

# BEYOND THE HEADLINES

## At a Glance: Housing Costs and a Living Wage

MAY 2017

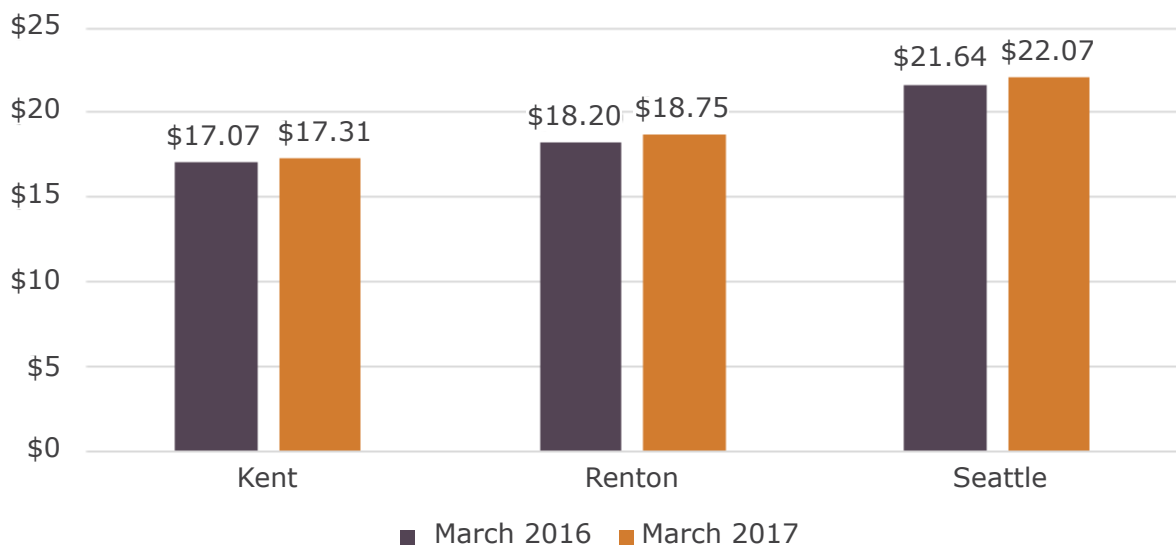
FOCUS: COMPENSATION

### Living Wage in Seattle Increases Due to Rise in Cost of Housing

As a workforce intermediary seeking to better connect low-income individuals to living-wage jobs, Seattle Jobs Initiative (SJI) focuses its labor market research on identifying middle-wage jobs in our local economy. Training residents for these jobs provides an opportunity to meet the greatest skills shortages facing local employers while helping low-income and low-skill individuals advance into good-paying careers.

This issue of *Beyond the Headlines* provides guidance on the current living wage within the City of Seattle and shows how it compares to the living wage in two neighboring cities. The results show that rising housing costs are contributing to increases in the living wage in all three cities. In Seattle, an individual must now earn at least \$22.07 to meet minimum standards of living compared to \$18.75 in Renton and \$17.31 in Kent. The living wage in Seattle grew by 43 cents over the past year compared to 55 cents in Renton and 24 cents in Kent.

**Figure 1: Living Wage by City and Year**



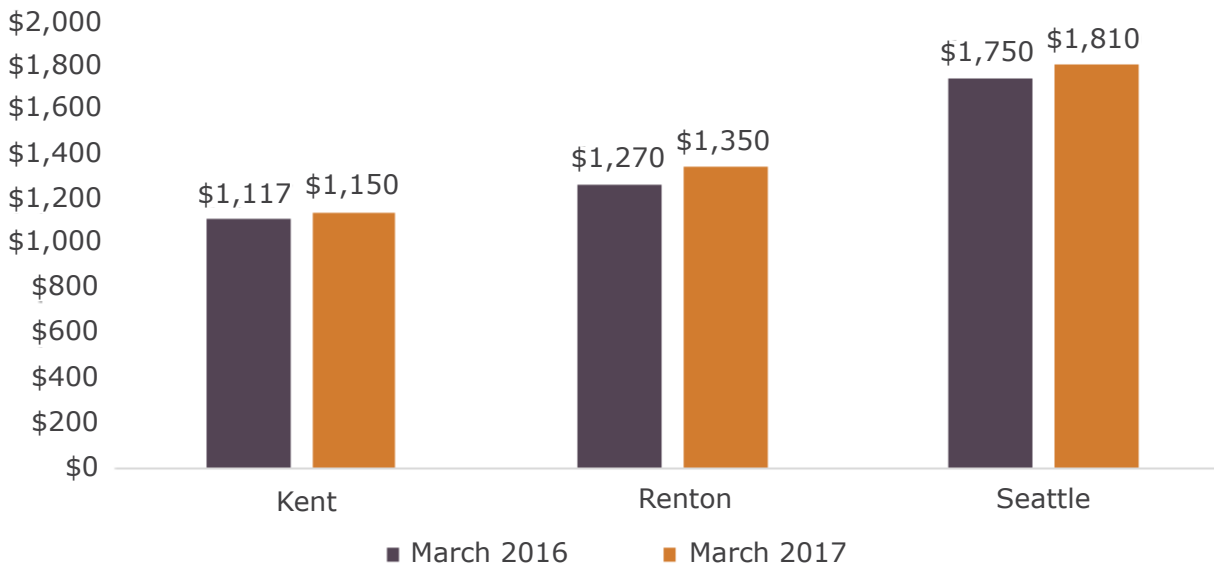
*Seattle's living wage grew by 43 cents in the past year compared to 55 cents in Renton and 24 cents in Kent.*

A living wage is a wage that allows a person or family to meet the minimum standards of living in a community. This means having enough money for food, childcare, medical care, housing, transportation, and income taxes with some money left over for other basic necessities. SJI’s definition of a living wage also includes 10% of expenses set aside for savings. Each year, Massachusetts Institute of Technology (MIT) releases living wage estimates for counties as well as metropolitan statistical areas and utilizes HUD Fair Market Rent to account for housing costs. MIT estimates the living wage to be \$13.30 per hour<sup>i</sup> in King County, Washington – home to Seattle. However, the housing costs in Seattle are higher than the HUD Fair Market Rent for King County. When taking Seattle’s current median rent into consideration<sup>ii</sup>, a living wage is more accurately estimated to be \$22.07 for a household with one adult.

### **Housing Costs**

The primary driver of living wage increases in the Seattle area are increases in housing costs. Median rent prices in Seattle have increased 57 percent in the last six years which costs the average renter an extra \$635 per month<sup>iii</sup>. The median rent for a one-bedroom apartment in Seattle was \$1,810 in March 2017<sup>iv</sup> - a 3.4% increase from the previous year. The median rent for a one-bedroom apartment increased by 5.7% in Renton and 2.9% in Kent during this same period<sup>v</sup>. An individual living in Seattle would need to earn \$9,909 more annually than an individual in Kent and \$6,906 more annually than an individual in Renton to maintain the same standard of living.

**Figure 2: One Bedroom Median Monthly Rent by City and Year**



*Seattle’s median rent for a one-bedroom apartment is \$460 higher than Renton and \$660 higher than Kent. Median rent prices adjusted upward in all three cities over the past year.*

## Living Wage versus Minimum Wage

An individual earning Seattle's new \$15 per hour minimum wage would be earning \$14,714 per year less than is necessary to maintain minimum standards of living (before tax). An individual in this situation would need to find housing around \$830 per month or would be forced to cut from other critical areas of their budget such as medical care, food, savings, transportation and other basic necessities (e.g. clothing, personal care items). An individual in this situation who chooses to pay the median rent for a one-bedroom apartment must reduce their budget in these other critical areas by 69% to break even. Alternatively, if this individual decided to share housing and living expenses with a roommate, she or he would need to earn a wage of \$15.58 per hour or more.

For SJI's living wages estimates by city and family type, see Table 1.

For SJI's estimated expenses by city for one adult, see Table 2.

**Table 1: SJI Estimated Living Wages by Area and Family Type**

<b>Family Type</b>	<b>King County</b>	<b>Kent</b>	<b>Renton</b>	<b>Seattle</b>
1 Adult	\$16.58	\$17.31	\$18.75	\$22.07
1 Adult 1 Child	\$32.27	\$31.38	\$32.54	\$38.60
1 Adult 2 Children	\$37.95	\$37.06	\$38.22	\$44.28
1 Adult 3 Children	\$49.98	\$47.40	\$48.93	\$57.00
2 Adults	\$12.36	\$12.80	\$13.64	\$15.58
2 Adults 1 Child	\$18.09	\$17.58	\$18.25	\$21.77
2 Adults 2 Children	\$20.69	\$20.51	\$20.85	\$24.58
2 Adults 3 Children	\$26.62	\$25.01	\$25.97	\$31.02
2 Adults (One Working)	\$24.72	\$25.59	\$27.28	\$31.17
2 Adults (One Working) 1 Child	\$31.12	\$30.23	\$31.39	\$37.45
2 Adults (One Working) 2 Children	\$33.71	\$32.82	\$33.98	\$40.04
2 Adults (One Working) 3 Children	\$42.50	\$39.92	\$41.46	\$49.52

**Table 2: Estimated Expenses by City for One Adult**

<b>Annual Expenses</b>	<b>King County</b>	<b>Kent</b>	<b>Renton</b>	<b>Seattle</b>
Food	\$3,560.00	\$3,560.00	\$3,560.00	\$3,560.00
Child Care	\$0.00	\$0.00	\$0.00	\$0.00
Medical	\$1,614.00	\$1,614.00	\$1,614.00	\$1,614.00
Housing	\$12,588.00	\$13,800.00	\$16,200.00	\$21,720.00
Transportation	\$3,768.00	\$3,768.00	\$3,768.00	\$3,768.00
Other*	\$6,036.00	\$6,036.00	\$6,036.00	\$6,036.00
10% of expenses for savings	\$2,756.60	\$2,877.80	\$3,117.80	\$3,669.80
Required annual income after taxes	\$30,322.60	\$31,655.80	\$34,295.80	\$40,367.80
Annual taxes**	\$4,166.33	\$4,349.51	\$4,712.24	\$5,546.54
Required annual income before taxes	\$34,488.93	\$36,005.31	\$39,008.04	\$45,914.34
Living Wage	\$16.58	\$17.31	\$18.75	\$22.07

\* updated to provide a more generous allowance for "other necessities" as offered by Economic Policy Institute<sup>vi</sup>  
 \*\* Federal Taxes based on 13.7% (middle quintile in 2016) as offered by Urban-Brookings Tax Policy Center  
 Microsimulation Model (version 0515-1)<sup>vii</sup>

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- i. Glasmeier, A. and Massachusetts Institute of Technology. *Living Wage Calculator for King County, WA, 2017*. Available at: <http://livingwage.mit.edu/counties/53033>
  - ii. Living wage estimates were also adjusted to include 10% of expenses set aside for savings and a more generous allowance for “other necessities” as offered by Economic Policy Institute. MIT data was utilized while emulating the approach taken in *Middle-Wage Jobs in Seattle/King County* as MIT has updated data to reflect 2015 dollars. Available at: [http://www.seattlejobsinitiative.com/wp-content/uploads/MWJ\\_SJI\\_Feb2017\\_web.pdf](http://www.seattlejobsinitiative.com/wp-content/uploads/MWJ_SJI_Feb2017_web.pdf)
  - iii. *After brief slowdown, Seattle-area rents surge back up again; when will it end?* Available at: <http://www.seattletimes.com/business/real-estate/after-brief-slowdown-seattle-area-rents-surge-back-up-again-when-will-it-end/>
  - iv. *Zumper National Rent Report: April 2017* Available at: <https://www.zumper.com/blog/2017/03/zumper-national-rent-report-april-2017-2/>
  - v. *April 2017 Seattle Rent Report* Available at: <https://www.apartmentlist.com/wa/seattle#rental-price-monitor>
  - vi. <http://www.epi.org/resources/budget/>
  - vii. <http://www.taxpolicycenter.org/model-estimates/baseline-distribution-tables-version-0515-1-model/effective-federal-tax-rates-all-1>

**BEYOND THE HEADLINES:** Policy & Labor Market Updates for Those Working to Help Low-Income and Low-Skill Individuals Advance through Education, Training & Living-Wage Jobs

### **About Seattle Jobs Initiative**

Seattle Jobs Initiative creates opportunities for students, workers and business to succeed by helping education and job training programs meet the demands of a new economy. We find and apply solutions for people to gain the skills they need for good jobs that create prosperity for all in today’s marketplace.

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