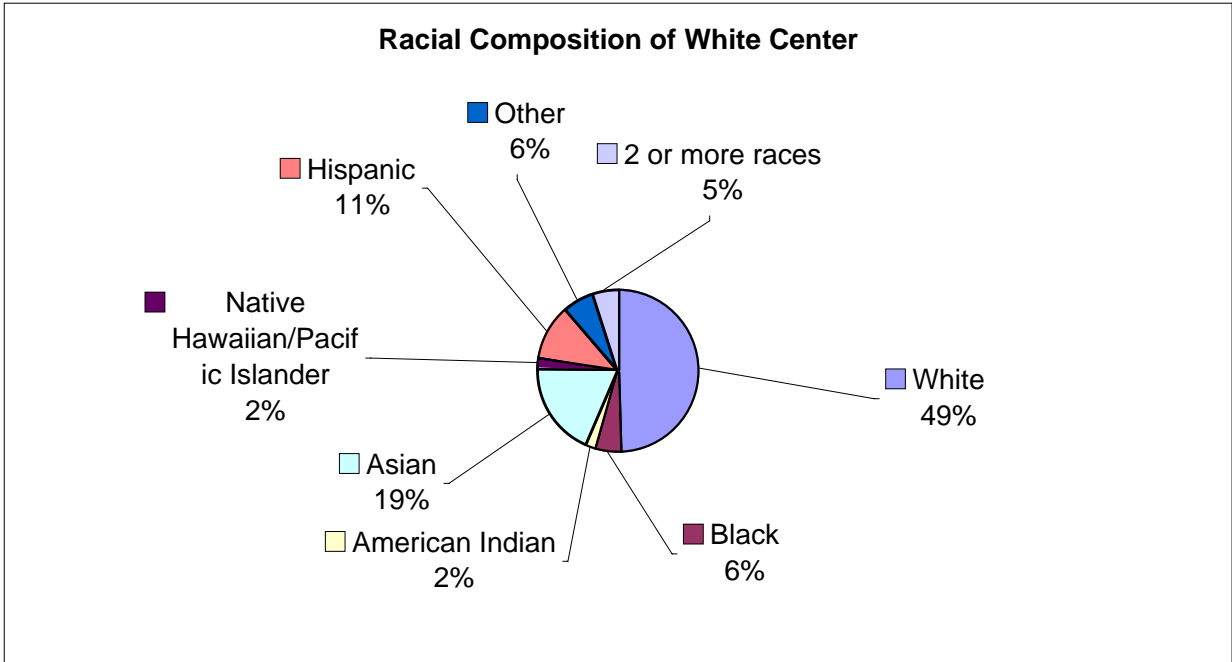
⁵ 1990 and 2000 Census Data. U.S. Census Bureau. October, 2005. 25 October 2005. <http://www.census.gov/>.

⁶ Ibid.

⁷ White Center Community Development Association. October 2005. 25 October 2005 <http://www.wccda.org>. All background in the rest of the paragraph is from this site.

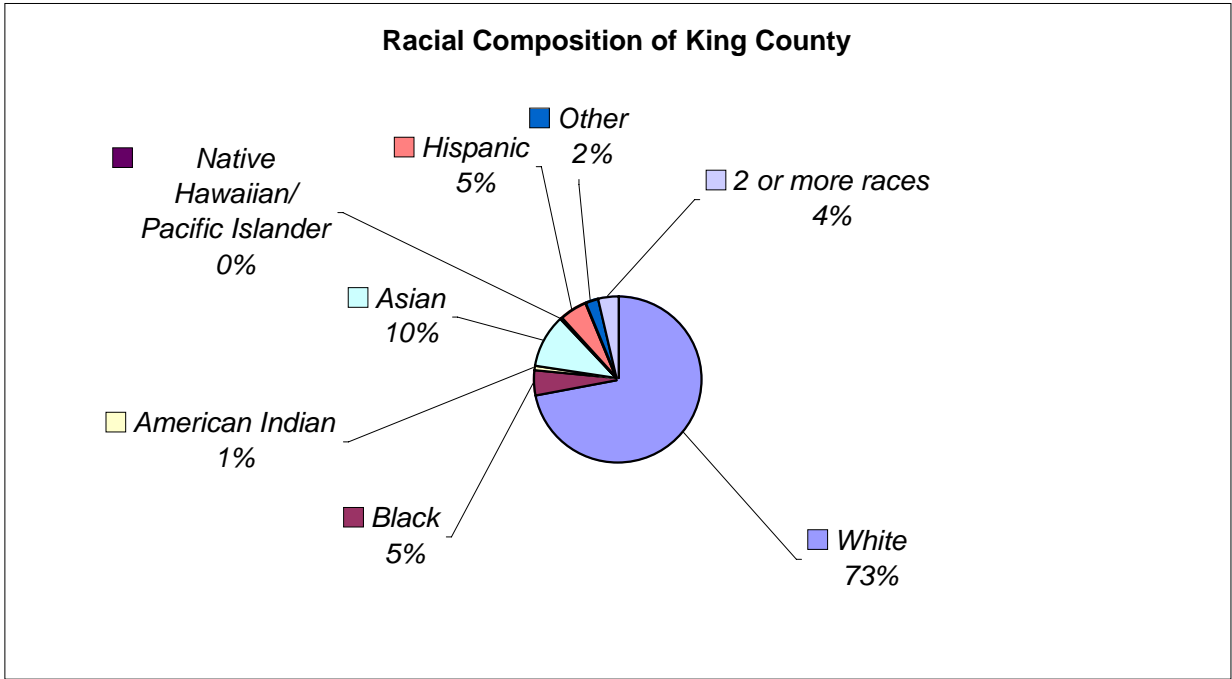
⁸ 2000 Census. U.S. Census Bureau. November 2005. 30 November 2005. <http://www.census.gov/>.

Figure 1: Racial Composition of White Center



Source: 2000 Census

Figure 2: Racial Composition of King County



Source: 2000 Census

In addition to preserving the cultural heritage of White Center, HomeSight's homeownership strategy will also attempt to create affordable home buying opportunities for low- and moderate-income residents. Since it is getting more difficult for White Center residents to afford the housing costs in the area, this element of the strategy is critical. From 2000 to 2004 the median home price in White Center increased from \$148,500 to \$233,975.⁹ Assuming the same percentage increase in median household income from 2000 to 2004 that the area saw between 1990 and 2000, we would expect White Center median household income to increase from \$40,480 to \$44,204.¹⁰ Using the Fannie Mae guidelines of a 28% housing debt to income ratio, and the 2004 median home price of \$233,975, this projected income is far below the needed income of \$78,351 to purchase a home in White Center with no money down.¹¹ It is clear that the difference between an average yearly appreciation of the median price home of 11.2% and an average yearly increase in the median income of households of 2.3% is causing a home affordability gap for White Center residents.

Increasing housing cost-to-income ratios are also exacerbating the problem of housing affordability in White Center. The percentage of White Center homeowners spending more than 30% of their monthly income on housing was 25.8%, and an even higher portion of renters (45.1%) were paying over 30% of their income to housing expenses in the year 2000.¹² In addition to contributing to affordability problems for current homeowners, an increasing housing cost-to-income ratio is also making the dream of homeownership further from reality for many of White Center's renters. If households are spending more than 30% of their monthly income on housing costs, it is often necessary for them to forgo other needs, such as nutrition, clothing and healthcare in order to maintain their place of residence. The U.S. Department of Housing and Urban Development (HUD) reports that more than 12 million American households are currently paying more than 50% of their annual income on housing. In addition, HUD reports that households with one full-time minimum wage earner cannot afford the fair market rent for a two-bedroom apartment anywhere in the United States.¹³

Several trends have affected this increasing housing affordability gap. In 2003, national mortgage rates reached an all time low of around 5.5%, since Freddie Mac started tracking 30 year mortgage rates in 1971. This was the result of falling Treasury bond rates as well as concern about the economic instability created by the Iraq war.¹⁴ Low mortgage rates caused droves of moderate-income first time homebuyers into the market, driving home prices up significantly. Another contributing factor is the decrease in living wage jobs as a result of an increase in the demand for service jobs and a decrease in demand for manufacturing jobs. This is causing higher unemployment for

⁹ "Countywide appreciation breaks records." Seattle Times. [Seattle] 13 May 2005.

¹⁰ 1990 and 2000 Census Data. U.S. Census Bureau. October, 2005. 25 October 2005. <http://www.census.gov/>.

¹¹ Mortgage Qualifying Calculator. Group Health Credit Union. October, 2005. 25 October 2005 <<http://www.ghcu.org>>.

¹² White Center and Boulevard Park Community Data. Public Health – Seattle & King County. May, 2004. 24 October 2005 <http://www5.metrokc.gov/reports/health/>

¹³ "Affordable Housing." Homes and Communities – U.S. Department of Housing and Urban Development. December 2005 <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

¹⁴ Aversa, Jeannine. "Mortgage rates set record for 4th consecutive week." Seattle Times. [Seattle] 14 March 2005: C2.

unskilled workers. White Center experiences a higher level of unemployment (6.4%) and a higher percentage of households receiving public assistance income (7.7%) than the whole of King County (4.5% and 2.8% respectively).¹⁵ Dramatically increasing housing prices that outpace income growth and the increasing housing cost-to-income ratio are resulting in an affordability gap in housing for low-income people. Homeownership assistance offers a way for individuals to receive financial assistance and to lock in their housing costs with a mortgage rather than being subject to the increasing market rent prices.

Lending to low- and moderate-income and minority borrowers has increased recently in the U.S. From 1993 to 1999, loans to blacks and Hispanics increased by 98% and 125% respectively, while loans to white buyers only increased by 42% during the same time frame.¹⁶ Also, loans to low-income borrowers increased by 94% while loans to high-income buyers increased by only 52%. This resulted in notable gains in minority homeownership. Black and Hispanic homeownership rates increased by 11.2% and 15.5% respectively, compared to a 4% increase in the Non-Hispanic white homeownership rate.

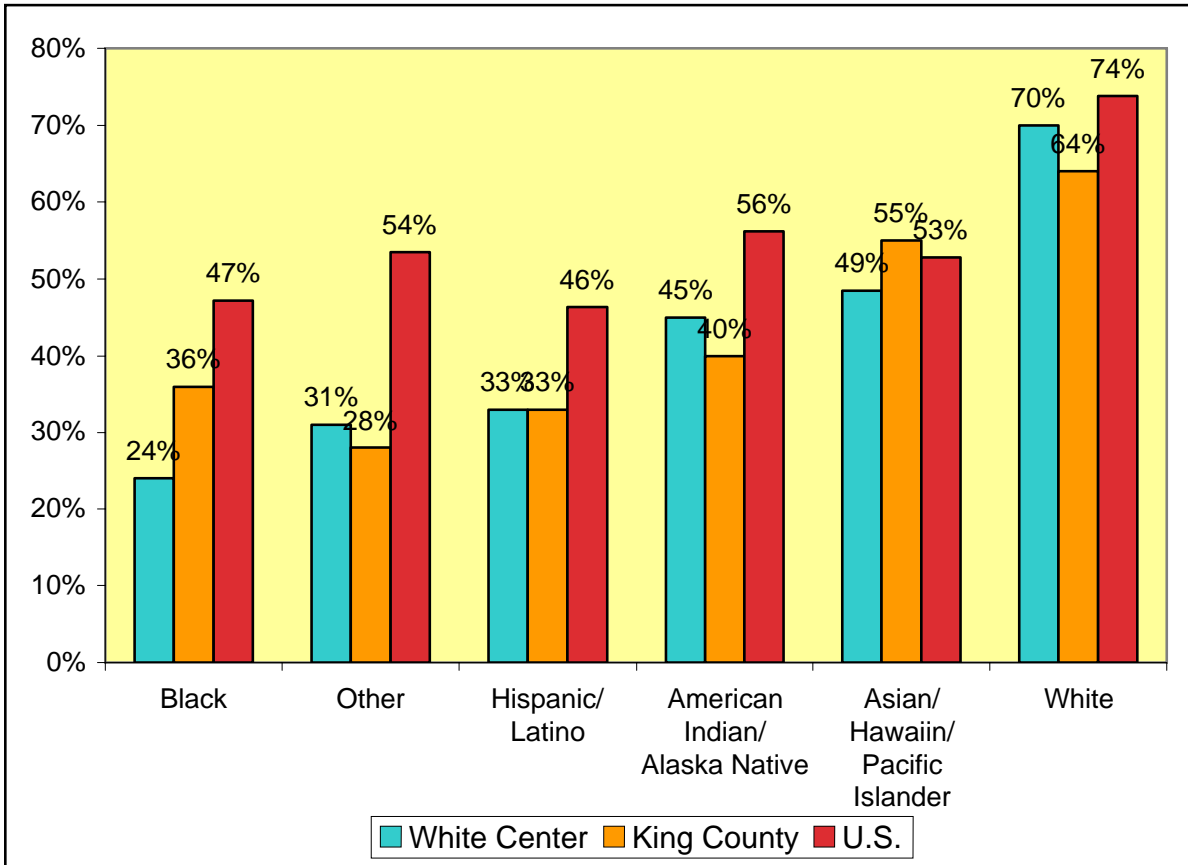
Yet, there is still a disparity between minority and white homeownership rates. At the national level, white households own homes at much higher rates than minorities. The situation in White Center shows an even larger disparity, with relative minority homeownership rates falling much shorter than rates for those same minority groups at the national level. **Figure 3** shows that the disparity between minority and white homeownership rates at the White Center, King County and national level. The largest disparity in White Center is between African-Americans and Whites, at 24% and 70% respectively.¹⁷

¹⁵ White Center and Boulevard Park Community Data. Public Health – Seattle & King County. May, 2004. 24 October 2005 <http://www5.metrokc.gov/reports/health/>

¹⁶ Duda, Mark and Eric Belsky. 2002. "The Anatomy of the Low-income Homeownership Boom." In Nicolas P. Retsinas, and Eric S. Belsky, eds., *Low Income Homeownership: Examining the Unexamined Goal*. Washington: Brooking Institution. All figures in the rest of this paragraph are from this study.

¹⁷ 2000 Census Data. U.S. Census Bureau. October, 2005. 25 October 2005. <http://www.census.gov/>.

Figure 3: Homeownership Rates by Race



Source: 2000 Census

While the HomeSight strategy could address the issues above, it does not target minorities or current residents of White Center specifically. It is recommended that minority residents of White Center be the primary target group to ensure that the community reaps the benefits of a homeownership strategy. In order to achieve the other elements of a homeownership strategy: to slow gentrification to preserve the cultural character of White Center, and to decrease the disparity between minority and white homeownership rates, it is critical for HomeSight to target this strategy to current minority renters in the area.

The Brookings Institution identified six challenges to minority homeownership.¹⁸

1. Income constraints and lack of wealth – Minorities tend to have lower incomes and less wealth than Non-Hispanic whites. Lack of sufficient funds results in inability to meet monthly housing costs of a mortgage as well as have enough funds for a down payment. The Fannie Mae 2003 National Housing Survey supports this. In this survey,

¹⁸ Katz, Bruce et al. 2003. “Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice.” *The Brookings Institution Center on Urban and Metropolitan Policy and The Urban Institute*.

35% of all renters have tried to become homeowners but have not succeeded, and affordability due to lack of savings is the most common reason cited.

2. Discrimination – Discrimination by real estate agents and mortgage lending institutions limits information and options available to minority homebuyers. The 2003 National Housing Survey cites concerns over discrimination as another barrier to minority homeownership. Mortgage application rejection rates for minorities are still well above those of whites. In 2001, blacks were denied twice as often as whites and Hispanics were denied one and one-half times as often as Non-Hispanic whites.¹⁹

3. Lack of creditworthiness – Lack of participation in mainstream financial institutions, past credit problems and lack of credit history due to recent immigration to the U.S. contribute to this problem. The Fannie Mae 2003 National Housing Survey supports this. In this survey, 49% English Hispanics, 46% Spanish Hispanics and 42% African Americans cited credit concerns as the primary reason they have not yet bought a home.

4. Lack of information – Many low-income consumers do not know enough about the home-buying process, which is also supported by the Fannie Mae 2003 National Housing Survey.

5. Language and cultural barriers – Language and cultural barriers can also inhibit the success of home buying.

6. Limited supply of affordable housing – There is a lack of affordable housing in many regions and neighborhoods.

In addition to targeting the strategy specifically to minority renters in White Center, HomeSight's homeownership strategy could increase minority homeownership and preserve the cultural integrity of the community by assessing the following critiques and taking into consideration the following recommendations. It is clear that there have been challenges to the implementation of this proposal as no literature or documentation of the progress was available. It is recommended that the Annie E. Casey Foundation, to whom HomeSight supplied the report, establish a local nonprofit that can focus its full efforts on implementing this strategy in White Center. Also, the strategy contained specific goals for homes to be rehabilitated and built as well as loan dollars to give out, but no timelines to accompany them. It is recommended that realistic timelines be predicted and incremental evaluations be done of the program to ensure proper progress. HomeSight's report states that it is critical to implement the homeownership strategy before full scale efforts are under way to clean up the Central Business District of White Center, so that current residents can reap the rewards of economic development and revitalization in their community. Finally, in light of the Brookings report on the challenges to homeownership, it is clear that the strategy deal with the credit shortcomings issue. This last piece could be integrated into the education and counseling portion of the plan.

¹⁹ ACORN. 2001. "An Analysis of Racial and Economic Disparities in Home Purchase Mortgage Lending Nationally and in Sixty Metropolitan Areas." Washington.

The diverse working class community of White Center has a unique cultural character that is unmatched in other parts of the county. Minority residents, immigrants and refugees enjoy a farmers market, specialized ethnic grocery stores and numerous restaurants in the Central Business District. Residents of this community would like to stay, yet the relative affordability of White Center compared to King County and its close proximity to downtown may already be squeezing those generally lower income residents out of the housing market. If a strategy is not implemented to help minority residents stay in the area, gentrification will occur at more rapid rates and the unique cultural heritage of White Center will be lost. Implementation of a minority homeownership strategy in the area would also allow residents to lock in their housing payment with a mortgage so they would not be subject to market fluctuations in rents. The strategy would also help decrease the disparity of homeownership rates between whites and minorities. By following the recommendations outlined above, HomeSight can achieve these goals in addition to their main goal of increasing overall neighborhood quality in White Center.