

South Lake Union

Incentive Zoning – Clark Proposal

Principles/Assumptions

- The first goal of IZ is the production of workforce-affordable housing units (affordable to people making no more than 80% AMI).
- By almost any measure, the current \$15.15/sq. ft. is too low to constitute appropriate public benefit. It cannot yield an amount of affordable workforce housing in SLU rationally related to the new development capacity available.
- The current requirement that the just 5% of units in a new building be workforce-affordable is too low and inconsistent with the Council's 2008 vote approving the IZ chapter of the Land Use Code.
- IZ, even at a more rational level, cannot be relied upon to make possible ALL the workforce-affordable housing that will be required in SLU between 2012 and 2031.
- We should move to an IZ level that results in the production of workforce-affordable units in the subject buildings or in nearby projects. Payment of fee-in-lieu should be the exception rather than the rule.
- For now, the fee-in-lieu amount in SLU for commercial and residential development should mirror the commercial and residential development fee levels in Downtown.
- A change to the Downtown fees cannot be made with the current SLU legislation, but could be generated and considered by Council as soon as possible.
- An immediate and large adjustment to the IZ fee-in-lieu amount might be the quickest way to change production patterns so that we see production of workforce-affordable units, but an immediate and large adjustment to the IZ fee-in-lieu would "shock" projects ready to proceed (pending the Council's vote) that have presumed the \$15.15/sq. ft. fee level. Projects further up the pipeline have a longer time to adapt expectations and pro formas.

Proposal

1. With the SLU legislation, adjust the fee-in-lieu for SLU (both commercial and residential) to reflect the allowable CPI adjustment for 2012. This is probably ~3%? This would take effect 30 days after the legislation is signed. (STEP ADJUSTMENT 1.)

2. In the SLU package include A SECOND automatic adjustment to the residential and commercial IZ amount in SLU to occur Jan. 1, 2014, reflecting CPI since 2009 (not including 2012 since that was reflected in the first increase) and establishing minimum 10% as number of workforce-affordable units required over total building. (STEP ADJUSTMENT 2.)

3. In the SLU legislation include a THIRD automatic adjustment to occur Jan. 1, 2015 to include CPI adjustments going back to 2001 for commercial and 2006 for residential UNLESS through an open process with experts and stakeholders, and accepted by Council, a different fee-in-lieu amount is derived. (STEP ADJUSTMENT 3 or the “Fiscal Cliff.”)

4. Request the Executive to return as soon as possible with legislation (or Council staff could draft) adjusting the Downtown fee by the 2012 CPI. Include the second and third step adjustments as described above.

5. Convene an expert panel to review the IZ program goals and current program requirements and make recommendations for program changes that would better achieve development of workforce-affordable housing in SLU.

Issues not addressed in this interim approach:

- In the “interim” period until the review panels come back, does not adequately move developers to “performance” over payment.
- Affordability levels
- “Premium” cost for writing a check
- Incentive for 2-bedroom/family units