

# Incentive Zoning in Seattle

*Key Questions for Refining the Program*



Rick Jacobus



Cornerstone Partnership

## 4 Key Issues

1. Increasing production
2. Targeting benefits
3. Onsite vs. offsite
4. Responding to changing market conditions



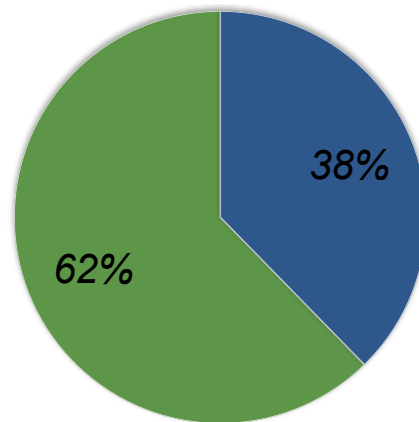
## Increasing Production

*Can the program produce more units overall?*



## Usage

The usage varies a lot by zone but the majority of projects eligible for the bonus have not used the additional floor area.



● *Bonus* ● *No Bonus*

Source: Office of Housing Data

## Onsite Production

Efficiency	Studio	1 BR	2 BR	3 BR	TOTAL
13	14	19	10	0	56

Source: Office of Housing Data

## Bonus Payments

	Payment Option	Amount of Payments
<b>Downtown</b>	11	\$21,106,065
<b>South Lake Union</b>	3	\$6,098,694
<b>Residential</b>	3	\$4,434,063
<b>Total</b>		\$31,639,092

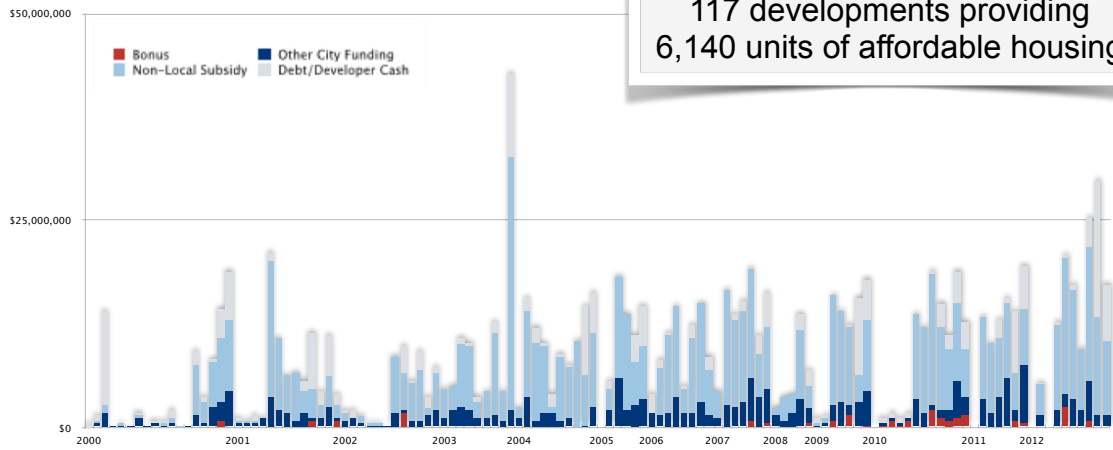
Source: Office of Housing Data

## Investment of Bonus \$

	\$ Amount	Units
<b>Rental</b>	\$27.2 million	1,361
<b>Homeownership</b>	\$2.2 million	43

Source: Office of Housing Data

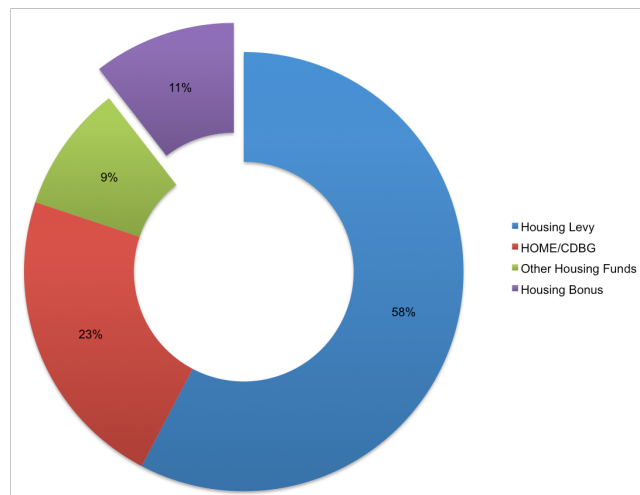
Between 2000 and 2013...



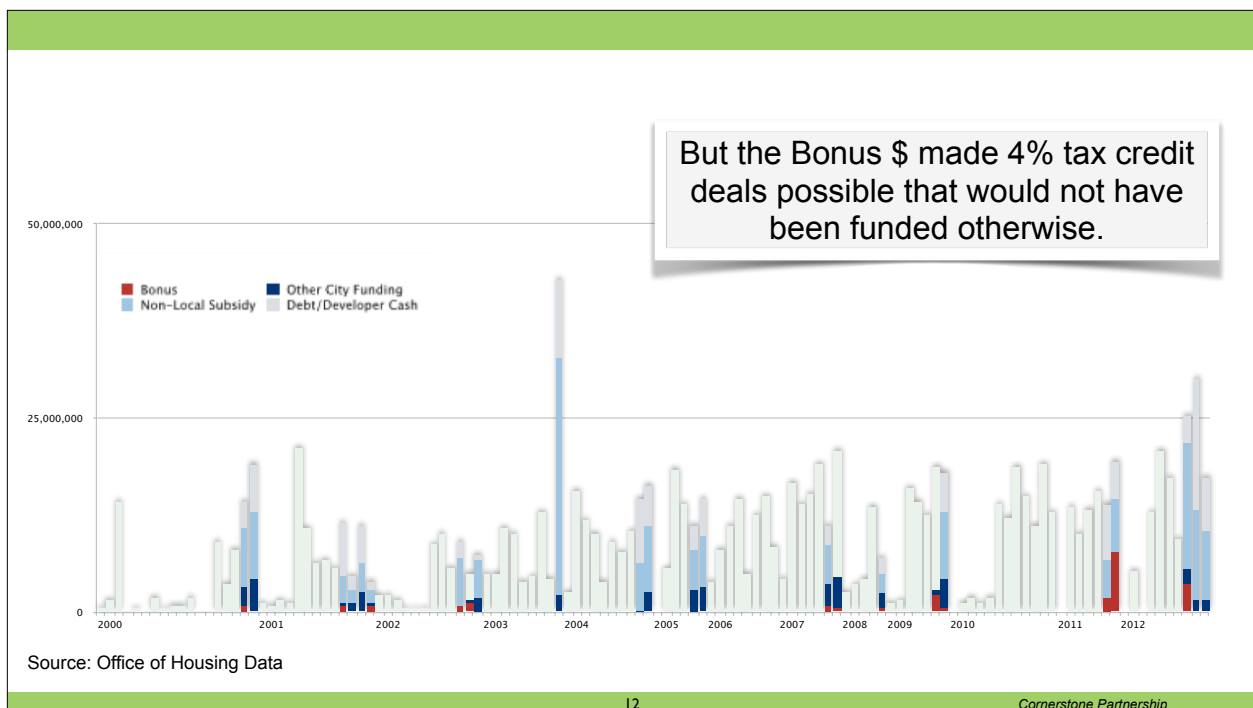
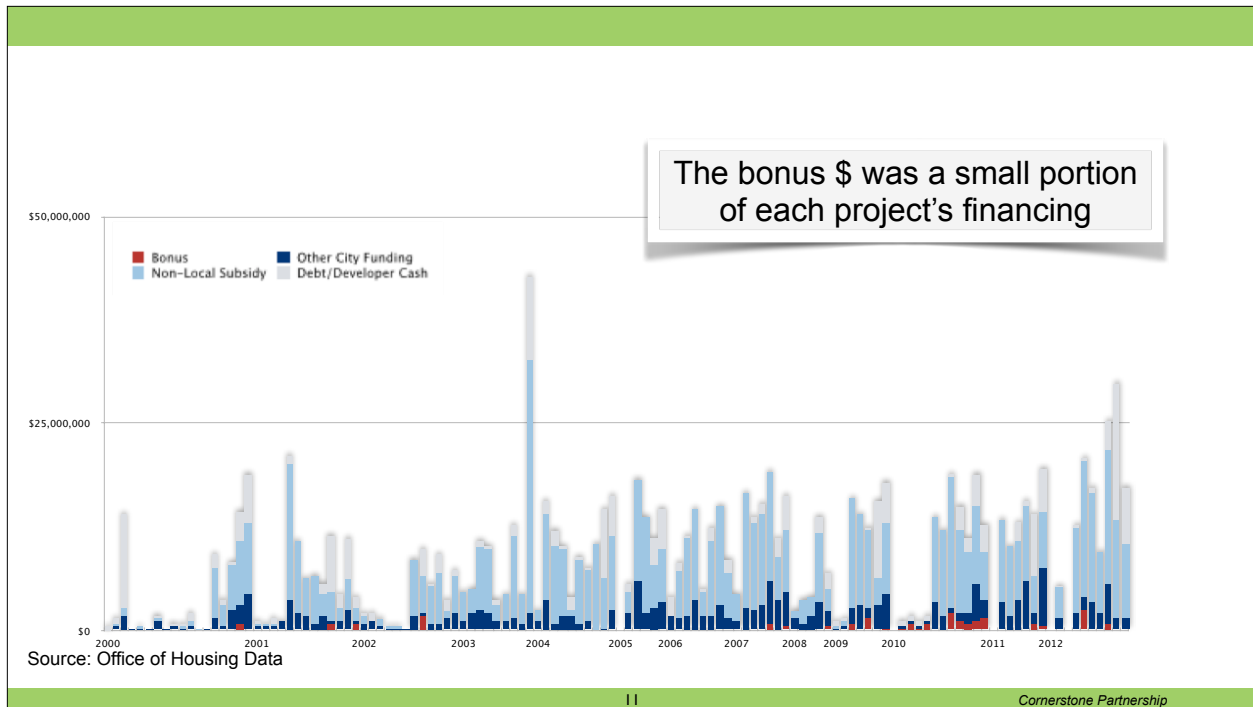
Source: Office of Housing Data

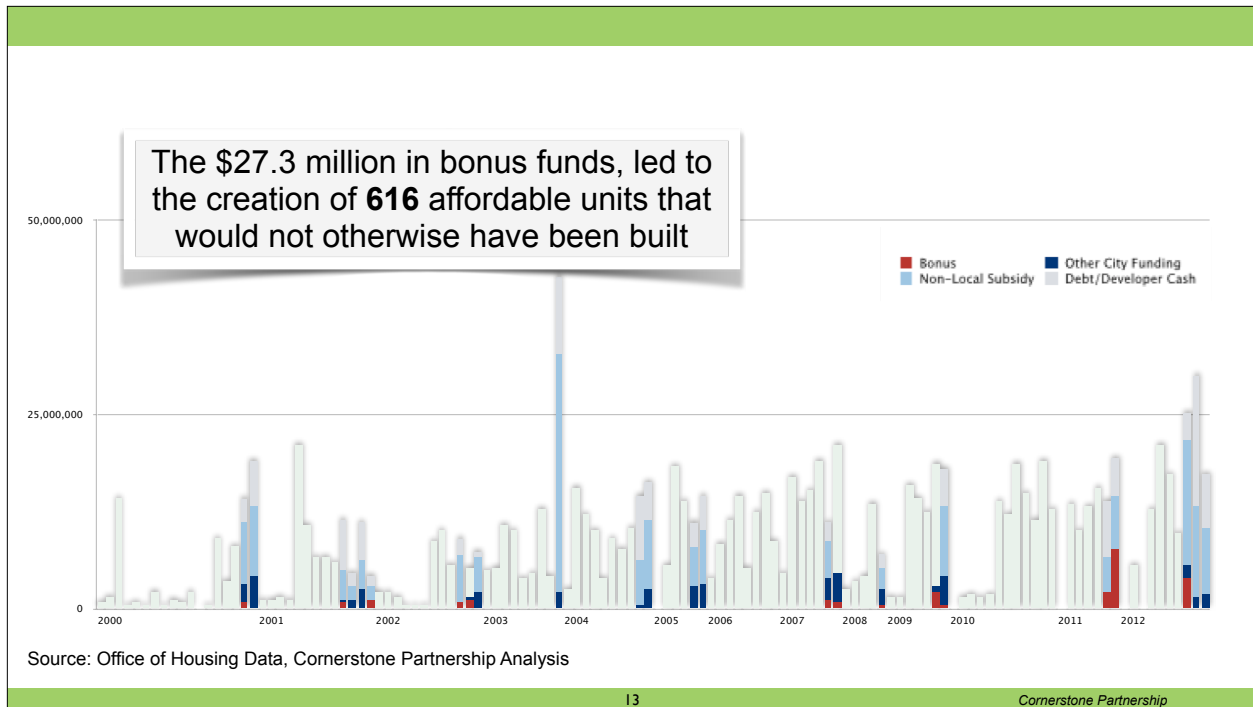
## Bonus \$

11% of the City's investment came from Bonus funds



Source: Office of Housing Data





## Total Production

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
<b>Total</b>	<b>714</b>	

Source: Office of Housing Data, Cornerstone Partnership Analysis

## Increasing Production

### Could the fee be higher?

Are there other incentives that could be offered?

Is a (more) mandatory program possible?



## Boston & San Francisco

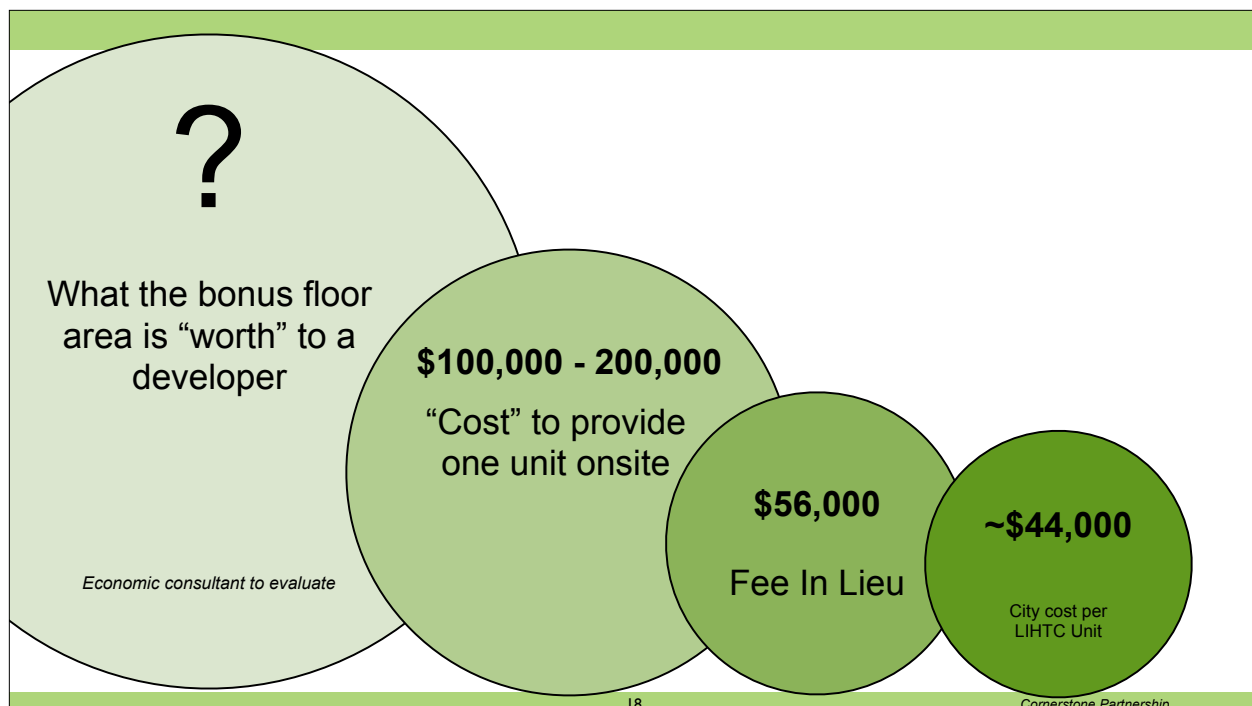
- Boston: \$200,000 per unit in lieu fee
  - based on the average city subsidy (not total subsidy) used to build an affordable unit" at the time
- San Francisco: \$335,000 per unit fee for a 2br unit in San Francisco
  - Based on the total subsidy required to create an affordable unit without federal subsidy

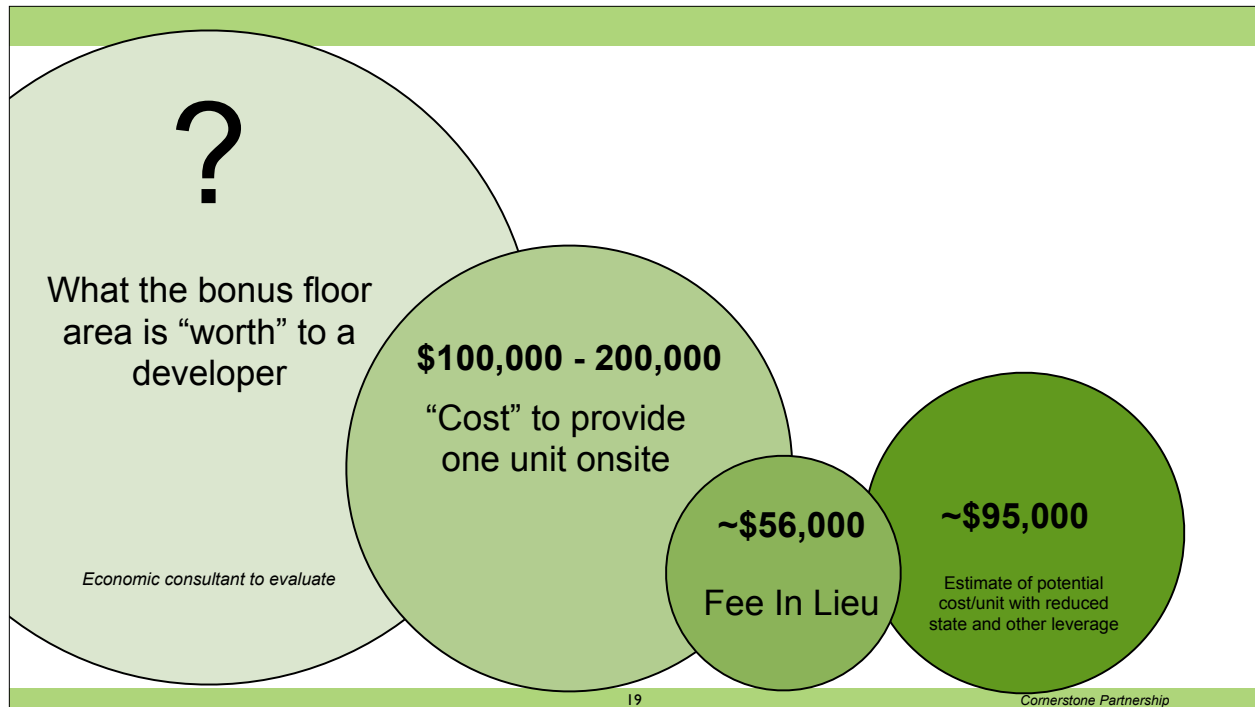




Current Bonus Contribution	~\$56,000
Local subsidy required per unit (2009-2013)	\$57,000
Subsidy per unit (expected)	\$95,000
Total cost per unit	\$263,000

Source: Office of Housing Data, Cornerstone Partnership Analysis





## Increasing Production

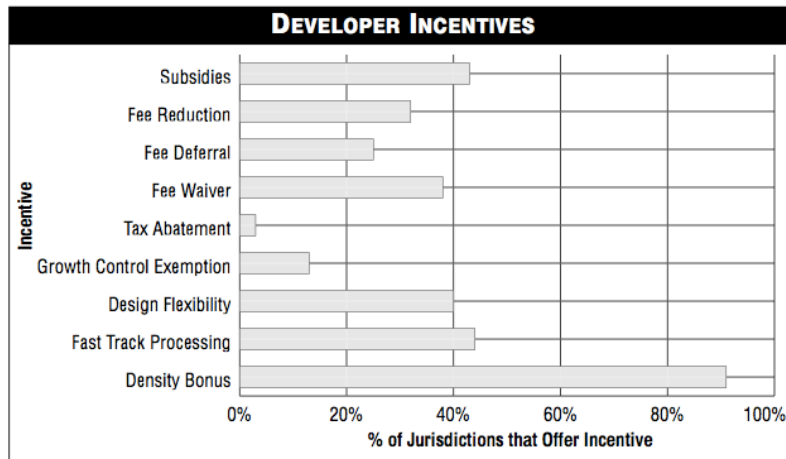
Could the fee be higher?

**Are there other incentives that could be offered?**

Is a (more) mandatory program possible?



# Incentives



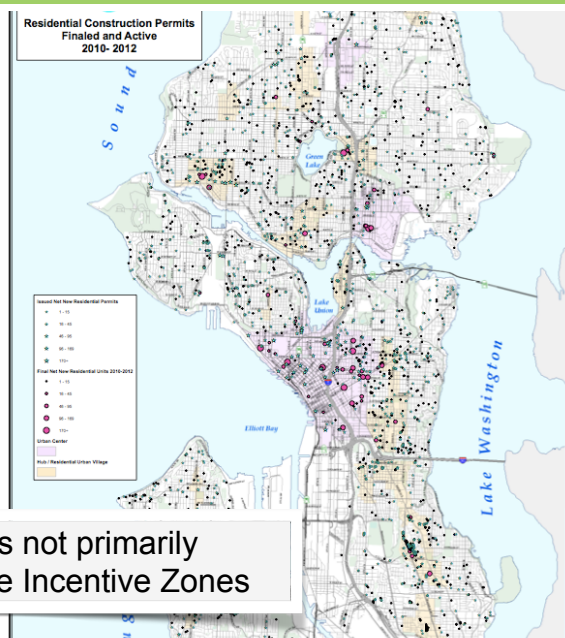
Source: Nonprofit Housing Association of Northern CA

## Increasing Production

Could the fee be higher?  
Are there other incentives that could be offered?

**Is a (more) mandatory program possible?**



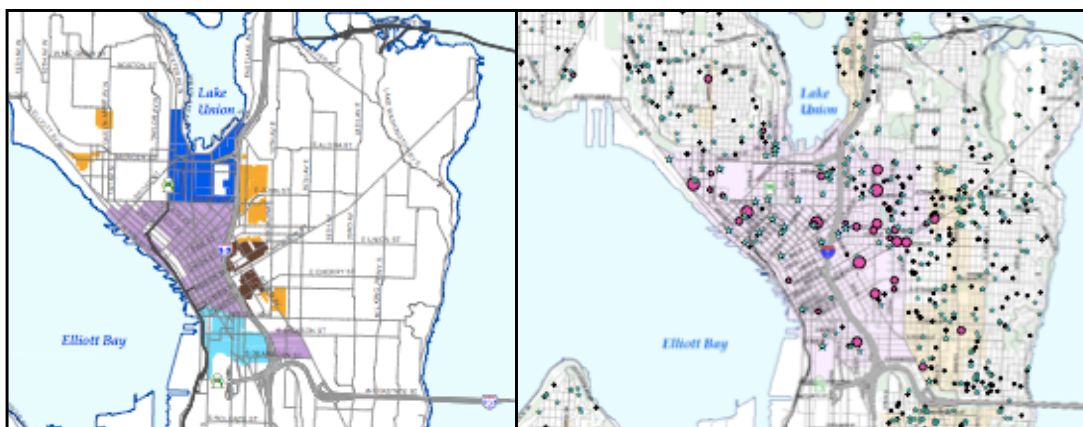


Development is not primarily concentrated in the Incentive Zones

Source: Office of Housing

23

*Cornerstone Partnership*



Source: Office of Housing

24

Cornerstone Partnership

## Expanding covered geography



- Much of Seattle's residential growth is occurring in zones which allow greater density without any rezone.

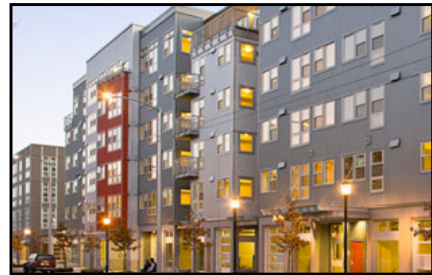
## Mandatory "Incentive"



- Incentive is offered in the form of **allowable** bonus floor area
- Affordable units/fee required whether or not a project takes advantage of the bonus
- Encourages developers to build the bonus density

# Mandatory Inclusionary

- 31,000 housing units built 2005-2013
- @ 5.7% = 1,800 affordable units



## Who should benefit?

*Can the program be targeted to meet otherwise unmet housing needs?*

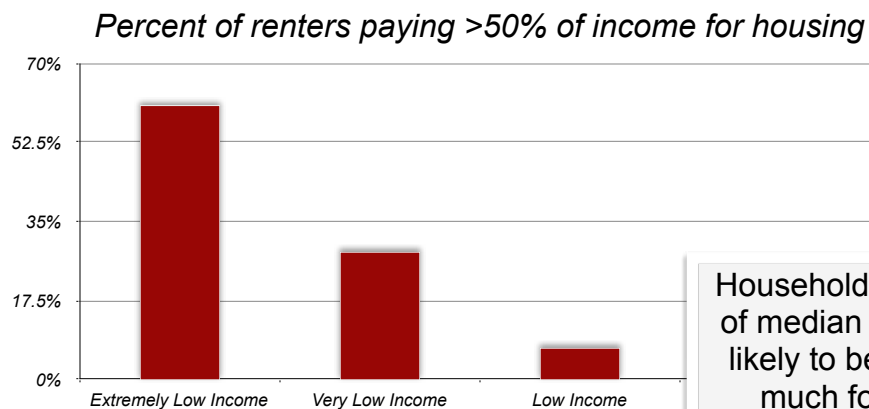


## Who should benefit?

- a. What income group?
- b. Family sized units?
- c. Ownership or rental?



## Housing Need

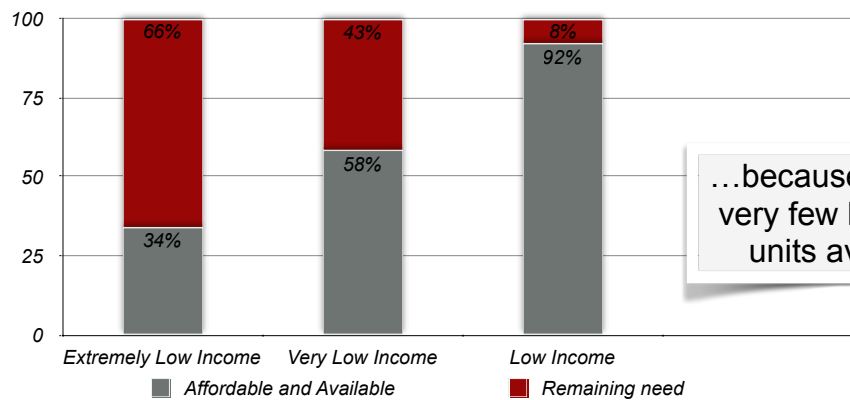


Households below 30% of median are far more likely to be paying too much for housing



# Housing Need

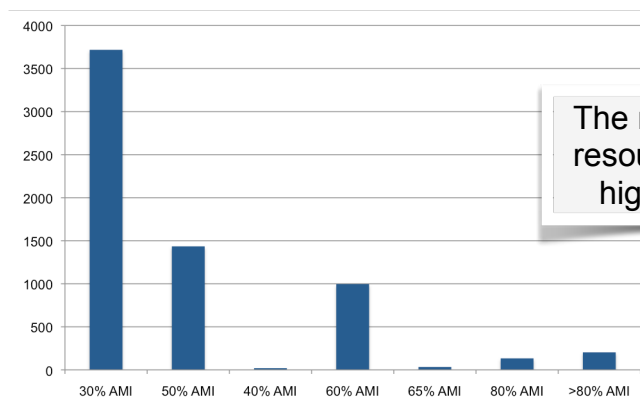
*Affordable and Available units per 100 renters*



...because there are very few lower cost units available.

Source: HUD CHAS Table 14B

# 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



# Rental 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

# Homeownership

*Median Home Price: \$415,000*

	Ext Low Income	Very Low Income	Low Income
<b>0 bedroom</b>	\$67,300	\$112,100	\$166,700
<b>1 bedroom</b>	\$72,000	\$120,270	\$178,704
<b>2 bedroom</b>	\$86,541	\$144,383	\$214,504
<b>3 bedroom</b>	\$100,003	\$166,722	\$247,789
<b>4 bedroom</b>	\$111,690	\$185,953	\$276,341

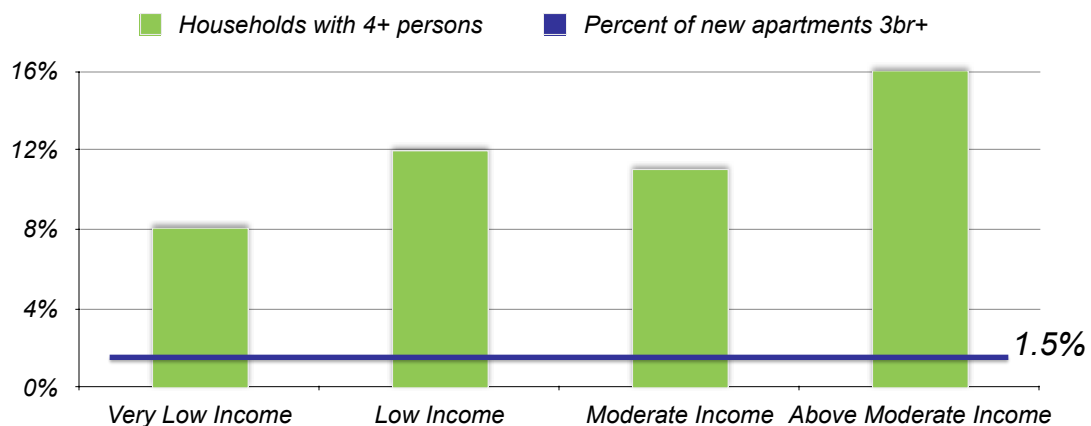
Source: Cornerstone Partnership Analysis

## Who should benefit?

- a. What income group?
- b. Family sized units?**
- c. Ownership or rental?



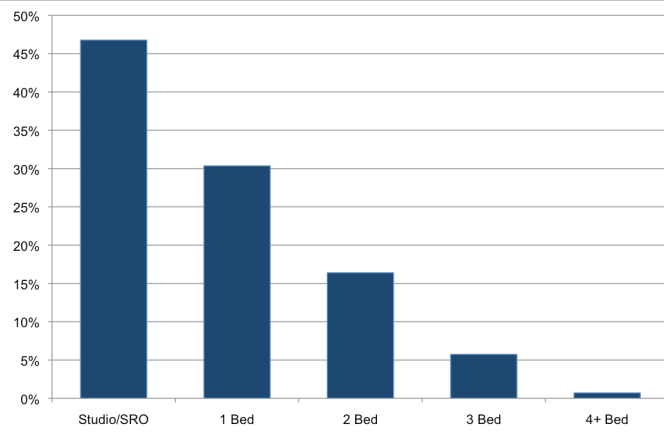
## Large Families



Source: Dupre + Scott Apartment Advisors and Seattle Planning Commission

# City Funded Units

*Unit sizes of city funded rental units 2001 - 2013*



Source: Office of Housing Data

## Who should benefit?

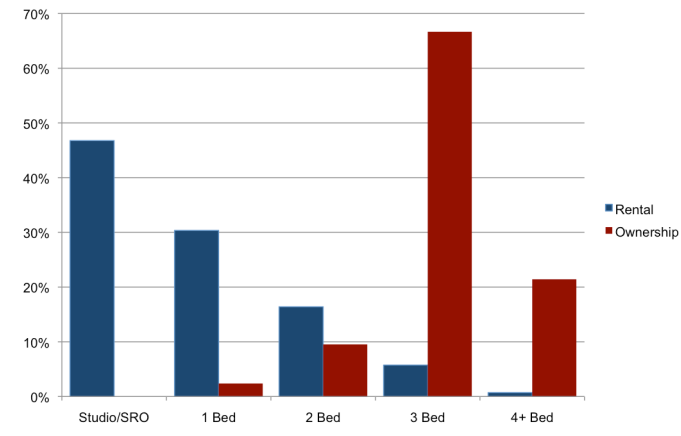
- a. What income group?
- b. Family sized units?
- c. **Ownership or rental?**



# Unit Sizes

*Unit sizes of all city funded units 2001 - 2013*

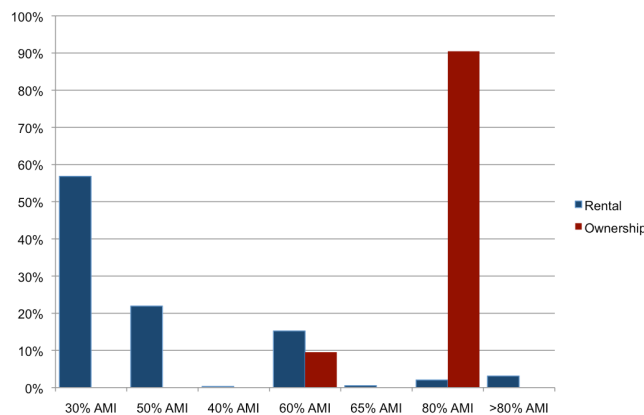
only 42 ownership units have been funded but these are mostly 3 or 4-br units.



Source: Office of Housing Data

# Income Limits

*Income Restriction of all city funded units 2001 - 2013*



Source: Office of Housing Data

## Onsite vs. Offsite

*Should the program require or more strongly encourage on site production?*



41

Cornerstone Partnership

## Cash vs. Performance

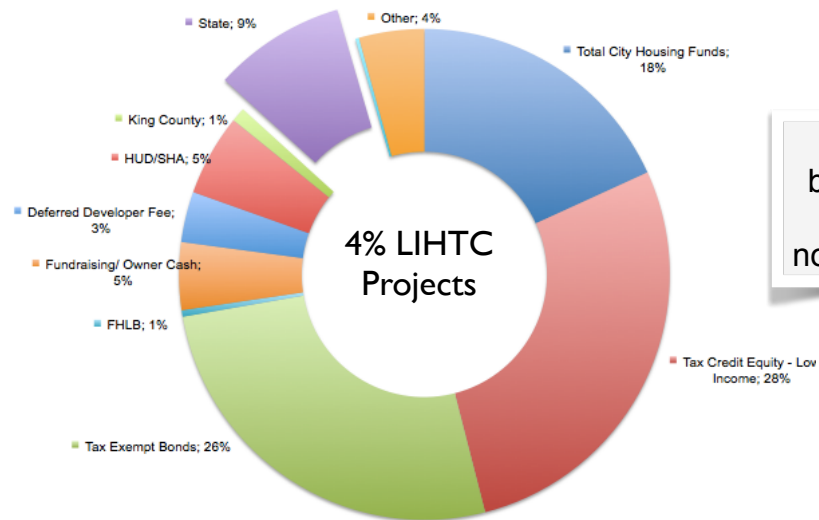
**\$56,000**

Aprox. Bonus Contribution per unit that would be required onsite

**\$44,000**

2001 - 2013 average local investment per 4% LIHTC Unit

OH has produced more units with cash payments than would have been produced with onsite performance



**\$27.2 million in  
bonus \$ leveraged  
\$95 million in  
non-local investment**

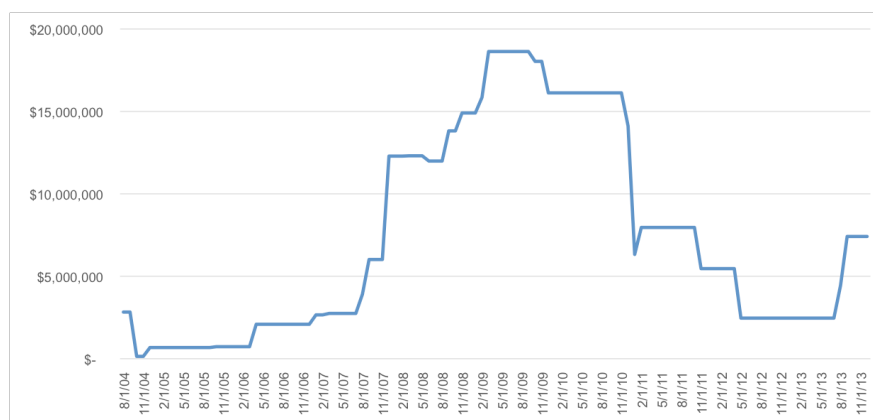
Source: Office of Housing Data

43

Cornerstone Partnership

## Timing

### Balance of Uncommitted Funds



Source: Office of Housing Data

44

Cornerstone Partnership

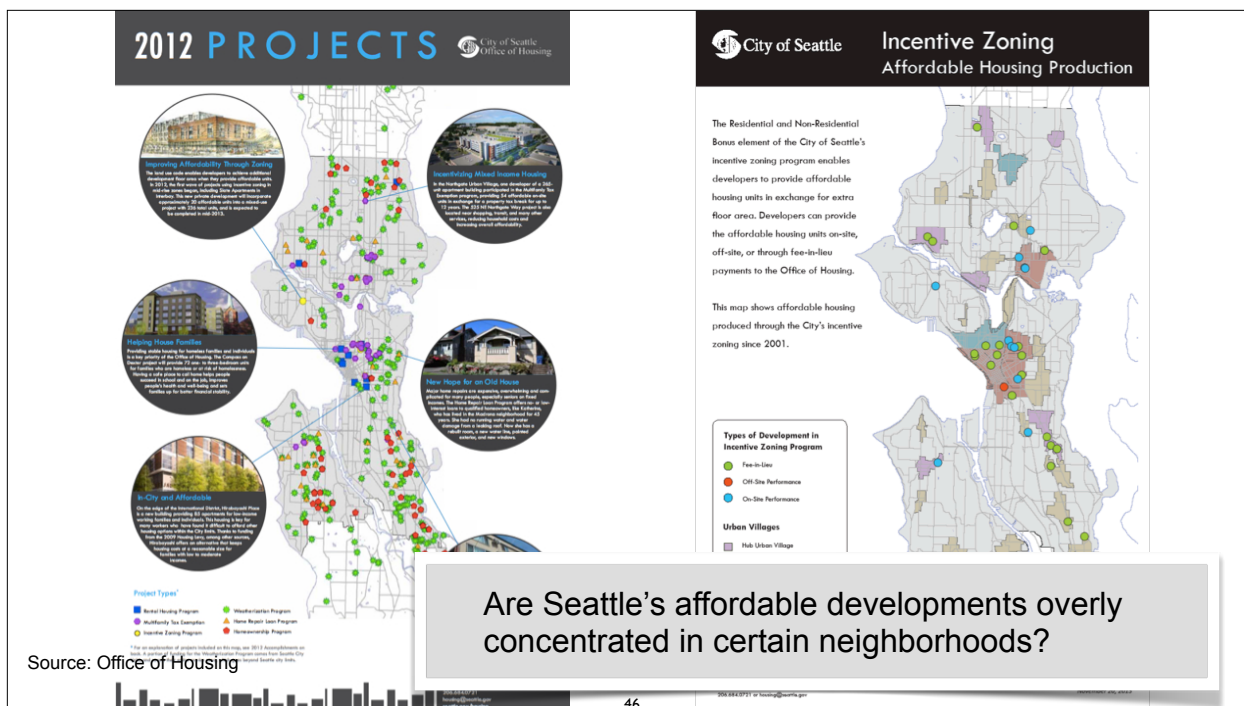
# Economic Integration?

- Building
- Block
- Neighborhood
- City



45

Cornerstone Partnership



46

## Changing Markets

How can the program respond to changing market conditions?



47

Cornerstone Partnership

## Monterey County, CA



IZ ordinance requires a detailed evaluation every 5 years including recommendations for changes to requirements and other ordinance revisions

48

Cornerstone Partnership



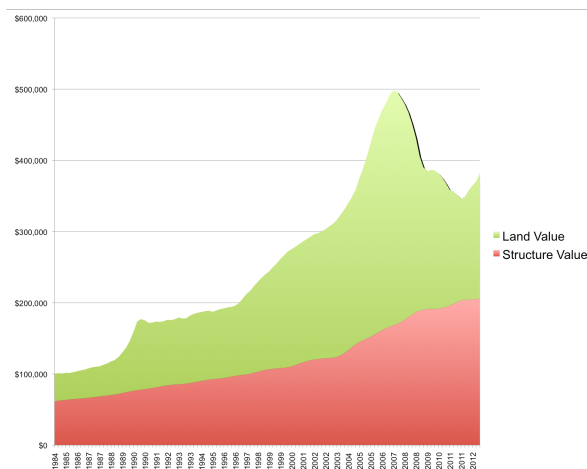
# Santa Monica

- Calculates “Affordable Housing Unit Development Cost” based on real cost to build an affordable unit.
- Indexes the number annually based on the weighted average of the annual change in **construction** and **land costs**.

Date	Affordable Housing Unit Development Cost	Change
2007	\$265,632	--
2008	\$277,585	+\$11,953
2009	\$284,802	+\$7,217
2010	\$281,100	-\$3,702
2011	\$287,003	+\$5,903

# Land Value

Land prices tend to be more volatile than construction costs



Source: Lincoln Institute for Land Policy

## Afternoon Panel

- Robin Kniech, City Council Member, Denver, CO
- Sandy Council, City of San Mateo, CA
- Brenda Clement, Citizens Housing and Planning Association, MA
- Robert Hickey, Center for Housing Policy/  
National Housing Conference
- Marc Babsin, Emerald Fund, San Francisco, CA



Cornerstone Partnership

*Keeping Homes Affordable & Communities Strong*

[www.AffordableOwnership.org](http://www.AffordableOwnership.org)