



**Legislative Department
Seattle City Council
Memorandum**

Date: December 14, 2012

To: Seattle City Councilmembers

From: Legislative Department Race and Social Justice Initiative Change Team

Re: Race and Social Justice Analysis of the South Lake Union Neighborhood Rezone

The Legislative Department Race and Social Justice Change Team applied the City of Seattle's Racial Equity Toolkit to the proposed South Lake Union Rezone currently before the Council. The key findings were:

- South Lake Union is growing into a “community of opportunity” with access to family wage jobs, housing, transit and open space.
- Key areas of potential impact for race and social justice are in housing and jobs;
- Risks of displacement of current residents in Cascade may be mitigated by the proposed “no change” in zoning in that portion of the neighborhood;
- There may be opportunities to increase the provision of workforce housing in the neighborhood through incentive zoning;
- Creating pathways for communities of color to access to the jobs and opportunity being created in South Lake Union is an opportunity to advance racial equity in Seattle.

At the end of our analysis, we identified five strategies that could advance racial equity in the South Lake Union rezone:

- 1) Preserve **no height changes in Cascade Neighborhood** in order to prevent pressures for displacement.
- 2) **Maximize Affordable Housing** through Incentive Zoning provisions.
- 3) Use education and job-training partnerships to **expand access to job opportunities for communities of color**.
- 4) Promote **community gathering spaces** like a community center or school in the neighborhood.
- 5) Utilize **TIF revenues to achieve social equity goals**.

BACKGROUND

The City of Seattle established the Race and Social Justice Initiative (RSJI) to look specifically at the racial impacts of policies and programs across city agencies. We know that despite our best efforts at fairness, racial inequities persist in every dimension of policy in Seattle and in order to reduce these disparities, we must consider racial equity in our policies, practices and procedures. Resolution 31164,

adopted by the Council in 2009, called up city departments to continue advancing the work of RSJI using available tools such as the racial equity toolkit to eliminate racial and social disparities across key indicators of success including health, education, criminal justice, the environment, employment and the economy.

ANALYSIS

The change team answered the ten questions from the city's racial equity toolkit (completed attached).

The team first considered impacts of the rezone based on **who lives and works in South Lake Union today:**

South Lake Union has historically been a commercial and industrial neighborhood that has transformed into an urban center with a growing residential population and workforce. The population in the South Lake Union Urban Center doubled between 1990 and 2010, but remains modest at 3,774. The 2010 demographic profile of residents was 67% white, and 33% people of color.¹

The average household income in census tracts 72 and 73 (a rough approximation of SLU) is \$59,548. 20% of households are living below the federal poverty level and 62% are living at or above 200% of the federal poverty level.²

In addition to residents, **many people come to South Lake Union for work.**

The proposed rezone would add capacity for up to 22,000 jobs over the next twenty years. While several reports provide a snapshot of employment data, none tell a comprehensive story. Our group discussed the various members of the workforce that should be considered as stakeholders in this analysis. They included:

- Professional workforce, including in the technology and health sectors
- Receptionists and administrative support staff
- Building operations, security guards and custodial staff
- Lab tech and paraprofessional workforce
- Restaurant and retail service staff
- Small business owners and staff
- Construction workforce during development

¹ 2010 Census data sheet for South Lake Union Urban Center.

² 2006-2010 American Community Survey 5-Year Estimates For Census Tracts Roughly Corresponding to South Lake Union Urban Center (Aggregation of Census Tracts 72 and 73).

The Change Team asked:

- 1) Will current residents experience displacement pressure, particularly low-income residents or communities of color?
- 2) Can workers in lower wage jobs access the housing and family wage jobs in South Lake Union?

The majority of the residential population along with existing affordable housing is located in the Cascade Neighborhood. Most of this area remains unchanged in the rezone, which will reduce the pressure for displacement from increased property values and rents that may be experienced in other parts of the neighborhood. We did not find evidence that communities of color living in South Lake Union would disproportionately face displacement.

Considering those who currently do not live in South Lake Union, we thought about **access** in terms of:

- 1) **Physical:** Can lower wage workers in South Lake Union afford to live in the neighborhood? If not, is there reliable transit to South Lake Union, specifically from lower income neighborhoods and neighborhoods with high percentage people of color?
- 2) **Education and Training:** Do low-income workers have the skills and training to access the jobs in South Lake Union? Are our community college and technical programs creating pipelines to this work?
- 3) **Cultural and Economic:** will South Lake Union feel like a welcoming neighborhood to lower-income workers and residents? Will there be affordable places to shop and eat? Will there be culturally appropriate places to spend time? Will communities of color feel welcomed in the neighborhood?

Physical Access -- Affordable Housing & Transit

While high land and real estate cost may make it infeasible to generate enough affordable housing for the entire South Lake Union workforce to live in the neighborhood, there should be enough affordable housing for some members of all strata of the workforce to have the opportunity to live near where they work.

There are existing affordable housing provisions in the propose rezone, provided through the incentive zoning policy. The program is estimated to produce \$45 million in affordable housing over 25 years. The Office of Housing estimates this will produce 400-450 units of affordable and workforce housing city-wide (30-80% AMI)³.

The City demographer compiled data on affordable housing needs in Seattle specific to communities of color (attached). In Seattle, 41% of rental households have incomes between 0-50% of HUD-Adjusted Area Median Family Income (HAMFI) and 42% of rental households are cost burdened, paying more

³ The incentive zoning program is designed to provide affordable workforce housing for individuals and families living at up to 80% AMI (rental units) and 100% AMI (ownership units). For commercial projects, developers pay in lieu of building the housing. This funding is used in combination with the Office of Housing Levy funds to finance units city-wide, generally at 30-60% of AMI. For residential projects, developers have the option to perform (build units on site), perform off-site (build units elsewhere in the neighborhood) or pay in lieu. To date, across the city, nearly all residential development has resulted in payments in lieu. The 400-450 unit estimate is based on similar performance from the incentive zoning program.

than 30% of monthly household income in rent. More than half of cost-burdened households in Seattle are white, but the cost burden falls disproportionately on communities of color (40% of white households vs. 48% of communities of color). Black or African American Households are most likely to be cost burdened: 66% of black households have incomes between 0-50% HAMFI and 57% of black households are housing cost-burdened.

No single policy or program will address the affordable housing needs for the city and in fact, the city has a large number of programs city wide to enhance the supply. However, if communities of color are more likely to be housing cost-burdened, they are also less likely to be able to afford a market-rate unit in South Lake Union. Maximizing the affordable housing provided through the rezone, helps address city-wide needs for affordable housing. Steps to ensure that affordable housing is built **in** South Lake Union, rather than other parts of the city, pairs affordable housing with access to the opportunities present in South Lake Union and creates a mixed-income neighborhood where community building happens across race and incomes.

In addition to the affordable housing benefit, the “TIF for TRD” benefit in the incentive zoning program will provide tax increment financing (TIF) funds for investment in South Lake Union. These funds are not yet designated for specific projects, but could be utilized for affordable housing or other equity-related projects.

Our group did not take time to analyze the transit connections to the neighborhood, except to note that South Lake Union is near the end of the light rail line that runs through the Rainier Valley. Access to family wage jobs is a key way to prevent displacement in the Rainier Valley for families facing increased land or rent costs. South Lake Union is geographically well-poised to be part of the solution. We recommend that additional analysis be conducted to better understand transit connections from high poverty neighborhoods and neighborhoods with high percentage people of color.

Educational and Cultural Access

Access to family wage jobs requires more than living next to them; applicants need the necessary skills, experience and networks to land a job. We suggest further assessment or analysis on whether Seattle’s community college and technical training programs are providing pathways into the developing job sectors in South Lake Union and to consider whether any of those apprentice or job-training program can be located in the neighborhood.

Finally, the question of whether South Lake Union is or will be a culturally welcome place is difficult to articulate and evaluate. We thought about it in two ways: 1) Are there affordable places to shop and eat in the neighborhood, or would a lower-wage resident have to leave the neighborhood for groceries and/or meals? 2) Are there community institutions that provide spaces for gathering and mixing in the neighborhood?

CONCLUSIONS

The growth and development of South Lake Union not only impacts those who live and work in the neighborhood, but has impacts on our entire city. Ensuring that communities of color have access to this opportunity is a chance to advance racial equity.

We recognize that not all of these issues can be addressed through land –use and zoning legislation and encourage the city to consider other policies and initiatives to align with the goals of the rezone in order to address the race and social justice issues.

The following are five ways that the city might consider advancing equity through the rezone or other related actions:

1) Preserve “no height changes” in Cascade Neighborhood

- Adopting the provisions in the legislation that preserve existing height and density in the Cascade area is one way to maintain affordability in South Lake Union.
- In addition, the city may want to consider further efforts to develop an affordable retail core in South Lake Union, and consider building upon existing retail in Cascade to create a hub.

2) Maximize Affordable Housing in Incentive Zoning provisions: These are five ways that the incentive zoning program could be altered to increase the production of affordable housing from the South Lake Union rezone. The outcomes vary by number of units produced, affordability of units (30-100% AMI) and whether they would be produced in the neighborhood. We recommend additional analysis of each of the scenarios to better understand these outcomes and any impacts on market rate development. From this, we can determine which, if any, best creates access to the opportunity being created in South Lake Union for lower-income workers.

- Current proposal: implement the current proposed incentive zoning policy.
- Require Performance: Require “performance” (building affordable units on site) for residential development. This would remove the pay in lieu option currently available for residential development and retain the pay in lieu system for commercial development.
 - (a) Variation: Require performance and lower the affordability level for units to 60% AMI for rentals and 80% AMI for ownership.
- The Mandatory Option: Implement a “mandatory” incentive program that applies the public benefit requirements currently required above the base, to the full floor area of the building, including the base.
 - (a) Variation: Implement a mandatory program that results in the same public benefits as the current proposal, but generates those benefits from the full building rather than only the portion above the base.
- Expand geography of current proposal: Apply the incentive zoning provisions to all areas of the rezone, including sections of the neighborhood where it currently is not applied.
- Increase Pay in Lieu Price: Increase the payment in lieu price to the full cost of production of units. This new price would apply to both residential and commercial.
 - (a) Variation: increase the payment in lieu price by 25%, as an incremental step towards the full cost of construction.

- Apply San Francisco’s Model: require 15% of all units (including base) to be affordable if performing; 20% if perform off site or pay in lieu.

3) Use partnerships to expand access to job opportunities

- Work with partner institutions to evaluate whether training programs at community colleges and vocational schools connect with developing sectors in South Lake Union; strengthen partnership to either promote or develop these pipelines.
- Consider locating apprenticeship and/or job training programs in South Lake Union to provide exposure to job opportunities for those in training programs.
- Consider local hire provisions from targeted nearby neighborhoods where employment needs are high for public infrastructure built in and around South Lake Union.
- Encourage Community Workforce Agreements or Project Labor Agreements for private infrastructure built in and around South Lake Union.

4) Promote community gathering spaces like a community center or school in the neighborhood.

- In order to create a neighborhood that is welcoming to all, consider using zoning or other means to facilitate the creation of a community center, library, school or similar civic space to serve as a community gathering space. Engage communities of color in the planning for this space.

5) Utilize TIF revenues to achieve social equity goals

- Consider strategies to utilize revenues from the TDR/TIF program to invest in neighborhood components that support equity. This could include additional affordable housing, affordable retail, a community gathering space, or workforce development projects.

Each of these strategies warrants additional study or planning. In the case of the affordable housing recommendations, additional technical study is warranted to determine which of the outlined options could best meet the city’s goals.

Note that at the time of our analysis, the “Block 59” development agreement had not yet been proposed. We recommend looking at that proposal through a similar lens to understand whether it provides appropriate public benefit and whether that benefit accomplishes the goals outlined in this memo.

Overall, we suggest asking the question “Who has access to the opportunities being created in South Lake Union?” and, “are there ways to improve access for communities of color and lower wage workers through our actions?” Steps to ensure access to opportunity in South Lake Union will advance racial equity in Seattle.