

# Seattle Workforce Housing

*Programs and Policies Related to Meeting  
Workforce Housing Needs in Seattle:  
A Survey and Analysis of Best Practices in  
Comparative Jurisdictions*

Final

*May 2014*



**On the Cover**

*Epicenter*

*Epicenter developed by Security Properties in Seattle's Fremont Neighborhood. Designed by Bumgardner Architects.*

Image credit Otak, Inc.



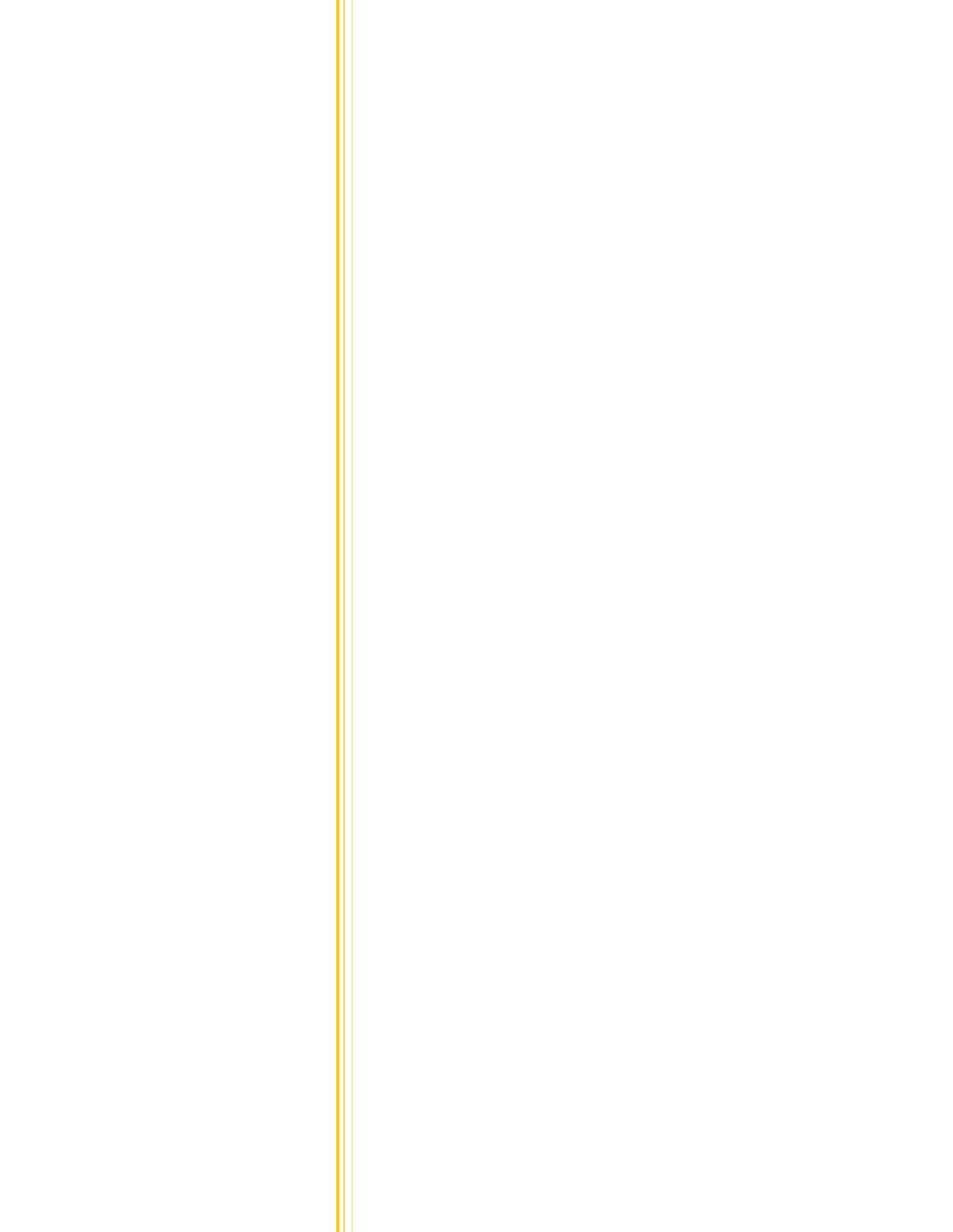
# Seattle Workforce Housing

*Programs and Policies Related to Meeting  
Workforce Housing Needs in Seattle:  
A Survey and Analysis of Best Practices in  
Comparative Jurisdictions*

Final

*May 2014*





# Contents

Executive Summary.....	1
Introduction .....	7
Seattle Housing Policy Context.....	9
Comparative Demographic, Economic and Market Trends .....	11
Housing Market, Housing Needs & Development Conditions .....	19
Comparison City Survey Results .....	25
Recommendations.....	35
Appendix A: Demographic, Economic and Housing Data .....	43
Appendix B: Survey Instrument .....	45
Appendix C: Research Bibliography .....	55
Appendix D: Workforce Housing Forum Notes .....	59

# Acknowledgments

The City of Seattle, Otak and Peninger Consulting would like to extend our thanks to all of the hardworking professionals at the following City agencies who provided data and information to assist in the completion of this study.

Boston Department of Neighborhood Development  
City of Austin Housing Department  
City of Minneapolis Housing Policy and Development  
City of Phoenix Housing Department  
Denver Office of Economic Development  
Portland Housing Bureau  
San Francisco Mayor's Office of Housing and Community Development  
San Jose Department of Housing  
Seattle Office of Housing  
San Diego Housing Commission  
The District of Columbia Department of Housing and Community Development

The following advocates, officials and/or practitioners helped make the February 13, 2014 Workforce Housing Forum a success. The notes from the Forum are found in Appendix D of this report.

Aaron Miripol, Denver Urban Land Conservancy, CO  
Bena Chang, Silicon Valley Leadership Group, CA  
Brenda Clement, Citizens Housing and Planning Association, MA  
Marc Babsin, Emerald Fund, Inc. CA  
Robert Hickey, Center for Housing Policy/National Housing Conference, Washington DC  
The Honorable Robin Kniech, Council member The City and County of Denver, CO  
Sandy Council, City of San Mateo, CA  
Thomas Streitz, City of Minneapolis, MN

For additional information, contact the co-authors:

Kurt Creager, Director of Housing and Community Development  
Otak, Inc.  
360.906.6794  
kurt.creager@otak.com

Paul Peninger, Principal  
Peninger Consulting  
415.794.9014  
paul@ppeninger.com

# Executive Summary

## Study Purpose

Success is measured in many different ways. Leading indicators include economic vitality, community health and quality of life. Among cities evaluated by the University of Toronto in 2013, Seattle was ranked #2 globally for economic development<sup>1</sup>. Similarly, Richard Florida has placed Seattle 7th nationally among large metro areas for tolerance<sup>2</sup>. Seattle also rates in the top ten consistently in the Gallup-Healthways ranking of major metro areas in the USA for the well-being of metro-area residents<sup>3</sup>.

Yet amidst all this success and admiration, concerns persist. Housing prices are trending upwards with rapid in-migration and economic expansion. Housing affordability is increasingly a problem for low and moderate income people. Neighborhood character is rapidly changing with new multifamily and commercial construction. Existing residents are increasingly being priced out of their own communities and questions of social equity and inclusion are foremost in many residents' minds. Is Seattle able to cope with the inexorable change which success has wrought?

The City has worked diligently on housing policy and program development innovations, many of which are chronicled in this report. Housing is an important piece of the social equity challenge faced by the City and the Seattle City Council has decided to address the questions of affordability by examining best practices among cities elsewhere. This Report and Recommendations is part of a coordinated and comprehensive look at ways to improve and strengthen housing policy and programs citywide. The City sees this inquiry into what works well elsewhere as a means to continuously improve upon the successes of affordable housing developers, non-profits and advocates. The City can create the policy and regulatory context for others, both public and private, to innovate, explore and demonstrate their entrepreneurial talents to help provide more affordable housing for people poorly served by the market today.

## Seattle Housing Context

Seattle has emerged from the economic downturn with a boom in multifamily housing construction and development. Along with New York, San Francisco and Washington DC, Seattle is now in the top tier of markets, nationally. Real Estate Investment Trusts, Insurance Companies and other commercial investors place great value on the quality of life and business climate found in Seattle. As a result, housing production is booming, the value of existing homes is increasing and rents are rising. Seattle ranks in the top five cities nationally among advanced technology employment hubs for year over year rent increases; an average of 9.2% between February 2013 and February 2014<sup>4</sup>.

Tools available to policy makers to reduce costs and expand the supply of affordable workforce housing include a wide spectrum of land use and building, finance and housing program innovations. These tools must take into account State constitutional and statutory restrictions. In Washington, the State Constitution prohibits gifts or the lending of credit except for the poor and infirm. Case law has determined that direct spending for households under 80% of the Area Median Income (AMI) is constitutionally permissible<sup>5</sup>. That means efforts to assist households in excess of the 80% AMI threshold are limited to land use and building codes and regulations, tax deferrals and

planning policies. Other states may not impose equally strict limits on spending by local governments, which should be taken into account when comparing jurisdictions.

## Demographic, Economic and Market Trends

- Seattle is the fifth fastest growing central city in this study after Austin, Portland, Phoenix and San Diego, increasing in population by 8 percent between 2000 and 2010.
- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, an average of approximately 2,850 per year.
- Seattle has a 17% share of regional population; no central city examined in this report added population faster than their respective regions. Seattle accommodated a larger share of growth than most.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has slightly more renters than owners, placing the city in the middle of the comparison jurisdictions.
- Seattle has the fourth highest median household income.
- Seattle also has the fourth least number of households earning less than \$50K after San Francisco, San Jose and DC.
- Seattle has a moderately old housing stock compared to the comparison cities.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is “out of reach” for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.
- Development costs are near the middle of per square foot construction costs compared to the other cities in this survey, but regulatory constraints are much higher and residential land supply is comparatively constrained.

## Comparison Cities Program, Policy and Production Survey

Cities identified for study and comparison were initially identified by members of the City Council in Resolution# 31444 which directed staff to evaluate best practices elsewhere. Members of Council recognize that other cities are facing similar housing affordability challenges and meeting them with creative local solutions. The initial list of cities was augmented when the consultants were engaged to undertake the Workforce Housing Best Practices research. The study confines the sample cities to those located within the USA because of similar legal and constitutional requirements.

Larger metro areas (we include Atlanta, Dallas and Phoenix) were limited in number to avoid skewing the comparisons. Therefore, innovations in Chicago, Los Angeles and New York are not included in this report. Their scale eludes reasonable comparison to Seattle but data about their policies and programs are well documented in national published research. The report therefore looks at comparable sized cities with similar legal frameworks; Atlanta, Austin, Boston, Dallas, Denver, Minneapolis, Phoenix, Portland, San Diego, San Francisco, San Jose and Washington DC.

City	Units 2010-2013 <sup>(1)</sup>			Land Use Polices			Finance Policies						Other Programs/Policies				
	Rental	Ownership	Total	Inclusionary or Incentive Zoning	Fee Reduction/Waiver	Expedited Processing	Residential Linkage Fee	Commercial Linkage Fee	Tax Increment Financing	Local Housing Trust Fund	Tax Exempt Bonds	Federal Resources for Affordable Housing	Community Land Trust	Land Bank	Tax Exemption or Abatement	Employers Assisted Housing	Other
Seattle	1,964	236	2,200	Yes	No	No	No	No	No	Yes	Yes	Yes	Yes	No	Yes	No	
Atlanta	NA	NA	NA	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	
Austin	3,134	1,115	4,249	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No	No	No	No	(3)
Boston	1,709	127	1,836	Yes	No	No	No	Yes	No	Yes	NA	Yes	Yes	NA	NA	NA	
Dallas	NA	NA	NA	No	No	No	No	No	Yes	No	Yes	Yes	No	Yes	NA	NA	
Denver	1,574	29	1,603	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes	Yes	NA	NA	
Minneapolis	1,281	80	1,361	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	
Phoenix	1,475	411	1,886	No	No	Yes	No	No	No	Yes	Yes		No	No	NA	NA	
Portland	2,742	75	2,817	No	Yes	No	No	No	Yes	No	No	Yes	Yes	Yes	Yes	No	
San Diego	2,124	399	2,523	Yes	Yes	Yes	NA	Yes	No	Yes	Yes	Yes	Yes	NA	NA	NA	
San Francisco	1,502	58	1,560	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	(4)
San Jose	1,326	-	1,326	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	No	Yes	No	
Washington DC	1,023	305	1,328	Yes	No	No	No	No	Yes	Yes	Yes	Yes	Yes	No	NA	NA	

Notes:

- (1) Includes new construction of rental and ownership units at all affordability levels up to 120% of AMI.
- (2) Does not include rehabilitation or weatherization programs.
- (3) SMART Housing Program
- (4) General Fund monies to support both capital and operating costs for supportive housing.

## Findings

Of the 12 cities contacted for this study, ten provided complete written surveys. This survey data was supplemented by published reports and other secondary data obtained by the study authors. Based on all of the information collected and analyzed for the comparison cities and Seattle, the policy and program solutions are organized below into four categories for ease of comparison: Land Use and Regulatory Programs; Financing Programs; Other Innovative Programs; and Market-Led Approaches to Housing Production.

### Land Use and Regulatory Programs

- A majority of cities have implemented fee waivers for affordable and workforce housing. This policy has been most effective in Austin as part of the City's comprehensive SMART program.

- Five of the comparison cities have implemented expedited processing for affordable and workforce housing. Both San Diego and Austin have a long track record of successfully utilizing this policy as a production incentive.
- Many cities included in this survey have substantially reduced parking requirements for all housing types in infill and transit-rich areas.
- While it is not a primary focus of this study, the cities of Boston, San Diego, San Francisco and San Jose have well developed Incentive and/or Inclusionary Zoning Policies. The San Jose Inclusionary Housing Ordinance is in litigation and is not currently in effect. Other cities like Denver and Washington DC have inclusionary policies which have not been as effective in producing new affordable units.

## Financing Programs

- Seattle is a leader among the peer cities in providing a consistent local source of funding through the housing levies. This type of voter-approved funding has also been utilized in Austin (2006 and 2013), Phoenix and San Francisco.
- Boston, Portland and San Francisco assess a commercial linkage fee to help fund affordable housing programs. San Francisco also assesses a residential linkage fee on new, market-rate development to help fund the City's affordable housing programs.
- In the absence of tax-increment financing, Phoenix has utilized the Government Property Leasehold Tax (GPLET) program to finance high priority projects within designated redevelopment areas, including the Central Business District.
- Seattle has used a Contingent Loan Agreement to underwrite a private developer to preserve affordable housing.
- In 1975, the City of Portland enacted a property tax exemption for private developers/owners in exchange for providing affordable housing. In Denver (and throughout Colorado) developers who grant a fractional interest in their Low Income Housing Tax Credit projects to public entities such as local housing authorities, cities or counties may receive a multi-family property tax exemption.

## Other Innovative Programs

- Minneapolis has mobilized private foundations to help increase funding available through their Affordable Housing Trust Fund.
- Minneapolis and Portland support land trusts as a means to provide permanently affordable housing. Austin has initiated creation of a local land trust.
- The City and County of Denver have helped capitalize the Mile High Loan Fund which, in turn, has funded the Urban Land Conservancy which serves as the Denver regional land bank. High priority locations have been acquired to preserve and develop new equitable transit oriented housing within walking distance of Fast Starts Light Rail Train stations. Projects include infill, preservation and new construction.

## Market-Led Approaches to Housing Production

- Several cities have adopted flexible zoning to allow secondary units, micro-units, and new building types such as modular construction to increase the supply of workforce housing produced by for-profit developers. The results of these policies have not been quantified by the cities responding to the survey.
- Supported by the SMART program, Austin has seen a resurgence in the formerly low-income area of East Austin with the redevelopment of Mueller Airport by Catellus into a mixed income neighborhood anchored by the Michael Dell Children's Hospital.

- San Diego has promoted market-led solutions to affordable housing by pioneering market-rate Single Room Occupancy Units or SROs, a precursor to the trend of Apodments in Seattle.
- San Jose’s Silicon Valley Leadership Group mobilized advanced technology employers to help capitalize the Santa Clara Housing Trust Fund and to advocate for sound policy and high priority projects.

## Recommendations

Initial recommendations were developed by the study consultants. The draft report was shared with the stakeholders and the public in a day-long Housing Summit convened by the City Council February 13, 2014.

### **Articulate a More Specific Workforce Housing Policy**

The City of Seattle should set a quantitative Workforce Housing Goal in the planned 2015 Major Update of the Comprehensive Plan and periodically measure City progress towards the goal in the context of the Comprehensive Plan.

### **Refine, adjust and fully utilize existing financial tools to increase the production of workforce housing**

1. Contingent Loan Agreements could promote affordable rental housing for people under 80% of Area Median Income with no direct outlay of funds thereby helping both developers and residents of new workforce housing or preserved properties.
2. Expand the use of the Section 108 Loan Program for rental housing and consider using Section 108 to promote ownership opportunities for households under 80% of the Area Median Income (AMI).
3. Expand the use of the Community Development Block Grant Float Loan Program to provide bridge financing for workforce housing projects.
4. Maximize the use of Government Property Leasehold Excise Tax (GPLET) as a tool to capture the value of new development for public realm improvements, helping to make workforce housing more affordable.

### **Refine regulatory requirements and land use policies and incentives to promote more workforce housing**

1. Greater and more systematic use of the SEPA Planned Action technique first used at Yesler Terrace could add more certainty to developers by reducing entitlement risk in exchange for affordable workforce housing.
2. Refinements to Seattle’s Accessory Dwelling Unit (ADU) Ordinance would increase production of additional workforce housing in neighborhoods across the city.
3. Refine the Multi-Family Tax Exemption (MFTE) to continue private property housing preservation and development activity. Consider a demonstration program to promote family-sized units in one or more locations for a period of five (5) years.

### **Other Innovative Programs**

1. Land Banking for Affordable Housing in and around transit stations and within designated Urban Villages could help preserve options for future development.

## Market-Led Approaches to Housing Production

1. Redouble efforts with the private sector and public agencies to create robust Employer Assisted Housing Programs.
2. Establish Fast Track Permit Processing goals for workforce housing in high priority locations.

## Legislative Strategies

1. Enable local governments required to plan under the Growth Management Act to charge impact fees for housing serving people under 80% of the Area Median Income when warranted.
2. Authorize sellers of real property an exemption to the required payment of Real Estate Excise Tax when the property is sold voluntarily for workforce housing preservation or workforce housing land banking purposes.

## Notes

<sup>1</sup> Out of the 61 global cities studied by the Rotman School of Management in 2013, Ottawa, Canada was found to be the number one city for economic development. Ottawa received high grades in each of the categories, and the highest Talent grade of any city. The Overall Talent Grade was made up of metrics such as Education Spending, Educational Institutions, Creative Class share, and Educated Population. Ottawa has one of the highest Creative Class shares at 45.9% and one of the highest human capital shares at 35.4%, contributing to the high Talent grade. Ottawa is followed by Seattle at number 2 which received the highest Technology and Amenities & Quality of Life grades. *Seattle Times*; August 17, 2013.

<sup>2</sup> Florida, Richard. Director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management; Tolerance is measured as a composite of immigrants and foreign born residents; concentration of LGBT; and the integration of minority ethnic and racial groups; *Atlantic Cities*.

<sup>3</sup> Honolulu ranks highest followed by Washington, DC, San Francisco, San Jose, Denver and Minneapolis and Seattle-Tacoma-Bellevue among the large metro areas according to Gallup-Healthways Well Being Index of overall well-being including diabetes, obesity, frequent exercise, frequent produce consumption, city optimism, and the uninsured in 2012; *Gallup-Healthways.com* February 9, 2014.

<sup>4</sup> Badger, Emily. "Yes, Rent is Rising Much Faster in America's Tech Hubs"; *Atlantic Cities*; February 6, 2014

<sup>5</sup> 2014 Income Limits Published by US Department of Housing & Urban Development, December 18, 2013 indicate that 80% of Median is \$44,750 for a single person; \$63,900 for a family of four; *City of Seattle Office of Housing*.

# Introduction

The City of Seattle has long been considered a national leader in the funding and development of affordable housing. Since 1981, Seattle voters have approved one bond and three property tax levies which have helped finance the development of over 12,000 units of affordable rental housing, provided down-payment loans to more than 600 first-time homebuyers, and supported rental assistance for over 4,000 low-income households. The City has also utilized a variety of incentive-based programs to encourage the development of affordable and workforce housing, in part building on the expanded ability granted to local jurisdictions to administer such programs under HB 2984, passed by the Washington legislature in 2006.

Despite the City's clear accomplishments, there is broad acknowledgment that more needs to be done at the policy and programmatic levels to encourage the development of affordable and workforce housing. As part of a coordinated and comprehensive effort to proactively address long-term housing needs, the City retained Otak and Peninger Consulting to research and identify programs and policies that will promote the development and/or preservation of housing affordable to a workforce population, defined as individuals or households with incomes from 61 to 80 percent of Area Median Income (AMI) for rental housing and 81 to 100 percent of AMI for homeownership housing. Based primarily on a survey of 12 comparison cities, this study provides lessons learned and best practices from the most innovative and successful programs in comparable large jurisdictions across the US. The study has been closely coordinated with a related study on the City's incentive zoning policies which was recently completed by Cornerstone Partnership. Ultimately, this study will provide critical information which will assist the City Council in developing new program and policy recommendations for workforce housing by spring, 2014.

## Study Purpose and Organization

The term workforce housing is intended to describe a narrow part of the spectrum of affordable housing needs between 61% of the Area Median Income (AMI) up to 80% of the AMI for renters and between 81% of the AMI up to 100% of the AMI for homeowners. This is not to infer that households with much lower incomes are not in the workforce. Indeed, data affirms that low-income renters well below 50% of the AMI have reported earned income. They are low wage employees sometimes working more than one job to support themselves and their families. Public Housing Tenants and participants in the Housing Choice Voucher program (formerly Section 8) likewise also report significant earned income. It is a stated goal of the Seattle Housing Authority (SHA) to promote successful family sufficiency through the Moving to Work Program. Therefore it should be expected that people who are neither disabled nor elderly will, in all likelihood, have earned income. They are in the workforce in great numbers.



High Point Transformation image credit Seattle Housing Authority

Seattle has produced some housing for the local workforce including down payment loans to over 600 first time homebuyers. That said, the spectrum of housing need above 60% AMI has not been a high priority for the receipt of scarce public funds<sup>6</sup>. Recognizing that this group is not widely served, as well as the need for a balanced approach to housing policy, the Seattle City Council enacted Ordinance # 31444 to evaluate best practices elsewhere in the USA to ascertain what Seattle could glean from other cities which are similarly positioned: high cost areas which are increasingly unaffordable to wage earners such as some first responders, entry level teachers and health care workers. This report evaluates data including the US Census Bureau, HUD, private data providers such as Nielsen, and direct sources from Atlanta, Austin, Boston, Dallas, Denver, Minneapolis, Phoenix, Portland, San Diego, San Francisco, San Jose and Washington DC to ascertain what is working well in these comparative jurisdictions.



*New Holly Transformation* image credit: Seattle Housing Authority

## Notes

<sup>6</sup> 2014 Income Limits Published by US Department of Housing & Urban Development, December 18, 2013 indicate that 60% of Median is \$37,080 for a single person; \$52,920 for a family of four; City of Seattle Office of Housing.

# Seattle Housing Policy Context

The City of Seattle has long enjoyed a reputation as a city that cares about housing affordability, availability and attainability-especially for the most vulnerable of its residents. It bears repeating in the context of this report that much has already been done to place Seattle among the “best of class” among cities with respect to affordable housing policy and practice. The City has enjoyed socially responsive Mayors and City Council members who have made housing availability and affordability a priority. The City is also served by a highly functioning local housing authority (Seattle Housing Authority-SHA) which has earned the privilege of deregulation by HUD and has successfully transformed most of their public housing communities into mixed income communities of choice. People come to Seattle to learn what works and are never disappointed. One reason to recite these accomplishments is to highlight that further change may only result in marginal increase or impact. The “low hanging fruit” of the most impactful policies/programs have already been implemented.

1) Since 1981 Seattle voters have approved a Senior Housing Bond and three (3) successive Housing Levies. More than 12,000 affordable apartments have been produced or preserved for high priority populations. Loans to 600 first time homebuyers have been made and over 4,000 households received rental assistance from these programs. Continued voter support of these ballot measures demonstrates public commitment to housing affordability and trust in Seattle’s stewardship of public funds. That trust is earned and should never be taken for granted.

2) Property Tax Abatement, such as the Multi-Family Tax Exemption (MFTE) incentivizes private property owners to produce housing. RCW 84.14 enacted by the Washington Legislature and implemented in Seattle provides that new or substantially rehabilitated housing in areas designated for property tax abatement may receive up to 12 years of abatement on the improvements if at least 20% of the units are affordable. Seattle established a sliding scale in 2011 whereby a minimum of 20% of the units must be rented to households with income at or below 65% for studio units; at or below 75% for one bedroom units; and at or below 85% for two bedroom and larger units. For

units that are owned, they must be sold to households with incomes at the time of purchase that do not exceed 100% of median for studio and one bedroom units or 120% of median for two bedroom and larger units. Approximately 2,700 affordable units have been created with this program.

3) Building Code Changes have increased housing density through design. Seattle pioneered local amendments to the Uniform Building Code (UBC) in 1987 by enabling five stories of lightweight frame (typically wood) construction over one story of steel reinforced concrete AKA 5:1. Market Court Condominiums was the first project in Seattle to gain approval of the additional floor with the 5 floors of wood frame over concrete<sup>7</sup>. This local amendment to the UBC was later expanded to allow 5:2.

4) Incentive zoning has generated more than \$31.6 million<sup>8</sup> in fees to support about 1,361 new affordable housing units by linking density, height, and setback and



Building code innovations as it is the first project in Seattle in 1987 to use the local amendments to the UBC. image credit: Bumgardner Architects

floor area ratio (FAR) exceptions to the provision of public benefits including housing. Another 209 of existing housing was preserved and \$2 million more was committed to a project in development. Cornerstone Partnership has evaluated this program in great detail so it does not warrant extensive discussion here. Suffice it to say that the City's incentive program has been effective and has leveraged other funds, especially the 4% Low Income Housing Tax Credit equity and tax exempt bond revenue.

5) Neighborhood Planning has encouraged the concentration of density to create walkable urban neighborhoods. Seattle Mayors Norman Rice, (1989-1997) Paul Schell (1998-2002) and Greg Nickels (2002-2010) each advocated for and advanced the concept of Urban Villages. The Washington State Growth Management Act<sup>9</sup> requires select cities, towns and counties to identify (plan for and zone) sufficient land for housing "including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, and group homes and foster care facilities." Jurisdictions required to plan must also make "adequate provision for existing and projected needs of all economic segments of the community."<sup>10</sup> The careful, albeit controversial, inclusion of higher densities into established neighborhoods has been largely successful. Some areas (Ballard) have exceeded planner's expectations. Other areas (Northgate) have achieved less than expected but still have made impressive gains given the cyclical economy and the turmoil of the capital markets in 2008-2012.

6) Local implementation of the State Environmental Policy Act (SEPA) will provide predictability and encourage the transformation of Yesler Terrace into a planned urban village. The regulatory device known as the "Planned Action Ordinance" (PAO) has been used at the Yesler Terrace neighborhood (Seattle's first public housing owned and managed by SHA) to evaluate environmental impacts at the planning stage of a rezone and/or neighborhood or sub area plan which enables specific building, grading or infrastructure projects within the area to be deemed compliant under SEPA. This device is intended to accelerate permit approval and to reduce the time loss of environmental appeals while still protecting environmental quality and due process. The PAO for Yesler Terrace was approved in 2012, and redevelopment will soon begin on-site.

7) Accessory Dwelling Units (ADUs) are allowed in most neighborhoods with restrictions on tenure (ownership), off street parking and size, which have encouraged housing within the existing single family neighborhoods thereby distributing production of new units citywide. Since 1983 the Washington Legislature has encouraged cities to permit ADUs; and Seattle enacted their ordinance the same year.

8) A culture of innovation has been engendered within the non-profit community in cooperation with and between City departments. Many non-profits have reached a sustainable scale; among them Compass Housing Alliance, Bellwether Housing/Common Ground; Capitol Hill Housing and the Low Income Housing Institute. Many have reached scale through mergers and regional consolidations to attain a cost effective means to provide services to their target markets and meet their core mission.

## Notes

<sup>7</sup> Market Court Condominiums was submitted to the Department of Construction and Land Use for permit review by Bumgardner Architects in April, 1987 for Lorig Real Estate Development; Mark Simpson, Principal, Bumgardner Architects.

<sup>8</sup> Jacobis, Rick. "Seattle Incentive Zoning: Analysis of Date Relating to Historical Production Under Seattles Incentive Program" Cornerstone Partnership February 4, 2014.

<sup>9</sup> RCW 36.70A.070

<sup>10</sup> Ibid

# Comparative Demographic, Economic and Market Trends

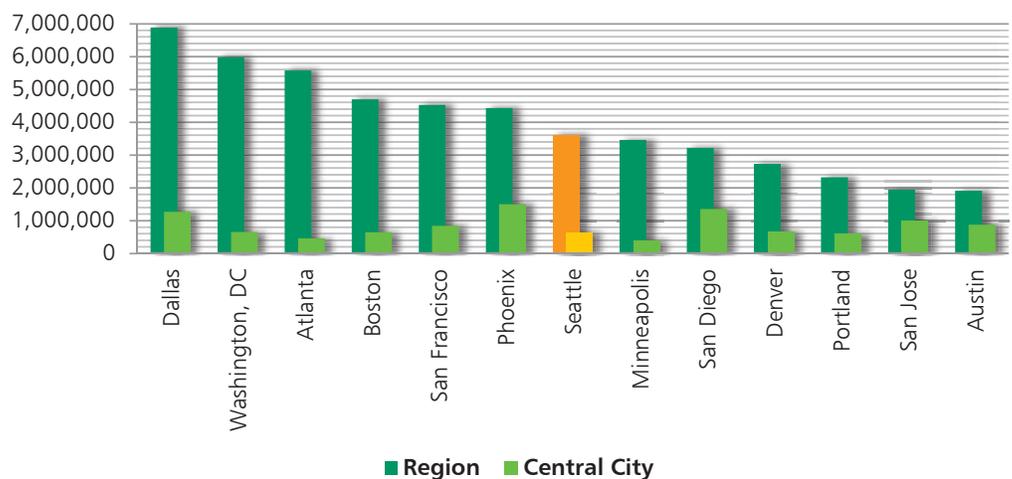
The following section provides data and analysis on key demographic, economic and market trends in Seattle in comparison to the 12 benchmark cities. This analysis draws in data from the US Census, HUD, private data vendors and academic research and analysis. Detailed data tables are included in Appendix A.

## Regional and Central City Population

With an estimated 2014 population of 3.6 million people, the Seattle region falls right at the average of its peer regions as the seventh most populous region of the 13 studied<sup>11</sup>. The Dallas region is the most populous with 6.8 million people, while the Austin region is the least populous with 1.9 million residents. In terms of the central city, Seattle is one of the least populous of the comparative cities with 640,821 residents; however, it falls within a group of cities that are of similar population size (within 50,000 people) including Denver, Washington DC, Boston, and Portland.

Figure 1: Population, 2014

Sources: Nielsen, Otak

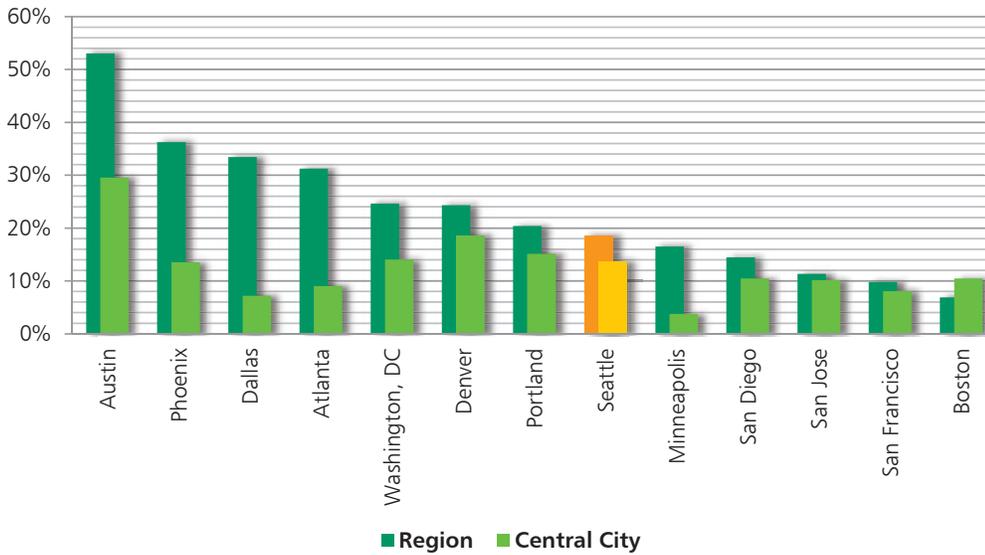


## Population Growth

From 2000-2014 the Seattle region's population grew by 18.5 percent, which places it near the average growth of the regions studied and slightly lower than the Washington DC, Denver, and Portland regions. However, the central city of Seattle was one of the faster growing cities of those studied at 14 percent growth over the same time period. The region and city of Austin exhibited the most growth, by far, of all the areas studied at 53 percent population growth in the region and 30 percent growth in the central city. The central cities of Denver (19 percent), Portland (15 percent), and Washington DC (14 percent) grew slightly more than Seattle over this time period. The cities of Dallas and Minneapolis are at the other end of the spectrum with most or all of their minimal growth in population attributable to the last four years, with one percent or less population growth from 2000-2010.

Figure 2: Population Growth, 2000-2014

Sources: Nielsen, Otak

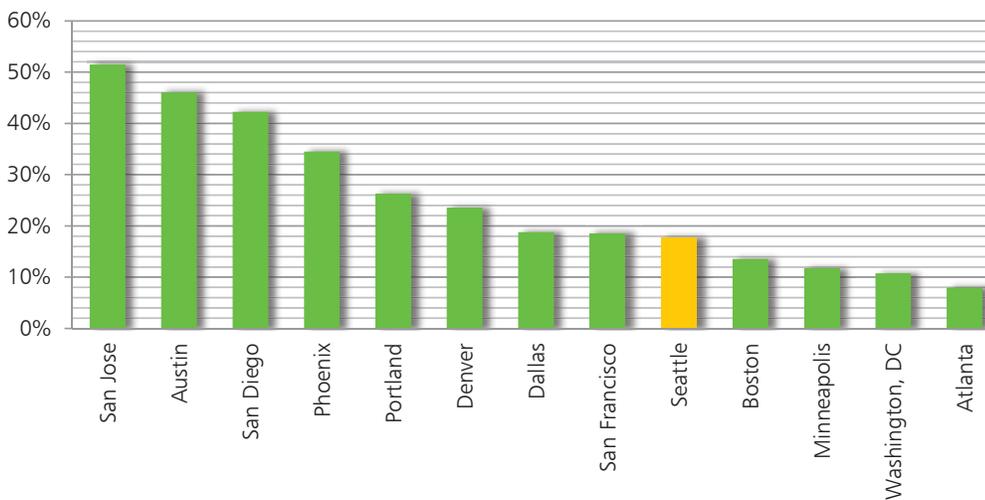


### Central City Share of Regional Population

In 2014, Seattle’s central city residents comprised 18 percent of the larger region’s population, which is less than the 25 percent average of all the regions studied. Portland and Denver are closest to this average, representing 26 and 24 percent, respectively, of the regional populations.

Figure 3: Central City Population as a Percent of Regional Population, 2014

Sources: Nielsen, Otak

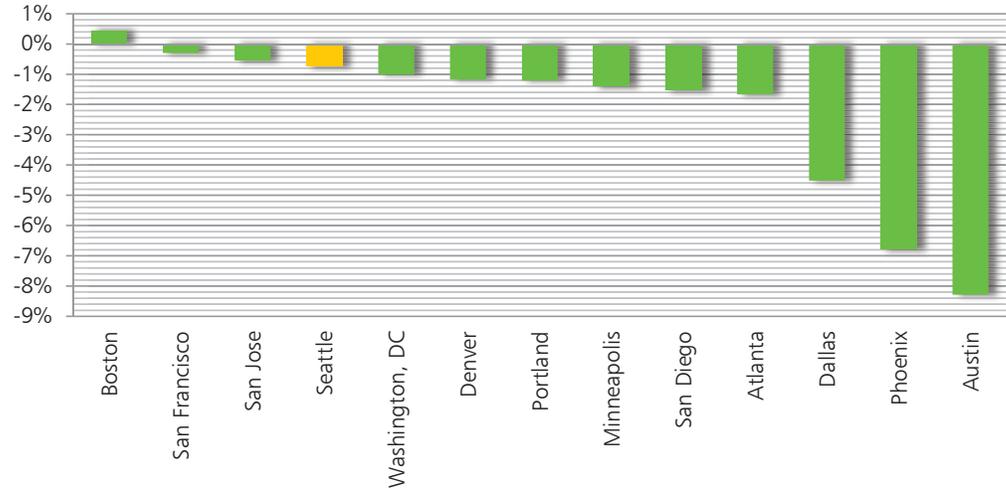


### Change in Central City Share of Regional Population

The absolute change in the central city’s share of the population in each of the competitor regions between 2000 and 2014 shows that the number of residents living in the urban core has declined in each of the cities except Boston. Seattle’s share of the regional population has remained stable over this time with a modest decline of less than one percent. In general across all of the comparison regions, population growth skews toward the larger metropolitan region. The Austin-Round Rock MSA exhibits this trend the most. While the city of Austin still houses 46 percent of the region’s residents in 2014 – the second largest in this study after San Jose—this figure represents an absolute decline of over eight percentage points since 2000.

Figure 4: Change in Central City Share of Regional Population, 2000-2014

Sources: Nielsen, Otak



### Age Characteristics

Within most of the comparison regions, the median age tends to be higher among residents of the greater metro area than in the city core, with the exception of Seattle, where the median age is nearly equal. The estimated median age in the Seattle region is 37.7 years as of 2014 and the central city median age is essentially the same at 37.6 years old. Second only to San Francisco, Seattle also has the oldest median of the areas studied. The Boston Region shows the greatest disparity between median age of the central city at 32.5 years old and the greater metro area at 39 years old (see Figure 5 below).

Figure 5: Median Age, 2014

Sources: Nielsen, Otak



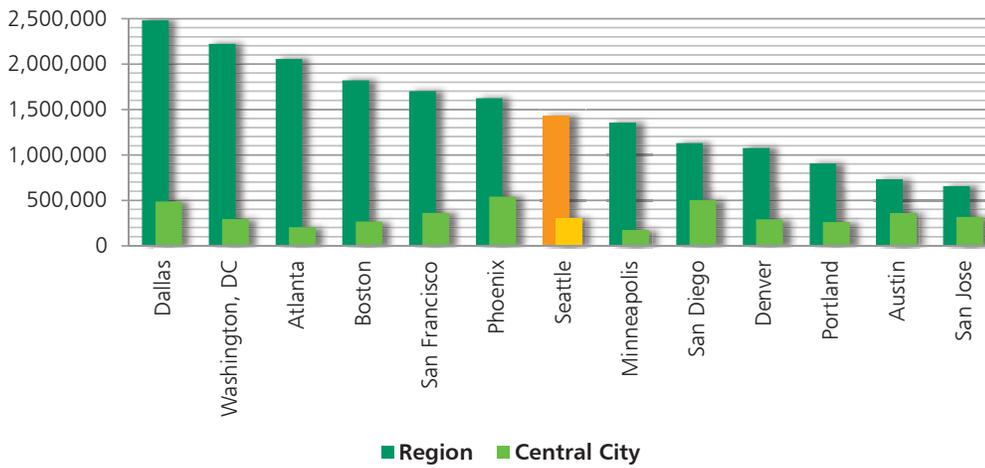
### Households

Households<sup>12</sup> are the essential unit of housing demand and thus household growth trends are critical to defining long-term housing production needs in a given market area. The 2014 estimate of households in the Seattle region is just over 1.425 million. As with population, this places Seattle in the middle of the comparison regions, which average 1.475 million households. The Dallas region has the most households at nearly 2.5 million, while San Jose has the least amount of households in the study at just over

655,000. The city of Seattle has close to 300,000 households representing 21 percent of the households in the greater metro region (see Figure 6 below).

**Figure 6: Number of Households, 2014**

Sources: Nielsen, Otak

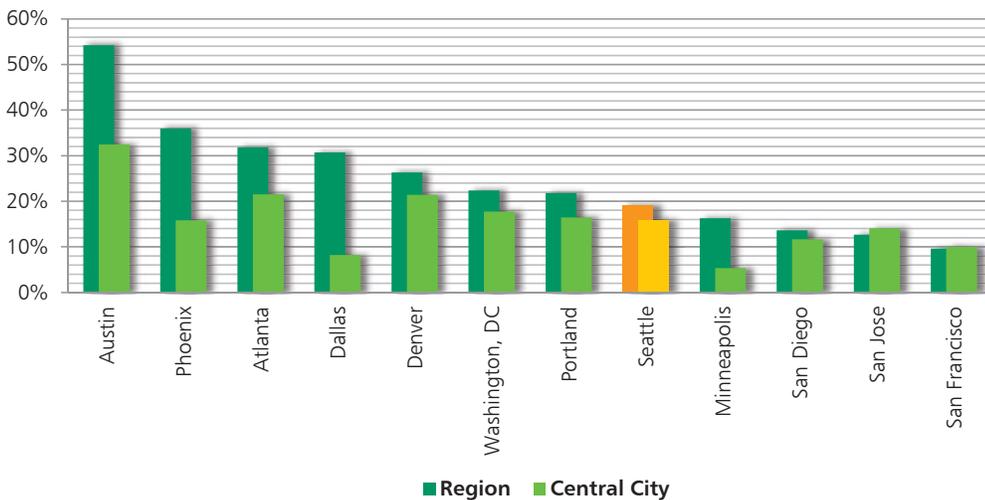


## Household Growth

Growth in the number of households follows the trends noted in population growth among the comparison regions, placing Seattle close to the average at 23 percent growth in households within the region and 16 percent of the growth attributable to the central city.

**Figure 7: Household Growth, 2000-2014**

Sources: Nielsen, Otak



## Household Size

According to 2014 estimates from Nielsen, the average household size in the Seattle region was 2.48 persons, the lowest of all the regions studied, which averaged 2.62

persons per household. The city of Seattle also had the lowest average household size of all the cities studied at 2.05 persons. The cities of Atlanta and Washington DC were similar to Seattle in their average household size, but all lower than the study-wide mean of 2.36 persons per household. San Jose has the greatest number of persons per household at 3.08 within the central city and 2.9 within the greater metro region.

Figure 8: Persons per Household, 2014

Sources: Nielsen, Otak

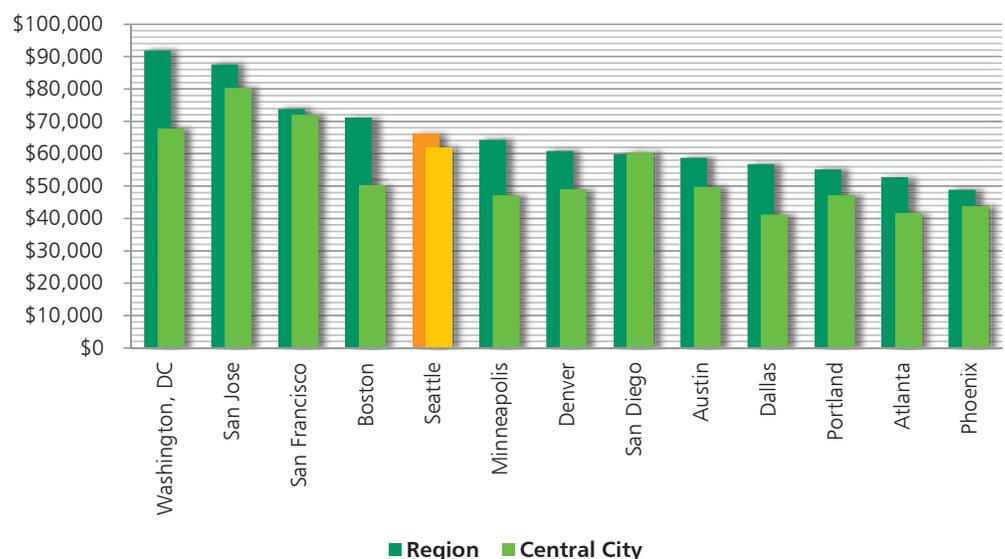


### Household Income

The median household income in the Seattle region is \$66,130, placing it slightly higher than the average of \$65,198 for the comparison regions. The median household income of the central city at \$61,884 is also higher than the average median household income of \$54,797 for comparable cities. Of the comparison areas studied, Seattle ranks third after San Diego and San Francisco in the lowest disparity between central city and regional household median income (see Figure 9 below).

Figure 9: Median Household Income, 2014

Sources: Nielsen, Otak

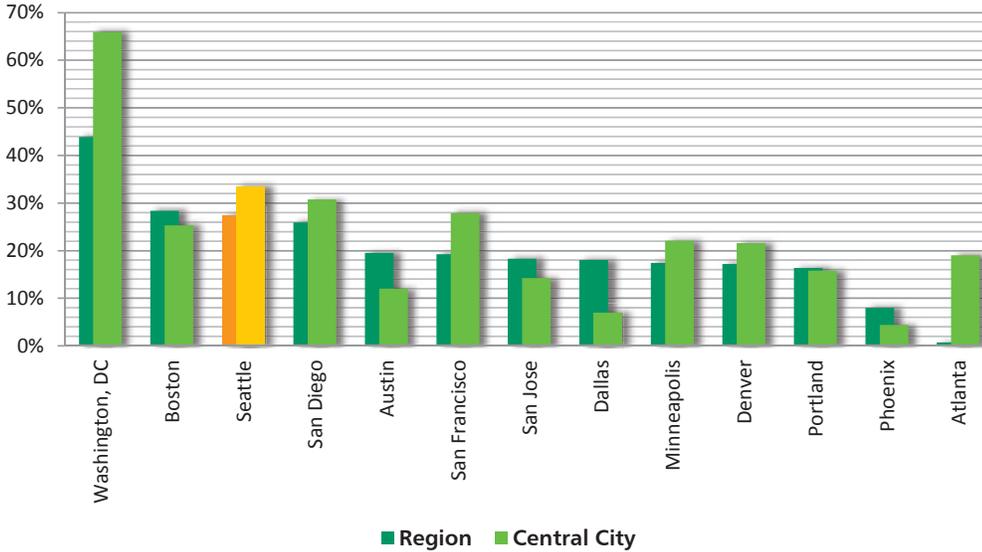


## Growth in Household Income

The city and region of Seattle far outpaced the average growth in median household income of the comparison regions from 2000-2014. The median household income within the city of Seattle increased 34 percent from 2000-2014 second only to the city of Washington DC. The region's income growth ranks third among those studied behind the Washington DC and Boston regions.

Figure 10: Percent Growth in Median Household Income, 2000-2014

Sources: Nielsen, Otak

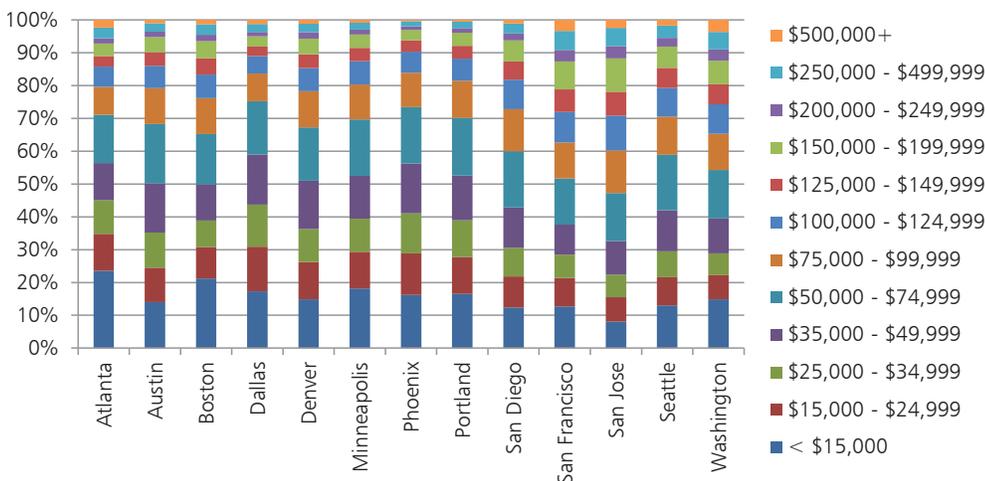


## Households by Income Level

In keeping with the City's relatively high median household income and strong growth in median income, Seattle has one of the lowest percentages of lower-income households of the cities reviewed in this study. As shown in Figure 11 below, only San Jose, San Francisco, and Washington DC have a lower percentage of households earning less than \$50,000 per year. Moreover, Seattle has the second lowest percentage of households earning less than \$15,000 per year (13%) after San Jose (8%).

Figure 11: Households by Income Level as a Percentage of All Households, 2014

Sources: Nielsen, Otak

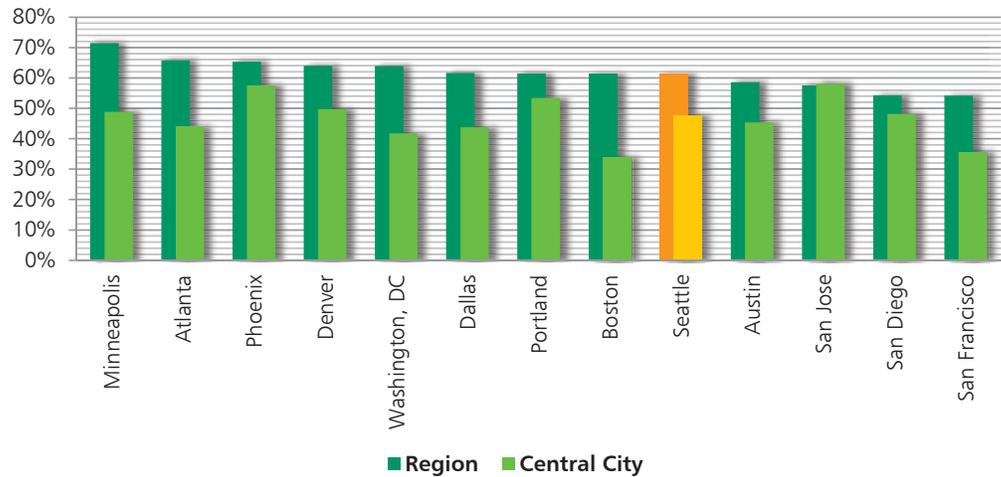


## Housing Tenure

According to the most recent estimates from Nielsen, 61 percent of the Seattle region households owned their homes, which is close to the study-wide average of 62 percent. At the high end, 71 percent of households are homeowners in the Minneapolis-St. Paul-Bloomington MSA. Within the central city of Seattle, 48 percent of households owned the homes in which they live, positioning the city slightly above the study-wide average of 47 percent. In terms of central city homeowners, San Jose and Phoenix have 58 and 57 percent homeownership, respectively. San Francisco and Boston have the lowest owner tenure rates of the cities examined in this report.

Figure 12: Percent of Homeowner Households, 2014

Sources: Nielsen, Otak



## Notes

<sup>11</sup> For each comparison geography, the region is defined as the metropolitan statistical area (MSA) according to the US Census. The Seattle region is defined as the Seattle-Tacoma-Bellevue MSA and encompasses King, Pierce and Snohomish Counties.

<sup>12</sup> According to the US Census, a household consists of all the people who occupy a housing unit. A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live with any other persons in the structure and there is direct access from the outside or through a common hall.



*Yesler Terrace; Seattle, Washington (foreground)* image credit: Otak, Inc.

# Housing Market, Housing Needs & Development Conditions

The following section provides an overview of Seattle’s market conditions, housing needs and development constraints in comparison to the 12 benchmark cities.

## Housing Stock

Table 1 below displays the median age of all residential structures built in Seattle and the comparison cities. The average age across all of the cities is 1963 with Boston having the oldest housing stock and Phoenix the youngest. Seattle falls somewhere near the middle of the comparison cities.

The US Census American Community Survey provides the most recent comprehensive data regarding building stock composition covering all of the cities included in this study. According to this data displayed below in Table 2, housing units in multi-family buildings comprised an average of 49.3 percent of total housing stock in the cities included in this report as of 2008. The city with the highest share of multi-family units was Boston with 81.6 percent while Phoenix had the lowest share of multifamily units. Seattle’s share of multifamily units (48.8 percent) was slightly below average; although this has likely changed in the past 6 years with the addition of many new apartment and condominium buildings (see figure 13 below).

**Table 1: Median Year Structure Built**

Sources: Nielsen, Otak, 2014

	<u>City</u>	<u>Region</u>
Atlanta-Sandy Springs-Marietta, GA (Atlanta)	1974	1990
Austin-Round Rock, TX (Austin)	1985	1991
Boston-Cambridge-Quincy, MA-NH (Boston)	1939	1958
Dallas-Fort Worth-Arlington, TX (Dallas)	1975	1986
Denver-Aurora-Broomfield, CO (Denver)	1966	1980
Minneapolis-St. Paul-Bloomington, MN-WI (Minneapolis)	1944	1977
Phoenix-Mesa-Scottsdale, AZ (Phoenix)	1982	1990
Portland-Vancouver-Beaverton, OR-WA (Portland)	1958	1979
San Diego-Carlsbad-San Marcos, CA (San Diego)	1976	1978
San Francisco-Oakland-Fremont, CA (San Francisco)	1942	1965
San Jose-Sunnyvale-Santa Clara, CA (San Jose)	1974	1973
Seattle-Tacoma-Bellevue, WA (Seattle)	1960	1980
Washington-Arlington-Alexandria, DC-VA-MD-WV (Washington, DC)	1951	1978

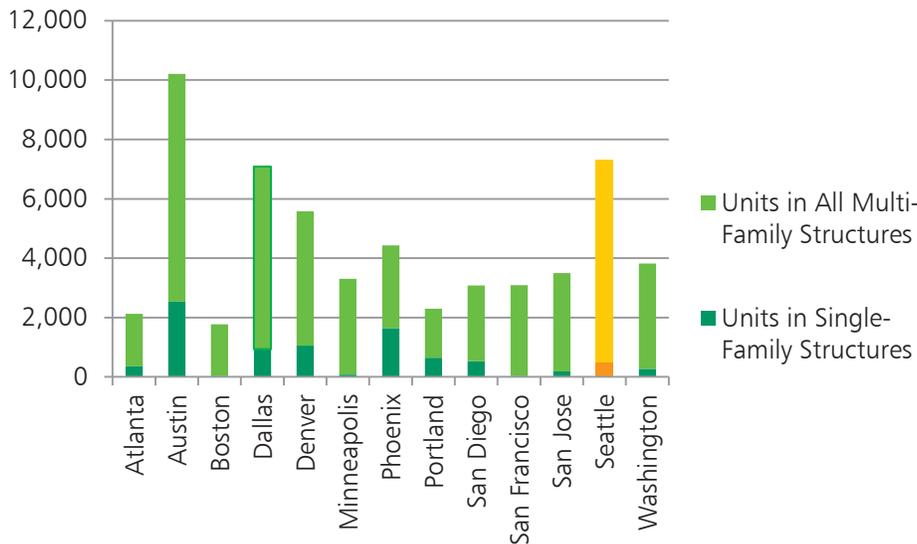
**Table 2: Multi-family Units as a Percent of Total Housing Units, 2008**

Sources: U.S. Census American Community Survey, Otak, Penger Consulting, 2014

	City	Region
Atlanta-Sandy Springs-Marietta, GA (Atlanta)	53.2%	24.3%
Austin-Round Rock, TX (Austin)	45.3%	30.9%
Boston-Cambridge-Quincy, MA-NH (Boston)	81.6%	44.8%
Dallas-Fort Worth-Arlington, TX (Dallas)	49.3%	29.0%
Denver-Aurora-Broomfield, CO (Denver)	42.8%	29.7%
Minneapolis-St. Paul-Bloomington, MN-WI (Minneapolis)	51.2%	25.7%
Phoenix-Mesa-Scottsdale, AZ (Phoenix)	31.5%	22.8%
Portland-Vancouver-Beaverton, OR-WA (Portland)	35.5%	27.6%
San Diego-Carlsbad-San Marcos, CA (San Diego)	43.2%	35.4%
San Francisco-Oakland-Fremont, CA (San Francisco)	67.7%	39.2%
San Jose-Sunnyvale-Santa Clara, CA (San Jose)	29.7%	30.8%
Seattle-Tacoma-Bellevue, WA (Seattle)	48.8%	32.0%
Washington-Arlington-Alexandria, DC-VA-MD-WV (Washington, DC)	61.4%	31.8%

**Figure 13: Building Permits Issued, 2012**

Sources: HUD Building Permit Database, Otak, Penger Consulting, 2014



## Rental Housing Market

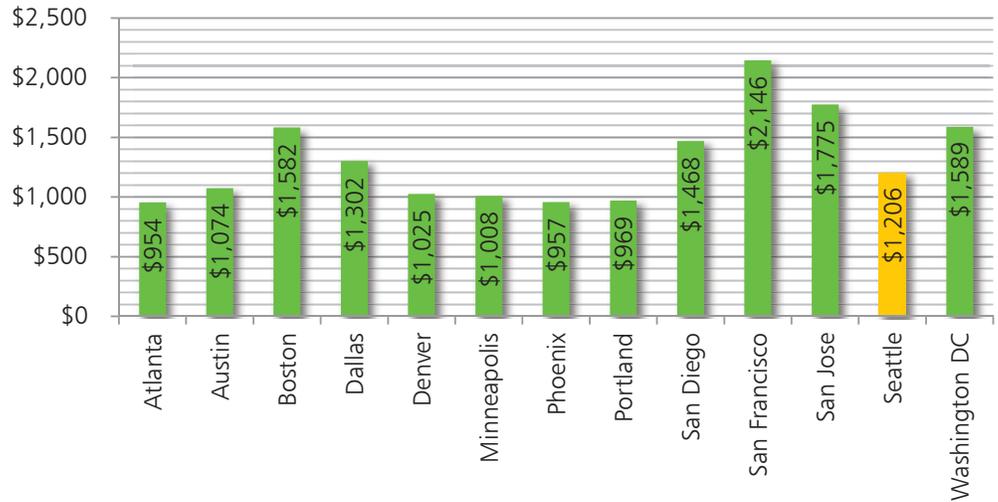
The jurisdictions included in this study are all considered to have relatively strong markets as defined by robust population and employment growth. None of the jurisdictions have weak rental housing markets, and according to the National Low Income Housing Coalition, these cities are among the areas with the largest gap between the “housing wage” and the actual wages of workers in lower paying professions<sup>13</sup>.

Despite the general overall market strength of all the cities in this study, there are substantial differences in median rents and sale prices across the jurisdictions. In terms of rental rates, recently published HUD data at the regional level shows median 2 BR monthly rents ranging from \$2,146 in the San Francisco region to \$954 per month in Atlanta. The average across all regions is \$1,312 with the Seattle region’s median rent at \$1,206. It is important to note that this data is focused on median 2 BR rents at the regional level rather than at the city level. We use this data here as it is a current and reliable source covering all of the jurisdictions included in this study. Although central

city rents are higher in almost all cases, this data provides a sense of the relative rental affordability across the 13 cities. In Seattle's specific case, recent data from Apartment Insights indicated an average rental rate of \$1,371 for all units types as of January, 2014<sup>14</sup>. In many parts of the city rents are, of course, substantially higher than this citywide average.

Figure 14: Median Rent for 2 BR Apartment, 2014

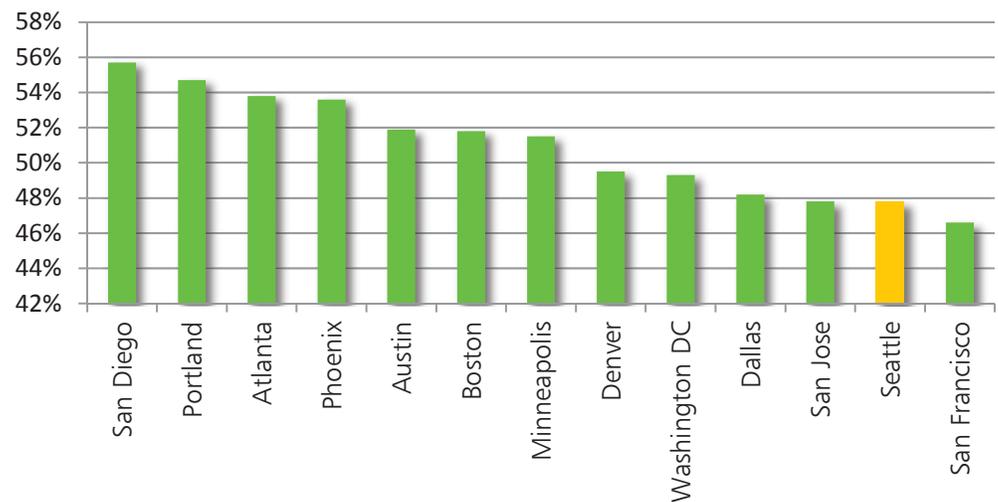
Sources: HUD 50th Percentile Rent Estimates, Peninger Consulting, 2014



Beyond rental rates, another important indicator of housing affordability is housing cost burden as defined by the percentage of income that households must pay towards gross housing costs. Conventionally, a household should spend no more than 30% of total household income on housing. As shown in Figure 15 below, however, in all of the cities profiled in this study approximately 50% of renter households pay more than 30% of income towards gross rent. Since this indicator involves comparing incomes to average rental rates, it is perhaps not surprising that higher income cities like San Francisco, San Jose and Seattle have a somewhat lower percentage of cost burdened renter households than cities such as Phoenix, Portland and San Diego.

Figure 15: Percent Cost Burdened Renter Households, 2012

Sources: U.S. Census ACS, Peninger Consulting



# Ownership Housing Market

Seattle ranks near the average of comparison jurisdictions in terms of median housing costs and housing opportunities related to income. Table 3 below provides data from the National Association of Homebuilders Housing Opportunity Index (HOI). This data shows both the median home sales price as of the 3rd quarter of 2013 and the share of homes sold in each area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Most of the cities analyzed in the study rank near the middle or bottom of the HOI based on the comparison of housing costs to median household incomes with the California jurisdictions frequently being ranked as the least affordable for-sale housing markets in the US. Once again Seattle is near the middle of the comparison cities with an HOI of 54.6 and a median sale price of \$343,000 compared to the average of 55.0 and \$338,923.

Table 3: NAHB Home Opportunity Index, 2013.

Sources: NAHB, Third Quarter, 2013

	HOI Index (1)	Median Price
Atlanta	74.0%	\$174,000
Austin	62.9%	\$224,000
Boston	51.2%	\$364,000
Dallas	67.8%	\$208,000
Denver	67.8%	\$263,000
Minneapolis	77.9%	\$203,000
Phoenix	63.2%	\$187,000
Portland	57.0%	\$260,000
San Diego	28.5%	\$411,000
San Francisco	16.0%	\$779,000
San Jose	28.1%	\$625,000
Seattle	54.6%	\$343,000
Washington DC	66.4%	\$ 365,000
AVERAGE	55.0%	\$338,923

Note: (1) Represents percentage of homes affordable to households earning the area median income.

# Development Conditions

Figures 16, 17 and 18 below present three measures of the relative difficulty of developing residential uses in a particular city: building costs, regulatory constraints and availability of developable land. In terms of average hard construction costs for multi-story residential buildings, according to RS Means Seattle was near the average of approximately \$180 per square foot as of January, 2014. San Francisco had the highest costs, followed by San Jose and Boston. It is important to note, however, that these costs are just for hard costs and labor and do not incorporate soft costs such as entitlement review that vary substantially from city to city.

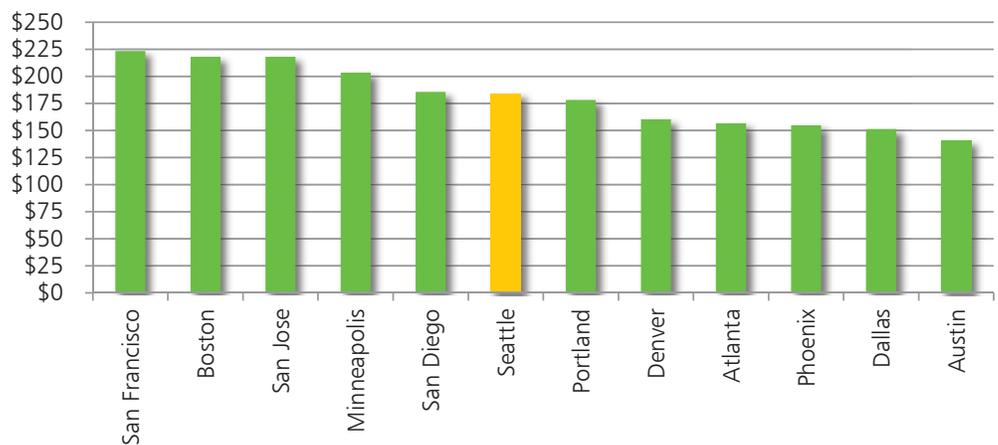
Like development costs, regulatory constraints are difficult to measure across jurisdictions with very different planning and regulatory characteristics. Perhaps the most innovative attempt to measure and standardize the various constraints to residential development was developed by a team of academics at The Wharton School of Business at the University of Pennsylvania<sup>15</sup>. This index takes into account the degree of land use and planning regulation of residential development in jurisdictions within 50 kilometers of major US central cities, including all of the cities in this study. The more positive

the value the higher degree of local zoning and entitlement regulations in each area measured in the index. The average across all jurisdictions in the Wharton index is -.10 with Seattle ranking relatively high in terms of regulatory constraints at .92. Factors affecting these scores include land use regulations, zoning codes and environmental regulations. Among the comparison cities, Boston has the most constraints and Dallas and Austin the fewest.

Finally, an often overlooked constraint to the development of housing is the availability of developable residential land. Displayed below in Figure 18, the Wharton index also estimated the percent of land in all major US cities that is undevelopable due to geographic constraints. All three California cities included in this study ranked near the top in terms of undevelopable land followed by Seattle. Atlanta, Austin and Dallas had the lowest percentage of land that could not be developed due to geographic or environmental constraints.

**Figure 16: Average Per Square Foot Construction Costs for Apartment Buildings**

Sources: RS Means, 2014; Peninger Consulting.



**Figure 17: Degree of Land Regulation, 2010**

Sources: Albert Saiz, 2010; Peninger Consulting, 2014.

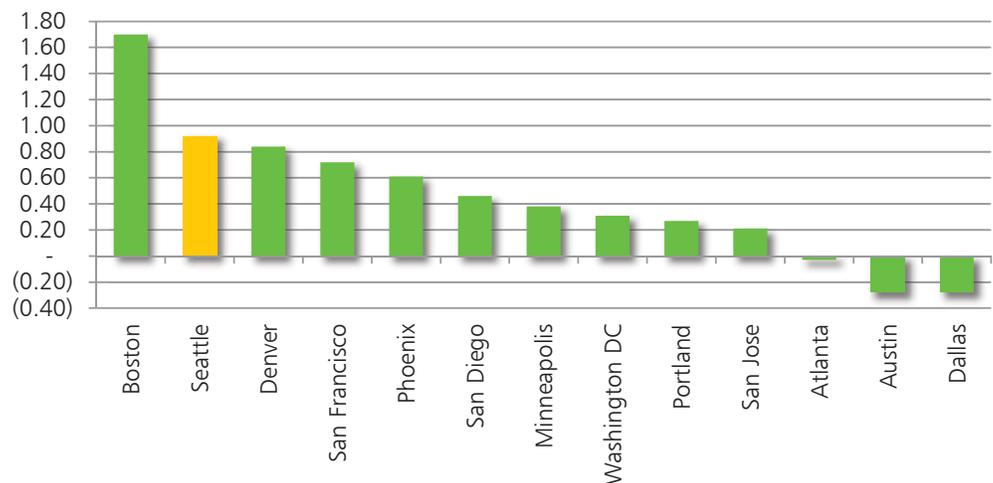
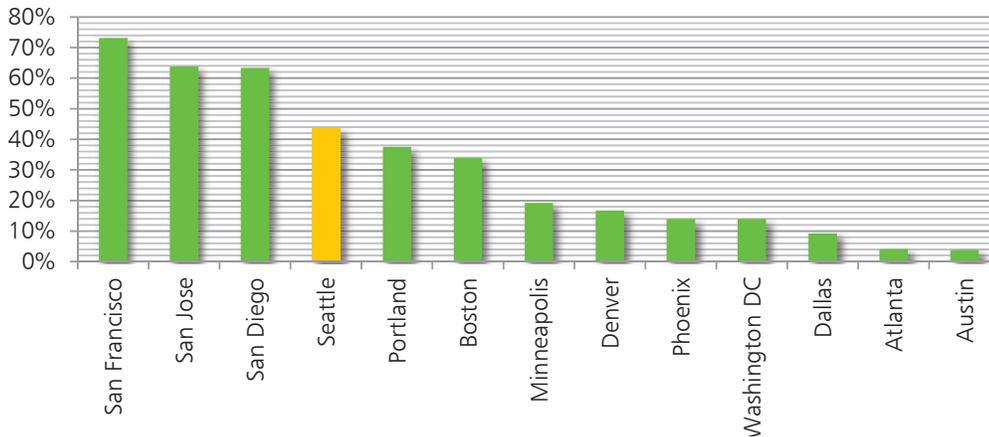


Figure 18: Undevelopable Land Area Within 50 km of City Center

Sources: Wharton Regulatory Index, 2008; Albert Saiz, 2010; Peninger Consulting.



## Summary and Key Findings

- Seattle is fifth fastest growing central city in this study after Austin, Portland, Phoenix and San Diego, increasing in population by 8 percent between 2000 and 2010.
- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, an average of approximately 2,850 per year.
- Seattle has a 17 % share of regional population; no central city examined in this report added population faster than their respective regions. Seattle accommodated a larger share of growth than most.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has slightly more renters than owners, placing the city in the middle of the comparison jurisdictions.
- Seattle has the fourth highest median household income.
- Seattle also has the fourth least number of households earning less than \$50K after San Francisco, San Jose and DC.
- Seattle has a moderately old housing stock compared to the comparison cities.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is “out of reach” for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.
- Development costs are near the middle of per square foot construction costs compared to the other cities in this survey, but regulatory constraints are much higher and residential land supply is comparatively constrained.

## Notes

<sup>13</sup>See: <http://nlhc.org/oor> or additional data and research on this topic.

<sup>14</sup><http://cainapartments.com/>

<sup>15</sup>Saiz, Albert. “The Geographic Determinants of Housing Supply.” *Quarterly Journal of Economics*, Volume 125 Issue 3; Oxford University Press, January 5, 2010.

# Comparison City Survey Results

The following section is based on the results of a written survey of the 12 comparison cities contacted for this study (see Appendix C for the survey instrument). At the time of the writing of this draft report, 10 of the cities plus Seattle have responded to the survey. Some additional program and policy information was obtained by the study authors to supplement report findings and provide added context to the policy discussion in the absence of completed surveys for all of the cities.

## Housing Production by AMI Level

Each of the cities was asked to report affordable and workforce housing production since 2010 by AMI level for both ownership and rental units. In addition to Seattle, cities responding with production data include Austin, Boston, Denver, Minneapolis, Phoenix, Portland, San Diego, San Francisco, San Jose and Washington DC. This production data is displayed below in Table 4. As shown, the City of Austin produced the most units serving lower-income and workforce households followed by Portland, San Diego and Seattle.

In 2010, a similar study was conducted for the San Diego Housing Commission which tracked housing production by AMI level in these and other major cities; although it is difficult to make apples to apples comparisons based on different development and funding contexts, it is clear that San Francisco and San Jose have experienced a decrease in the rate of production of affordable and workforce housing while Austin and Portland have produced more affordable and workforce units at a faster rate than in earlier periods. Austin in particular has been successful in incentivizing the production of ownership units serving households at 61 to 80% of AMI while Portland has been most successful at promoting the production of rental units serving households earning less than 60% of AMI. Of the cities surveyed thus far, Seattle, San Diego, San Jose and Austin reported rental unit production in the 61 to 80% of AMI category Figures 19 and 20 below further display unit production by tenure and AMI level.

It is important to note that the tables and charts below track housing production by affordability level for units that have been in some way affected by land use, regulatory, financial or other programs initiated by the public sector to increase affordable and workforce housing production. The cities contacted for this study were also asked to report, if possible, workforce housing production provided by the private market, but of the jurisdictions reporting thus far only Boston has reported the production of new market-rate units in the two workforce housing categories (61-80% of AMI for rental and 81-100% of AMI for ownership) that are the focus of this analysis<sup>16</sup>.

**Table 4: Total Affordable And Workforce Housing Units Produced By AMI Level, 2010-2013**

Sources: City departments, Otak, Peninger Consulting

	Austin	Minneapolis	Portland	San Francisco	San Jose	Seattle	Total	%
Less than 60% of AMI	2,466	1,319	2,747	1,509	899	1,577	<b>10,517</b>	<b>77.6%</b>
61% to 80% of AMI	1,758	42	27	0	427	451	<b>2,705</b>	<b>20.0%</b>
81% to 100% of AMI	65	0	17	51	-	172	<b>305</b>	<b>2.3%</b>
101% to 120% AMI	0	0	26	0	-	0	<b>26</b>	<b>0.2%</b>
<b>Total</b>	<b>4,289</b>	<b>1,319</b>	<b>2,817</b>	<b>1,560</b>	<b>1,326</b>	<b>2,200</b>	<b>13,553</b>	<b>100.0%</b>

Figure 19: Rental Housing Units Produced by AMI Level, 2010-2013

Sources: City departments, Otak, Peninger Consulting

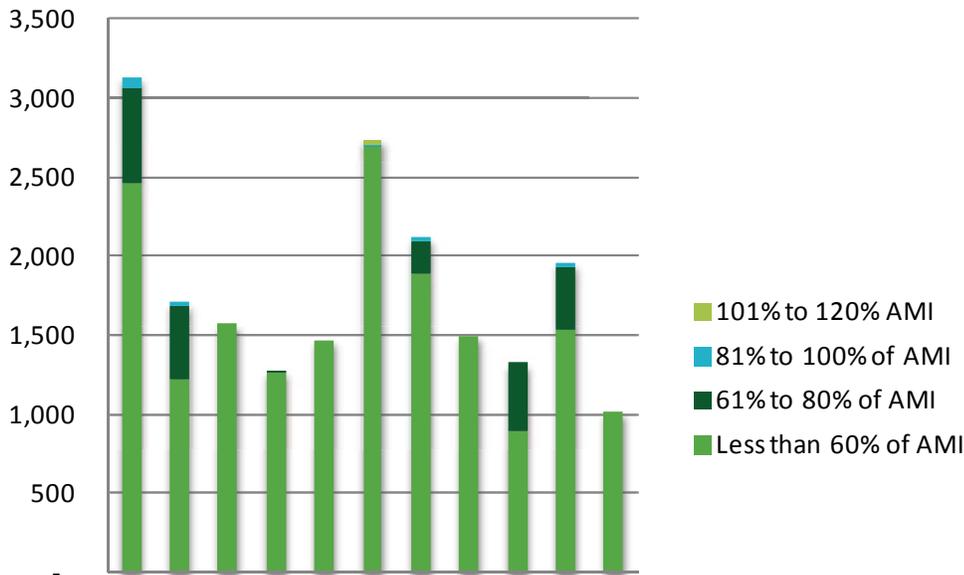
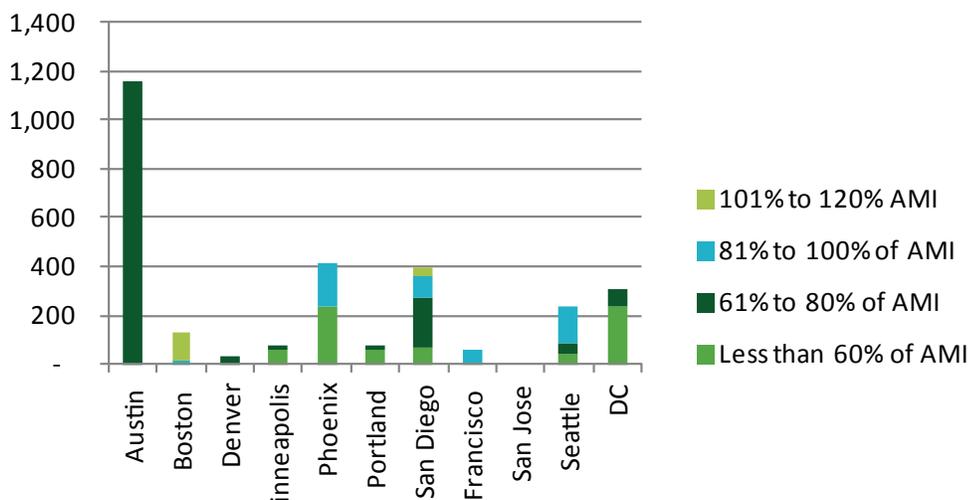


Figure 20: Ownership Housing Units Produced by AMI Level, 2010-2013

Sources: City departments, Otak, Peninger Consulting



## Policy and Program Best Practices by City

This following section summarizes policy and program best practices for the cities that have returned surveys. Table 5 at the end of this section summarizes all of the data and program information collected for this report, including programs and policies in cities that have not yet returned completed surveys.

### Atlanta, GA

Atlanta's Bureau of Housing is primarily responsible for managing the city's affordable housing programs. In addition, the Atlanta Development Authority has a housing finance division (the Urban Residential Finance Authority) which provides bond financing to developers. The City's primary policy tools for promoting affordable housing include tax-exempt bonds, CDBG funding and the City's local housing trust funds. The City also partners with private, non-profit community land trusts and land banks active throughout Atlanta.

## **Austin, TX**

As noted above, Austin produced the most affordable and workforce housing units of the jurisdictions that have reported results thus far. In part, this record of production may have to do with relatively low regulatory constraints in Texas and an ample supply of developable land. Nonetheless, the City has also been proactive in implementing a number of land use and financial programs to promote targeted housing production. Most importantly, the City's SMART program provides a comprehensive framework for incentivizing private developers to include what the City describes as "reasonably priced" units in new developments<sup>17</sup>. SMART encompasses a number of different mechanisms for allowing "developers to opt in to secure increased regulatory entitlements." In exchange the City receives public benefits with a percentage of affordable units being one of the benefits. These developer incentive programs are tied to zoning overlays that have been established in various parts of Austin or proposed Planned Unit Developments (PUD) if the developer is requesting a certain tier of entitlements. Beyond increased allowed densities, popular incentives utilized by developers include fee waivers and expedited processing.

One important example of how Austin applies its policies is the redevelopment of the former Mueller Airport into a mixed income community. This redevelopment supported by the SMART program and General Obligation Bond funding has helped transform East Austin into a more walkable community with a healthy mix of affordable housing and employment. The new community includes a Children's Hospital endowed with a gift from Michael Dell. Housing includes homeownership as well as rental housing with a range of prices to accommodate the local workforce.

Building on Austin's strong track record of supporting housing, in 2006 and again in 2013 Austin voters approved a property tax levy to support housing programs and projects.

## **Boston, MA**

Boston's affordable housing programs are overseen by the Department of Neighborhood Development in partnership with the Redevelopment Authority and the City's Housing Authority. Working within the State of Massachusetts' strong pro-inclusionary legislative framework, the City of Boston makes extensive use of inclusionary zoning policies to promote affordable housing production, both through on-site production of new units and through the collection of in-lieu fees. The City is also one of just three in this study, and the only city outside of California, to implement a commercial linkage program to raise funds for affordable housing programs.

## **Dallas, TX**

Housing programs and policies in Dallas are administered by the Housing/Community Services Department which is responsible for managing the City's CDBG and Home programs and overseeing the City's land bank. Another City agency, the Dallas Housing Finance Corporation, provides funding to affordable housing projects through tax-exempt bond issuances. Dallas does not make extensive use of land use and regulatory incentives to promote affordable and workforce housing production, but does rely heavily on CDBG and TIF financing to support development.

## **Denver, CO**

Denver received 2013 funding from the HUD Choice Neighborhoods Implementation program for Sun Valley Homes. Using HUD Sustainable Community Planning Grant funding, the City & County of Denver embarked upon their first catalytic project with the City of Lakewood and Metro West Housing at the Sheridan Station (the station area spans the city limits between Denver and Lakewood). The Urban Land Conservancy in collaboration with many community partners (City/County of Denver, Piton Foundation,

Enterprise Community Partners, several Banks and others) has successfully secured several properties at key transit-rich locations. The ULC serves as an interim land trust to ensure the sites are available for development or are preserved without being lost to the speculative market. The Jody Apartments at the Sheridan Station is representative of the assets being preserved for long-term affordability. Elsewhere, the Denver Housing Authority is nearly complete with the transformation of South Lincoln Public Housing neighborhood into a mixed income community rebranded as Mariposa. Developers in Colorado customarily enter into a partnership with public agencies and grant them a fractional interest in Low Income Housing Tax Credit (LIHTC) projects whereby they receive a property tax exemption for the completed project.

## **Minneapolis, MN**

The City of Minneapolis is the smallest city in the survey by population but also one of the most creative in terms of combining public and private sources of funding to support affordable housing. The City's Affordable Housing Trust Fund (AHTF) combines city, regional (Metropolitan Regional Council) State and Federal sources and leverages these funds by partnering with entities such as the Fair Housing Fund (McKnight Foundation). By focusing on diversifying funding for AHTF and encouraging private philanthropic participation in the AHTF, the City has been able to effectively leverage scarce public resources. To a lesser extent, the City has leveraged housing investment with funds designated from the authorized Tax Increment Financing (TIF) program. All City investment comes with an explicit expectation to implement sustainable building practices and to meet green building standards.

Although Minneapolis' policies and programs primarily focus on households earning less than 60% of AMI, like Seattle, Minneapolis has also recently enacted zoning and land use changes to permit different types of housing to respond to their workforce housing needs. Specifically, the City no longer enforces a minimum lot area for residential dwelling units. The City also supports the nationally recognized City of Lakes Land Trust, a non-profit which utilizes public and private monies to support affordable homeownership.

## **Phoenix, AZ**

In 2013, Mayor Greg Stanton announced that the City of Phoenix had eliminated chronic homelessness among veterans through a supportive housing effort and the deployment of housing first principles. In 2011, Phoenix Local Initiatives Support Corporation and Raza Development Fund successfully capitalized a TOD Loan Fund with \$20 million. Projects in Mesa, Tempe and Phoenix sponsored by non-profits as well as profit-motivated companies have received funding. The State of Arizona reconfigured their Qualified Allocation Plan to place great emphasis upon Low Income Housing Tax Credit (9%) projects in transit-rich locations causing a shift in investment focus. In 2013, the Phoenix City Council directed staff to place City-owned property at 32 East Columbus (previously acquired with the proceeds of a voter-approved general obligation bond issue) out for bid to support their goals for mixed income housing near transit stations (the site on Central is near two LRT Stations). The Housing Authority of Maricopa County (which has public housing located in Phoenix) received HUD approval in 2013 for the conversion of public housing units to project-based rental assistance vouchers at the Coffelt-Lameroux public housing community, built in 1949. Gorman & Company is redeveloping the property using historic preservation tax credits and bond funds preserving the units in-situ.

## **Portland, OR**

The City of Portland Bureau of Housing received HUD approval in 2014 for a Section 108 Loan Program (a loan guarantee backed by the City's Community Development Block Grant entitlement) to promote homeownership choices for households with



Grays Landing; Portland, Oregon developed by REACH CDC image credit: Julie Keefe

incomes up to 80% of the median income. City Commissioner Dan Saltzman has structured the loan guarantee to facilitate projects that are 51% below 80% of AMI with the remainder at market, which expands the program significantly. Private development of workforce housing has continued and expanded in Portland. For instance, in 2013, the fifth and last phase of The Yards at Union Station was completed by GSL Properties LLC, making the project the largest equitable TOD project in Oregon at 724 units. The Portland Development Commission (PDC) provided financing for the 4% LIHTC project on the former brownfield in Portland's River District. The PDC serves as

a land bank for affordable housing sites within the City of Portland. In 2013, REACH Community Development merged with the Washington State non-profit corporation Affordable Community Environments (ACE) providing a more sustainable business case for both entities. San Francisco-based BRIDGE Housing initiated a project in Portland's Pearl District (their first in Oregon) with financing support from the Portland Development Commission. By policy of the City Commission, thirty percent (30%) of the City of Portland Tax Increment is earmarked for housing which is distributed to non-profits and private developers of affordable housing to fill equity gaps of affordable and mixed income housing in designated urban redevelopment areas.

### **San Diego, CA**

The San Diego Housing Commission (SDHC) is responsible for administering all of the City's housing programs and has long been a pioneer in seeking new policy tools to support affordable and workforce housing production. Like all California cities, however, San Diego has recently struggled with the elimination of redevelopment areas and the loss of funding that redevelopment agencies provided to affordable housing. In addition, recent case law in California has severely constrained the implementation of inclusionary housing policies and added more hurdles for cities trying to achieve a balanced housing supply.

Still, San Diego can point to the successful implementation of fee reduction and expedited processing policies which have supported the production of affordable and workforce housing. The City has long been a leader among large California jurisdictions in attempting to reduce regulatory hurdles (including environmental review) to housing production. In terms of financing policies, the City has a local housing trust fund which is funded by transit occupancy taxes and commercial linkage fee program.

### **San Francisco, CA**

San Francisco is both the highest cost jurisdiction included in this study and the city with the broadest and most aggressive set of policy tools. In addition to the full range of housing sources and land use/regulatory mechanisms to support affordable housing production, the City has recently dedicated general fund revenues to support the development of supportive housing, and the City's public health department also provides ongoing operating subsidies to several developments serving people and households in need of supportive services. The City's policy efforts have been

overwhelmingly concentrated on supporting housing for households earning less than 60 percent of AMI, and relatively little new housing has been developed since 2010 for the workforce housing population as defined by this study.

## San Jose, CA

At the heart of Silicon Valley, San Jose is among the most costly housing markets in the US, and housing demand at all levels continues to outstrip supply. Nonetheless, the City and its partners in the private sector have developed a number of unique programs to encourage affordable and workforce housing production. Like all California jurisdictions, San Jose faces both the recently imposed Court restrictions on the implementation of inclusionary housing and the elimination of redevelopment agency programs which provided hundreds of millions of dollars in gap financing for affordable housing development. In this context, the involvement of public-private institutions like the Housing Trust of Silicon Valley is increasingly important as the City Housing Department and its developer partners seek new sources of funding and new approaches to addressing Silicon's Valley's long-term housing crisis<sup>18</sup>.

## Seattle, WA

The Housing Levy is Seattle's primary means to preserve and produce affordable housing. More than 12,000 affordable apartments have been produced or preserved for high priority populations since 1981. Loans to 600 first time homebuyers have been made and over 4,000 households received rental assistance from these programs. Seattle has also agreed to defer collection of the incremental increase of property taxes for new or redeveloped multi-family housing from private owners for 12 years yielding about 2,700 units. Incentive zoning has generated more than \$31.6 million in fees to support about 1,361 new affordable housing units by linking density, height, and setback and floor area ratio (FAR) exceptions to the provision of public benefits including housing. The City has a portfolio of \$27.5 Million in outstanding Section 108 loans backed by Community Development Block Grant (CDBG) funds which include housing as well as the commercial elements of mixed use buildings<sup>19</sup>. The City also has provided a credit enhancement to a private multi-family building owner to preserve an apartment building damaged by the Nisqually earthquake<sup>20</sup>. Seattle has provided financial support to the Seattle Housing Authority (SHA) and local non-profits to ensure 1:1 preservation of permanently affordable housing when undertaking public housing transformation projects.



*Pantages, Seattle, Washington; developed by Capitol Hill Housing  
image credit: William Wright Photography*

## Washington DC

DC's Department of Housing and Community Development manages the District's diverse range of programs and policies designed to create and preserve affordable housing. These programs and policies are, by and large, focused on households earning less than 60% of AMI and include innovative programs like the housing trust which is funded through deed recordation and transfer tax fees.

# Summary of Comparison Cities Best Practices

The policies and programs described above and summarized in Table 5 below can be grouped into three major categories: land use and regulatory programs; financing programs; and other programs. In addition, the cities surveyed were asked to provide examples of workforce housing policies which have succeeded in allowing the private market to create “affordability by design” without subsidies, deed restrictions, affordability covenants or other types of public-sector involvement. A select number of these policies with the greatest potential applicability to Seattle are listed below.

## Land Use and Regulatory Programs

- A majority of cities have implemented fee waivers for affordable and workforce housing. This policy has been most effective in Austin as part of the City’s comprehensive SMART program.
- Five of the comparison cities have implemented expedited processing for affordable and workforce housing. Both San Diego and Austin have a long track record of successfully utilizing this policy as a production incentive.
- Many cities included in this survey, including Seattle, have substantially reduced parking requirements for all housing types in infill and transit-rich areas.
- While it is not a primary focus of this study, the cities of Boston, San Diego, San Francisco and San Jose have well developed Incentive and/or Inclusionary Zoning Policies. The San Jose Inclusionary Housing Ordinance is in litigation and is not currently in effect. Other cities like Denver and Washington DC have inclusionary policies which have not been as effective in producing new affordable units.

## Financing Programs

- Seattle is the leader among the peer cities in providing a consistent local source of funding through the housing levies. This type of voter-approved funding has also been utilized in Austin (2006 and 2013), Phoenix and San Francisco.
- Boston, Portland and San Francisco assess a commercial linkage fee to help fund affordable housing programs. San Francisco also assesses a residential linkage fee on new, market-rate development to help fund the City’s affordable housing programs.
- In the absence of tax-increment financing, Phoenix has utilized the Government Property Leasehold Tax (GPLET) program to finance high priority projects within designated redevelopment areas, including the Central Business District.
- Seattle has used a Contingent Loan Agreement to underwrite a private developer to preserve affordable housing.
- In 1975, the City of Portland enacted a property tax exemption for private developers/owners in exchange for providing affordable housing. In Denver (and throughout Colorado) developers who grant a fractional interest in their Low Income Housing Tax Credit projects to public entities such as local housing authorities, cities or counties may receive a multi-family property tax exemption.

## Other Innovative Programs

- Minneapolis has mobilized private foundations to help increase funding available through their Affordable Housing Trust Fund.
- Minneapolis and Portland support land trusts as a means to provide permanently affordable housing. Austin has initiated creation of a local land trust.
- The City and County of Denver have helped capitalize the Mile High Loan Fund

which, in turn, has funded the Urban Land Conservancy which serves as the Denver regional land bank. High priority locations have been acquired to preserve and develop new equitable transit-oriented housing within walking distance of Fast Starts Light Rail Train stations. Projects include infill, preservation and new construction.

- Portland’s Development Commission (PDC) serves as a land bank for affordable housing sites within the City of Portland.

## Market-Led Approaches to Housing Production

- Several cities have adopted flexible zoning to allow secondary units, micro-units, and new building types such as modular construction to increase the supply of workforce housing produced by for-profit developers. The results of these policies have not been quantified by the cities responding to the survey.
- Supported by the SMART program, Austin has seen a resurgence in the formerly low-income area of East Austin with the redevelopment of Mueller Airport by Catellus into a mixed income neighborhood anchored by the Michael Dell Children’s Hospital.
- San Diego has promoted market-led solutions to affordable housing by pioneering market-rate Single Room Occupancy Units or SROs, a precursor to the trend of Apodments® in Seattle.
- San Jose’s Silicon Valley Leadership Group mobilized advanced technology employers to help capitalize the Santa Clara Housing Trust Fund and to advocate for sound policy and high-priority projects.
- Seattle has permitted “apodments®”, which are micro-housing units with shared kitchens in multifamily zones throughout the city.



*High Point Transformation; Seattle, Washington* image credit: Seattle Housing Authority

Table 5: Housing Policies, Programs and Production Summary

Sources: City departments, Otak, Peninger Consulting

City	Units 2010-2013 <sup>(1)</sup>			Land Use Policies			Finance Policies						Other Programs/Policies				
	Rental	Ownership	Total	Inclusionary or Incentive Zoning	Fee Reduction/Waiver	Expedited Processing	Residential Linkage Fee	Commercial Linkage Fee	Tax Increment Financing	Local Housing Trust Fund	Tax Exempt Bonds	Federal Resources for Affordable Housing	Community Land Trust	Land Bank	Tax Exemption or Abatement	Employers Assisted Housing	Other
Seattle	1,964	236	2,200	Yes	No	No	No	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	
Atlanta	NA	NA	NA	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA
Austin	3,134	1,115	4,249	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No	No	No	No	(3)
Boston	1,709	127	1,836	Yes	No	No	No	Yes	No	Yes	NA	Yes	Yes	NA	NA	NA	
Dallas	NA	NA	NA	No	No	No	No	No	Yes	No	Yes	Yes	No	Yes	NA	NA	
Denver	1,574	29	1,603	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes	Yes	NA	NA	
Minneapolis	1,281	80	1,361	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	
Phoenix	1,475	411	1,886	No	No	Yes	No	No	No	Yes	Yes	Yes	No	No	NA	NA	
Portland	2,742	75	2,817	No	Yes	No	No	No	Yes	No	No	Yes	Yes	Yes	Yes	No	
San Diego	2,124	399	2,523	Yes	Yes	Yes	NA	Yes	No	Yes	Yes	Yes	Yes	NA	NA	NA	
San Francisco	1,502	58	1,560	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	(4)
San Jose	1,326	-	1,326	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	No	No	Yes	No	
Washington DC	1,023	305	1,328	Yes	No	No	No	No	Yes	Yes	Yes	Yes	Yes	No	NA	NA	

Notes:

(1) Includes new construction of rental and ownership units at all affordability levels up to 120% of AMI.

(2) Does not include rehabilitation or weatherization programs.

(3) SMART Housing Program

(4) General Fund monies to support both capital and operating costs for supportive housing.

# Notes

<sup>16</sup> Boston estimates that approximately 15 percent of new units fall in these two categories based on the average rental rates and sale prices of the neighborhoods where new market-rate projects have been developed since 2010. This is, accordingly, a rough estimate and not based on project-specific data.

<sup>17</sup>[http://www.austintexas.gov/sites/default/files/files/Housing/Application\\_Center/SMART\\_Housing/smart\\_guide\\_0708.pdf](http://www.austintexas.gov/sites/default/files/files/Housing/Application_Center/SMART_Housing/smart_guide_0708.pdf).

<sup>18</sup><http://www.housingtrustsv.org/>

<sup>19</sup>Takahashi, Ken; Business Development Manager, Mayor's Office of Economic Development.

<sup>20</sup>Rumpf, Bill; former Director of the Mayor's Office of Housing, indicated the City entered into a Contingent Loan Agreement to provide credit enhancement for approximately \$9 million for the owner of the Lowman Building.



High Point Transformation image credit: Seattle Housing Authority

# Recommendations

## Articulate a more specific workforce housing policy.

**1)** The City of Seattle should set a quantitative Workforce Housing Goal in the planned 2015 Major Update of the Comprehensive Plan and periodically measure City progress towards the goal in the context of the Comprehensive Plan.

**Discussion:** Creation of a goal specific to Workforce Housing within the Seattle Comprehensive Plan gives policy makers the ability to calibrate the importance of Workforce Housing in context with the other stated Goals. The Seattle Planning Commission is vested with the responsibility to make the necessary findings of fact and recommendations to the City Council. Indeed, the Planning Commission's 2011 Housing Seattle Report and their 2014 Family-Sized Housing White Paper and Action Agenda reflect a growing consensus that the City needs to act more forcefully. Some of the Planning Commission's Family-Sized Housing actions could have a positive impact upon workforce housing as well.

Current Housing Goal C-1; Encouraging Housing Affordable to Low Income Households contains Policy (H-30 (b) which states "at least 17% of expected housing growth to be affordable to households earning between 51% and 80% of the median income (estimated 7,990 households)" and H-30 (c) which further states "at least 27% of housing growth to be affordable to households earning between 81% and 120% of the median income (estimated 12,690 households)".

A numeric goal focused specifically upon the Workforce Housing spectrum of housing need will help direct the attention of the Administration (The Mayor's Office of Housing as well as the Office of Economic Development, Planning & Development and Transportation) as well as allied municipal corporations (including the Seattle Housing Authority and city-chartered Public Development Authorities) to align their objectives and programs with the goals of the City. Public Policy leadership also provides a legislative foundation for refinements to incentive zoning, environmental mitigation and land use changes as a regular part of neighborhood and area planning efforts. By recognizing the impacts on housing demand caused by office, retail and other commercial development, the City policy basis for SEPA planned action ordinances in designated areas would strengthen the City's ability to require afford workforce housing as a condition of land use approval.

## Refine, adjust and fully utilize existing financial tools to increase the production of workforce housing.

**1)** Contingent Loan Agreements could promote affordable rental housing for people under 80% of Area Median Income with no direct outlay of funds thereby helping both developers and residents of new workforce housing or preserved properties.

**Discussion:** The City of Seattle utilized a Contingent Loan Agreement for one (1)

project; the Lowman Building, a privately owned apartment complex. Contingent Loan Agreements are standby loan agreements whereby a city or county agrees to replenish the debt service reserve account of a specific project's bond, loan or mortgage. A debt service reserve account is established to ensure the payment of principle and interest should project revenues fall short of projections. Customarily, a reserve may include up to twelve (12) months of principal and interest payments to ensure the project lenders or bondholders that sufficient reserves exist if there is an unforeseen problem. The amount of the Contingent Loan Agreement must be identified as a contingent liability of the City in its annual financial statement.

Elsewhere in Washington State, Metro King County has backed \$200 million for projects undertaken by the King County Housing Authority (KCHA), Mercy Housing, Imagine Housing and the YMCA for projects located throughout King County. Clark County and the City of Bellingham, Washington, entered into similar agreements with local housing authorities undertaking projects financed with municipal bonds prior to Metro King County's program, but in much smaller amounts. The project sponsors and tenants have benefited from these agreements which lower the interest expense of the project translating directly to lower rents. One example of the success of the Contingent Loan Agreement is Overlake Station in the City of Redmond, a 308-unit mixed income community on a former Metro Park & Ride lot in Redmond which would not have been financially feasible without a contingent loan agreement<sup>21</sup>.

The City of Seattle could utilize the Contingent Loan Agreement financing tool to back essential function bonds issued by the Seattle Housing Authority. Local housing authorities, being municipal corporations, are a better risk for the use of funds than a private entity as lending of credit concerns and public accountability (the Mayor appoints the Board subject to confirmation by the City Council) are more easily ensured with a housing authority in the position responsible to repay the project indebtedness. All of these aforementioned examples entailed the Housing Authorities making a general pledge of assets to cure defaults which minimizes risk to the entity providing the Contingent Loan Agreement. SHA's long term goals to redevelop Yesler Terrace including workforce housing could be debt financed with bonds issued by the Seattle Housing Authority and backed by the City of Seattle Contingent Loan Agreement.

**2)** Expand the use of the Section 108 Loan Program for rental housing and consider using Section 108 to promote ownership opportunities for households under 80% of the Area Median Income (AMI). The Section 108 Loan program is backed by the City of Seattle's Community Development Block Grant (CDBG) entitlement available from the US Department of Housing & Urban Development. The program is administered by the Office of Economic Development. Underwriting of specific projects is led by OED and the Underwriting Committee includes the Mayor's Office of Housing.

**Discussion:** Presently approximately \$6 Million of available authority exists within the authorized Section 108 Loan program. Section 108 Loan funds are available for commercial development or for use in mixed use developments which: 1) directly benefit low income households and/or; 2) creates jobs for low income individuals. Since the Section 108 Loan Program is structured as a 20 year loan, it could be used to underwrite the financing for the land to support an Urban Land Trust and fulfill a City workforce housing goal. When Section 108 Loan Funds are used to fund land, or non-construction soft costs, then Federal Prevailing Wage Rates (Davis-Bacon) do not apply. Additional public and/or private funds would be needed for actual construction of affordable homeownership units on land acquired with Section 108 Loan Funds. The CDBG fund is used to guarantee payment of Section 108 Loan Funds in the event the borrower is unable to do so, and recent declines in the Federal appropriations for CDBG causes concern over expansion of this program. Existing authority could fund one or two projects. Since 51% of the benefit must be for households under 80% of AMI this could be used to support mixed income land trusts for first time homebuyers.

**3)** Expand the use of the Community Development Block Grant Float Loan Program to provide bridge financing for workforce housing projects. Similar to the Section 108 loan program the Block Grant Float Loan Program is backed by the City of Seattle's Community Development Block Grant (CDBG) entitlement available from the US Department of Housing & Urban Development. The program is also administered by the Office of Economic Development. The City's Office of Housing has an existing "bridge loan" program that can allocate up to \$5 million to assist with the development of affordable housing. Funds are used for acquisition of improved or unimproved property. In addition, up to \$2 million in one-time funds for bridge loans are available through the Equitable Transit Oriented Development. All of these programs require permanent financing to replace these temporary sources of funding.

**Discussion:** About \$3 Million is available within the Block Grant Float Loan for short term financing (up to 2.5 years)<sup>22</sup>. Ideally, the funds would be used for land acquisition and/or "soft costs" such as professional services like environmental due diligence, Architecture, Engineering and Legal expenses required for any urban development. Since this is a bridge loan, there needs to be a fail-safe means to ensure payment of the loan so speculative projects or poorly capitalized developers would unlikely candidates for funding. The CDBG fund is used to guarantee payment of Block Grant Float Loans in the event the borrower is unable to do so, and recent declines in the Federal appropriations for CDBG causes concern over expansion of this program.

**4)** Maximize the use of Government Property Leasehold Excise Tax (GPLET) as a tool to capture the value of new development for public realm improvements, helping to make workforce housing more affordable.

**Discussion:** A Leasehold Excise Tax (LET) program should be explored for potential value capture of new mixed use development. The use of GPLET in Arizona which, other than Washington, is the only other state that does not have Tax Increment Financing per se (Washington has experimented with the so called Local Infrastructure Finance Tool-LIFT, a sales tax increment whereby the state shares a portion of sales tax with select cities and counties). The use of GPLET applies to publically-owned land and captures the taxable value of non-residential uses such as parking, office and retail. In Arizona, the GPLET is used as a means to support public improvements including urban open space and parking structures. Settled case law in Arizona has determined that the use must be proportionate to quantifiable public benefits.

In Washington State, any private use of public (non-federal) land requires a payment of 12.84% of the gross revenues annually. For instance, the commercial ground floor of a mixed use development owned by a public entity such as a city, county or housing authority is subject to payment of LET. The affected local governments (State, City, county and school district) may agree to use the LET revenue for a valid public purpose such as parking structures, eco-districts (including surface water retention facilities) other infrastructure and urban open space. Paying for these necessary improvements with LET revenues (or revenue bonds backed by LET) could help produce more workforce housing by shifting specific site development costs to larger area or district which could benefit the public as a whole. In Arizona, private developers typically donate land to cities which then leases the air rights to the private entity enabling GPLET revenue to provide necessary public improvements. This proposal would not create new revenue, but take existing revenues that the City of Seattle currently receives and deposits into the General Fund, and re-direct a portion of such revenues for housing related purposes.

**5)** Redouble Efforts to promote homeownership amidst rapidly rising costs.

**Discussion:** Seattle is among the top five (5) cities surveyed with respect to homeownership production. Austin is out-producing Seattle, San Diego and the

District of Columbia by as much as 5:1 through their 'SMART' Housing Program which combines expedited permit processing, fee reductions and bond financing. Boston abolished its Real Property Department and transferred responsibility for the management and disposition of all foreclosed and surplus municipal property to the Department of Neighborhood Development. Boston's Inclusionary Development Policy (IDP) enacted in February 2000 by the Mayor's Executive Order, established requirements for all residential developments with ten (10) or more new units which require some manner of zoning relief. Affordable units may be provided on site or off site, however, there is an incentive to produce units on site. Rental units are all required to be affordable to households with incomes below 70% of the Area Median Income (AMI). With regard to homeownership, no fewer than half of the required dwellings must be for households with incomes greater than 80% of AMI. The balance are for households with incomes greater than 80% of AMI and less than or equal to 100% of AMI. All affordable units (rental and homeownership alike) are protected for up to fifty (50) years by an affordability covenant on the title of the real estate.

Applying Boston's past practice in Seattle would involve a few key policy changes. Whatever vacant property is currently held by various departments needs to be deemed eligible for housing development and transferred to the Office of Housing or disposed of. There are assumptions in the development community, some of which were expressed in the Public Forum, that the City land assets are significant. This matter needs to be addressed by policy makers and the land put to beneficial use, sold or traded. Changes to the Incentive Zoning policy (which are outside the scope of this report) should consider homeownership to the greatest possible extent.

## Refine regulatory requirements and land use policies and incentives to promote more workforce housing.

**1)** Greater and more systematic use of the SEPA Planned Action technique that is being used at Yesler Terrace could add more certainty to developers by reducing entitlement risk in exchange for affordable workforce housing. Transit station areas and corridors could benefit from a comprehensive approach to environmental assessment and evaluation. The cost could be shared by Sound Transit and the City of Seattle as appropriate given the benefits which would accrue to each organization.

**Discussion:** SEPA Planned Action Ordinances provide predictability to developers by addressing major environmental concerns. A City policy to undertake the environmental review of high priority redevelopment areas such as Fort Lawton, the University District or around planned high capacity transit stations would provide the City with greater standing to negotiate incentive zoning in key investment areas. Housing impacts resulting from major new office, retail, or other commercial development could be mitigated through the SEPA planned action technique.

**2)** Refinements to Seattle's Accessory Dwelling Unit (ADU) Ordinance would increase production of additional workforce housing in neighborhoods across the city.

**Discussion:** The current requirement that the principal unit be owner-occupied is a barrier to the legal conversion of ADUs. Moreover, since homes often transition in and out of owner-occupancy, the restriction is impractical and unwieldy. Existing policies limiting the number of unrelated people residing at the property and off street parking requirements also should be revisited. The City may also be able to better aid owners

with direct financing (weatherization and home repair-existing programs) or devise new financing tools with participation of banks, mortgage companies and/or credit unions.

**3)** Refine the Multi-Family Tax Exemption (MFTE) to continue private property housing preservation and development activity. In specific neighborhoods that have fallen short of planned density goals consider a demonstration program which increases the incentive for larger “family-sized” dwellings.

**Discussion:** In Seattle, owners of new or substantially rehabilitated housing in areas designated for property tax abatement may receive up to 12 years of abatement on the improvements if at least 20% of the units are affordable to households less than 80% of the AMI.<sup>23</sup> In 2011 Seattle created a sliding scale by requiring a minimum of 20% of the units at or below; 65% of median for studio units; 75% of median for one bedroom units and 85% of median for two bedroom and larger units. In the event that units are sold, they must be sold to households with incomes at the time of purchase that do not exceed 100% of median income for studio and one bedroom units and 120% of median income for two bedroom and larger units. The Seattle Planning Commission<sup>24</sup> proposes to target the incentive to produce more 2 and 3+ bedroom sized units, which may indeed have merit in some family friendly locations. Their proposal to reduce the incentive for small units to make the incentive more robust for larger units may cause the decline of workforce housing production overall. It is suggested that before enacting this policy en masse that a pilot be tested within one or more urban villages such as Northgate which has fallen short of the production goals established in the 2005 Seattle Comprehensive Plan.

## Other Innovative Programs

**1)** Land Banking for Affordable Housing in and around transit stations and within designated Urban Villages could help preserve options for future development.

**Discussion:** Seattle has utilized a portion of the funds from the Housing Levy to secure sites for future development. Regional discussions have been ongoing for well over a year with Enterprise Community Partners, Impact Capital and the Puget Sound Regional Council with respect to creation of a regional program. The PSRC Board is currently deliberating on their preferred funding source. Seattle may have a reason to wait for the regional discussion to produce results if there is greater leverage and more private business support in a regional effort. The Section 108 Loan Program described above could also be a good interim funding approach to secure sites for development at a later date.

The assembly of land is both time intensive and costly, with a degree of risk. The risk is associated with the timely repayment of funds should the envisioned development not materialize in a timely manner, so some hedging and risk management are required to insulate the managing entity appropriately. To the extent that land is in public ownership and released to the market, through public offering, requirements can be placed on development of these properties, as desired. The entity assigned responsibility of the asset prior to development should have a direct relationship and accountability to City government; either the Seattle Housing Authority or a public development authority chartered by the City. Allowing for control and predevelopment work to occur by the intermediary while under public ownership sharply reduces costs as well as risk for the developer. In Denver, the Urban Land Conservancy serves as the intermediary and under certain circumstances, as the Master Developer of select sites. As mentioned earlier in this report, public and private take-out (construction and permanent) financing will be required to eventually develop housing on land that is acquired.

2) A Real Estate Investment Trust (REIT) could help preserve opportunities for homeownership in high priority areas of the city.

**Discussion:** The City of Minneapolis created a REIT under the aegis of the Twin Cities Community Land Bank. The entity is a 501C3(b) and provides interim financing with some \$110 million in capital from the McKnight Foundation. From 2010 - 2012, the fund helped create 80 homeownership opportunities for households with incomes under 60% of AMI (55 dwellings) and households with incomes between 61%-80% of AMI (25 dwellings).

## Market-Led Approaches to Housing Production

1) Redouble efforts with the private sector and public agencies to create robust Employer Assisted Housing Programs. The nexus between major local technology employers and the workforce necessary to support the local technology workforce is compelling. Research with regard to San Jose illustrated the success of the Silicon Valley Leadership Group in helping to capitalize the Housing Trust of Santa Clara County. An initial investment of \$1 million each by five advanced technology employers (Adobe, Applied Materials, Cisco, Hewlett Packard and Sun Microsystems) leveraged other private funds, state and federal resources. The current debt to equity ratio of the Housing Trust is 10:1 with \$45 million in assets.

**Discussion:** The cluster of advanced technology employers in Seattle compels serious consideration of linking the interests of employers to attract and retain a competitive workforce while managing regional transportation congestion and improving quality of life in a coordinated and comprehensive manner. A local employer-led housing equity fund could unite the shared interests of many business and community groups. Private funds should be held in trust separately from the Seattle Housing Levy to avoid encumbering private donated funds with public procurement requirements and to maximize leverage to the greatest possible extent. Private funds could assist a distinctively different demographic without diluting the City of Seattle's successful record of achievement with the Housing Bond and Levy funds. Private funding could be deployed for a range of purposes including predevelopment costs, course of construction assistance and/or long term equity.

- a) Predevelopment costs include Architecture & Engineering fees; environmental due diligence and legal expenses;
- b) Financing System Development Charges (SDCs) and Park/School Impact Fees;
- c) Construction Loan Guarantees for preferred development partners;
- d) Interim or "bridge" funding to help developers prior to the investment of equity pay-in of LIHTC and other subordinated debt or equity; and
- e) Assemble, acquire and/or remediate catalytic sites and prepare them for development by others, through competitive bidding and/or negotiated bids.

2) Establish Fast Track Permit Processing goals for workforce housing in high priority locations.

**Discussion:** While Seattle has dedicated a significant amount of money to help preserve and produce affordable housing, data indicate that the City is among the most expensive places to build nationally. Entitlement risk, or the period of time to achieve building permit approval and the probability of such approval is very high within Seattle. In fairness to the City, data indicate that the entitlement risk is high throughout the Puget Sound Region which is partly a function of the availability of sites that are not

sensitive (steep slopes, wetlands, etc.) and the cost of compliance with the Washington State Growth Management Act (especially concurrency requirements). Improvements in the time necessary for the review, processing and approval of permits is helpful to reduce the interest carry cost of land and the cost of development. The City of Vancouver, WA has created a tiered approach to development review. Projects within the City Center Vision Plan area (Tier 1) which has a SEPA Planned Action ordinance in effect do not, for instance, require legislative approval of site plans or building permits. No public hearings are required for projects which conform to the City Center Vision Plan. This removes uncertainty and enables developers to focus their investment activity where the City Council has decided new development is a priority. Austin, similarly, has provided greater certainty to developers with their SMART Program.

## Legislative Strategies

**1)** Amend State Statutes to enable local governments required to plan under the Growth Management Act (GMA) to levy impact fees specifically to offset the impacts on the supply of affordable housing for households under 80% of the Area Median Income (AMI).

**Discussion:** Washington State law authorizes impact fees for transportation, fire, schools and parks. Jurisdictions who receive federal Community Development Block Grant (CDBG) and HOME Investment Partnership Act (HOME) funds from the federal government must prepare consolidated plans which identify barriers to fair housing and the gaps in supply for extremely low income and low income households. Such plans are prepared, at a minimum, every five years and provide a basis to identify the unfunded gap in the supply of housing for households under 80% of AMI. Impact fees could alleviate the unfunded gap in the supply of housing for households under 80% of the median income.

**2)** Encourage State Legislative action on exemptions to the payment of Real Estate Excise Tax (REET) for sellers whose real property is sold voluntarily for workforce housing preservation or for land banking purposes.



Workforce Housing Forum February 13, 2014 at Seattle City Hall.  
image credit: Otak, Inc.

**Discussion:** Real estate excise tax (REET) constitutes up to 1.78% (1.28% state government, and up to .5% local government) of the price of real estate sold in Washington. The REET is typically paid by the seller of the property, although the buyer is liable for the tax if it is not paid. The tax is collected by County Treasurers. The tax also applies to transfers of controlling interests (50% or more) in entities that own property in the

state in which case the REET is paid directly to the State Department of Revenue. Local government options are specified as follows: RCW 82.46.010(2) authorizes 0.25%. "... revenues generated from the tax ... shall be used solely for financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance..." unless the revenues had been pledged to retire debt prior to 1992. "

(and)

RCW 82.46.035 authorizes .025% for counties and cities planning under the Growth Management Act. "... Revenues generated from the tax... shall be used by such counties and cities solely for financing capital projects specified in a capital facilities plan element of a comprehensive plan."

In King County, most jurisdictions including Seattle charge the fully authorized amount of 1.78%. Prior to preemption by the State Legislature, REET was used to fund low income housing by King County, Seattle and Snohomish County. While it may be divisive to reopen the matter of using REET directly for housing, it may be useful to provide an outright exemption of REET when real property is sold voluntarily for workforce housing preservation or workforce housing land banking purposes. The marginal savings could help motivate sellers to participate in urban land banking for workforce housing and/or to reduce their asking price proportionately.

## Notes

<sup>21</sup> *Watson, Dan. Deputy Director, KCHA.*

<sup>22</sup> *Takahashi, Ken. Business Development Manager in the Mayor's Office of Economic Development.*

<sup>23</sup> *RCW 84.14*

<sup>24</sup> *"Family-Sized Housing; An Essential Ingredient to Attract & Retain Families with Children in Seattle" The Seattle Planning Commission; January, 2014.*



Patton Park in Portland, Oregon developed by REACH CDC image credit: Sallie Painter

# Appendix A: Demographic, Economic and Housing Data



# Appendix B: Survey Instrument



## Introduction

Sponsored by the City of Seattle, this study involves a review of innovative and successful affordable and workforce housing programs and policies in major urban centers across the country. Your city is one of 12 cities being profiled in this study of policy and financing best practices.

This written survey is provided for your convenience and should not take more than one hour to complete. A representative from OTAK or Peninger Consulting will also be contacting you by phone to go over the survey, answer any questions you may have, and review your responses to the survey questions. Any information you provide us will not be attributed to you personally, by name or title, unless you explicitly authorize us to do so. Thank you in advance for your time.

## I. Housing Production

Please indicate the number of housing units produced in your jurisdiction since 2010, by income group if available (includes calendar years 2010, 2011, 2012 and YTD 2013).

AMI Level	Rental	Ownership
<60% of Area Median Income (AMI)		
61% to 80%		
81% to 100% of		
101% to 120%		
Total		

## II. Housing Programs

Please describe affordable and workforce housing policies, programs and production in your jurisdiction. **For each policy or program in place, please indicate the year it was adopted in the space provided as appropriate.** There is a corresponding set of questions for each program or policy in the next section of this survey.

### **Land Use, Zoning, and Entitlements**

1. \_\_\_\_\_ **Inclusionary Housing.** A local ordinance that requires or provides an incentive for developers to reserve a certain percentage of housing units in a market-rate residential development for low- or moderate-income households at defined AMI levels. Fees may sometimes be paid in lieu of providing the units on site and/or other mechanisms for complying with the requirement may be allowed.
2. \_\_\_\_\_ **Fee Reduction/Waiver.** A program or policy that reduces or waives development impact fees for affordable housing developments.
3. \_\_\_\_\_ **Expedited Permit Processing.** A policy that provides for expedited review for affordable housing developments or projects that include a certain percentage of units at defined AMI levels.

### **Affordable Housing Financing**

4. \_\_\_\_\_ **Residential Impact/Linkage Fee.** A fee on market-rate residential development that supports affordable housing development.
5. \_\_\_\_\_ **Commercial Impact/Linkage Fee.** A program that requires developers of commercial properties to pay a fee to support affordable housing.
6. \_\_\_\_\_ **Tax Increment Financing (TIF).** A tool used by jurisdictions to capture future, increased property tax revenues to make these dollars available as a development incentive, subsidy, or investment.
7. \_\_\_\_\_ **Local Housing Trust Fund.** A revenue source funded by dedicated public revenues for the purpose of supporting affordable housing. In some cases, the fund may be managed by a separate public or private non-profit entity (e.g. the Housing Trust of Santa Clara County).
8. \_\_\_\_\_ **Tax Exempt Bonds.** Bonds issued by local governments to finance the construction of housing projects where a specified proportion of the units are reserved for low- and moderate- income households. These may be bonds issued as the result of a voter initiative or, if legally feasible, by a local finance agency.
9. \_\_\_\_\_ **Federal Resources for Affordable Housing.** Recognizing that all jurisdictions receive some level of federal support for housing and community development, please indicate the impact on housing preservation or production in your community attributed to:
  - i. American Recovery & Reinvestment Act (ARRA) \_\_\_\_\_
  - ii. Neighborhood Stabilization (NSP 1; 2 and/or 3) \_\_\_\_\_
  - iii. Hardest Hit Funds (HHF) \_\_\_\_\_
  - iv. HOME Investment Partnership Act \_\_\_\_\_
  - v. Community Development Block Grant (CDBG) Housing Set-aside for Affordable Rental or Owner Occupied Housing \_\_\_\_\_

**Other Programs and Policies**

10. \_\_\_\_\_ **Community Land Trust (CLT).** A private, nonprofit organization that buys and holds land permanently to provide affordable housing opportunities. CLTs keep the price of homes affordable by separating the price of the house from the cost of the land.
11. \_\_\_\_\_ **Land Bank.** A public or publically supported authority created to efficiently acquire, hold, manage, and dispose of tax-foreclosed and other properties.

12. \_\_\_\_\_ **Multi-Family Housing Tax Exemption or Tax Abatement.** A property tax exemption, abatement or other tax benefit provided to a for-profit developer in exchange for providing affordable housing.

13. \_\_\_\_\_ **Employer Assisted Housing.** A privately sponsored program (sometimes with public assistance) whereby employers provide assistance to their employees in finding or affording housing.

14. \_\_\_\_\_ **Other.** For example, *Market Production of Workforce Housing*. To what extent does the private market in your city already produce workforce housing in the range of 60 to 100% of AMI without public policy interventions?

**Conclusion and Thank You!**

Otak and Peninger Consulting sincerely appreciate your efforts to preserve and produce affordable housing in your community. If you have any questions, please do not hesitate to contact us.

Kurt Creager, Director of Housing & Community Development  
Otak, Inc.  
[Kurt.Creager@otak.com](mailto:Kurt.Creager@otak.com)  
(360) 906-6794

Paul Peninger, Principal  
Peninger Consulting  
[paul@ppeninger.com](mailto:paul@ppeninger.com)  
(415) 794-9014

### III. Affordable Housing Program Information

Please answer only the questions related to specific programs and policies in your jurisdiction.

#### 1. Inclusionary Zoning

Is your inclusionary zoning program mandatory or voluntary?

Does your inclusionary zoning program apply to rental housing, for-sale housing, or both?

What projects must comply with the inclusionary requirements? (e.g. min. project size) What is the inclusionary requirement? (Percentage)

What income levels do the inclusionary units serve?

How long must the inclusionary units remain affordable?

Can developers provide units off-site? How often is this option utilized?

If so, what is the off-site inclusionary requirement?

Can developers provide an in-lieu fee? How often is this option utilized?

If so, what is the in-lieu fee amount? How often is the in-lieu fee updated?

How is the in-lieu fee determined when updated? (e.g. based on CPI or other index?)

Are there any other alternatives for compliance with the inclusionary zoning requirement? (e.g. land dedication, partnership with nonprofit affordable housing developer)

What incentives, if any, are provided to developers? (e.g. density bonus)

Is this program geographically targeted?

#### 2. Fee Reduction/Waiver

What types of projects are eligible for fee reductions or waivers? Which fees are reduced or waived?

What is the standard amount of fees assessed per residential unit?

What is the reduced fee amount, if any?

How many affordable housing projects and units have utilized fee reductions or waivers?

Is this program geographically targeted?

#### 3. Expedited Permit Processing

What types of projects are eligible for expedited review process?

How long is the standard review process in your jurisdiction for all entitlements? How long is the expedited review process?

How many affordable housing projects and units have utilized the expedited review process since 2010?

Is this program geographically targeted?

#### **4. Residential Linkage Fee**

What types of residential developments are required to pay a housing linkage fee? Are there exemptions?

What is the current linkage fee amount? How often is the housing linkage fee updated?

How is the fee amount determined when it is updated? (e.g. based on CPI or other index?) How much revenue has been generated by the housing linkage fee since 2010?

How many affordable units have been created since 2010?

Is this program geographically targeted?

#### **5. Commercial Linkage Fee**

What types of commercial developments are required to pay a commercial linkage fee? Are there exemptions?

What is the current linkage fee amount?

Office \_\_\_\_\_  
Hotel \_\_\_\_\_  
R&D \_\_\_\_\_  
Other \_\_\_\_\_  
Warehouse \_\_\_\_\_  
Manufacturing \_\_\_\_\_  
Retail \_\_\_\_\_

How often is the commercial linkage fee updated?

How is the fee amount determined when it is updated? (e.g. based on CPI or other index?)

How much revenue has been generated by the commercial linkage fee since 2010?

How many affordable units have been created since 2010?

Is this program geographically targeted?

## **6. Tax Increment Financing (TIF)**

What percentage of TIF revenue is required to be set aside for affordable housing?

What percentage of TIF revenue is actually set aside for affordable housing?

What affordable housing activities are eligible to receive TIF funds?

How much TIF revenue for affordable housing has been generated since 2000?

How many affordable units have been created with TIF revenue since 2010?

## **7. Local Housing Trust Fund**

What are the Housing Trust Fund's revenue sources?

What types of housing projects and activities does the Trust Fund support?

How much money has the Trust Fund collected since 2010?

How much money has the Trust Fund spent since 2010?

How many units of affordable housing have been produced since 2010?

## **8. Tax Exempt Bonds**

Which local entity issues tax exempt bonds?

Was the bond a result of a voter initiative?

What is the duration of the bond measure?

How much financing has been provided through tax exempt bonds since 2010?

How many affordable housing units have been produced with bond financing since 2010?

Is this program geographically targeted?

## **9. Impactful Federal Resources for Affordable Housing (CLT)**

Please indicate the impact on housing preservation or production in your community attributed to:

- American Recovery & Reinvestment Act (ARRA);
- Neighborhood Stabilization (NSP 1; 2 and/or 3) and/or
- Hardest Hit Funds (HHF)
- HOME Investment Partnership Act
- Community Development Block Grant (CDBG) Housing Set-aside for Affordable Rental or Owner

Occupied Housing

How many units of affordable housing have been produced since 2010?

**10. Community Land Trust (CLT)**

How was the CLT formed?

Who administers the CLT?

How does the CLT acquire property?

How many units of affordable housing have been produced since 2010?

Is this program geographically targeted?

**11. Land Bank**

What local entity oversees the land bank? How does the land bank acquire property?

How many parcels has the land bank acquired since 2010?

How many units of affordable housing have been produced through the land bank since 2010?

Is this program geographically targeted?

**12. Multi-Family Housing Tax Exemption or Tax Abatement**

Please describe your program and the impact it has had on affordable housing production.

How many units have been produced since 2010?

Is this tax benefit geographically targeted?

**13. Employer Assisted Housing Programs**

Are there any employer assisted housing programs in your jurisdiction?

Which major public or private employers have implemented such programs?

Did your agency assist in the design or funding of these programs?

How many units have been produced and/or workers housed as a result of these programs?

**14. Other**

Please indicate the impact on housing preservation or production in your community attributed to:

- i. Market production of housing affordable to households earning between 60 and 100% of AMI.

- ii. Transfer of Development Rights - housing preserved or produced by and through local TDR programs.
- iii. Accessory Dwelling Units (laneway housing; mother in law apartments and/or casitas)
- iv. Other?

# Appendix C: Research Bibliography



1. Pollack, Melinda. Enterprise Community Partners and Brian Prater, Low Income Investment Fund. "Filling the Financing Gap for Equitable Transit-Oriented Development". *Published with support from Living Cities*. April 2013.
2. Jakobovics, Andrew, Lynn M. Ross, Molly Simpson, and Michael Spotts. "Bending the Cost Curve Solutions to Expand the Supply of Affordable Rentals". *Urban Land Institute Washington DC*. 2014.
3. "Rental Housing Affordability. America's Rental Housing-Evolving Markets and Needs" *Joint Center for Housing, of Harvard University*. 2013.
4. BAE Urban Economics for the San Diego Housing Commission. "Affordable Housing Best Practices and Funding Study." 2010.
5. Saiz, Albert. "The Geographic Determinants of Housing Supply." *Quarterly Journal of Economics*. January 5, 2010.



# Appendix D: Workforce Housing Forum Notes



## Workforce Housing Forum Notes

February 13, 2014

Seattle City Hall: 600 4<sup>th</sup> Avenue

Purpose: On Thursday, February 13, 2014 the Seattle City Council hosted a workforce housing forum featuring national experts who discussed best practices in affordable housing production in growing urban centers like Seattle. The forum was part of a broader effort led by the City Council to examine housing needs and policies for those making between 60-100% of area median income (AMI) in Seattle.

### EXECUTIVE SUMMARY

Over two hundred members of the public and eleven national experts joined Council members for discussion on: 1) the need and availability of housing for families at 60-80% AMI; 2) performance of existing housing programs; 3) best practices for incentive zoning programs; 4) best practices for other strategies to serve this income level and 5) how Seattle stacks up with peer cities around the country.

#### Key Findings about Seattle, compared to peer jurisdictions

- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, making it the fifth fastest growing city surveyed.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has the fourth highest median household income.
- Seattle has the fourth least number of households earning less than \$50K after San Francisco, San Jose and DC.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is “out of reach” for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.

#### Key Findings about Need and Existing Programs

- The greatest needs are the lowest incomes: households below 60% AMI are most likely to be paying more than 50% of their income in rent and very little market-rate housing exists at levels affordable at this income.
- Many studio and 1 bedroom apartments are affordable at market rates to those making 80-100% AMI.
- Larger 2 and 3 bedroom rental units are not affordable to families below 100% AMI.
- Homeownership is out of reach for those below 100% AMI in Seattle.
- Seattle expects to grow by 70,000 households in the next twenty years and will need 28,000 new affordable units (below 80% AMI) and 43,000 market-rate units to meet future demand.
- \$31.6 million has been generated from the incentive zoning program since 2001 have been invested into a total of 1,570 units of affordable housing. Taking into account other funding sources, the program created approximately 714 affordable units since 2001 that would not have otherwise been created (56 onsite production units, 42 homeownership units and cash in lieu payments equivalent to 616 rental units).

#### New Policy Ideas for Further Study

The following policies and strategies emerged as key ideas for further study and discussion during the forum.

- Land-banking: by purchasing property near future light rail development and in urban villages, Denver and other cities are preserving opportunities for future affordable development. The Puget Sound Regional Council is currently considering a regional TOD fund that could be the first opportunity to realize this program in Seattle.
- Employer-led funding: Regions like Minneapolis and the Silicon Valley have engaged major employers and philanthropic partners to invest in public-private affordable housing trust funds. How could the City engage major employers in our region to make this a reality in Seattle?
- Family size units: while there are many studio and one-bedroom apartments affordable at market-rates, there are few two and three bedroom units being produced. Many participants expressed interest in strategies to produce larger units at all income levels.

### **Key Ideas for Further Study in Incentive Zoning**

These three themes emerged as key questions for further study of the incentive zoning program.

- Income and household type served: consider strategies to create lower-income and family size units through the incentive program.
- Evaluate the incentive: further research is warranted to better understand why more developers are not using the program and to explore options for making the incentive a greater “actual incentive” for developers.
- Expand geography: explore strategies to expand the incentive to more geographic areas in order to produce more units.

**Next Steps:** The consulting teams will continue to develop final reports of their work in April and May. The Council will receive and deliberate on policy recommendations in summer 2014, for formal adoption by Ordinance in spring 2015.

## FORUM NOTES

### 12:00-1:45pm - COUNCIL BRIEFING AND OVERVIEW

#### City of Seattle data:

Ketil Freeman of the City Council's Central Staff presented the following data compiled by the City of Seattle.

- The greatest needs are the lowest incomes: households below 60% AMI are most likely to be paying more than 50% of their income in rent and very little market-rate housing exists at levels affordable at this income.
- Many studio and 1 bedroom apartments are affordable at market rates to those making 80-100% AMI.
- Larger 2 and 3 bedroom rental units are not affordable to families below 100% AMI.
- Homeownership is out of reach for those below 100% AMI in Seattle.
- Seattle expects to grow by 70,000 households in the next twenty years and will need 28,000 new affordable units (below 80% AMI) and 43,000 market-rate units to meet future demand.

#### Seattle Compared to Peer Cities

Kurt Creager of Otak, Inc. in partnership with Paul Peninger presented findings from their draft report benchmarking Seattle against other cities.

#### Key findings:

- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, making it the fifth fastest growing city surveyed.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has the fourth highest median household income.
- Seattle has the fourth least number of households earning less than \$50K after San Francisco, San Jose and DC.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is "out of reach" for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.
- 

#### Suggested solutions:

- Land use and regulatory programs: consider expansion of the SEPA planned action ordinance in transit areas to reduce permitting time and cost and consider refinements to the accessory dwelling unit and multi-family tax exemption programs to increase production of affordable units.
- Financing: There are several creative financing tools that should be further explored including the use of contingent loan agreements and expanding the use of the Section 108 Loan Program.
- Other innovative programs: consider land-banking in transit areas and urban villages to preserve affordable options for future development and explore private sector and major employer investment in a housing trust fund.

## Performance of the Incentive Zoning program

Rick Jacobus from the Cornerstone Partnership presented information on how Seattle's existing incentive zoning program is performing.

### Key Findings:

- \$31.6 million has been generated from the incentive zoning program since 2001 have been invested into a total of 1,570 units of affordable housing.
- Contributions from the incentive zoning program are co-mingled with other local sources. Taking into account these other sources, Cornerstone Partnership estimates the total units created through the program that would not otherwise have been created is: 714 affordable units since 2001 (56 onsite production units, 42 homeownership units and cash in lieu payments equivalent to 616 rental units).

Mr. Jacobus then framed up four key policy questions for the Council to consider as they consider revisions to the program:

- Increasing production: what are the best strategies to maximize production of total units from the incentive zoning program? Could the fee be higher? Are there other incentives that could be offered? Is a more mandatory program possible?
- Targeting benefits: What income level and unit size should be targeted? Should the city focus on rental or home ownership units?
- Onsite vs. off-site performance: should the program more strongly encourage on-site production?
- Changing Markets: how can the program respond to changing market conditions?

## Public Q&A and Discussion.

Questions, answers and discussion with the public followed the presentation. The key themes that arose in discussion are:

- There are many factors for where people choose to live. Some of the "down-renting" or folks living in a unit more affordable than they can in theory afford is because it is all that's available in their neighborhood, or because they are saving for college or paying off debt – the city should be careful about the assumptions we make about what households can afford.
- Preservation of existing affordable housing is important to consider. This includes older units that are currently renting below market rate and TDRs for existing subsidized low income housing to help fund renovations.
- People would like to see more strategies for un-subsidized affordable units. How do we encourage good design for these (often smaller) spaces?
- There is a tension between achieving our density and affordability goals. Mr. Jacobus shared that in other cities he has worked, the density advocates embrace affordability and the two working together often achieves both outcomes.
- Could a more mandatory program place the costs of producing affordable units on the land-owner rather than the developer? If a program is clear and consistent – if every project is under the same rules – the cost is more likely to come out of the land, rather than from the developers. It is hard to calibrate a program to do this exactly, but because the land-owner is who reaps the benefit of an up-zone (rather than the developer), it is something to strive towards.
- How can we turn the IZ program into more of an incentive that factors in the cost and risk of taking advantage of the additional height?

**Panel A: New Strategies for Workforce Housing**

The panel explored innovative ways that other regions are meeting affordable and workforce housing needs. It highlighted public - private partnerships and other new strategies in Minneapolis, Denver and San Jose that are having that are having real impact.

Facilitator: Paul Peninger, Peninger Consulting

Panelists:

- Bena Chang, Silicon Valley Leadership Group
- Aaron Miripol, Denver Urban Land Conservancy
- Thomas Streitz, City of Minneapolis, MN

Bena Chang shared the story of the Silicon Valley Leadership Group, a group of 353 private sector businesses working to build more affordable housing in the Silicon Valley where job growth is rapidly out-pacing housing growth and the average home price is over a million dollars. The partnership has raised \$76 million from public and private sources, which have produced 10,000 new units of affordable housing, advocated for 229 new market-rate housing developments with 65,000 units.

Aaron Miripol shared the story of the Denver Urban Land Conservancy, a non-profit organization established in 2003 to acquire, develop and preserve urban community assets in Metro Denver. The organization has invested \$15 million in a ten-year fund that will preserve and create over 1,000 affordable homes near high frequency transit.

Thomas Streitz shared the Minneapolis experience which has been a diversified strategy of many programs. The programs include an affordable housing trust fund with public and private funding, tax credits and regulatory strategies such as eliminating parking requirements and density bonuses.

**Public Feedback from small group report out**

Participants expressed concerned about:

- Declining support from the State Housing Trust Fund, including less support for workforce projects.
- Income targeting may be missing the 50-60% AMI, which tax credit developers have trouble reaching.
- Seattle may need to set our own strategies around this issue because we are ahead of the curve nationally, but still have a need in our city.
- Be thoughtful about investment in transit locations - funds must be used in a way that we are not creating involuntary displacement.

Ideas to pursue:

- Real Estate Investment Trust or "Land Bank," a NGO/quasi GO that uses a blended approach to secure sites quickly and hold on to sites. PSRC working on TOD work fund. Seattle should engage in this process and also explore their own program.
- Reopen TDR policies to create capital for existing low-income housing that has zoned capacity it is not using.
- Create a carve-out of private activity bond cap.
- Multifamily bridge loans to simplify the lending process: joint underwriting is good and smart and should be pursued.
- Employer assisted funding is an untapped resource. Seattle does not have an

affordability crisis of the same magnitude as the Silicon Valley, but major employers should be approached to determine whether they are interested in engaging.

Market-led strategies to pursue:

- Expand micro-housing and accessory dwelling units, making sure what is built fits into neighborhoods.
- Focus on transit – we can't achieve maximum density without it and it's critical for people getting to work throughout the city.
- The QFC development in Ballard with housing above a grocery store is interesting and worth trying to replicate.
- Changes to regulations that limit town houses and row houses should be explored.
- Consider strategies to incentivize family-size units.

### **Panel B: Best Practices for Incentive Zoning**

The panel featured experts and administrators of incentive zoning policies around the country about how to optimize an incentive zoning program.

Facilitator: Rick Jacobus, Cornerstone Partnership

Panelists:

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

Robert Hickey shared a national perspective of trends in incentive zoning policies. Most programs survived the economic downturn and many are now expanding as cities are increasing zoning capacity with the upturn in the economy.

Robin Kniech talked about the importance of serving the “workforce” AMI level (60-80% AMI) in Denver. These households do not qualify for rent-restricted units, but market rate units are out of reach and it's important to have middle-class in her City.

Brenda Clement shared data about affordable housing production across programs in Massachusetts and Sandy Council shared facts about the City of San Mateo's incentive zoning program.

Marc Babsin shared the perspective of a developer who has both performed on site and paid fees through San Francisco's inclusionary housing ordinance. Decisions are project and neighborhood-specific, but they have been able to make it work in many circumstances.

### **Public Feedback from small group report out:**

- Consider funding a lower AMI level like 50% to better meet the greatest need.
- The city should engage people at 50, 60 and 80% AMI to get their feedback how they would be impacted by these policy changes.
- Some places in the city (Rainier Beach was mentioned) currently do not have development happening – consider a program of that does not place barriers to development in these neighborhoods.
- The in lieu fee appears to be working well – don't remove this option.
- Many projects have not utilized the fee – the city should further research why this is

- and options to lower the cost should be considered to increase participation.
- Consider geographic expansion – some neighborhoods would agree to an upzone if it meant more affordable housing.
- Develop a program with options and flexibility to increase the probability that the program will be used.

---

### **6:00-8:00pm PUBLIC FEEDBACK SESSION**

Approximately 75 people gathered in the evening for a public feedback session. After a short panel presentation by our panelists, small groups convened around six topics. Key themes that emerged from each are below.

#### **Creative Financing Strategies for Workforce Housing** (e.g. housing trust funds, acquisition funds)

This group wanted to see truly mixed income projects being produced and identified the issue of creating resilience through both growth and down markets.

- Consider expanded use of MFTE, but want to see a bright line between when a property tax exemption is really needed and not.
- Quasi-governmental organizations (e.g. public-private housing trust funds) have promise, but it can be complicated to co-mingle public and private funds.

#### **Market Led Strategies for Workforce Housing** (e.g. second units, micro units, pre-fabricated housing)

- More flexibility in the code would result in more housing. Ideas include: eliminate parking requirements, expand ADUs and increase the limits on the number of occupants in housing, expand micro-housing.
- Consider strategies for bank-owned vacant homes and the use of eminent domain.
- Consider strategies that result in more landlords accepting Section 8 vouchers and consider what to do about substandard housing.
- Coordinate housing and transit in city planning.

#### **Other ideas for Workforce Housing** (community land trusts, land bank, tax abatements, employer assisted)

- Expand community land trust programs (note: Homestead Community Land Trust currently has 170 properties).
- Develop an employer-led fund for Seattle focused on the specific needs of local employers. Seek a foundation or non-profit to convene and house the funds, rather than government.

#### **Increasing overall production of the Incentive Zoning program**

This group identified the following strategies to increase production overall:

- Increase geography where IZ program applies;
- Revise fees;
- Make program mandatory below the base;
- Increase the percent of affordable units required.

Questions for further research:

- Could developers participating in IZ also access MFTE?
- Would expedited permitting help offset the costs of participation in the program?
- Why there has not been full participation in the IZ program?
- Where does income affordable to moderate income households currently exist?

### **Targeting the benefits of the Incentive Zoning program and balancing onsite vs offsite production**

This group recognized that higher income folks have choice and lower income people do not; that the City needs to work on housing issues in a regional context and that incentive zoning is a tool to help stem displacement of renters during new or re-development. Three changes to consider:

- Target on-site production to 50-60% AMI;
- Use fees to target lower income renters;
- Consider support for larger units.

Questions for further research:

- What are the cost-implications of targeting lower incomes for on-site performance?
- How does a patchwork program impact where development happens?
- How does the incentive zoning program fit with others in the region?
- What would be the impact on number of units produced if there was an option to buy down units to lower affordability?
- How do we best balance preservation of neighborhood character with affordability, growth and incentive zoning?



