Director's Report

Mandatory Housing Affordability for Residential Development ("MHA-R") Legislation

May 2016

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Summary of MHA-Residential ("MHA-R") Framework Legislation

This Council Bill provides a framework for requiring affordable housing when residential units, including live/work units and congregate residence sleeping rooms, are developed (referred to as Mandatory Housing Affordability in residential development, or MHA-R). This framework is contained in a new Chapter 23.58C of the Seattle Municipal Code. MHA-R will take effect as changes to development standards (e.g. height, FAR, floor plate size) that increase residential development capacity are adopted. Those changes can be made through amendments to land use code, land use map amendments, or contract rezones. The purpose of MHA-R is to help address the need for affordable housing for all income levels as Seattle continues to grow. In zones where residential development capacity is increased through a separate legislative action or contract rezone, residential developers will be required to provide for affordable housing by either including it in their development ("performance option") or paying into to a fund used to support the development of affordable housing in Seattle ("payment option"). This Council Bill by itself does not implement MHA-R in any zone or area, but instead creates the basic framework for MHA-R to be implemented through follow-up zoning legislation in 2016 and 2017.

Introduction to the Housing Affordability and Livability Agenda (HALA)

The Agenda

The Housing Affordability and Livability Agenda (HALA) Advisory Committee was created in September 2014 in response to Seattle City Council Resolution 31546. In July 2015, the 28-member Advisory Committee forwarded a report to Mayor Murray and City Council with 65 recommendations focused on increasing housing supply, strategically preserving housing, providing protections for tenants and low-income homeowners, streamlining systems and implementing other reforms to reduce housing costs, leveraging resources for production and preservation of affordable housing, and mandating provision for affordable housing through payment or performance in nearly every commercial and multifamily development when an associated upzone is adopted.

This Council Bill responds in part to a key recommendation by the HALA Advisory Committee to "boost market-rate development capacity by extensive citywide upzoning of residential and commercial zones" tied to mandatory affordable housing requirements for commercial and residential development *(Seattle Housing Affordability and Livability Agenda (HALA), Final Advisory Committee Recommendations to Mayor Edward B. Murray and the Seattle City Council, July 13, 2015, p. 15).* Mandatory inclusionary housing (what is referred to as MHA-R) is just one of the 65 strategies delivered by the HALA Advisory Committee in July 2015. A framework for an affordable housing mitigation program for commercial development (referred to as Mandatory Housing Affordability-Commercial or MHA-C) was enacted with adoption of Ordinance 124895 in November 2015. MHA is one of several innovative affordable housing strategies proposed by the HALA Advisory Committee that the City of Seattle is pursuing.

The Grand Bargain

The HALA recommendation to increase development capacity and require mandatory housing affordability was further developed by the *Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee, July 13, 2015 (*commonly referred to as the "*Grand Bargain*"*)*, signed by Mayor Murray, Councilmember O'Brien, the Co-Chairs of the HALA Advisory Committee, and six representatives of the for-profit and non-profit development sectors. This smaller working group negotiated the framework principles upon which MHA is based. The goal was to come to an agreement on a practical and realistic development-driven approach to addressing affordable housing needs. Prior to final agreement, the *Grand Bargain* was presented to the full HALA Advisory Committee for their approval.

The *Grand Bargain* outlines in greater detail the intent of HALA recommendations on mandatory affordable housing requirements for development. The document is a negotiated agreement aimed at balancing many goals and principles that the HALA Advisory Committee discussed, including the critical need for affordable housing generally, the importance of additional housing supply in limiting future increases in housing cost, integration with existing voluntary incentive zoning, Seattle's Comprehensive Plan goals and growth management objectives, and implementation issues.

The *Grand Bargain* identifies a combined MHA-R and MHA-C production goal of 6,000 net new units of affordable housing for households with incomes equal to or less than 60% of area median income (AMI) by 2025. Any existing rent- and income-restricted units of affordable housing that are demolished to make way for development to which MHA is applicable will be subtracted when reporting on progress toward the production goal. The 6,000 units are part of Mayor Murray's goal of producing 20,000 net new units of rent/income-restricted affordable housing, which he announced in the course of the HALA process. The *Grand Bargain* calls on all parties to consider alternative strategies and options in the event affordable housing levels are expected to fall below 6,000 units.

The *Grand Bargain* meets multiple goals outlined in the HALA report by requiring affordable housing associated with increased residential and commercial development capacity. As noted above, MHA-R will only be applicable in zones where residential development capacity has increased. Downtown and South Lake Union are the first areas planned for implementation of MHA-R. Zoning legislation for those areas will provide this development capacity through changes to height or FAR limits or maximum floor plate sizes, and will also outline specific circumstances in which dimensional development standards may be modified to enable that increased development capacity to be used.

Background

Affordable Housing Need

The population of the Puget Sound region is expected to exceed 5 million by 2040. King County Countywide Planning Policies (CPPs), adopted to comply with the State Growth Management Act (GMA) provide 20 year growth targets for all local governments in King County. Seattle is expected to accommodate residential growth for 70,000 households and employment growth for 115,000 jobs. The goals of the GMA include ensuring affordable housing for all economic segments of the community, reducing sprawl, protecting our agricultural and natural lands, and directing growth to areas that already have urban services. King County's Countywide Planning Policies (CPPs) provide that jurisdictions may consider a full range of programs, from optional to mandatory, to assist in meeting the jurisdiction's share of the countywide need for affordable housing.

GMA requires each local jurisdiction to include an inventory and analysis of existing and projected housing needs in its Comprehensive Plan. The CPP's, as ratified by the King County Council, provide additional direction and guidance for the inventory and analysis of local housing supply and housing needs. In accordance with State law and regional housing policy, Seattle's Comprehensive Plan includes a housing element outlining policies that provide for the existing and projected housing needs of all economic segments of the community. The Seattle 2035 Comprehensive Plan, which City Council will vote on in 2016, will include an updated Housing Appendix with this information.

The analysis will provide data on Seattle renter households in one of three categories: 0 to 30% of AMI, 30 to 50% of AMI, and 50 to 80% of AMI. Roughly one-third of units with rents affordable for households with incomes 0 to 80% of AMI are actually rented by households with higher incomes. That leaves a shortage of rental units for the households with incomes of no more than 80% of AMI. Ignoring occupancy of rental units affordable for households with incomes 50 to 80% of AMI, there is sufficient supply to house households with incomes in that range. However, due to the fact that a significant amount of that supply is serving households with incomes greater than 80% of AMI, Seattle is experiencing an effective shortage of 50-80% of AMI rental units. That is not the case for units with rents affordable for households with incomes in the two lowest income categories, where the shortages far exceed those caused by higher income households occupying a portion of that supply of affordable housing. For instance, households with incomes of 0 to 30% of AMI outnumber affordable and available rental units by at least 23,500 households.

If Seattle relies on low cost housing that is not rent/income-restricted to address housing needs, the city will need substantially more of those units to meet its affordable housing needs. Rent/income-restricted housing plays a critical role in ensuring that low cost housing actually serves lower-income households.

In addition to existing affordable housing shortages, projected growth through 2035 will generate significant affordable housing needs. That need is estimated to total 27,500 to 36,500 additional units of affordable housing for households with incomes at or below 80% of AMI. This includes 10,500 units of rent/income-restricted housing for extremely low-income households (those with incomes no higher than 30% of AMI).

The City's funding programs and regulatory strategies will continue to prioritize affordable housing for extremely low- and very low-income households (those with incomes no higher than 60% of AMI). These households have the greatest housing need by far, and are least served by the private market. By comparison, households with incomes between 60 to 80% of AMI are at least partially served by the private market.

Seattle rents, on average, are not affordable to households at the 30%, 60%, and in most cases 80% of AMI levels, and the gap is even greater for apartments in newer buildings. Average rents range from 79% of AMI to 115% of AMI in affordability, depending on presumed household size for the type of unit. Average rents for newly constructed units range in affordability from 90% of AMI for studios to 148% of AMI for large family sized apartments. Table 1 estimates the affordability of average apartment rents in 20-plus unit buildings located in Seattle as a percent of area median income, adjusted for household size, as published for the Seattle-Bellevue U.S. Department of Housing and Urban Development (HUD) Metro Fair Market Rent Area: [1]

Table 1: Affordability of Seattle Average Rents

		All Units		Constructed 2011-2016	
Unit Size (BR/B)	**Average HH Size**	**Average Rent Citywide**	**Citywide - HUD AMI**	**Average Rent Citywide**	**Citywide - HUD AMI**
0/1	1	$1,251	79%	$1,417	90%
1/1	1.5	$1,554	92%	$1,854	109%
2/1	3	$1,774	87%	$2,168	107%
2/2	3	$2,328	115%	$2,813	138%
3/2	4.5	$2,533	108%	$3,486	148%

Sources: Dupre+Scott Apartment Advisors, *Apartment Vacancy Report*, units within 20+ unit complexes in city of Seattle, for all units surveyed and for those constructed 2011-2016, Spring 2016; Percent of area median income is based on U.S. Department of Housing & Urban Development (HUD) Program Income Limits, Seattle-Bellevue, WA HMFA, FY2016.

According to the U.S. Department of Housing and Urban Development's (HUD) widely used indicator of housing affordability, households are considered to be cost burdened if they spend more than 30% of household income on housing costs. There are two degrees of housing cost burden: moderate when spending greater than 30% but equal to or less than 50% of household income on housing costs, and severe when spending greater than 50% of household income on housing costs. Approximately 38% of all households in Seattle, or roughly 105,000 households, are cost burdened at either a moderate or a severe level. Renter households are more likely than owner households to be burdened by housing costs they cannot afford. An estimated 42% of Seattle's renter households are cost burdened. This is primarily due to the higher prevalence of severely cost burdened renter households. More than 75% of renter households with incomes at or below 50% of AMI are cost burdened and more than 60% of renter households with incomes at or below 30% of AMI are severely cost burdened (i.e. spend more than half their income on housing).

Seattle's households of color are disproportionately likely to have incomes at or below 30% of AMI or 50% of AMI. Unaffordable housing cost burdens fall disproportionately on households of color. This is true for both owners and renters. About 22% of all households of color are severely cost burdened,

[1] HUD income and rent limits are published for each region in every state in the U.S. and are the standard index for compliance with affordable housing incentive and subsidy programs at the state and local level. The HUD Seattle-Bellevue HMFA is the King and Snohomish county region.

compared to roughly 15% of White, non-Hispanic households. It is against this backdrop that mandatory housing affordability for residential development is being proposed.

Washington State Affordable Housing Incentives Programs (RCW 36.70A.540)

In 2006, the Washington State legislature adopted the Affordable Housing Incentives Program Act (RCW 36.70A.540), which authorizes and encourages cities to enact or expand affordable housing incentive programs through development regulations or conditions on rezoning or permit decisions, or both. The act calls on counties and cities to encourage the availability of affordable housing.

RCW 36.70A.540 authorizes both voluntary and mandatory incentive programs. The statute allows a local jurisdiction that provides increased residential development capacity, and meets certain other requirements, to establish a minimum amount of affordable housing that must be provided by all residential developments built under revised regulations. The minimum amount may be a percentage of the units or floor area in the development or of the development capacity of the site under the revised regulations. Seattle's proposed program would increase development capacity by measures such as changes to development standards (e.g. increases in allowed height, floor area ratios, or floor plate size limits).

A payment in lieu of providing units of affordable housing is allowed when the jurisdiction determines that the payment achieves a result equal to or better than providing the unit of affordable housing on-site. The payment must not exceed the approximate cost of developing the same number and quality of units of affordable housing that would otherwise be developed on-site. The funds must be used to support the development of low-income housing and may be provided in the form of loans or grants to public or private owners or developers of low-income housing.

The rent and income limit for rental housing provided through an incentive program authorized by RCW 36.70A.540 is "fifty percent of the county median family income." Local jurisdictions may establish lower or higher rent/income limits based on findings that such limits are needed to address local housing need. Seattle has found that housing rental provided through MHA requires a slightly higher limit of 60% of AMI to address local housing market conditions. Income and affordability limits for households shall not exceed 80% of AMI for owner-occupied housing, consistent with the state statute.

Units of affordable housing provided according to an incentive program authorized by RCW 36.70A.540 must be comparable to units available to other residents in the building. The local jurisdiction must evaluate comparability in terms of size of unit (e.g. gross floor area), number of bedrooms, and functionality. Units of affordable housing also must be generally distributed throughout the development. In other words, they may not be clustered on one or two sides of the building, or on lower floors of the building.

National and Local Inclusionary Housing Context

Inclusionary housing refers broadly to a set of policies that tie the creation of affordable homes for people with low- and moderate incomes to the construction of market rate development. According to a 2014 Lincoln Institute Study, nearly 500 local jurisdictions and 27 states have adopted inclusionary housing policies nationwide. These policies have evolved over several decades, with the oldest program (Montgomery County, Maryland) dating back to 1974, and the largest number of programs operating in California and New Jersey. Programs vary widely in their application, including by the level of affordability required, the length of affordability terms, whether in lieu payment options are offered, and whether cost offsets are offered, such as parking reductions or height bonuses. The vast majority (83%) of programs are now mandatory, and most set-asides range between 10-20% of total units. The Lincoln Institute concluded that there are three main features shared by programs with the greatest impact:

- Programs are mandatory;
- Programs are located in areas with strong housing markets; and
- Programs benefit from political will to "support affordable housing and build acceptance in the development community that providing affordable housing is part of 'the cost of doing business'."[2]

Researchers have also studied best practices in the administration of inclusionary housing/zoning programs. A 2007 study issued by PolicyLink concluded that ongoing administration and oversight are critical to effectively producing and preserving affordable housing opportunities. The study outlined many of the common tasks involved in administration of inclusionary programs, including: (1) oversight of the design, placement, and timing of affordable units; (2) approval of affordable rents and sale/resale prices; (3) implementation of marketing standards to ensure fair access to housing; and (4) unique tasks related to oversight of affordable ownership units, such as homebuyer education/screening, refinancing approvals, enforcement of leasing prohibitions, and more. In general, the study concluded that rental housing generally requires less intensive administration compared to homeownership housing. The study also stressed the importance of planning for program revenue to support staffing, without which programs must ultimately rely on local general funds or other scarce affordable housing funds.[3]

Inclusionary housing/zoning programs continue to evolve and expand to other jurisdictions. Most recently, the state of Oregon lifted a 17-year ban on inclusionary zoning, enabling cities and counties to mandate, in multifamily projects of 20 units or more, up to 20% of units to be affordable to households with incomes no higher than 80% of AMI. In San Francisco, the board of supervisors approved a measure that will go to voters in June 2016 that would double the city's affordable housing requirements to 25% of total units. A handful of other major cities have also recently adopted major reform or expansion of their programs, as described below:

Boston

- Divided the city into three development zones to tailor requirements to different market areas
- Increased payment amounts in medium and high market areas of the City

[2] Robert Hickey, Lisa Sturtevant, and Emily Thaden, "Achieving Lasting Affordability through Inclusionary Housing" (Lincoln Institute of Land Policy, 2014)

[3] Jacobus, Rick. "Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring" (PolicyLink, 2007)

- Increased performance requirement for developers providing affordable units off-site, and limited eligible off-site areas to within ½ mile of the development

Chicago

- Adjusted payment amount from a flat $100,000 to 3 tiers ranging from $50,000 to $175,000 per unit
- Required a quarter of units to be provided on-site (with some exceptions)

New York

- Made participation mandatory as areas are rezoned
- Deepened affordability levels and increased set-aside amounts
- Made affordability requirements permanent
- Increased performance requirement for developments that provide affordable units off-site

Locally, many other cities in Washington State have established programs under RCW 36.70A.540. These programs also continue to evolve as cities implement zoning changes to new areas, or as other cities adopt inclusionary policies. Program staff report a general trend of cities prioritizing affordability for households with incomes lower than 80% of AMI, based on their assessment of where the greatest need lies in their cities, and to allow for distinct affordability levels between rental and homeownership projects.

The following tables contain an overview of other cities' programs nationwide, as well as locally in Washington State.

Table 2: Inclusionary Housing/Zoning Programs (National Cities)

	New York (amended March 2016)	Chicago (amended March 2015)	Boston (amended Dec. 2015)	San Francisco	Denver	District of Columbia
Year Adopted	1987	2003	2000	2002	2008	2007
Applicability	Mandatory in areas that are rezoned	Mandatory in 10+ unit projects with zoning change, City land or financial assistance	Mandatory in 10+ unit projects that require zoning relief	Mandatory for 10+ unit projects	Mandatory for 30+ unit projects	Mandatory in 10+ unit projects
Set-Aside Amount	Units may be set-aside at a range to average out to the required AMI, with cap of 130-135% AMI for all units. Option 1: 25% at 60% AMI (minimum 10% at 40% AMI) Option 2: 30% at 80% AMI Deep Affordability Option: 20% at 40% AMI Workforce Option: 30% at 115% AMI (minimum 5% at 70% AMI, 5% at 90% AMI)	10% of units, 20% if City financial assistance provided 2.5% must be provided on-site	Zones A & B: 15% on-site 18% off-site	12% of on-site units 20% of off-site units	10% of units	Greater of 8-10% of residential floor area or 50-75% of bonus area, depending on construction type
Rental Limit		60% AMI, or half at 50% AMI, half at 60% AMI if City financial assistance provided	70% AMI	55% AMI	65% AMI, or 80% AMI in high cost areas	50% AMI, 80% AMI or a mix, varying by zone
Homeownership Limit		100% AMI If City financial assistance provided, half at 80% AMI, half at 100% AMI	Half at 80% AMI, half at 100% AMI	90% AMI	80% AMI	
Duration of Affordability	Permanent	30 years	30 years, with right to renew for 20 years	Permanent	15 years	Permanent
In lieu Payment Option	Only some projects eligible, based on the cost of providing the affordable housing in the same Community District.	Per unit: $50,000 (low-moderate areas) $125,000 (high areas) $175,000(downtown) Plus $5,000 per unit if off-site units	$200,000 (Zone C) $300,000 (Zone B) $380,000 (Zone A)	Per unit: $198,008 (studio) $268,960 (1BR) $366,369 (2BR) $366,369 (3BR) $521,431 (4BR)	Up to Director discretion	None
Cost Offset	Zoning bonuses	Zoning change	Zoning relief, City financing	Density bonus	$5,500 per unit, option of 10% density bonus, 20% parking reduction, or expedited review	Bonus floor area, height, lot area occupancy

Table 3: Inclusionary Housing/Zoning Programs (Local Cities)

	Shoreline	**Redmond**	**Bellevue**	**Kirkland**	**Newcastle**	**Sammamish**
Year Adopted	2000	1994	1991	2004	2008	2010
Applicability	Voluntary in 35’ zone, mandatory in 45’ and 70’ zones (adopted in transit areas)	Mandatory in 10+ unit projects in most areas, including single-family areas	Voluntary in certain multi-family areas	Mandatory in 4+ unit projects, in multi-family zones	Mandatory in central business district; voluntary elsewhere.	Mandatory in town center.
Set-Aside Amount	All units above base development limits	Generally, 10% of units	Bel-Red: 1 sf affordable per 4.6 sf bonus rental, and 1 sf affordable per 7.2 sf bonus ownership, in “Tier 1a”—FAR 1.0 to 1.5 (or 2.25, depending on zone). Elsewhere: One bonus market-rate unit for each affordable unit up to 15% of maximum density	Generally, 10% of units	10% of units	10% of units up to base development limit; one affordable unit for every two above base development limit
Rental Limit	50-70% AMI in 70’+ zone, 60-80% AMI in other zones; varies by unit type	80% AMI (option: 1 50% AMI unit counts for 2 @ 80% AMI)	80% AMI	50% AMI (optional sliding scale; pioneer provisions in Totem Lake area)	70% AMI	80% AMI (optional sliding scale)
Homeowner-ship Limit	80% AMI	80% AMI	100% AMI	80-100% AMI, depending on zone	80% AMI	80% AMI (optional sliding scale)
Duration of Affordability	Minimum of 99 years unless Director permits fewer, but no fewer than 30 years	Rental: permanent for life of the development For-sale: 50 years	Permanent	Rental: permanent For-sale: 50 years	Rental: permanent For-sale: 50 years	50 years
In lieu Payment Option	At City discretion	At City discretion	Bel-Red: $18/gross sf. Elsewhere: no payment option.	At City discretion; based on difference between price of an affordable unit and cost to build one at that site (incl land).	At City discretion	None mentioned
Cost Offset	Bonus floor area above height and/or density limits; multifamily property tax exemption; permit fee reduction	Density bonus of one market rate unit per affordable unit	Height bonus, increased lot coverage, increased “compact” parking stalls, reduced minimum lot area, reduced open space requirement	Bonus units, height, development capacity, multifamily property tax exemption	Bonus floor area	Increased development capacity; bonus floor area with extra affordable units beyond requirement.

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Incentive Zoning in Seattle

In Seattle, developers currently are able to achieve residential or commercial floor area above base development limits through incentive zoning. Chapter 23.58A and Chapter 23.49 of the Land Use Code, depending on the location of the development seeking extra floor area above the base height or floor area ratio, provide the regulatory framework for incentive zoning. The Office of Housing and Seattle Department of Construction and Inspections coordinate the review process for developments in zones where incentive zoning is available. Affordable housing is provided either through a payment or performance option. Seattle's incentive zoning provisions offer both options in highrise zones (those with height limits greater than 85 feet). In Midrise and other zones with height limits of 85 feet or less, developers are required to provide affordable housing on-site.

Incentive zoning in Seattle dates back to the 1970s, but it became central to the way development is done in Downtown's highest intensity zones with the adoption of the 1985 Downtown Plan and related zoning changes. Affordable housing and landmark preservation were the two key priorities for Seattle's incentive zoning framework at that time. Priorities shifted over the next decade to addressing capital needs of major performing arts facilities and theaters. In 2001, recognizing the limitations of what can be accomplished through incentive zoning, City Council adopted Downtown code changes that reasserted a focus on affordable housing.

Since that time, cash contributions totaling more than $87 million (not including $7.5 million deferred until certificate of occupancy) have been made by developers for affordable housing development. All cash contributions made to date have been committed for development of affordable rental housing in strategic locations for rental units, plus homes for ownership by low-income households. Another 128 units of affordable housing have been built in 25 multifamily developments totaling 2,162 units through the performance option.

In most zones with incentive zoning, cash contribution amounts currently are $25.72 per square foot of extra nonresidential floor area and $22.35 per square foot of extra residential floor area above base development limits. The cash contribution amount in multifamily highrise zones (First Hill) is the same as when Seattle's residential bonus program was initially adopted in 2006: $15.15 per square foot of extra residential floor area. Developers using the performance option provide affordable housing with net unit area totaling 15.6% of extra nonresidential floor area or 14.0% of extra residential floor area. Currently affordable housing provided using the performance option averages roughly 6% of total units for each development.

Seattle Comprehensive Plan

Per RCW 36.70A.540, local jurisdictions should start by identifying gaps in terms of need, as identified in the Housing Element of the jurisdiction's Comprehensive Plan, when designing incentives for affordable housing. Those gaps are summarized in the Affordable Housing Need subsection above and are more fully described in the Housing Appendix of the Mayor's recommended update to the Comprehensive Plan, also referred to as Seattle 2035.

MHA is consistent with a number of current Comprehensive Plan goals and policies:

- H8 Consider using programs that require or encourage public agencies, private property owners and developers to build housing that helps to fulfill City policy objectives;
- H8.5 Encourage a shared responsibility among the private and public sectors for addressing affordable housing needs;
- HG4 Achieve a mix of housing types that are attractive and affordable to a diversity of ages, incomes, household types, household sizes, and cultural backgrounds;
- HG11.5 Implement strategies and programs to help ensure a range of housing opportunities affordable to those who work in Seattle;
- HG13 Provide new low-income housing through market-rate housing production and assisted housing programs;
- HG15 Disperse housing opportunities for low-income households throughout the city and throughout King County to support inclusion and opportunity;
- H29.4 Consider requiring that new development provide housing affordable to low-income households. Consider adopting such an approach either with or without rezones or changes in development standards that increase development capacity.
- H30 Consider using incentive programs to encourage the production and preservation of low-income housing.
- H41 Encourage and support the development of affordable housing for low-income households in all parts of the city, including areas of high land cost where greater subsidies may be needed;
- H47 Strive to leverage federal, state, and private resources with local public funds, where these resources help achieve the goals of Seattle's Comprehensive Plan.

Since 2013, the City has been working with the public to update the Comprehensive Plan to guide future growth and decisions in a manner that reflects the City's core values and enhances the quality of life for all. The draft Comprehensive Plan (Seattle 2035) has provided an opportunity to discuss the pros and cons of this guidance and determine whether recommended goals and policies make sense for Seattle over the coming 20 years. Over the last year, people have suggested big changes in some directions of planning for our city.

The following are selected draft goals and policies from the Mayor's recommended Seattle 2035 plan. These goals and policies provide direction for the City to implement measures like the proposed MHA-R framework. Council briefings and at least two public hearings will be held before Council votes on Seattle 2035 Comprehensive Plan legislation, which is tentatively scheduled for the fall of 2016.

- HG3 Achieve a mix of housing types that provide opportunity and choice throughout Seattle for people of various ages, races, ethnicities, and cultural backgrounds and household sizes, types, and incomes.
- HG5 Make it possible for households of all income levels to live affordably in Seattle and reduce over time the unmet housing needs of lower income households in Seattle.

- H5.1 Pursue public and private funding sources for housing preservation and production to provide housing opportunities for lower-wage workers, people with special needs, and those who are homeless or at risk of becoming homeless.
- H5.3 Promote affordable housing for lower income households as a way to help increase access to education, employment, and social opportunities, support creation of a more inclusive city, and reduce displacement from Seattle neighborhoods or from the city as a whole.
- H5.6 Increase housing choice and opportunity for extremely low- and very low-income households in part by funding rent/income-restricted housing throughout Seattle, especially in areas where it is less available and that include high frequency transit and other amenities, even if greater subsidies may be needed.
- H5.9 Address the needs of marginalized populations and other communities vulnerable to displacement through policies and funding decisions related to rent/income-restricted housing.
- H5.14 Support preservation and production of rent/income-restricted housing as part of any comprehensive revitalization or anti-displacement strategy, provided it is responsive to the needs of marginalized populations.
- H5.15 Seek to reduce cost burdens among Seattle residents, especially lower income households and households of color.
- H5.17 Encourage a shared responsibility between the private and public sectors for addressing affordable housing needs.
- H5.18 Consider implementing a broad array of affordable housing strategies in connection with new development, including but not limited to development regulations, inclusionary zoning, incentives, property tax exemptions, and permit fee reductions.
- H5.20 Consider implementing programs that require affordable housing with new development, with or without rezones or changes to development standards that increase development capacity.
- H5.22 Implement strategies and programs to help ensure a range of housing opportunities affordable for Seattle's workforce.

MHA-R Framework Description

Applicability

In any location where the zoning regulations for a site or the terms of a contract rezone make specific reference to the proposed Chapter 23.58C, MHA-R requirements will potentially apply. In those places, MHA-R will be applicable to any development that adds one or more dwelling units (except accessory dwelling units and detached accessory dwelling units), live-work units, or sleeping rooms in a congregate residence. "Dwelling unit" is the Seattle Land Use Code term for a complete self-contained residence. While congregate residence sleeping rooms and live-work units are not dwelling units as defined the Seattle's Land Use Code, the proposed MHA-R legislation treats them the same as residential dwelling units for the purpose of applying the mandatory housing affordability requirements. The program applies to developments that include new units, whether such development occurs through one or more of the following: construction of a new structure; construction of an addition to an existing structure that increases the total number of units; an alteration to an existing structure that increases the total number of units; or a change of use to residential or live-work that results in an increase in the total number of units.

In areas subject to MHA-R, if development of a mixed-use building contains both commercial and residential uses, MHA-R requirements would be applied to the residential portion of the development and MHA-C requirements – if applicable – would apply to the commercial portion of the development. The intent is for MHA-R to be applicable in all areas where residential development capacity is increased. When zoning changes are made to increase development capacity, a reference to Chapter 23.58C will also be added to the provisions of the zone. (See page 23 for discussion of MHA-R implementation.) At that time, Chapter 23.58C will be amended to specify the affordable housing requirements for the zone, calculated using the payment option calculated using a dollar amount per square foot of gross floor area in residential and/or live-work use or using the performance option calculated based on a percentage of total units.

Permit Requirements

In all multifamily and commercial zones where MHA-R is applicable, with limited exceptions, a developer electing to seek approval of a permit for a residential or live-work development will be required to provide for affordable housing. The applicant would have the option to do this through either the payment option or the performance option. All requirements will be part of the plans, ultimately to be approved via the building permit, for any structure developed to which MHA-R is applicable.

For any development to which MHA-R applies, the Master Use Permit (MUP) application and the first building permit application that includes the structural frame will be required to include the following:

- The amount of the payment, if the applicant elects to use the payment option;
- The number of units of affordable housing to be provided, if the applicant elects to use the performance option, and the amount of any payment, if the number of units of affordable housing includes a fraction of a unit and the applicant does not elect to round up and provide an additional unit;
- Modification of applicable development standards as allowed by the provisions of the zone to enable achievement of the development capacity potential*;*
- Request for modification of the payment or performance amounts due to the inability to use certain development capacity, if such a modification is provided in a future ordinance; and
- Request for modification of payment or performance amounts based on severe economic impact.

The final plans that include the structural frame for the structure must demonstrate compliance with the MHA-R payment or performance requirements, as applicable, and state the ongoing requirements for any units of affordable housing being provided as part of the development.

Payment Option

Under MHA-R, developers that choose to use the "payment option" would be required to provide a cash contribution to the City for the purpose of providing affordable housing. The Office of Housing will deposit all cash contributions into a special account established solely for the purpose of supporting housing for renter households with incomes at or below 60% of AMI, or owner households with incomes at or below 80% of AMI. The Office of Housing will invest funds strategically in long-term affordable housing developments across the city. Tables 3 and 4 are for reference only and are not included in this Council Bill. They are included here to give a sense of what developer cash contributions will provide in terms of housing affordability, based on MHA income limits as adjusted by household size.

Table 4: Payment Option – 2016 Income Limits (for reference only)

Household size	30% of AMI (Rental)	60% of AMI (Rental)	80% of AMI (Owner)
1	$19,000	$37,980	$50,640
2	$21,700	$43,380	$57,840
3	$24,400	$48,780	$65,040
4	$27,100	$54,180	$72,240
5	$29,300	$58,560	$78,080
6	$31,450	$62,880	$83,840
7	$33,650	$67,200	$89,600
8	$35,800	$71,520	$95,360

Source: Office of Housing, based on Income Limits as published by U.S. Department of Housing & Urban Development Program Limits for the Seattle-Bellevue HUD Metro Fair Market Rent Area (King-Snohomish Counties).

Table 5: Payment Option – 2016 Rent Limits (for reference only)

Bedrooms	30% of AMI	60% of AMI
0	$475	$949
1	$508	$1,017
2	$610	$1,219
3	$705	$1,409
4	$786	$1,572
5	$868	$1,734

Source: Office of Housing, based on Income Limits as published by U.S. Department of Housing & Urban Development (HUD) Program Limits for the Seattle-Bellevue HUD Metro Fair Market Rent Area (King-Snohomish Counties).

When determining the location of affordable housing funded with MHA-R cash contributions, this Council Bill requires that the City consider the following factors:

1. Affirmatively furthering fair housing choice;
2. Locating within an urban center or urban village;

3. Locating in proximity to frequent bus service or current or planned light rail or street car stops; and
4. Furthering City policies to promote economic opportunity and community development and addressing the needs of communities vulnerable to displacement.

The Office of Housing (OH) has a 30-year track record of leveraging affordable housing funds with other sources to build affordable housing in neighborhoods throughout Seattle, using a lens of equity. In addition to the MHA-R requirements for expenditure of payment dollars, OH's Housing Funding Policies set forth location criteria for affordable housing investments, emphasizing housing choice, access to opportunity and community development investments, and preventing displacement. OH will encourage affordable housing locations that afford low-income residents the greatest access to jobs, quality education, parks and open space, and services. Affordable housing development will continue to support community development investments that improve quality of life in low-income communities and help mitigate displacement of low-income residents in locations where revitalization is driving up housing prices. Access to transit is a priority, since transportation costs are second only to housing costs for a majority of low-income households, many of whom do not own a car.

MHA-R payment amounts for each zone are not included in the MHA-R framework legislation. As development standards are amended for each zone in each area (e.g. Downtown/South Lake Union, University District, Central Area, areawide zones, etc.), the new Chapter 23.58C established by this Council Bill will be amended to adopt per gross square foot dollar amounts for calculation of payments under the payment option. Once established, payments will be automatically adjusted based on the Consumer Price Index for the previous year. See page 21 for draft payment amounts. Certain key assumptions (e.g. average rents for new construction apartments; capitalization rates) may be updated prior to adoption of per square foot payment amounts as part of zoning change legislation.

Performance Option

Developers that choose the performance option would be required to include units of affordable housing in their development. All affordable housing provided through the performance option must meet a set of standards outlined in proposed land use code subsection 23.58C.050.C. The standards for affordable housing are summarized as follows:

Duration of affordability: Rental housing provided through the performance option must remain affordable for 50 years, or until such earlier time that the development is demolished or changed to another use, thereby eliminating all of the units whose development originally made MHA-R applicable, whichever is earlier. In the event of such demolition or change of use, the owner must make a payment in lieu of continuing affordability.

Distribution: Units of affordable housing must be generally distributed throughout each structure, within the development, containing units.

Comparability to other units: Units of affordable housing must be comparable to market-rate units in terms of number of bedrooms and bathrooms and size. The units of affordable housing must also have substantially the same functionality as other units and households occupying affordable housing must be allowed the same access to development amenities as other tenants. Tenants of affordable units must also be offered lease terms that are comparable to those of market rate tenants.

Affirmative marketing: Housing owners providing affordable housing must affirmatively market their affordable units to attract persons from across racial, ethnic and gender groups, particularly to attract interest from populations who would otherwise be unlikely to apply.

Public subsidy. An applicant for a permit may seek public subsidies for their development, but the units of affordable housing provided to satisfy MHA-R requirements must be different than those that are provided as a condition of such subsidy or incentive. For example, if 20% of the total units in a development must be rent- and income-restricted in order to qualify for a residential property tax exemption using Seattle's Multifamily Property Tax Exemption (MFTE) program, those units must be in addition to any units provided to satisfy affordable housing requirements under MHA-R.

Eligible households:

- For a rental with net unit area of 400 square feet or less, the affordable housing may serve only households with incomes no greater than 40% of AMI at initial certification and no greater than 60% of AMI at annual recertification;
- For a rental with net unit area greater than 400 square feet, the affordable housing may serve only households with incomes no greater than 60% of AMI at initial certification and no greater than 80% of AMI at annual recertification;
- For an ownership unit, the affordable housing may only be sold to households with incomes no greater than 80% of AMI at initial occupancy, and that meet a reasonable limit on assets as defined by the Director of Housing.

Table 6: Performance Option – 2016 Income Limits (for reference only)

Household size	40% of AMI	60% of AMI	80% of AMI
1	$25,320	$37,980	$50,640
2	$28,920	$43,380	$57,840
3	N/A	$48,780	$65,040
4	N/A	$54,180	$72,240

Source: Office of Housing, based on Income Limits as published by U.S. Department of Housing & Urban Development Program Limits for the Seattle-Bellevue HUD Metro Fair Market Rent Area (King-Snohomish Counties).

Table 7: Performance Option – 2016 Rent Limits (for reference only)

Unit type	Income limit	Rent limit
net unit area ≤ 400 square feet	40% of AMI*	$633
Studio - net unit area > 400 square feet	60% of AMI	$949
1 BR	60% of AMI	$1,017

2 BR	60% of AMI	$1,219
* Rent limit is 40% of AMI if net unit area is 400 square feet or less		

Source: Office of Housing, based on Income Limits as published by U.S. Department of Housing & Urban Development Program Limits for the Seattle-Bellevue HUD Metro Fair Market Rent Area (King-Snohomish Counties).

Additional requirements for affordable housing for renters:

- Rent levels: Monthly rent (including a utility allowance and any recurring fees required as a condition of tenancy), may not exceed 30% of the income limit for an eligible household.
- Limitations on fees: The Director of Housing is authorized to limit move-in or transfer fees that may be charged to an eligible household that is leasing a unit of affordable housing to a reasonable level. No fees may be charged for income verifications or other activities related to the MHA-R program.
- Annual income certification. Owners must recertify tenant incomes and household sizes annually. Owners must attempt to obtain third party verification whenever possible.
- Annual reporting and compliance fee: Owners must submit an annual report to the Office of Housing demonstrating compliance with Chapter 23.58C. The Director may assess a late fee of $50 per day if an owner does not submit a report within two weeks after being notified that a report is overdue. In addition, owners must pay an annual compliance fee of $150 per unit, adjusted for CPI, which will help cover the cost of monitoring properties for program compliance.
- Over-income households; unit substitution: If a tenant of an affordable housing unit is determined, upon recertification, to no longer be an "eligible household," the owner of the development must provide a comparable substitute unit of affordable housing as soon as one becomes available. In addition, the owner of the development must provide at least six months' notice of any rent increases to over-income tenant households once the unit substitution has occurred.
- Maintenance, insurance: Rental units must be maintained by the owner in decent and habitable condition, including the provision of basic appliances. The units and structure must be insured, by an insurance company licensed in the state of Washington, against loss by fire and other hazards in the amount of 100% of the replacement value.
- Casualty: If a unit of affordable housing is destroyed or determined to be unfit for occupancy, the owner must designate a comparable substitute rental unit within the development, as approved by the Director of Housing. If all the units are destroyed, the MHA-R requirements pertaining to all rental affordable housing will terminate.
- Condominium conversion: Owners who seek to convert affordable rental units to condominiums must make a payment in lieu of continuing affordability to the City.
- Demolition or change of use: If an owner elects to demolish or change the use of their affordable units, the owner must make a payment in lieu of continuing affordability based on the difference in monthly rent for a comparable unit over a period of time equal to the typical period of time between demolition and completion of redevelopment. (In some cases involving multiple structures, the owner must provide a comparable substitute unit within the

development, if possible.) The City shall use such payments to support continued housing affordability, which may include providing rental assistance to tenants displaced by such activities.

Additional requirements for affordable ownership housing:

- Affordable sale price; down payment: The initial sale price for affordable ownership housing will be calculated so that ongoing housing costs do not exceed 35% of 65% of AMI. This allows for equity growth for individual homeowners while maintaining affordability for future buyers. The Director of Housing will establish by rule the method for calculating the initial sale price including standard assumptions for determining upfront housing costs, including the down payment, and the ongoing housing costs, which shall include mortgage principal and interest payments, homeowner's insurance payments, homeowner or condominium association dues and assessments, and real estate taxes and other charges in county tax billings. The Director of Housing may establish a maximum down payment amount for eligible households at initial sale of an affordable ownership unit.
- Affordable resale price: The sales price subsequent to the initial sale will be calculated to allow modest growth in homeowner equity while maintaining long-term affordability for future buyers. This will also be established by rule by the Director of Housing.
- Other restrictions: Owners must occupy the units as their principal residence, and may not lease their unit unless OH approves an exception on a short-term basis. Owners must also comply with program rules necessary to maintain the long-term viability of their unit, including rules to maintain the physical condition of the unit, and to reduce financial risks to owners that could result in a loss of an affordable unit by foreclosure.
- Ongoing stewardship; fees: Either prior to or subsequent to the initial sale of an affordable ownership unit, the Director of Housing is authorized to designate an agency or organization with sufficient capacity to perform ongoing stewardship and management functions for such unit, including but not limited to: calculation of maximum sale prices; marketing sales to eligible homebuyers; screening, educating, and selecting eligible households; approving buyer financing; and managing successive resales to eligible households. Stewardship activities will be supported by a $50 monthly charge to homeowners, as well as applicable transaction fees. These fees are based on best practices for supporting low-income homeowners, and preserving affordable homes for the long-term.

Enforcement: The performance option requirements are terms of the building permit for the development to which MHA-R is applicable. In addition to any other remedies available to the City, the City is authorized to enforce such permit terms using the procedures of SMC Chapter 23.90 (Enforcement of the Land Use Code).

Agreement: The owner of the development must enter into an agreement with the City specifying the performance option requirements, consistent with final plans. The agreement must be recorded on the property title.

Calculating the required amount of affordable housing: The amount of affordable housing to be provided using the performance option is calculated by multiplying the percentage requirement, which will vary by zone and – in some cases – also by area of Seattle, by the total number of dwelling units, live/work units, and sleeping rooms in a congregate residence. If that calculation results in less than two units, the following options are available to the developer: (1) round up to two units of affordable housing; or (2) provide one unit of affordable housing that is three bedrooms or larger, as approved by the Director of Housing. If the performance option calculation results in two or more units, but includes a fraction of a unit, the developer may either round up to the next whole unit or may round down to the nearest whole unit and make a cash contribution for the fraction of a unit not provided.

The following shows the calculation for a sample project in a MR zone. In this example, the performance option yields 15 units of affordable housing within the development and satisfies the remaining 0.3 fraction of a unit with a $55K cash contribution.

Table 8: Performance Option Calculation (Example)

1	Zone	MR
2	Area (Map A for 23.58C.050)	Medium
3	Performance requirement (Table B for 23.58C.050)	6% (estimate based on *Grand Bargain*)
4	Total units (includes dwelling units, live/work units, and congregate residence sleeping rooms)	255
5	Performance option calculation (SMC 23.58C.050.A.1): Total units (includes dwelling units, live/work units, and congregate residence sleeping rooms), **255 x** Performance requirement for the zone/area, **6%**	15.3
6	Units of affordable housing developer provides assuming developer rounds down to nearest whole unit	15
7	Payment for 0.3 of a unit of affordable housing = Payment amount for zone/area, **$12.00 x** total gross square feet in residential use of **234,690 gsf** x fraction of a unit not provided, **0.3 ÷** Total number of affordable housing units calculated on line 5 above, **15.3**	$55,221.18

The payment and performance requirements in the above example are draft at this point. See the following section for more information about when those will be adopted.

Relationship to Incentive Zoning

In some zones, a developer may currently achieve extra residential floor area beyond a base height or base floor area ratio (FAR) limit up to the maximum height or FAR limit by using voluntary incentive zoning (VIZ). VIZ is currently an option in many zones in the Downtown and South Lake Union Urban Centers, the Highrise zone, Midrise zones located within urban centers and villages, and in limited other areas that have been upzoned within the last five years. In zones with height limits greater than 85 feet where VIZ is an option, Land Use Code provisions generally require 60% of extra residential floor area to be achieved through a bonus for affordable housing and 40% of extra residential floor area to be achieved through other "non-housing" options. Non-housing options generally include, in South Lake Union, the purchase of rural development credits preserving forest or agricultural land outside of Seattle or, in other zones where highrise towers may be built, the purchase of transferable development rights from Landmark buildings or major open space sites or bonuses for on-site amenities (e.g. public open space). In Downtown's DOC1, DOC2, and DMC zones, all extra residential floor area is achieved through a bonus for affordable housing. That is also the case in zones with height limits of 85 feet or less throughout the City.

In those zones where MHA is applicable, VIZ affordable housing requirements for extra residential floor area will be satisfied by complying with MHA-R. In zones with height limits greater than 85 feet, the applicant will still need to satisfy any applicable non-housing VIZ requirements, including but not limited to those for child care, open space, regional development credits, and TDR. In summary, in zones where VIZ can currently be used to achieved extra floor area and where MHA is later implemented as a result of zoning changes that increase development capacity, affordable housing requirements for achieving extra floor area will automatically be satisfied by complying with MHA (MHA-R for floor area in residential use and MHA-C for floor area in commercial use). MHA is also proposed to be implemented in "suffix zones," where the base FAR is indicated within parentheses after the name of the zone (e.g. MR(0.75)), and FAR above that base limit is currently achieved through VIZ.

Payment and Performance Amounts

Adoption of payment and performance amounts

Payment and performance amounts for each zone are not included in the MHA-R framework legislation. Instead, they will be included as part of legislation implementing the program in a specific area. As development standards (zoning) are amended for each zone in each area (e.g. Downtown/South Lake Union, University District, Central Area, areawide zones, etc.), the new Chapter 23.58C established by this Council Bill will be amended to include the payment and performance amounts. A general description of the ranges and methods to arrive at those amounts is provided below for context.

Current estimates of payment and performance amounts

<u>Areas in Downtown and South Lake Union</u>: Payment and performance amounts are continuing to be evaluated and will be set at the time of implementing zoning changes. It is important to note that incentive zoning is currently in place in most zones in South Lake Union and in the highest intensity zones in Downtown. With incentive zoning, developers must provide public benefits, including affordable housing, in order to exceed the base amount of development allowed for the zone. In areas that currently have VIZ, the proposed MHA payment and performance amounts will be derived based on the existing incentive zoning (IZ) payment and performance requirements. This approach was agreed to as part of the *Grand Bargain*, which states "This increment [the added development capacity], will be charged at the current incentive zoning rate" (*Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee*, July 2015, p. 2).

The initial proposal for Downtown and South Lake Union, which was based on the methodology agreed to in the *Grand Bargain*, was circulated starting in November 2015. Payment amounts range from $5 to $13 per square foot of gross floor area in residential use and performance percentages range from 2% to 5% of total units. However, the City is still receiving feedback on this proposal and final requirements have not been determined. In addition, assumptions used for payment and performance amounts will be updated to reflect current market data.

<u>Areas Outside of Downtown and South Lake Union</u>: Payment and performance amounts are continuing to be evaluated and will be set at the time of implementing zoning changes. Areas of the city outside of Downtown and South Lake Union that have incentive zoning for affordable housing include Midrise (MR) zones within urban villages and centers, suffix zones (zones with an incentive zoning suffix indicating an estimated floor area ratio limit prior to an area rezone), and Seattle Mixed zones in certain neighborhoods. However, there is no incentive zoning in the vast majority of Commercial (C) and Neighborhood Commercial (NC) zones, and Lowrise Multifamily (LR) zones. Specific inclusionary performance percentages will vary, depending on general market strength of the area. The city is proposed to be divided into three market areas referred to as low, medium, and high. Attachment A Map of Payment and Performance Areas to this Director's Report, which is also included in the MHA-R Council Bill, illustrates where those areas are located. The low, medium, and high cost areas are established by analysis of independent rental market survey data provided by Dupre + Scott Apartment Advisors.

Per the *Grand Bargain*, the initial proposal for performance requirements outside of Downtown and South Lake Union is 5%, 6%, and 7% of total units for low, medium, and high areas respectively. The payment amounts are proposed to be calculated based on the cost for developers to meet the performance requirement and are currently estimated as the following: $7.25, $12.00, and $18.00 per square foot of gross floor area in residential and/or live-work use in low, medium, and high cost areas respectively. These figures are proposed to be updated based on market data that is available in 2017.

Additional community engagement about the specific zoning changes for MHA outside of Downtown and South Lake Union, as described below, will be ongoing. The engagement may affect details of final MHA zoning changes. Concurrent with the engagement process, the City will continue to evaluate payment and performance requirements taking into consideration final zoning recommendations.

Amendments to payment and performance amounts

Payment amounts will automatically adjust in proportion to the annual change for the previous calendar year in the Consumer Price Index. In addition to automatic inflation adjustments to payment amounts, a process for more significant amendments to payment and performance amounts is outlined in the intent section of the Council Bill (Section 1), demonstrating the intent to consider amendments if there is a failure to meet program expectations after five years, if there are significant positive or negative changes in the real estate market, if there is a need to adjust the relationship between payment and performance requirements, or after the passage of ten years. Such amendments would be made after recommendations are issued by a Mayor- and Council-appointed Technical Review Committee made up of nonprofit and for-profit development representatives, as well as members of community-based groups.

Modifications

Modification of development standards: MHA-R is a mandatory requirement for affordable housing associated with increased residential development capacity to be provided by legislative rezones, contract rezones, or other means. The affordable housing requirement applies regardless of whether or not any additional development capacity is used. However, it is anticipated that SDCI will "grant relief from certain dimensional code requirements as necessary to accommodate capacity in most cases" (*Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee, July 13, 2015, p. 2*). The criteria for requesting modifications of specific dimensional standards will be included in legislation for future rezones.

Modification of payment and performance amounts: This Council Bill includes and anticipates provisions whereby the Director of SDCI, in limited cases, may reduce the payment and percentage amounts used for calculating affordable housing requirements under MHA-R. At a minimum, the Director of SDCI may reduce the payment/performance amounts if the developer can demonstrate facts supporting a determination of severe economic hardship at such a level that the property owner's constitutional rights may be at risk. This determination would be made, in consultation with the Director of Housing, as a special exception according to Chapter 23.76, Master Use Permits and Council Land Use Decisions. Future legislation may also provide for a reduction in payment/performance amounts if there are cases where development standards still prevent utilization of additional capacity after the modification of development standards process referenced above has been pursued. Any modification of the payment amount or performance requirement would be granted as part of the land use permit decision.

Intent for Implementation of MHA-R

This Council Bill only establishes a framework for MHA-R. Separate framework legislation for MHA-C was adopted by City Council in November 2015. Requirements for provision for affordable housing according to MHA-R and MHA-C will only go into effect where residential and commercial development capacity increase through land use code and/or land use map amendments or a contract rezone. Legislation for Downtown and South Lake Union is scheduled for City Council consideration in 2016. Legislation for other areas where area planning processes have been underway for some time (e.g. University District, 23rd and Union, Cherry & James) could also be acted on in 2016. Legislation enacting areawide rezones would not be considered until a thorough community engagement process has been completed, estimated fall of 2017. The following section summarizes the process for community input for changes to area-wide zones in the city.

Community Process

The HALA community conversation began in the fall of 2015. Staff members of the Department of Neighborhoods, Office of Planning and Community Development, Department of Construction and

Inspection, Office of Housing, Office of Civil Rights, and the Mayor's Office have been in many neighborhoods having conversations about HALA Advisory Committee recommendations for action.

HALA was a strong presence at each of five fall 2015 Comprehensive Plan meetings. HALA was incorporated into the main presentation and information was provided during open houses. Staff were available to answer questions and engage the public in these early conversations about HALA.

The team has held community meetings in Capitol Hill, Fremont, University Park, Lakewood/Seward Park, Lake City, Wallingford, Ravenna Bryant, Central District, South East Seattle, West Seattle, Haller Lake, and have been welcomed onto dozens of community council agendas.

We have also held community conversations with environmental organizations, social justice advocates, and with employees for several of the region's major employers.

The team has also participated in engagement with underrepresented populations through lunch and learns held at Goodwill Industries, Ethiopian Community Center, and Asian Counseling and Referral Service (ACRS). The Department of Neighborhoods has created quarterly opportunities with community based organizations throughout the city and HALA has been a key part of each of these programs.

In the coming months, we will continue with even more community conversations throughout the city. Additionally, the City received over 670 community focus group applications and accepted over 160 participants in the focus groups themselves. The focus groups will help us understand community expectations and concerns and will be a needed sounding board as HALA recommendations turn into legislation. The community focus groups are an exciting mix of old and new residents, homeowners and renters, male and female, and racial diversity.

Program Review

By July 1, 2018, the Director of SDCI and Director of Housing will prepare a report on MHA-R outcomes, including amount of cash contributions made under the payment option, the number of new affordable housing units created with support of cash contributions, and the number of affordable housing units constructed under the performance option. The MHA report will be updated annually thereafter.

Attachment A
Map of Payment and Performance Areas