

Seattle and South Lake Union Workforce and Affordable Housing Study



DRAFT

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Submitted to:



Seattle City Council





*Community Attributes tells data rich stories about communities
that are important to decision-makers.*

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EXECUTIVE SUMMARY

This report presents analysis of wages and occupations based within the Seattle City Limits to determine the current and projected need for housing to accommodate Seattle's workforce. The analysis addresses the workforce only in the Greater Downtown area, which includes all of South Lake Union and the western portions of the Capitol Hill and eastern portions of the Lower Queen Anne neighborhoods. The report and this Executive Summary present the detailed assumptions and analysis required along with the considerations to interpret and apply the findings.

The assumptions and analysis find that:

- There will be an additional 21,900 workers in South Lake Union in 2031, for a total of 51,100 by that time;
- Today, 7,600 workers in South Lake Union qualify for housing affordable to households earning up to 80% of Median Family Income, and by 2031, 13,200 workers will qualify, an increase of 5,600;
- Housing all of these workers in South Lake Union in 2031 would require a total of 9,900 units be available to those workers at affordable rents;
- Growth in jobs throughout Greater Downtown and South Lake Union together will require a total of 20,100 units available at affordable rents;
- Today, only 37% of all Seattle workers also live in Seattle (US Census); accommodating 37% of the growth in demand would require 7,440 units;
- There are 1,274 affordably developed units in South Lake Union today; the estimated affordable housing gap beyond what is in South Lake Union today is approximately 6,200 units, for South Lake Union to accommodate the portion

of increased demand for affordable and workforce housing driven by Greater Downtown growth in employment and living in Seattle;

- The target for the South Lake Union neighborhood plan of 5,500 affordable units would fall 1,940 housing units short of accommodating the 7,440 units derived above (37% of the increased demand for housing from Greater Downtown Seattle workers);
- Proposed development incentives combined with other existing programs provide an economic incentive to not produce affordable units in South Lake Union; the revenues generated by existing programs are insufficient to produce enough affordable housing units to meet demand.

Workforce in Seattle and South Lake Union

Of the approximately 522,800 total workers at workplaces located in the City of Seattle, 29,200 work in the South Lake Union neighborhood. The Puget Sound Regional Council (PSRC) employment forecasts (still considered a draft and under review by the PSRC) suggest a total of 760,700 employees in the City of Seattle. Jobs targets from the South Lake Union EIS and the Director's Report on Zoning Changes in South Lake Union (2013) suggest that 51,100 of those jobs will be located in South Lake Union (**Exhibit 1**).

This report examines the role of South Lake Union in providing housing for workers and families that need housing priced below prevailing market rates. These housing segments serve families without incomes (retirees and others), as well as workers earning lower than average wages. The analysis focuses on the workforce in the core of Downtown Seattle and South Lake Union, and across all occupations.

**Exhibit E-1. Seattle Employment Growth in South Lake Union,
Greater Downtown and Citywide, 2011-2031**

Geographies	2011	2031	Change		CAGR ²	% of Citywide Total		
			2011 - 2031	Cum. % Change		2011	2031	Change 2011 - 2031
South Lake Union ¹	29,200	51,100	21,900	75%	2.8%	6%	7%	9%
Greater Downtown	246,400	346,800	100,400	41%	1.7%	47%	46%	42%
Seattle	522,800	760,700	237,900	46%	1.9%	100%	100%	100%

Source: ESD, PSRC and Community Attributes, Inc., 2013.

Notes: 1. 2011 estimates for South Lake Union are from CAI's report for OED in 2012. The estimate includes adjustments to include employees not covered by unemployment insurance as well as estimates based on absorption by Amazon.com not believed to have been included in employment data available to date. 2. CAGR stands for compound annual growth rate, and reflects yearly percentage growth rates, compounded annually.

Income Qualified Workers

Eligibility for affordable and workforce housing depends on the wages earned and the number of earners per household. Area-wide incomes and the composition of the regional economy affect the demand for affordable and workforce housing.

- 2011 Median Family Income in the Seattle-Bellevue FMR Area is \$86,800; 80% of MFI is \$69,440; 50% of MFI is \$43,400 (HUD and U.S. Census)
- 2013 Median Family Income is \$86,700; 80% of MFI is \$69,360; 50% of MFI is \$43,350

Affordable and Workforce Housing Income Criteria

The U.S. Department of Housing and Urban Development (HUD) sets income limits for affordable housing eligibility. These limits are based on Median Family Income (MFI) for specified geographies (Fair Market Rent Areas, FMR Areas), as determined by HUD via American Community Survey data. The City of Seattle adopts these figures from HUD to administer its affordable housing programs. HUD provides more complex details (shown in the appendix), but 80% and 50% of MFI are key benchmarks for housing price segments and associated incomes are as follows:

Estimate of Income Qualified Workers

In the Greater Downtown area (defined for this report to include the Downtown core, South Lake Union and parts of Capitol Hill), 62,900 workers qualify for some form of affordable housing (26% of the citywide total); this number is projected to grow to 89,700 by 2031 (a 43% cumulative increase). South Lake Union alone, the smallest geography analyzed, accounts for approximately 7,400 income-qualified employees in 2011 and 13,200 income-qualified employees in 2031.

Housing Demand

Seattle averages 1.33 workers in the labor force per household, citywide, including households with no workers (retired individuals and couples, for example). At 1.33 workers per household, the employment data suggest the need for 47,100 workforce and affordable housing units for workers with jobs in Greater Downtown Seattle in 2011. Employment growth

would suggest demand for an additional 20,100 units by 2031, a 43% cumulative increase (Exhibit 2).

Not everyone that works in Seattle chooses to live in Seattle. The Census tells us that 37% of workers in Seattle also live in Seattle. If the City provided 7,440 more affordable or workforce housing by 2031, then 37% of the growth in workers would be accommodated.

Exhibit E-2. Housing Units Required to House Income-Qualified Workers by Income Segment and Place of Work, Seattle, 2011 and 2031

			% of Total	% of Total -	Change
Greater Downtown	2011	2031	2011	2031	2011 - 2031
Total Units	184,600	259,900	100%	100%	75,300
Priced @ < 80% MFI	47,100	67,200	26%	26%	20,100
Priced @ 51 - 80% MFI	32,400	44,400	18%	17%	12,000
Priced @ 50% MFI or less	14,700	22,800	8%	9%	8,100
			% of Total	% of Total -	Change
South Lake Union Only	2011	2031	2011	2031	2011 - 2031
Total Units	21,900	38,300	100%	100%	16,400
Priced @ < 80% MFI	5,700	9,900	26%	26%	4,200
Priced @ 51 - 80% MFI	3,900	6,700	18%	17%	2,800
Priced @ 50% MFI or less	1,800	3,200	8%	9%	1,400

Source: Community Attributes, Inc., 2013.

Note: Housing units projected for the smaller geographies presented in **Exhibit E-2** are included in the larger geographies (for example, units in SLU contribute are included in the estimates for Greater Downtown and citywide).

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INTRODUCTION

Background and Purpose

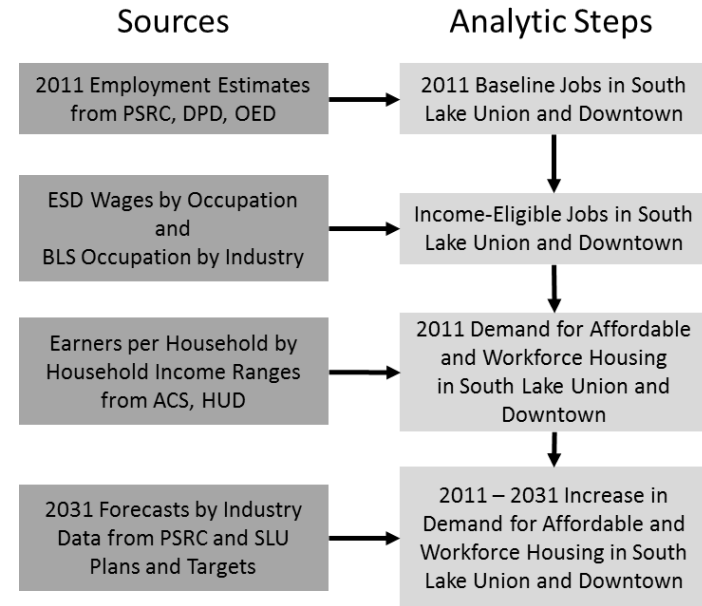
The City of Seattle City Council desires an understanding of the workforce housing policy context for analysis of affordable and workforce housing program alternatives for the South Lake Union urban center rezone. As the City of Seattle pursues a rezoning of South Lake Union, Community Attributes (CAI) was asked to analyze occupation and wage data to provide context and understanding of the changing need for affordable and workforce housing.

Methods

Approach and Data Sources

The analysis presented in this report makes use of existing data sources and plans to project demand for affordable and workforce housing in South Lake Union, as outlined in **Exhibit 1**. The analysis uses employment estimates and forecasts by industry from Washington State Employment Security Department (ESD) and the Puget Sound Regional Council (PSRC). The City’s Department of Planning and Development (DPD) and Office of Economic Development (OED) have estimates of jobs in South Lake Union as well. ESD and the U.S. Bureau of Labor Statistics (BLS) provide information on wages and the occupations associated with industries. The US Census Bureau’s American Community Survey provides demographic data important for affordability definitions determined by U.S. Department of Housing and Urban Development (HUD) and adopted by the City of Seattle for housing affordability policies and programs.

Exhibit 1. Sources and Methods Diagram



Source: Community Attributes, 2013.

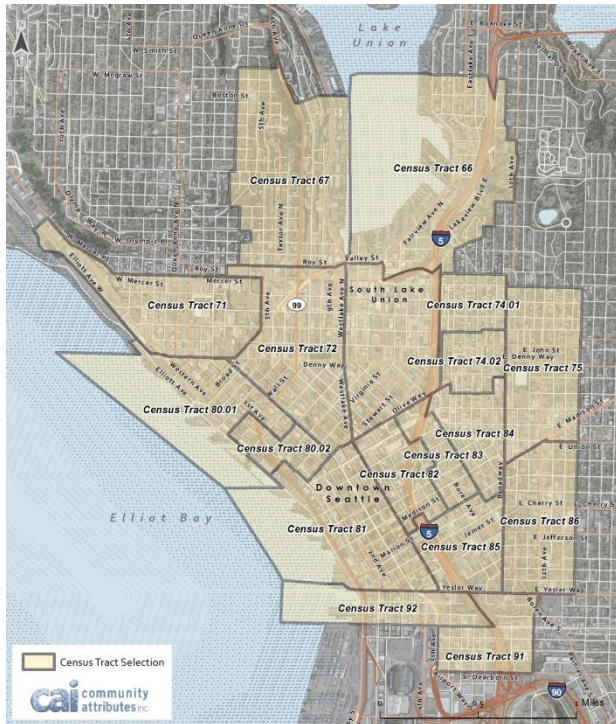
Limits

The City and HUD share eligibility criteria, which depend on area cost of living and family size. To align occupation and wage data with housing eligibility, this analysis assumes that the distribution of occupations among industries in Seattle is similar to that of King County. The analysis further assumes that for families with more than one earner, within each family all earners earn the same amount of wages. Data do not exist to determine whether either of these assumptions err on forecasting more or fewer affordable and workforce housing in Seattle.

Neighborhood Definitions

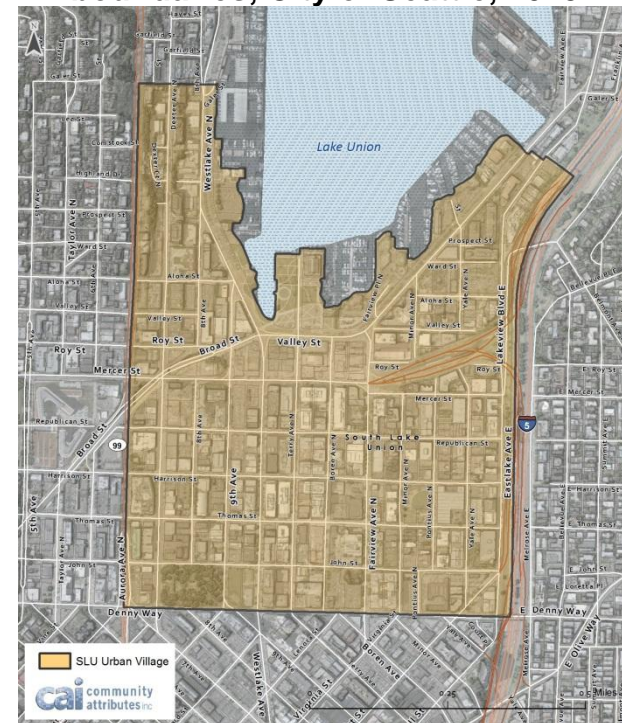
This report assumes South Lake Union is well situated for housing to serve workers in and around all of Downtown Seattle. The analysis defines the Greater Downtown area using US Census tracts that include areas in the Downtown core, South Lake Union, and Capitol Hill neighborhoods, as well as areas of Pioneer Square, First Hill, Yesler Terrace, the International District, and the Central District. The Census tracts analyzed are mapped in **Exhibit 3**.

Exhibit 3. Census Tracts Analyzed, City of Seattle, 2013



The South Lake Union neighborhood is located north of Seattle's Downtown core. The neighborhood is bound to the West by Aurora Ave N, to the North by Lake Union, to the East by Interstate 5, and to the South by Denny Way. **Exhibit 4** maps the neighborhood boundaries, as defined by the Urban Center designation in the Comprehensive Plan.

Exhibit 4. South Lake Union Urban Center boundaries, City of Seattle, 2013



Organization of Report

The remainder of the report is organized along the following research questions posed by Seattle City Council for analysis:

- How great is the need for workforce housing?
- What employees and occupations are served by workforce housing?
- How much workforce housing is expected for South Lake Union under the proposed incentive program?
- What is the workforce housing gap?

HOW GREAT IS THE NEED FOR AFFORDABLE AND WORKFORCE HOUSING?

Employment forecasts reflect the 2012 PSRC draft land use forecasts and South Lake Union growth targets from the Director’s Report on Zoning Changes to the South Lake Union Urban Center (2013), shown in **Exhibit 1**. The 2011-2031 time horizon reflects the same horizon used by the City in the larger rezoning process.

Current employment estimates are difficult due to data reporting lags and a rapidly growing employment base with Amazon.com employment and many other employers. This analysis assumes 2011 employment of 29,200 jobs in 2011. The

details of this estimate and different estimates are presented in the Appendix.

The City of Seattle projected an additional 21,900 new jobs to come into South Lake by 2031, a 75% cumulative increase over 2011 estimates. PSRC forecasts for Greater Downtown (including South Lake Union and smaller portions of surrounding neighborhoods), suggest an increase of 100,000 new jobs in this larger employment area potentially served by housing in South Lake Union.

Exhibit 1. Employment Growth in King County, Seattle, Downtown and South Lake Union, 2011-2031

Geographies	2011	2031	Change		CAGR ²	% of Citywide Total		
			2011 - 2031	Cum. % Change		2011	2031	Change 2011 - 2031
South Lake Union ¹	29,200	51,100	21,900	75%	2.8%	6%	7%	9%
Greater Downtown	246,400	346,800	100,400	41%	1.7%	47%	46%	42%
Seattle	522,800	760,700	237,900	46%	1.9%	100%	100%	100%

Source: ESD, PSRC and Community Attributes, Inc., 2013.

Notes: 1. 2011 estimates for South Lake Union are from CAI’s report for OED in 2012. The estimate includes adjustments to include employees not covered by unemployment insurance as well as estimates based on absorption by Amazon.com not believed to have been included in employment data available to date.

2. CAGR stands for compound annual growth rate, and reflects yearly percentage growth rates, compounded annually.

Exhibit 2 presents the number of employees whose wages would qualify them for affordable or workforce housing (less than or equal to 50% of median family income, MFI, or between 50 and 80% of MFI), across all Major Occupation Groups (MOGs). Between 2011 and 2031, an additional 26,800 workers in the Greater Downtown area will be added, all of whom will work at wages that would qualify them for workforce or affordable housing. Of those workers, 10,800 would qualify for affordable housing at 50% of MFI. In South

Lake Union alone, 5,600 additional workers' wages will qualify them for affordable or workforce housing by 2031, 1,900 of whom will qualify at 50% MFI or lower. More workers would qualify for affordable or workforce housing if all households were supported by the wages of only one worker. However, this analysis assumes that some households have multiple earners who split the burden of housing costs. The distribution of households with one or more earners is given in the Appendix in Exhibit 11.

**Exhibit 2. Workers Eligible for Affordable or Workforce Housing,
Greater Downtown and South Lake Union, 2011 and 2031**

Greater Downtown	2011	2031	% of Total 2011	% of Total - 2031	Change 2011 - 2031
Total Employees	246,400	346,800	100%	100%	100,400
Qualifying - Any Level	62,900	89,700	26%	26%	26,800
Qualifying @ 51 - 80% MFI	43,300	59,300	18%	17%	16,000
Qualifying @ 50% MFI or less	19,600	30,400	8%	9%	10,800

South Lake Union Only	2011	2031	% of Total 2011	% of Total - 2031	Change 2011 - 2031
Total Employees	29,200	51,100	100%	100%	21,900
Qualifying - Any Level	7,600	13,200	26%	26%	5,600
Qualifying @ 51 - 80% MFI	5,200	8,900	18%	17%	3,700
Qualifying @ 50% MFI or less	2,400	4,300	8%	8%	1,900

Source: PSRC, ESD, BLS, HUD, and Community Attributes Inc., 2013.

Notes: Based on the data available, the percentages of jobs qualifying by income, as a percentage of all jobs, would not be expected to change significantly. The mix of employment by industry would be the only driver of changes of jobs qualifying by wage level based on this analysis.

Exhibit 3 translates the forecasts of occupations by wage levels into demand for affordable and workforce housing. The housing demand assumes on average 1.33 wage earners per households (citywide average derived from 2011 American Community Survey data).

This approach suggests that the Greater Downtown workforce growth from 2011 to 2031 will result in the need for 20,100 housing units priced for affordable or workforce housing, of which 8,100 will need to be affordable at 50% of MFI or less. Growth in workers within South Lake Union alone will require 4,200 workforce or affordable units, not including making up for current shortfalls.

Not all Seattle workers choose to live in Seattle. In 2011, 37% of all Seattle workers live in Seattle, based on U.S. Census data from the American Communities Survey, the details of which are presented in the appendix. Presumably some of those out-of-town commuters would choose to live in Seattle if they could afford to do so. In other words, if the City wished to provide affordable and workforce housing to accommodate half of the growth in income-eligible occupations in Greater Downtown, then the City would need to help produce half of the 20,100 units required, or 10,050 affordable or workforce housing units.

Exhibit 3. Demand for Affordable or Workforce Housing, Greater Downtown and South Lake Union, 2011 and 2031

			% of Total	% of Total -	Change
Greater Downtown	2011	2031	2011	2031	2011 - 2031
Total Units	184,600	259,900	100%	100%	75,300
Priced @ < 80% MFI	47,100	67,200	26%	26%	20,100
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Total Units	21,900	38,300	100%	100%	16,400
Priced @ < 80% MFI	5,700	9,900	26%	26%	4,200
Priced @ 51 - 80% MFI	3,900	6,700	18%	17%	2,800
Priced @ 50% MFI or less	1,800	3,200	8%	9%	1,400

HOW MUCH AFFORDABLE HOUSING IS PROJECTED FOR SOUTH LAKE UNION?

The Seattle Office of Housing has set a target of 5,500 affordable (market rate and subsidized) housing units in South Lake Union by 2031. This target is based on a Comprehensive Plan policy that calls for provision of 37% of housing affordable to households earning 80% or less of MFI. This is an increase of 4,226 units over the 2012 total of 1,274 affordable units in the neighborhood today. A key question asked for this study to address is, “What do current trends suggest for the production of affordable housing in South Lake Union?”

This report was produced under contract along with an analysis of the financial feasibility of providing affordable housing in South Lake Union (produced by Spectrum Development Services). That analysis evaluated the pricing of the City’s pay-in-lieu program that allows developers to pay a fee in lieu of developing housing themselves. The Spectrum analysis demonstrated that the pay-in-lieu fees are currently set

too low to expect developers to ever choose to build affordable housing themselves, and that they would always profit more by choosing the pay-in-lieu option. In light of that finding, this section addresses the question of affordable housing projections by examining trends, along with the potential impacts of the revenues generated with the City’s pay-in-lieu option.

Affordable Housing Development Trends

Affordable and workforce housing has been developed in South Lake Union over the last decade. The City of Seattle utilized three sources of funding in developing affordable housing, and some market rate affordable housing still exists in the neighborhood. **Exhibit 4** summarizes the supply of affordable housing in South Lake Union in 2004 and 2012 and projects the total number of units that would need to exist in 2031 to meet the Comprehensive Plan policy.

Exhibit 4. Affordable Housing Development, SLU, 2004-2012

Income Levels	2004		2012		2031 Target	
	Total	% of Total	Total	% of Total	Total	% of Total
Units at 80% MFI or lower	778	60%	1,274	33%	5,500	37%
Units at 81% MFI or greater	528	40%	2,565	67%	9,500	63%
All Housing Units	1,306	100%	3,839	100%	15,000	100%
			2004 - 2012		2012 - 2031	
Units at 80% MFI or lower			496	20%	4,226	38%
Units at 81% MFI or greater			2,037	80%	6,935	62%
All Housing Units			2,533	100%	11,161	100%

Source: Seattle Office of Housing (OH), 2012.

The City’s funding sources for affordable housing are described as follows:

- The Seattle Housing Levy and other public fund sources, which provide capital funding to leverage investments in affordable rental housing and assistance to income-eligible first-time homebuyers.
- Bonus Programs, which allow developers an opportunity to build beyond what zoning allows in certain areas in exchange for including affordable housing in the projects or for contributing to OH’s affordable housing fund.
- The Multifamily Tax Exemption (MFTE) Program, which offers developers of newly constructed rental housing a property tax exemption on the residential portion of the

development for up to 12 years if they set aside at least 20% of the housing as affordable for moderate-wage workers.

The Seattle Office of Housing also tracks projects in South Lake Union that were developed with City Investment (**Exhibit 5**). These projects were also paid for in part by other funding sources, including State, Federal and private investment. This ability to leverage City investment generates a high number of units per dollar of City investment, or a low cost per unit to the City. The City portion of the total development cost for these affordable units is, based on the average from this sample, about 21%.

Exhibit 5. Selected Affordable Housing Projects Developed with City Investment, South Lake Union, 1994-2012

Project Name	Bonus Expended	Other NOFA allocated funds	Total Development Cost	City Funding as % of Total Development Cost	Average City Cost Per Unit
12th Avenue Arts	\$440,303	\$7,221,024	\$38,799,590	20%	\$87,061
Compass on Dexter	2,284,473	1,815,527	21,983,045	19%	56,944
Dekko Place	1,514,997	1,210,003	15,493,697	18%	54,500
Domingo Viernes Apartments	800,000	2,268,037	25,297,074	12%	53,825
Gilmore Apartments	1,887,033	112,967	12,931,063	15%	31,250
Hirabayashi Place	800,000	4,830,213	28,466,995	20%	66,238
Humphrey House	1,538,528	4,508,930	20,291,074	30%	74,660
Williams Apartments	2,091,061	746,247	18,761,308	15%	35,028
Haddon Hall	0	1,119,781	3,525,910	32%	20,360
Holiday Apartments	395,622	2,116,786	6,900,025	36%	86,635
Scargo	0	4,086,243	4,144,743	99%	86,941
Total	\$11,752,016	\$30,035,758	\$196,595,102	21%	\$58,939

Source: City of Seattle Office of Housing, 2012, Community Attributes, Inc., 2013.

Future Affordable Housing Production Scenarios and Affordable Housing Gap

As described above, the Spectrum report suggests that most if not all affordable units in South Lake Union will require subsidized financial support for development. Market rents in South Lake Union are quite high and the current pay-in-lieu fee offered to developers is an incentive not to develop affordable housing units.

The funds from the pay-in-lieu fees are used to develop affordable units throughout Seattle and when possible, in neighborhoods where the fee-paying developments are located. Projecting how much the City will garner in pay-in-lieu fees during any time period is difficult since some developers will choose to remain at base density even when participating in the pay-in-lieu program would allow them to build at greater densities.

Exhibit 6 identifies a scenario of affordable housing production through the pay-in-lieu program based on square-footage development assumptions and incentive zoning guidelines. Pay-in-lieu rates are applied to both commercial and residential portions of development square footage accessed through the incentive zoning program. To estimate affordable unit production, the total amount produced through the pay-in-lieu program was divided by an average cost (in direct city investment) of affordable units in South Lake Union from the Office of Housing sample shown in **Exhibit 5**. Development costs are higher in certain neighborhoods for both private and subsidized developments. As a result, the cost per unit in direct City funding is higher in neighborhoods where land values and related development costs are high,

Exhibit 6. Affordable Unit Production Scenario through Pay-in-Lieu Revenues, 2031

	Development Types		Total
	Residential	Commercial	
Population	12,000	n/a	12,000
Jobs	n/a	21,900	21,900
Projected SF of Development	9,560,000	6,900,000	16,460,000
Incentive Portion	27%	20%	24%
SF of Development Through Incentive	2,581,200	1,380,000	3,961,200
Portion of Incentive Through AH	60%	75%	65%
SF of Development Through Incentive	1,548,720	1,035,000	2,583,720
Pay-in-Lieu Fee Per Square Foot	\$ 15.15	\$ 18.75	\$ 16.59
Pay-in-Lieu Generated Through Development	\$ 23,463,108	\$ 19,406,250	42,869,358
Units Produced with Leveraged Funds	398	329	727

Source: DPD, Community Attributes Inc. (2013).

Note: Square feet of development projections come from DPD for 2036. However, the densities generally align with the population and jobs projections shown above for 2031.

WHO IS SERVED?

Exhibit 7 isolates the Major Occupational Groups (MOGs) that account for the largest shares of qualifying employees. In both 2011 and in 2031 “Food Preparation and Serving” will account for more than a quarter of all qualifying employees,

followed by employees in the “Office and Administrative Support” MOG. This indicates that affordable housing programs serve these occupations to a greater degree than others, since these MOGs drive demand.

Exhibit 7. Income-Qualified Employees by Major Occupational Group, City of Seattle, 2011-2031

Major Occupational Group	2011				2031		2011 - 2031 Increase in Income-Qualified
	Median Wages	2011 Employees	2011 Income-Qualified Employees	2011 % Income-Qualified	2031 Employees	2031 Income-Qualified Employees	
Food Preparation and Serving	\$25,216	48,766	37,054	76%	75,195	57,135	20,081
Office and Administrative Support	\$39,700	79,263	30,092	38%	115,132	43,710	13,618
Personal Care and Service	\$31,902	21,199	11,667	55%	32,174	17,707	6,040
Sales and Related	\$47,643	49,435	10,233	21%	68,564	14,193	3,960
Healthcare Support	\$36,665	14,455	6,769	47%	22,476	10,525	3,756
Building, Grounds and Maintenance	\$33,711	14,847	7,266	49%	22,511	11,018	3,751
Transportation and Material Moving	\$48,416	30,396	6,943	23%	44,256	10,109	3,166
Installation, Maintenance and Repair	\$49,987	17,892	4,087	23%	25,861	5,907	1,820
Construction and Extraction	\$51,827	15,505	3,009	19%	23,440	4,549	1,540
Production	\$40,797	18,235	6,619	36%	22,206	8,060	1,441
Community and Social Services	\$45,976	9,879	2,421	25%	14,409	3,532	1,110
Arts, Design, Entertainment, Sports and Media	\$52,776	11,453	1,977	17%	17,338	2,993	1,016
Business and Financial Operations	\$66,241	39,283	1,496	4%	55,365	2,109	613
Protective Service	\$57,258	14,287	1,579	11%	18,414	2,036	456
Life, Physical and Social Science	\$65,817	9,713	704	7%	13,788	999	295
Farming, Fishing and Forestry	\$37,238	1,337	521	39%	2,085	812	292
Education, Training and Library	\$65,189	10,218	389	4%	15,593	594	205
Architecture and Engineering	\$75,673	16,418	352	2%	23,078	494	143
Legal	\$64,451	7,938	302	4%	11,580	441	139
Management	\$102,844	32,993	0	0%	48,048	0	0
Computer and Mathematical	\$82,876	29,612	0	0%	44,060	0	0
Healthcare Practitioners and Technical	\$94,248	29,699	0	0%	45,081	0	0
Total	n/a	522,823	133,481	26%	760,654	196,922	63,441

Source: U.S. Bureau of Labor Statistics, Washington Employment Security Department, Community Attributes, Inc., 2013.

APPENDIX. BACKGROUND INFORMATION AND DOCUMENTATION

HUD and Affordable Housing Definitions

According to HUD, “an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. The lack of affordable housing is a significant hardship for low-income households preventing them from meeting their other basic needs”, including food and healthcare (HUD 2013)¹.

In the United States, housing is deemed to be affordable if it costs less than or equal to 30% of a household’s gross income. In the context of the larger push toward sustainable patterns of urban growth, advocates and policymakers have begun to consider whether the 30% threshold for affordability successfully captures the cost of locational choice. Some analysts suggest that while housing costs typically decline as one locates further from amenities, the increased distance to places of employment increase transportation costs and therefore are equally unaffordable. The H&T Affordability Index, created by the Center for Neighborhood Technology, suggests a 45% affordability threshold for combined housing and transportation costs, and this figure may deserve consideration in areas where transportation costs for the working population are abnormally high or low. While HUD has not incorporated transportation costs into its affordability requirements, HUD has initiated the Housing and

Transportation Affordability Initiative, so it is worthwhile to consider the impacts of transportation costs on potential affordable housing development sites.

The United States Department of Housing and Urban Development (HUD) identifies very low-, low- and moderate-income households for the purpose of calculating income and rent limits for Federal housing programs. These benchmarks are set at 50%, 80% and 120% of Median Family Income respectively so a household making, for example, 52% of the Area Median Income would be considered a “low-income household”.

How much can families pay for housing?

Exhibit 8 summarizes income limits by family size and percentage of MFI. In addition, the corresponding affordable rent is provided for each income level. The income level and rent limits are established by HUD and adjusted on an annual basis for median income levels in the Seattle-Bellevue area. A distribution of household size is provided to contextualize the data.

¹ <http://www.hud.gov/offices/cpd/affordablehousing/> (March 12, 2013)

Exhibit 8. Housing Targets, SLU Neighborhood Plan, 2007

2013 Income and Rent Limits

Family Size	Income Limits						Distribution
	30%	40%	50%	60%	65%	HUD 80%	
1 Person	\$18,200	\$24,280	\$30,350	\$36,420	\$39,445	\$45,100	25%
2 Person	\$20,800	\$27,760	\$34,700	\$41,640	\$45,110	\$51,550	34%
3 Person	\$23,400	\$31,240	\$39,050	\$46,860	\$50,765	\$58,000	18%
4 Person	\$26,000	\$34,680	\$43,350	\$52,020	\$56,355	\$64,400	24%
5 Person	\$28,100	\$37,480	\$46,850	\$56,220	\$60,905	\$69,600	
6 Person	\$30,200	\$40,240	\$50,300	\$60,360	\$65,390	\$74,750	
7 Person	\$32,250	\$43,040	\$53,800	\$64,560	\$69,940	\$79,900	
8 person	\$34,350	\$45,800	\$57,250	\$68,700	\$74,425	\$85,050	

Family Size	Affordable Rent Limits					
	30%	40%	50%	60%	65%	HUD 80%
0 bedroom	\$455	\$607	\$758	\$910	\$986	\$1,127
1 bedroom	\$487	\$650	\$813	\$975	\$1,057	\$1,208
2 bedroom	\$585	\$781	\$976	\$1,172	\$1,269	\$1,450
3 bedroom	\$676	\$902	\$1,127	\$1,353	\$1,465	\$1,675
4 bedroom	\$755	\$1,006	\$1,257	\$1,509	\$1,634	\$1,868
5 bedroom	\$832	\$1,110	\$1,388	\$1,665	\$1,804	\$2,061

Source: City of Seattle, 2013.

Seattle’s Adopted SLU Plan

The City’s South Lake Union Neighborhood Plan, adopted in 2007, calls for *a full spectrum of housing opportunities*. Anticipated growth estimates were increased from 1994 estimates through the comprehensive planning process. At that time the Seattle Comprehensive Plan called for an increase of 1,700 households and 4,500 jobs over twenty years in the South Lake Union Neighborhood. The 2004 designation of SLU as an urban center resulted in an increase in housing and employment allocations. As adopted in 2007, the SLU Neighborhood Plan called for the addition of 8,000 households in SLU between 2004 and 2024 (**Exhibit 9**). In 2007 the Seattle Comprehensive Plan called for 20% of new housing units in Urban Centers to be affordable to households

that earn less than 50% of area median income. In addition, the Seattle comprehensive Plan designated that approximately 17% of new housing units should be affordable to households earning between 51% and 80% of AMI.

Development capacity under current zoning would accommodate the stated growth goals from the 2007 SLU Neighborhood Plan. Current zoning capacity allows for an additional 10,000 housing units and up to 27,000 additional jobs in approximately 8 million square feet of commercial space. At the time the SLU Plan was adopted there were approximately eight City-funded affordable housing projects in South Lake Union which made up more than a quarter of the total dwelling units.

Exhibit 9. Housing Targets, SLU Neighborhood Plan, 2007

Income Range	# of Units in 2024	Rent for 1 Bedroom Apt. (2006 dollars)
0-50% AMI	1,941	\$0 to 730
51-80% AMI	1,650	\$731 to \$1,117
>80% AMI	6,114	\$1,118 or more

Source: City of Seattle SLU Neighborhood Plan, 2007.

Goals and Policies

The adopted SLU Neighborhood Plan includes a section of goals, policies and strategies related to affordable housing provisions in SLU. Goals and policies from the plan call for action towards developing a neighborhood with a diverse housing stock that includes housing for those that work in the

neighborhood. Specifically, incentives for providing affordable housing within mixed use developments are called for within both policies and strategies. **Exhibit 10** cites Goals, Policies and Strategies from the 2007 SLU Neighborhood Plan that address market rates, workforce and affordable housing.

Exhibit 10. Selected Housing Goals/Policies/Strategies, SLU Neighborhood Plan, 2007

Number	Goal/Policy/Strategy
Goal 11	A wide range of housing types is integrated into the community accommodating households that are diverse in their composition and income.
Policy H30	Seattle Comprehensive Plan Housing Element, C-1: Encouraging Housing Affordable to Low-Income Households.
Policy 33	Provide incentives to encourage housing for people across a range of incomes in a variety of housing types, particularly in mixed income buildings.
Strategy 33a	Provide programs and incentives that support the development of housing affordable to lower and moderate income households.
Strategy 33b	Revise and use the City's Multifamily Tax Exemption program to encourage developers to provide rental housing affordable to low income households.
Strategy 33c	Support the adaptive reuse of existing buildings for housing.
Strategy 33d	Consider incentives to encourage the development of street-oriented units, such as townhouses and live-work units.
Policy 34	Encourage affordable housing units throughout the community through new construction and preservation of existing buildings.
Policy 35	Encourage both rental and ownership housing.
Policy 36	Promote housing, amenities and services, including schools and childcare that will attract more families to move into the South Lake Union neighborhood.
Goal 12	Housing in South Lake Union is affordable for and attractive to workers in South Lake Union, to enable people to live near their jobs.

- Policy 37 Encourage employers to develop and participate in strategies that promote employees to live near their work.
- Policy 38 Allow housing and businesses throughout South Lake Union to provide opportunities for people to work and live in the neighborhood. Consider re-designating the industrial commercial zone to allow a wider variety of uses, including housing.
- Policy 39 Identify locations within South Lake Union where housing could be concentrated, to create viable urban residential communities.
- Policy 40 Promote the development of live-work housing, especially when designed to meet the special needs of groups like artists and their families.

Source: South Lake Union Neighborhood Plan, 2007.

Occupational Wage Data

ESD provides wage data by occupational code for all industries in Washington State. These data were then cross-referenced with available occupational data to define job growth by occupation and Major Occupational Group (MOG). Wages for each occupation and MOG were obtained from Washington State Employment Security Department at the 25th, 50th and 75th percentiles, as well as for the average annual salary. CAI imputed values for the 1st and 99th percentiles based on average deviations from known wages in each MOG. To determine how many income-qualified employees work in the City, CAI took the number of workers in each wage quartile in every MOG and compared their wage to the income

limit for affordable and workforce housing qualified. Where the wages earned was lower than the income limit, workers in that quartile and MOG were deemed income-qualified for affordable and workforce housing. Where households had more than one earner, CAI assumed that each earner contributed equally to household income (i.e. earned the same wages). As a result, workers are less likely to qualify from multiple-earner households. The distribution of households by size and number of earners comes from American Community Survey data. **Exhibit 11** illustrates this method for two MOGs. Qualifying workers are highlighted in red.

Exhibit 11. Method for Determining Employee Qualification for Affordable and Workforce Housing

		80% MFI													
MOG	Employees	Family Configuration Distribution	1/1	2/1	2/2	3/1	3/2	3/3	4/1	4/2	4/3	SUM	Percentage		
		Income Limit	25%	14%	20%	7%	8%	3%	9%	11%	5%				
		Average Wage	\$45,100	\$51,550	\$25,775	\$58,000	\$29,000	\$19,333	\$64,400	\$32,200	\$21,467				
13 Business and Financial Operations	39,283	\$71,819	9,757	5,401	7,832	2,620	3,323	1,007	3,364	4,171	1,808	-	0% -4%		
	25% \$51,956.00		2,439	1,350	1,958	655	831	252	841	1,043	452	1,496	4%		
	50% \$66,240.80		2,439	1,350	1,958	655	831	252	841	1,043	452	-	0%		
	75% \$84,469.60		2,439	1,350	1,958	655	831	252	841	1,043	452	-	0%		
	99% \$103,044.68		2,439	1,350	1,958	655	831	252	841	1,043	452	-	0%		
35 Food Preparation and Serving	48,766	\$27,181	12,113	6,704	9,723	3,253	4,125	1,249	4,176	5,178	2,245	35,549	73% -3%		
	25% \$22,029.65		3,028	1,676	2,431	813	1,031	312	1,044	1,294	561	11,318	23%		
	50% \$25,215.72		3,028	1,676	2,431	813	1,031	312	1,044	1,294	561	11,318	23%		
	75% \$30,561.32		3,028	1,676	2,431	813	1,031	312	1,044	1,294	561	7,856	16%		
	99% \$36,579.03		3,028	1,676	2,431	813	1,031	312	1,044	1,294	561	6,562	13%		

Source: Community Attributes, Inc., 2013.

Of these “income-qualified” employees how many work in Downtown Seattle? How many of them work in South Lake Union?

The analysis assumes the distribution of workers qualifying for affordable housing does not vary substantially by place of work within the City. Therefore, we found the ratio of those working in greater Downtown to the total employees throughout the City. By applying that ratio to the total number of employees qualifying for some form of affordable housing, analysis found the number of qualifying employees for smaller geographies like Downtown and South Lake Union.

How do income-qualified workers relate to demand for workforce and affordable housing?

Not every qualifying employee lives alone, so the demand for affordable units does not correlate with the number of qualifying employees one-to-one. Based on the City’s labor force and occupied housing units there are 1.33 workers, on average, per household. Therefore, dividing the number of qualifying employees by the average number of workers per household yields an approximate demand for affordable units

Of all those working in Seattle how many commute from elsewhere instead of living within the City? How does this affect the demand for workforce and affordable housing?

Mapping of Journey to Work data from the U.S. Census determined how many of these employees currently live in the City and how many live elsewhere. These figures help adjust the demand projection by accounting for people that choose to live elsewhere and commute to work in Seattle. While these

people may work jobs that qualify them for affordable housing, they demand these housing units elsewhere.

How does demand compare with supply?

Existing estimates of housing supply at affordable price points cannot be compared directly to local workforce needs to assess supply adequacy. Low vacancy rates among these units provide evidence of where affordable housing demand is greater than supply.

Determining the supply of affordable housing in the City is very difficult because supply is not limited to subsidized housing units, which are typically managed by non-profit organizations and government entities. The Seattle Office of Housing provided a reasonable estimate of these subsidized units, which was factored into the analysis. However, many units priced at “market rate” are still deemed “affordable” because Seattle generally has high wages and a high median income. Even though the construction of new units at market rents produces housing that is *not* affordable, older units at market rents contribute to the supply of affordable housing in Seattle. King County estimated the number of affordable market rate units in Seattle at 80%, 50% and 30% of MFI in 2009, and this figure, when combined with the subsidized supply estimate, became the baseline for analysis of supply in the City.

For the smaller geography of South Lake Union, a specific supply estimate from the Seattle Office of Housing was used. This estimate is based on a survey in the neighborhood and includes both subsidized and market rate units.

Affordable Rent

HUD income limits and affordable rent guidelines use MFI (AMI adjusted for family size) for King and Snohomish counties, combined. Median incomes in these geographies are relatively high (\$86,700 in 2013), which results in higher income and rent limits and—sometimes—affordable units price at market rates. HUD and the Seattle Office of Housing deem 80% MFI rents between \$1,127 and \$2,051 per month to be affordable, depending on unit size. For example, affordable rent for a two bedroom apartment at 80% MFI is \$1,450 per month (includes utilities). 50% MFI allows rents between \$758 and \$1,388, depending on unit size.

Supply of Housing Priced to Accommodate Seattle’s Workforce

Supply data from the Seattle Office of Housing and King County show 153,300 units currently deemed affordable (**Exhibit 12**). About 24,000 of those units are subsidized units through programs like the Housing Levy, Capitol Hill Housing and the MFTE (Multi-Family Tax Exemption) program. The remaining 129,300 units are priced at market rents, but are deemed affordable because the high area median incomes can support higher housing costs. The table below summarizes the breakdown of all affordable units (subsidized or market rate) by income segment in Seattle and South Lake Union.

Exhibit 12. Supply of Housing Units deemed affordable by Income Segment, City of Seattle and South Lake Union, 2011

	2011	
	Seattle	South Lake Union
< 50% MFI	16,000	849
50 - 80% MFI	137,500	425
Total < 80% MFI	153,500	1,274

Source: Community Attributes, Inc., 2013.

This supply data, however, cannot be compared directly to local workforce needs to assess supply adequacy. Seattle workers compete for these units with retired people, students, others that are not in the labor force, and also people that live in Seattle but work for qualifying wages in other communities. Furthermore, the supply data at the level of the City obscures

the fact that the geographic distribution of affordable housing units is uneven. Affordable units are concentrated in certain neighborhoods, while other neighborhoods have very high market rents and few subsidized units. This means that even if the supply across the City appears adequate, many places where income-qualified employees work are underserved and

these employees are forced into long and expensive commutes to access affordable housing. This concept is described in greater detail below.

Distribution of Affordable Units throughout the City

Neighborhoods where market rents average less than \$1.50 per square foot (\$1,400 for a 933 sf 2-bedroom apartment) include North Seattle, Interbay (eastern portion of Magnolia), Rainier Valley and Beacon Hill. Analysis indicates that market rate units in these neighborhoods may be affordable to many of the City's employees, even without subsidy. These neighborhoods include approximately 23% of all apartments surveyed by Dupre and Scott Apartment Advisors. Rents in West Seattle are just over \$1.50 per s.f. on average, suggesting the presence of many units costing less.

Average rents in Downtown, Capitol Hill and South Lake Union are more than \$2.00 per square foot (Dupre and Scott Apartment Advisors). This indicates that there are very few market rate affordable units in these neighborhoods. Including both subsidized and market rate product, South Lake Union has 1,274 affordable units (Seattle Office of Housing 2012). Even though employees in South Lake Union account for over 5% of the citywide demand for affordable units, the supply of affordable units in the neighborhood is less than 1% of the citywide total.

Seattle's Workforce Residences

The U.S. Census Bureau's Journey to Work data provide the places of residence for people that *work* in Seattle (**Exhibit 13 and 14**). Of all Seattle workers (people with workplaces based within city limits of Seattle), 37% live in Seattle and 63% commute from other cities and places. People that *live* in Seattle work throughout the region; 67% of Seattle residents stay in Seattle for work, while the other 33% commute to other cities and places (US Census, American Communities Survey, 2013).

This amounts to 139,500 Seattle residents leaving Seattle for work every day, while 329,400 workers commute in from other places. On net, Seattle imports 189,900 workers every day.

Exhibit 13. Journey to Work Trends, Greater Seattle Region, 2011

Location	Workers			
	JTW to Seattle	JTW to DT Seattle	JTW to SLU	JTW from Seattle
South of Seattle	15%	14%	11%	9%
Eastside	14%	15%	17%	16%
North of Seattle	8%	7%	9%	4%
City of Seattle	37%	36%	42%	63%
Outside Geographies	26%	29%	21%	8%
Total	100%	100%	100%	100%

Source: U.S. Census Bureau, Community Attributes, Inc., 2013.

Exhibit 14. Commuter Regions Analyzed

