

CITY OF SEATTLE
RESOLUTION _____

1
2
3 A RESOLUTION calling for a thorough review and update of Seattle’s incentive zoning and
4 other programs focused on creating affordable workforce housing by establishing an
5 Expert Advisory Team that will advise and make recommendations to the City Council.

6 WHEREAS, as the City continues to grow and develop, the City has established housing
7 affordability targets in the City’s Comprehensive Plan intended to encourage the creation
8 of housing affordable to people from a range of ages, incomes, and lifestyles; and

9 WHEREAS, providing affordable workforce housing near urban job centers is a pillar of smart
10 growth that reduces urban sprawl by enabling workers to live near their jobs and avoid
11 long, expensive, and polluting commutes; and

12 WHEREAS, the City has taken proactive steps to put into place tools in the City’s land use code
13 to assist the City in providing affordable housing, access to open space, preserving
14 historic structures and regional farms and forests, and meeting other public objectives;
15 and

16 WHEREAS, these tools are part of a comprehensive set of programs that address those goals,
17 including direct investments in affordable housing production, incentive zoning, use of
18 property tax exemption, and ongoing work to expand development capacity through
19 planning in Seattle’s Urban Centers and Villages; and

20 WHEREAS, the City has established under authority of State Law a property tax exemption
21 program to achieve more affordable rents in eligible and participating projects, a program
22 currently under review by the City Council; and

23 WHEREAS, the City has extended incentive zoning provisions into various zones as
24 development capacity is increased; and

25 WHEREAS, the City Council attempted to encourage the creation of workforce housing in
26 downtown Seattle in exchange for bonus heights allowed for new commercial
27 development starting in 2001 and for new residential development starting in 2006;

1 WHEREAS, developers chose to make payments to the City rather than building the workforce
2 housing within the structures receiving the bonus resulting in fewer than 50 workforce
3 units being built; and

4 WHEREAS, the ordinances in 2001 and 2006 allowed the Office of Housing Director to increase
5 the payment in-lieu fees to keep pace with the Consumer Price Index, but no such
6 increases were instituted; and

7 WHEREAS, in 2008 the City Council established an overall framework for the use of incentive
8 zoning through Ordinance 122882, which was developed through extensive engagement
9 with a range of stakeholders; and

10 WHEREAS, given changes in market conditions and the continued expansion of the market for
11 commercial and residential development in Seattle, it is timely for the City to review
12 these incentive programs and make updates which include a consistent approach to how
13 these programs are applied across neighborhoods; and

14 WHEREAS, thorough review and analysis should be conducted of current incentive programs as
15 well as other best practices with options and recommendations to spur the creation of
16 affordable workforce housing; and

17 WHEREAS, reports produced in February and March 2013 by Spectrum Development,
18 Community Attributes, and Heartland on affordable housing options in South Lake Union
19 provide a strong analytical foundation for crafting additional enhancements to the City's
20 incentive zoning programs; and

21 WHEREAS, the Council deems it necessary and advisable to create an Expert Advisory Team to
22 analyze the ability of these and other programs to address Seattle's goals for affordable
23 workforce housing, in addition to how potential changes would affect the Seattle
24 economy; and

25 WHEREAS, the City Council is separately adopting ordinances that shall, unless the City
26 Council adopts additional amendments to the Seattle Municipal Code informed in part by
27 the Expert Advisory Team, automatically adjust the incentive zoning programs governing
downtown and South Lake Union to create affordable housing; NOW THEREFORE,

1 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:**

2
3 **Section 1. Citywide Incentive Zoning Enhancements for Affordable Workforce Housing.**

4 The Council shall contract for the services of independent consultants to form an Expert
5 Advisory Team (Experts), further described in Section 2 of this resolution, to study and
6 recommend enhancements to the city’s incentive zoning bonus programs in order to facilitate the
7 production of affordable workforce housing.

8 A. The specific policy objectives to be addressed by the Experts shall include the
9 following:

10 1. Establish a specific percentage of affordable workforce housing that
11 commercial and residential development projects in the city taking advantage of any
12 bonus development capacity would need to include or otherwise help to create via
13 payment-in-lieu. For those taking advantage of the bonus development capacity, the
14 Experts shall explore the feasibility of a set-aside percentage that results in affordable
15 workforce units equivalent to at least 10% of the gross square footage of the entire
16 structure. The Experts shall recommend an implementation timeline that achieves the set-
17 aside percentage recommended by no later than the end of 2014.

18 2. Determine whether in-lieu fees provide sufficient benefit to the public to
19 remain as an option for residential projects and, if so, determine a base in-lieu fee that
20 meets public objectives and encourages on-site construction of the workforce housing
21 units (“on-site performance”) in each of the neighborhoods to which incentive zoning has
22 been applied or to which incentive zoning is expected to be applied, including South
23 Lake Union. The base in-lieu fee shall be consistent with Revised Code of Washington

1 (RCW) 36.70A.540 (2)(h), which states that “Affordable housing incentive programs
2 may allow a payment of money or property in lieu of low-income housing units if the
3 jurisdiction determines that the payment achieves a result equal to or better than
4 providing the affordable housing on-site, as long as the payment does not exceed the
5 approximate cost of developing the same number and quality of housing units that would
6 otherwise be developed.”

7 3. For the commercial incentive zoning program and for the residential program
8 (if the Experts jointly determine in-lieu fees for residential development provide
9 sufficient public benefit to continue as an option, establish a specific, data-driven and
10 market sensitive formula or methodology that will automatically adjust (increase or
11 decrease) the payment-in-lieu amount on a regular and consistent basis, including
12 consideration of the Construction Price Index, Consumer Price Index, an analysis of
13 relevant land values, and other factors on a neighborhood or area basis. Administration of
14 this automatic adjustment would be the duty of the director of the Office of Housing and
15 not require Council consideration.

16 B. In completing its work, the Experts shall review the reports produced in February and
17 March 2013 by Spectrum Development, Community Attributes, and Heartland. The Experts shall
18 seek input from research institutions including, but not limited to, the Urban Land Institute’s
19 Terwilliger Center, the Innovative Housing Institute, and Harvard University’s Joint Center for
20 Housing Studies as well as from cities with successful incentive zoning programs. The Experts
21 shall seek input from for-profit and nonprofit developers, general contractors, property owners,
22 workers, and business owners operating in those areas where an incentive zoning program exists
23 or is expected to exist.

1 C. The Experts shall answer the following questions in a manner that allows the Council
2 to adopt Ordinances and/or Resolutions that increase the availability of affordable workforce
3 housing in Seattle:

4 1. What is the current and anticipated need for affordable workforce housing in
5 Seattle? What are the economic, marketplace and other factors driving this need? How
6 should the Council best quantify this need and how should progress toward meeting it be
7 measured?

8 2. Residential developers are required to include the affordable workforce housing
9 units within their project when they take advantage of the bonus floor area ratio (FAR)
10 option for structures of 85 feet in height or less. For taller structures, what benefits for the
11 public result from allowing a payment-in-lieu fee rather than requiring on-site
12 performance in incentive zoning provisions?

13 3. In completing the work described in Section 1(A)(1) above, how can the City
14 ensure that there would not be negative economic consequences?

15 4. Consistent with RCW 36.70A.540, affordable workforce housing is currently
16 defined in City policy as serving households earning between 60% and 80% of the Seattle
17 area median income (AMI) for renters and between 80% and 100% of AMI for
18 homeowners. Should the Council maintain this range or should it be adjusted? How
19 would any adjustment help meet the need for affordable workforce housing? Should the
20 AMI level(s) and/or in-lieu payment level(s) and/or set-aside(s) be structured to
21 encourage larger units for families (such as 3-bedroom and 4-bedroom units)?

22 5. In addition to the incentive bonus program, what other initiatives or programs
23 should the Council consider to increase the availability of affordable workforce housing

1 in the city? For example, should the Council require that all or some payment-in-lieu
2 funds be used exclusively for workforce housing? Should the Council encourage public-
3 private partnerships that use public funds to leverage private investment? Should City-
4 owned property not needed for other purposes be used for workforce housing projects?
5 Considering Council's current review of the City's Multifamily Property Tax Exemption
6 (MFTE), should that MFTE program be strengthened to encourage the production of
7 more affordable workforce housing?

8 D. To obtain additional local input for the formation of its recommendations to the City
9 Council, the Experts shall seek opinions and perspective from a broad range of stakeholders
10 and/or existing stakeholder groups, including but not limited to private for-profit developers, not-
11 for-profit housing providers, union leaders or advocacy groups representing workers earning
12 between 60% and 100% of the Seattle area median income (AMI), and other civic leaders
13 representing groups that could be significantly impacted by such policies.

14 **Section 2.** The Expert Advisory Team shall consider and jointly make recommendations
15 to enhance the City's affordable workforce housing incentive zoning programs.

16 A. At the time this Resolution is adopted, the Council President will select the Council
17 Committee to which the Experts shall jointly report its recommendations.

18 B. The Experts shall establish a joint meeting schedule appropriate to produce results to
19 meet the deadlines listed below. This shall include progress reports at least every two months.

20 C. The Expert Advisory Team appointed solely by the City Council to work together,
21 shall consist of no more than three national experts from the fields of real estate finance
22 (residential and commercial), city/regional economics, land use, and/or government
23 administration with significant experience consulting local governments. Experts headquartered

1 outside of Seattle are ideal candidates to ensure objectivity and access to best practices from
2 other regions.

3 D. Support. The Experts shall receive the following support:

4 1. Staff support from City Council Central Staff and, to the extent practicable,
5 from the City's Office of Housing.

6 2. Up to \$200,000 from Council's 2013 consulting budget. These funds shall be
7 used to pay the Experts for their billable services on the scope of work reflected in this
8 Resolution and, to the extent deemed necessary by the Experts, to bring to Seattle
9 additional experts and/or officials from other local governments implementing best
10 practices elsewhere to make presentations to the Experts and public on best practices for
11 the creation of workforce housing through incentive zoning and/or other applicable local
12 programs.

13 E. Timeline and Duration.

14 1. The City Council should make every effort to select the Experts by no later
15 than May 1, 2013.

16 2. Council shall request the City's Office of Housing to provide to the Experts by
17 May 1, 2013 the following background information:

18 a. A summary of the current incentive zoning programs, including how
19 many workforce housing units have been produced since inception of the
20 incentive programs.

21 b. A current inventory of affordable housing citywide. This inventory will
22 be broken down by census block and affordability level.

1 c. An analysis of current and projected demand for low-income,
2 workforce, and market-rate housing citywide and by census block or
3 neighborhood (using any relevant data from the March 2013 report by
4 Community Attributes).

5 3. The Experts should report their recommendations in a joint report (Expert
6 Report) by no later than December 2, 2013 to the Council Committee selected by the
7 Council President at the time the Council adopts this Resolution.

8 4. Council shall consider the recommendations in the Expert Report and work
9 toward adopting any changes Council deems necessary to the city's incentive zoning
10 and/or workforce housing policies by Ordinance and/or Resolution by no later than
11 February 28, 2014.

12 5. Ordinances and/or Resolutions adopted in subsection 4 above should have a
13 deadline for putting into effect the new policies no later than December 31, 2014.

14 6. The contract with the Experts will terminate after the Council takes final action
15 on the recommendations.

16
17 **Section 3.** Adoption of this resolution will in no way limit Council's authority to adopt
18 changes to the Seattle Municipal Code including, but not limited to, incentive zoning ordinances.
19

20 Adopted by the City Council the ____ day of _____, 2013, and
21 signed by me in open session in authentication of its adoption this _____ day
22 of _____, 2013.

23 _____

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

President _____ of the City Council

Filed by me this ____ day of _____, 2013.

Monica Martinez Simmons, City Clerk

(Seal)

DRAFT