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CITY OF SEATTLE
RESOLUTION 31551

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A RESOLUTION stating the City's intent to implement an affordable housing linkage fee program, establishing policy parameters for such a program, and directing the Department of Planning and Development and the Office of Housing to develop regulations implementing an affordable housing linkage fee program.

WHEREAS, new commercial development, such as new offices, hotels and retail buildings, accommodate new employees and create demand for housing affordable to low and moderate income households; and

WHEREAS, similarly, new market-rate residential development accommodates new households that consume goods and services which creates employment, some of which is low paying; this, in turn, creates demand for housing affordable to low and moderate income households; and

WHEREAS, since 2005 the City has added approximately 36,000 new jobs and 44,000 new market-rate housing units; and

WHEREAS, employment and residential growth has led to increased housing costs, including, as reported by the *Seattle Times*, the largest rent increases in the country for the period 2010-2013; and

WHEREAS, according to the American Community Survey (ACS), for households earning less than 80% of the Area Median Income (AMI), which is \$56,480 annually for a two person household, there are fewer dwelling units that are affordable and available than there are households; and

WHEREAS, according to the ACS, households earning less than 80% of AMI are more likely to be cost burdened by housing, meaning that they spend more than 30% of their disposable income on rent and utilities; and

WHEREAS, existing programs, such as the 2009 \$145 million property tax levy for affordable housing and tax exemptions for multifamily development that provides housing affordable to moderate income households, are not sufficient to meet increasing demand for affordable housing driven by new development; and

WHEREAS, in May 2013 the Council adopted Resolution 31444, which established a work program for reviewing and potentially modifying the City's Affordable Housing Incentive Program; and



1 WHEREAS, pursuant to Resolution 31444 the Council retained Cornerstone Partnership to
2 review the program and make recommendations on changes, Otak and Peninger
3 Consulting to review national best practices for affordable housing production, and David
4 Rosen & Associates to conduct an economic analysis of the existing affordable housing
incentive program; and

5 WHEREAS, the economic analysis was informed by input on assumptions provided by a
6 technical advisory group of local for-profit and non-profit developers; and

7 WHEREAS, the Council also engaged the public throughout the program review, including
8 hosting an all-day workforce housing forum in February 2014 with over 250 participants
9 and a second public feedback session in July to collect feedback on preliminary
10 recommendations; and

11 WHEREAS, one of the options presented to the Council is that of establishing a linkage fee
12 program to mitigate the demand for low and moderate income housing caused by new
13 commercial and new market rate multifamily residential development; and

14 WHEREAS, the Council commissioned a nexus analysis by David Rosen & Associates that 1)
15 establishes the causal relationship between new commercial and residential development
16 and the demand for low and moderate income housing and 2) quantifies the supportable
17 linkage fee to mitigate the impact of new development on the demand for housing
18 affordable to new low and moderate income households; and

19 WHEREAS, after considering the potential effect a linkage fee set to fully mitigate the impact of
20 new commercial and residential development on the demand for housing affordable to
21 low and moderate income households could have on real estate markets, the Council
22 intends 1) to establish lower fees that vary by the extent of impact and take into
23 consideration local market conditions and effects on development feasibility, and 2) to
24 phase those fees in over a three year period;

25 NOW, THEREFORE

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

27 Section 1. Intent to Implement an Affordable Housing Linkage Fee Program. The City
28 intends to implement an Affordable Housing Linkage Fee Program (Program) to mitigate the



1 demand for low and moderate income housing caused by new commercial and new market rate
2 multifamily residential development.

3 Section 2. Program Parameters. The Council requests that the Department of Planning
4 and Development (DPD) and the Office of Housing (OH) develop, in cooperation with the
5 Council, a proposed council bill to implement the Program, subject to the following parameters.

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- 7 a. Geography. The Program should apply to those areas where future development
8 is most likely to occur, including most new multifamily residential and
9 commercial development in multifamily, commercial, and downtown zones, as
10 generally depicted on Exhibit A.
- 11 b. Affordable Housing Linkage Fees. Fees should not exceed the maximum
12 supportable level set forth in the nexus analysis, but may be set below that level.
13 Fees should vary based on the extent of impact on the demand for low and
14 moderate income housing. Local market conditions and effects on development
15 feasibility should be considered in setting the fees. Fees should be no lower than
16 the range set out in the table below for commercial and residential land use
17 categories. While these projected fees are supported by the nexus analysis, the
18 actual fee amounts adopted or the manner in which the fees are structured, could
19 be adjusted based on further analysis or information.
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	Commercial Uses	Residential Uses
23 Higher Cost Areas	\$16 - 22 / net square foot of 24 new building area (NSF)	\$16 - 22 / NSF

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Medium Cost Areas	\$10 - 12 / NSF	\$10 - 12 / NSF
Lower Cost Areas	\$5 - 7 / NSF	\$5 - 7 / NSF

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4 For the purposes of this Resolution “net square foot of new building area” means
5 rentable area in a building available to a tenant and does not include areas
6 occupied by mechanical equipment, accessory parking, electric closets, walls, or
7 similar structures and spaces.
8

9 c. Performance. For commercial and residential development, the Program should
10 provide the option of onsite or nearby performance in an amount roughly
11 equivalent to the fees. Under the performance option, affordability levels for
12 studios and one bedrooms should be lower than affordability levels for other
13 units. The Council will consider whether replacement or preservation of existing
14 units affordable to existing low and moderate income households should be a
15 means to perform. Generally, the Program should limit performance to units in
16 projects not receiving other subsidies. However, the Council will consider
17 exceptions for tax exemptions for multifamily development authorized by
18 Revised Code of Washington Chapter 84.14, four percent low income housing tax
19 credits authorized by Section 42 of the Internal Revenue Code, and tax-exempt
20 bonds.
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23 d. Use of Revenue. OH should develop policies for approval by the Council for use
24 of Program revenue. Those policies should reflect the findings of the nexus
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1 analysis, which quantifies impact by income category. Among other things,
2 policies should establish:

- 3 1. Use of fee revenue to serve higher need worker households consistent with
4 the nexus analysis; policies should specify an amount of Program revenue,
5 determined by the nexus analysis, to be expended on units for households
6 earning between 60% and 80% of Area Median Income and on units for
7 households earning less than 60% of Area Median Income;
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9 2. Where projects funded by Program revenue can be located;
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11 3. Guidelines for expenditure of Program revenue, including but not limited
12 to expenditure of Program revenue on family-sized units; and
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14 4. How Program revenue may be used for homeownership units.
- 15 e. Term of Affordability. Units created through Program expenditures or
16 performance should have a term of affordability of no less than 50 years.
- 17 f. Adjustment to Account for Changed Conditions. To allow the Program to keep
18 pace with changed conditions, the fee should be adjusted no more frequently than
19 once annually. The final legislation should contain a method and schedule for
20 adjusting the fee that is as automatic as possible.
- 21 g. Program Phase-in. To allow real estate markets to adjust to the Program, fees
22 should be phased in over a three-year period with the first year beginning on
23 October 1, 2015 and ending on September 30, 2016. In the first year an amount
24 equal to approximately one third of the linkage fee established for a given area
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1 should apply. In the second year an amount equal to approximately two thirds of
2 the linkage fee for a given area should apply. In the third year, the total linkage
3 fee should apply. The current Affordable Housing Incentive Program should be
4 maintained for the duration of the phase-in period. While both programs operate,
5 the higher applicable fee should apply.
6

7 Section 3. Schedule for Implementation. To allow for the Program to be effective by the
8 end of the third quarter of 2015, the Council requests that DPD and OH adhere to the following
9 schedule for delivery of legislation to Council:

- 10 a. May 1, 2015 – publication of a public review draft of implementing Legislation
11 and
12 b. June 1, 2015 – submission of proposed legislation to the Council.
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14 Throughout development of legislation to implement the Program the Council will consider and,
15 if appropriate, integrate the findings and recommendations of the Seattle Housing Affordability
16 and Livability Agenda Advisory Committee established by Resolution 31546.
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Adopted by the City Council the _____ day of _____, 2014, and
signed by me in open session in authentication of its adoption this _____ day
of _____, 2014.

President _____ of the City Council

Filed by me this _____ day of _____, 2014.

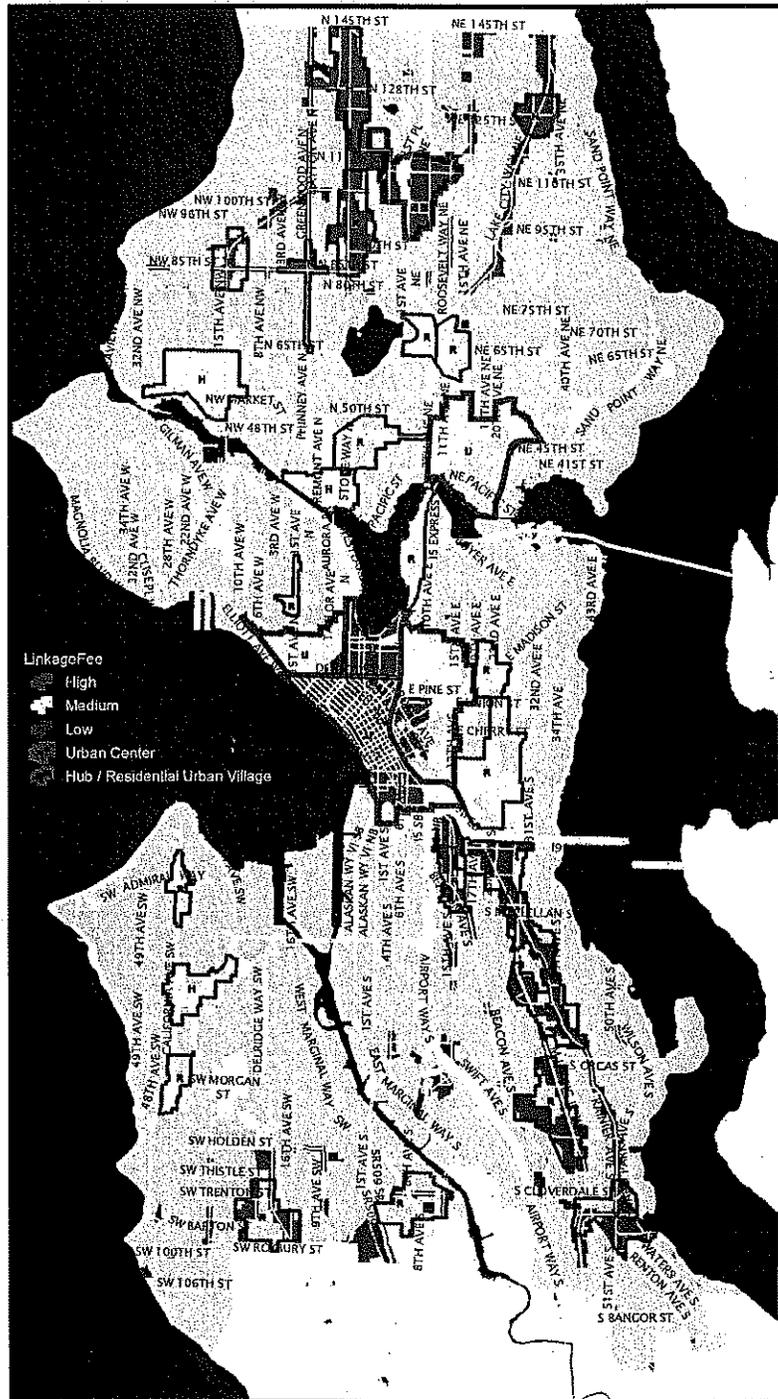
Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A: Generalized Geography of Program Area



Exhibit A: Generalized Geography of Program Area



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Legislative	Freeman / 48178	NA

Legislation Title:

A RESOLUTION stating the City's intent to implement an affordable housing linkage fee program, establishing policy parameters for such a program, and directing the Department of Planning and Development and the Office of Housing to develop regulations implementing an affordable housing linkage fee program.

Summary of the Legislation:

This legislation establishes the City's intent to establish a linkage fee program (Program) to mitigate the impact of new commercial and residential development on the demand for housing affordable to low and moderate income households. The resolution does the following:

- Establishes the City's intent to implement the Program;
- Establishes policy parameters for Program implementation including a preliminary base fee level and generalized geography;
- Requests that the Office of Housing and the Department of Planning and Development work with the Council to develop legislation to implement the Program by to allow the Program to be effective by the end of the September 2015.

Background:

In 2013 the Council passed Resolution 31444, which established a work program for reviewing and updating the City's affordable housing incentive program. The affordable housing incentive program is a program whereby developers of commercial and residential projects in certain zones can choose to access extra commercial or residential floor area in exchange for the provision of some moderate income housing or an in-lieu payment. Program requirements vary by zone.

Pursuant to Resolution 31444, the Council retained Cornerstone Partnership, Otak Inc., and David Rosen & Associates (DRA) to serve as consultants in review of the program. Cornerstone served as the lead policy consultant. Otak prepared a report on best practices for affordable housing production. And, DRA prepared an economic analysis of the affordable housing incentive program. DRA also prepared a nexus analysis that 1) establishes a causal relationship between new commercial and residential development and demand for low and moderate income housing and 2) quantifies a maximum supportable linkage fee to mitigate the impact of that increased demand.

Please check one of the following:

 X This legislation does not have any financial implications.