

Rick Jacobus
July 20, 2014



Policy Options for Seattle's Incentive Zoning



3 Key Goals

1. Increasing production
2. More intentionally targeting beneficiaries
3. Ensuring economic integration

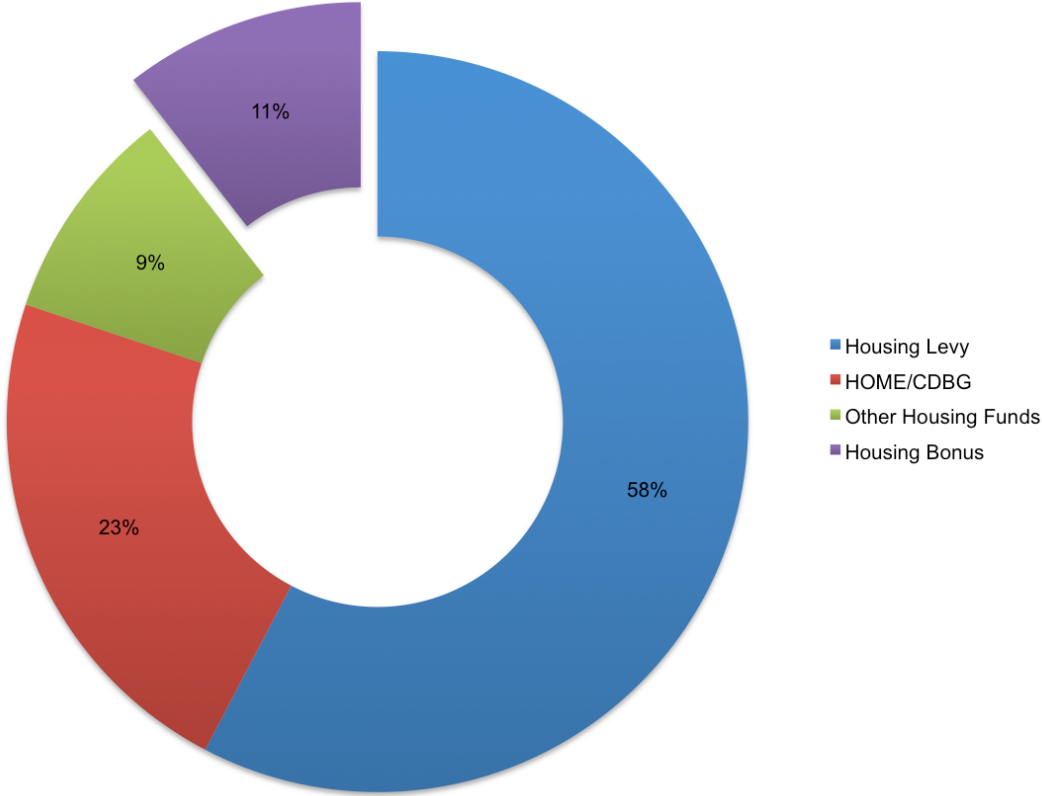
Total Production

Incentive Zoning Program 2001 - 2013

	Units	Income Level
On Site Performance	56	<80% of Median
Funded Rental (equivalent)	616	40-60% of Median
Funded Ownership	42	<80% of Median
Total	714	

Source: Office of Housing Data, Cornerstone Partnership Analysis

Bonus \$

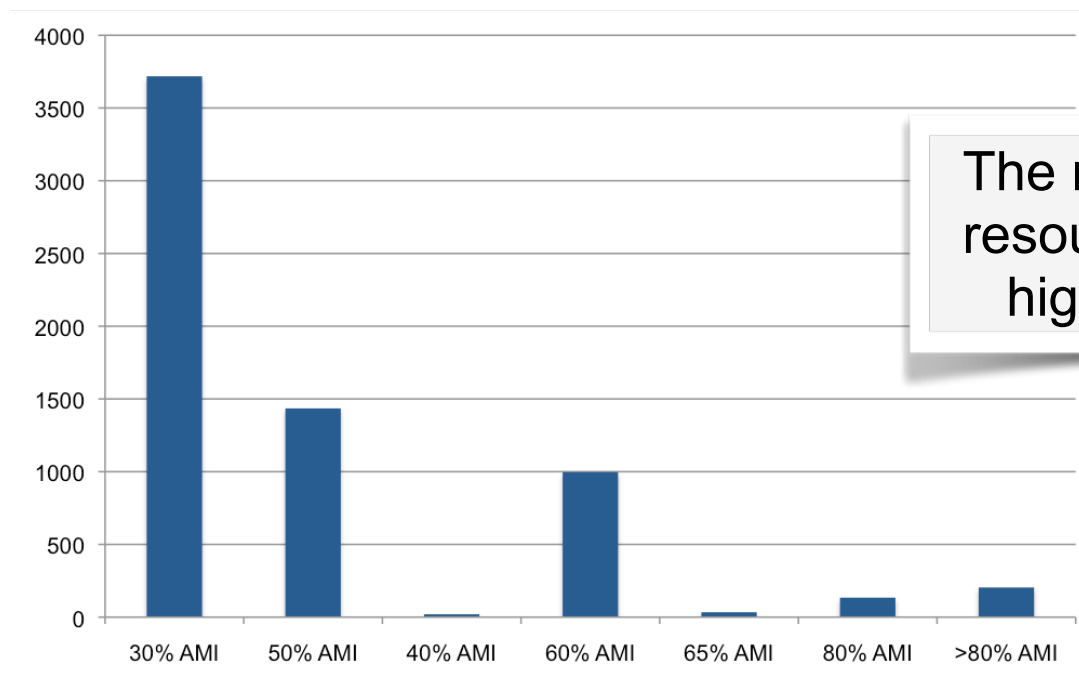


11% of the City's investment in affordable housing came from IZ Bonus funds

Source: Office of Housing Data

Subsidized Rental Units

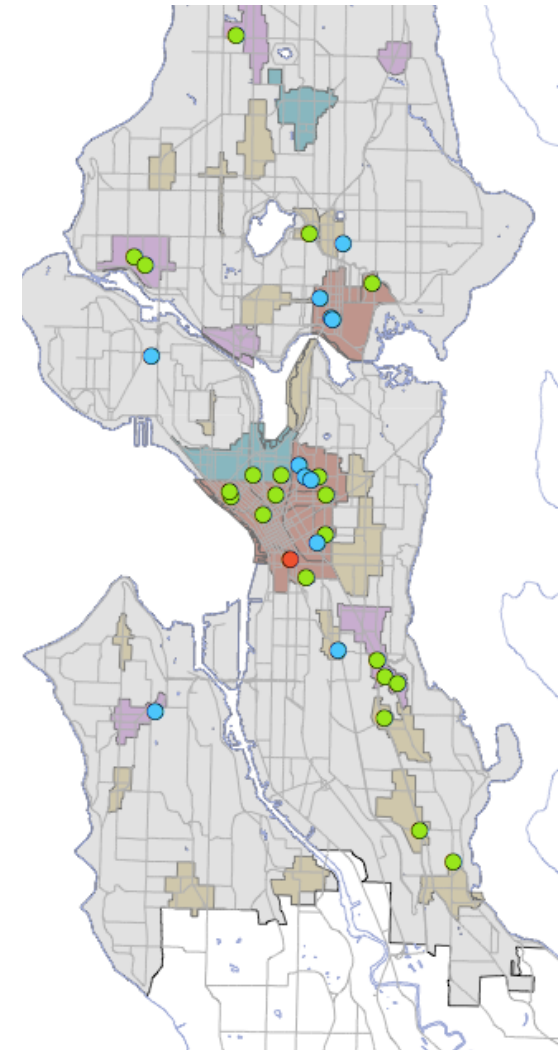
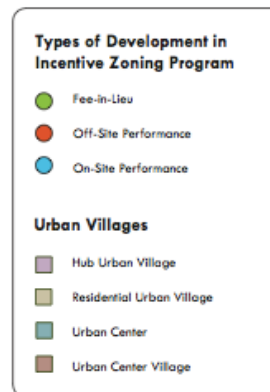
Affordability of city funded rental units 2001 - 2013



The majority of local housing resources are directed to the highest need households

Source: Office of Housing Data

Seattle's affordable developments appear to be located in relatively high opportunity neighborhoods.



Source: Office of Housing



How can we strengthen the program?


2 Scenarios



**Refined Incentive
Zoning Program**



**Affordable Housing
Linkage Fee**



**Recommendations applicable
to either approach**

Refined IZ Program

1. Maintain the current performance requirement
2. Consider a partial waiver for high rise residential projects
4. Increase the in lieu fee
5. Authorize the Fee option in Zones with heights less than 85 feet



Mount Baker Lofts, Artspace

Performance Requirement

	Without Incentives	With Incentives			
		Before Program Costs	Current In Lieu Fee	Current Performance	10% Performance
DOWNTOWN	7%	9%	8%	6%	4%
SOUTH LAKE UNION	33%	14%	12%	11%	8%
LOWRISE TO MIDRISE					
Low Scenario	25%	13%	11%	10%	8%
Middle Scenario	18%	18%	16%	15%	13%
High Scenario	13%	16%	14%	13%	12%
4 STORIES TO 6 STORIES					
Low Scenario	26%	17%	16%	15%	11%
Middle Scenario	19%	13%	12%	11%	8%
High Scenario	14%	11%	10%	9%	6%
6 STORIES TO 7 STORIES					
Low Scenario	13%	10%	9%	9%	9%
Middle Scenario	9%	6%	5%	5%	5%
High Scenario	5%	4%	3%	2%	3%

Color Key:

Feasible Infeasible

Developers could earn healthy returns even at double the current performance requirement

Source: David Rosen and Associates, Seattle Incentive Housing Program Economic Analysis, July 2014. Table 10: Lower Cap Rate Baseline Version - Rental projects only

Relative Profitability

Development without the incentive is often **more** profitable.

	Without Incentives	With Incentives			
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Color Key: Preferred Feasible Infeasible

Source: David Rosen and Associates, Seattle Incentive Housing Program Economic Analysis, July 2014. Table 10: Lower Cap Rate Baseline Version - Rental projects only

Setting the Fee in Lieu

	Current Fee		Current Production Option	
	Per Bonus Foot	Per Affordable Unit	Per Bonus Foot	Per Affordable Unit
Downtown	\$21.68	\$146,044	\$49.66	\$334,528
SLU	\$20.07	\$227,331	\$36.11	\$409,015
Lowrise to Midrise	\$15.15	\$98,172	\$22.95	\$148,716
4 Stories to 6 Stories	\$15.15	\$90,900	\$28.61	\$171,660
6 Stories to 7 Stories	\$15.15	\$94,688	\$31.88	\$199,250

Source: David Rosen and Associates, Seattle Incentive Housing Program Economic Analysis, July 2014. Table 9; Cornerstone Partnership analysis.

Linkage Fee

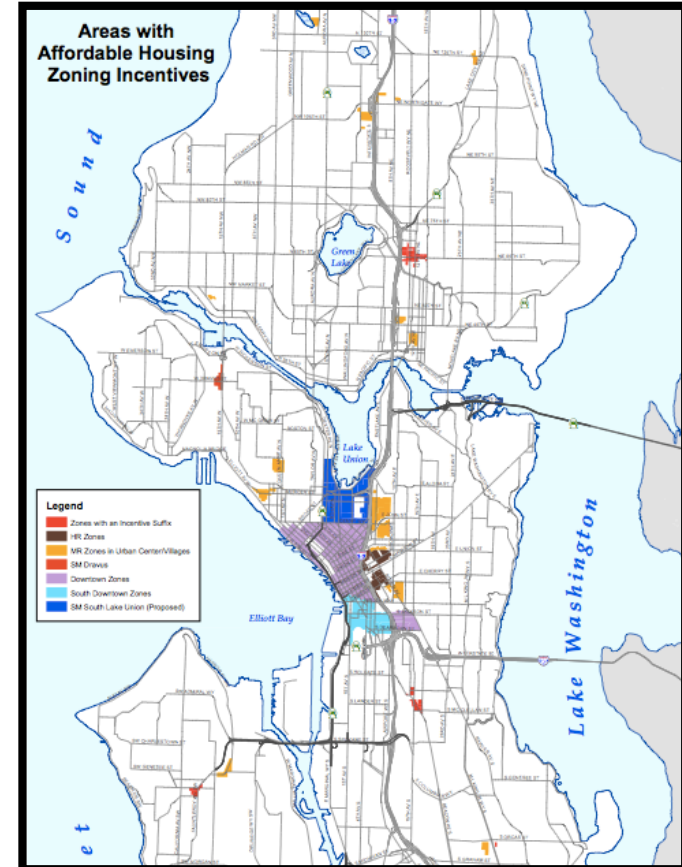
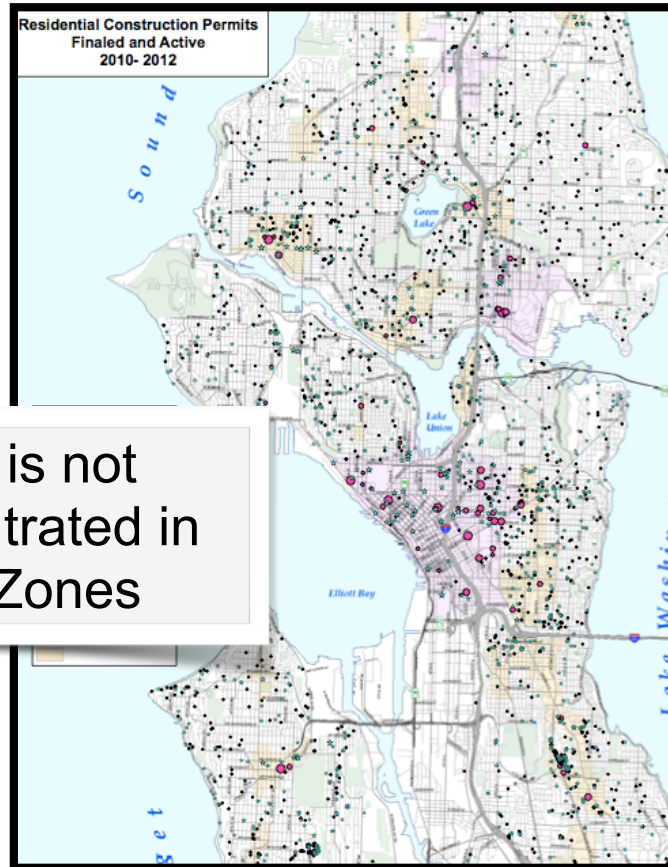
Seattle could replace the IZ program with an **Affordable Housing Linkage Fee** charged per foot for all new residential or commercial development in targeted areas



Dekko Place, Compass Housing Alliance

Development is not primarily concentrated in the Incentive Zones

Source: Office of Housing



Many projects will choose not to build the bonus floor area

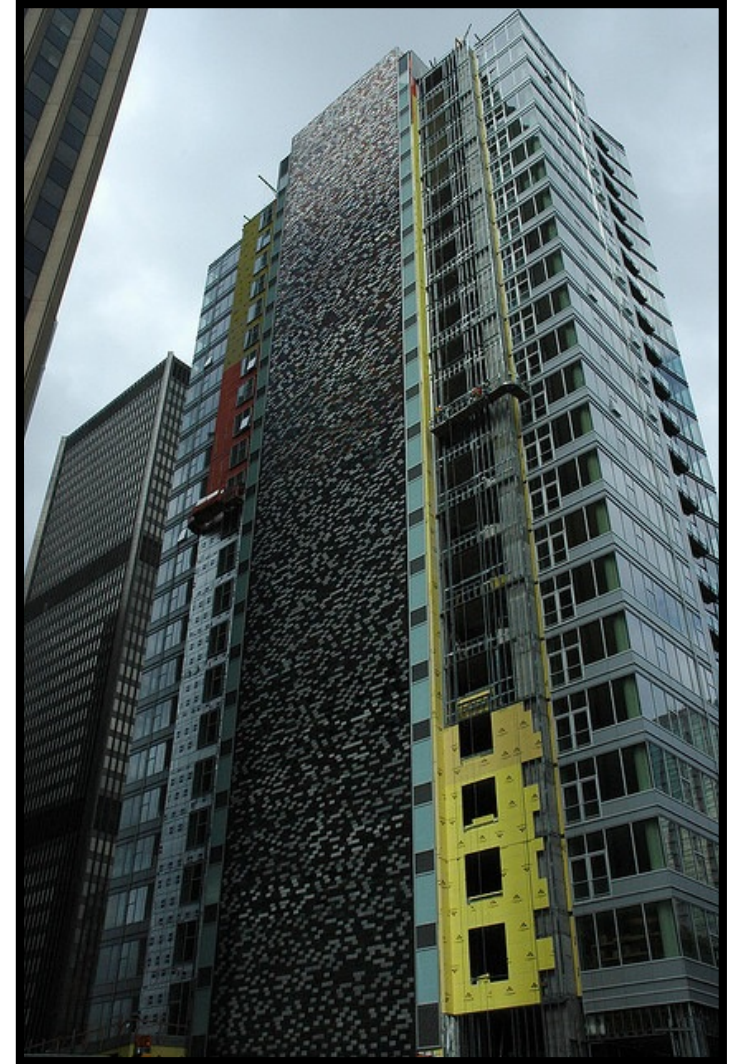
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Color Key: Preferred Feasible Infeasible

Source: David Rosen and Associates, Table 10

Recommendations

- Target the fee to areas likely to experience development
- Allow developers in IZ Zones to build the bonus density
- Base the fee on a Nexus Study
- Offer a Performance Option
- Phase the fee in over time

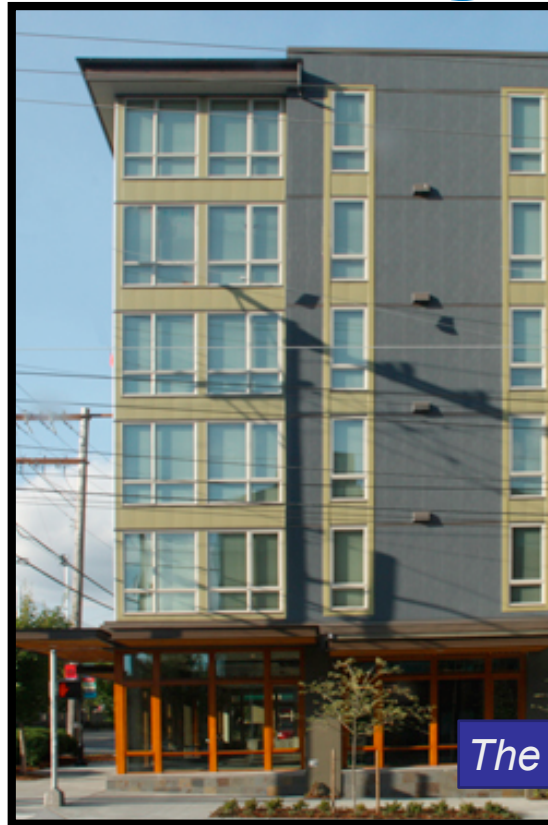


Recommendations Applicable to Either Approach

- Setting Appropriate Income Targets
- Investing Fee Revenue
- Producing Homeownership Units
- Off Site Production
- Leveraging Other Subsidy Sources
- Preserving Affordability
- Monitoring and Refining the Program Over Time

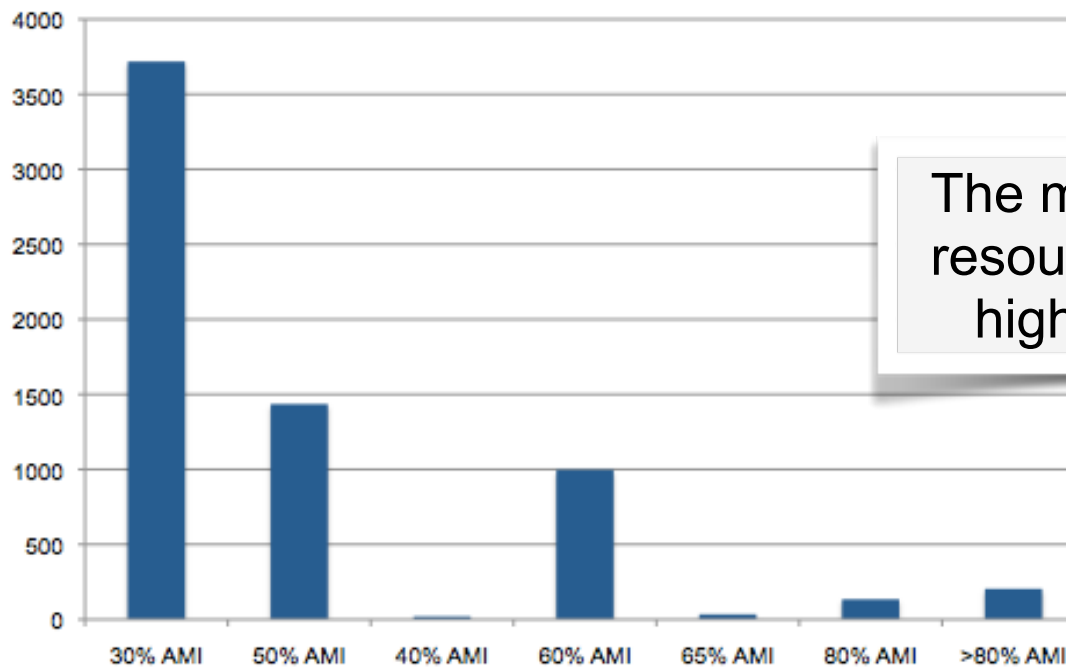


Income Targeting



The Jefferson, Capital Hill Housing

Subsidized Rental Units



The majority of local housing resources are directed to the highest need households

Affordability of city funded rental units 2001 - 2013

Source: Office of Housing Data

Market Affordability

	Lowest quartile rent	Income to afford	% of Median
Studio	\$887	\$35,480.00	63%
1	\$981	\$39,240.00	65%
2	\$1,262	\$50,480.00	70%
3	\$1,742	\$69,680.00	83%
4	\$2,148	\$85,920.00	92%

Source: Dupre + Scott Apartment Advisors 2014 and Cornerstone Partnership analysis

Income Targeting

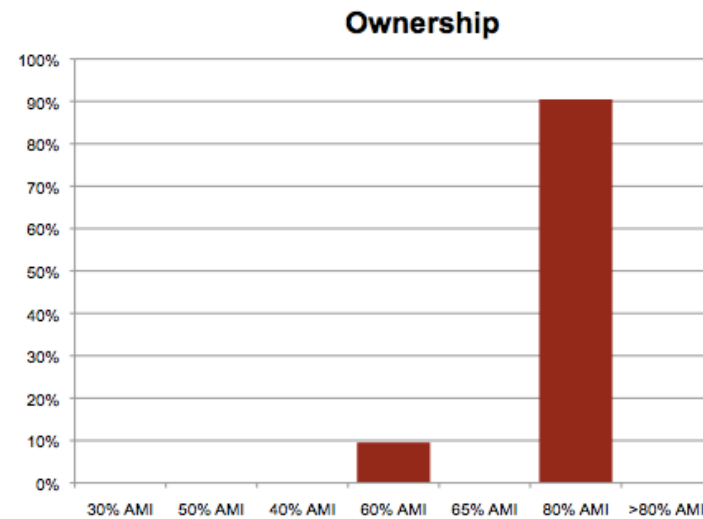
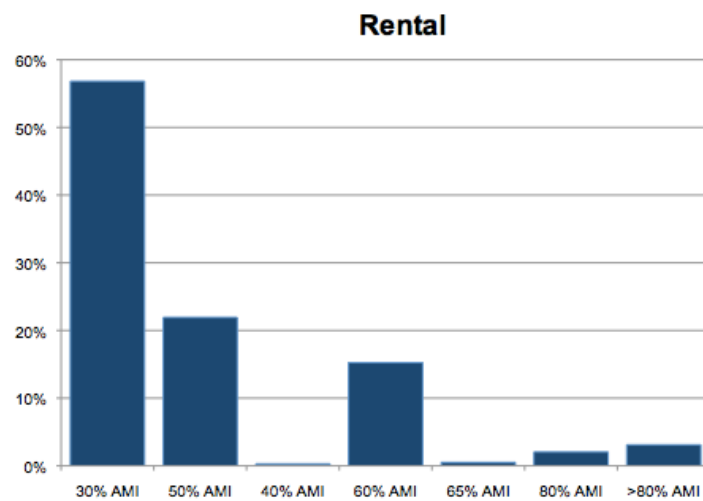
	Rental	Ownership
Studio	50% of AMI	60% of AMI
1 bedroom	60% of AMI	80% of AMI
Larger than 1 bedroom	80% of AMI	100% of AMI

Homeownership



Income Limits

Income Restriction of all city funded units 2001 - 2013

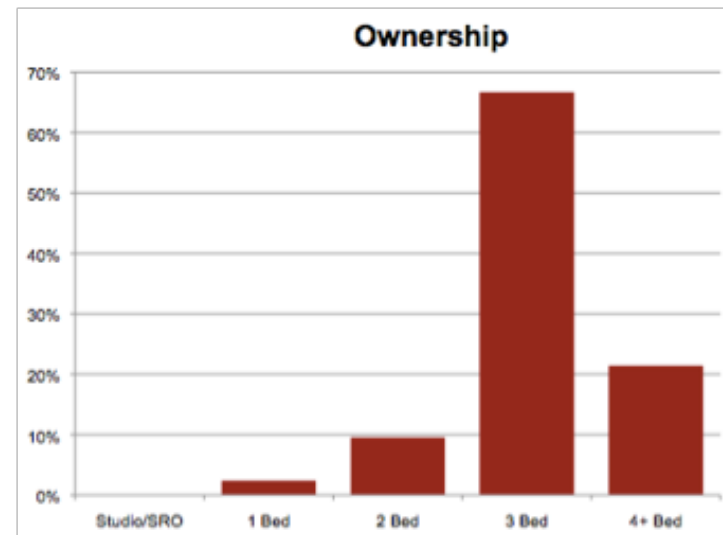
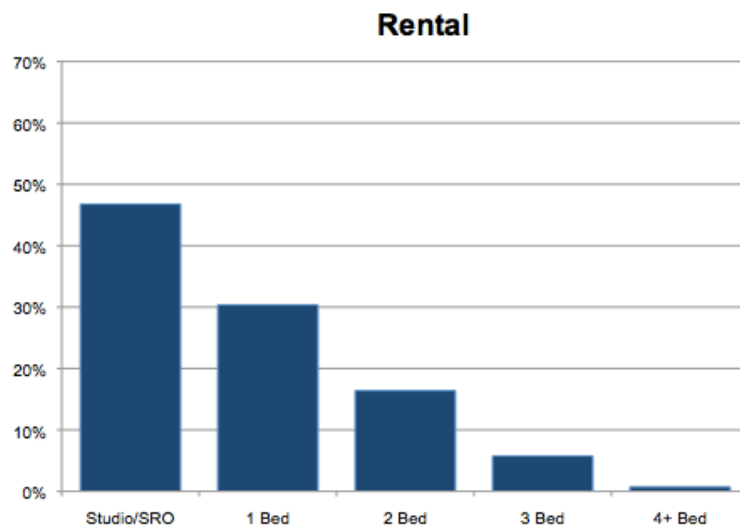


Only 42 ownership units have been funded but these mostly serve 60-80% of AMI

Source: Office of Housing Data

Unit Sizes

Unit sizes of all city funded units 2001 - 2013



Source: Office of Housing Data



Cornerstone Partnership

Keeping Homes Affordable & Communities Strong

www.AffordableOwnership.org

Photo credits: Homestead Community Land Trust, Capital Hill Housing, Compass Housing Alliance, Flickr Users: Thomas Hawk, Holy Outlaw, Christian Gonzalez Veron, Wonderlane, joshc,