

**CITY OF SEATTLE**

**RESOLUTION \_\_\_\_\_**

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

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

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

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

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20 WHEREAS, employment and residential growth has led to increased housing costs, including, as  
21 reported by the *Seattle Times*, the largest rent increases in the country for the period  
22 2010-2013; and

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

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

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

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

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

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

7 WHEREAS, based on the economic analysis and review of the existing program Cornerstone  
8 Partnership recommended that the City consider establishing a linkage fee program; and

9 WHEREAS, based on that recommendation, the Council commissioned a nexus analysis by  
10 David Rosen & Associates that 1) establishes the causal relationship between new  
11 commercial and residential development and the demand for affordable housing and 2)  
quantifies the capital subsidy, on a per-square-foot basis, needed to make housing  
affordable to new lower income households; and

12 WHEREAS, this per-square-foot subsidy represents the supportable linkage fee to mitigate the  
13 impact of new development on the demand for housing affordable to new lower income  
households; and

14 WHEREAS, a linkage fee to mitigate the impact of demand for new housing affordable to lower  
15 income households should be scaled to market conditions; NOW, THEREFORE

16 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**  
17 **MAYOR CONCURRING, THAT:**

18 Section 1. Intent to Implement an Affordable Housing Linkage Fee Program. The City  
19 intends to implement an Affordable Housing Linkage Fee Program (Program) to mitigate the  
20 demand for low and moderate income housing caused by new commercial and new market rate  
21 multifamily residential development.

22 Section 2. Program Parameters. The Council requests that the Department of Planning  
23 and Development (DPD) and the Office of Housing (OH) develop, in cooperation with the  
24 Council, a proposed council bill to implement the Program, subject to the following parameters.  
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1 a. Geography. The Program should apply to those areas where future development  
 2 is most likely to occur, including most new multifamily residential and  
 3 commercial development in multifamily, commercial, and downtown zones, as  
 4 generally depicted on Exhibit A.

5 b. Affordable Housing Linkage Fees. Fees should vary based on market conditions.  
 6 Fees should be no lower than those set out in the table below for commercial and  
 7 residential land use categories.

	Commercial Uses	Residential Uses
Higher Cost Areas	\$16 / net square foot of new building area(NSF)	\$16 / NSF
Medium Cost Areas	\$10 / NSF	\$10 / NSF
Lower Cost Areas	\$5 / NSF	\$5 / NSF

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 13 c. Performance. For commercial and residential development, the Program should  
 14 provide the option of onsite or nearby performance equivalent to approximately  
 15 three percent of units in a development. Where performance is an option,  
 16 affordability levels for studios and one bedrooms should be lower than  
 17 affordability levels for other units.

18 d. Use of Revenue. OH should develop policies for approval by the Council for use  
 19 of Program revenue. Those policies should reflect the findings of the nexus  
 20 studies, which quantify impact by income category. Among other things, policies  
 21 should establish:

- 22 1. A specific amount of Program revenue, determined by the nexus studies,  
 23 to be expended on units for households earning between 60% and 80% of  
 24 Area Median Income (AMI);
- 25 2. Where projects funded by Program revenue can be located;

3. Guidelines for expenditure of Program revenue on family-sized units.
4. How Program revenue may be used for homeownership units; and
5. Limitations on how Program revenue can be used in conjunction with other subsidy sources, with consideration given to use of Program revenue in conjunction with tax exemptions for multifamily development authorized by Revised Code of Washington Chapter 84.14 and four percent low income housing tax credits authorized by Section 42 of the Internal Revenue Code.

e. Program Phase-in. To allow real estate markets to adjust to the Program, fees should be phased in according to the schedule below. The current Affordable Housing Incentive Program should be maintained for the duration of the phase in period. While both programs operate, the higher applicable fee should apply.

	Commercial Uses	Residential Uses
Phase 1 – October 1, 2015 to September 30, 2016		
Higher Cost Areas	\$5.25 / net square foot (NSF)	\$5.25 / NSF
Medium Cost Areas	\$3.25 / NSF	\$3.25 / NSF
Lower Cost Areas	\$1.50 / NSF	\$1.50 / NSF
Phase 2 – October 1, 2016 to September 30, 2017		
Higher Cost Areas	\$10.75 / NSF	\$10.75 / NSF
Medium Cost Areas	\$6.75 / NSF	\$6.75 / NSF
Lower Cost Areas	\$3.25 / NSF	\$3.25 / NSF
Phase 3 – October 1, 2017 – October 1, 2018		
Higher Cost Areas	\$16 / NSF	\$16 / NSF
Medium Cost Areas	\$10 / NSF	\$10 / NSF

1	Lower Cost Areas	\$5 / NSF	\$5 / NSF
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3 Section 3. Schedule for Implementation. To allow for the Program to be effective by the  
4 end of the third quarter of 2015, the Council requests that DPD and OH adhere to the following  
5 schedule for delivery of legislation to Council:

- 6 a. May 1, 2015 – publication of a public review draft of implementing Legislation  
7 and  
8 b. June 1, 2015 – submission of proposed legislation to the Council.

9 Adopted by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2014, and  
10 signed by me in open session in authentication of its adoption this \_\_\_\_\_ day  
11 of \_\_\_\_\_, 2014.

12 \_\_\_\_\_  
13 President \_\_\_\_\_ of the City Council

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15 THE MAYOR CONCURRING:

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17 \_\_\_\_\_  
18 Edward B. Murray, Mayor

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20 Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2014.

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22 \_\_\_\_\_  
23 Monica Martinez Simmons, City Clerk

24 (Seal)

25 Exhibit A: Generalized Geography of Program Area

Exhibit A: Generalized Geography of Program Area

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