

City of Seattle Mandatory Housing Affordability (MHA)

a program of the
Housing Affordability and Livability Agenda



Council Briefing
July 8, 2016

Today's agenda



- **Answer the most frequently asked questions related to key issues:**
 - Payment and Performance
 - Comparison with other cities
 - Zoning and displacement
 - Combined Sewer Overflow (CSO)
- **Update on community process**
- **Next steps**

Why will MHA provide Payment and Performance options?



- Performance results in far fewer affordable housing units
- Performance is difficult for small projects
- Payment has important equity outcomes
- Payment and performance levels will be set to provide a meaningful choice between options



What are the benefits of Payment?



Greater production: Payment yields about 2.5 times as many units as performance

Strong equity outcomes

- Investment in areas with high displacement risk and areas that lack private investment
- Community-based development projects
- Preservation of existing housing
- Creation of family-sized units and family-friendly housing
- Strategically sited affordable projects to support community-level inclusion

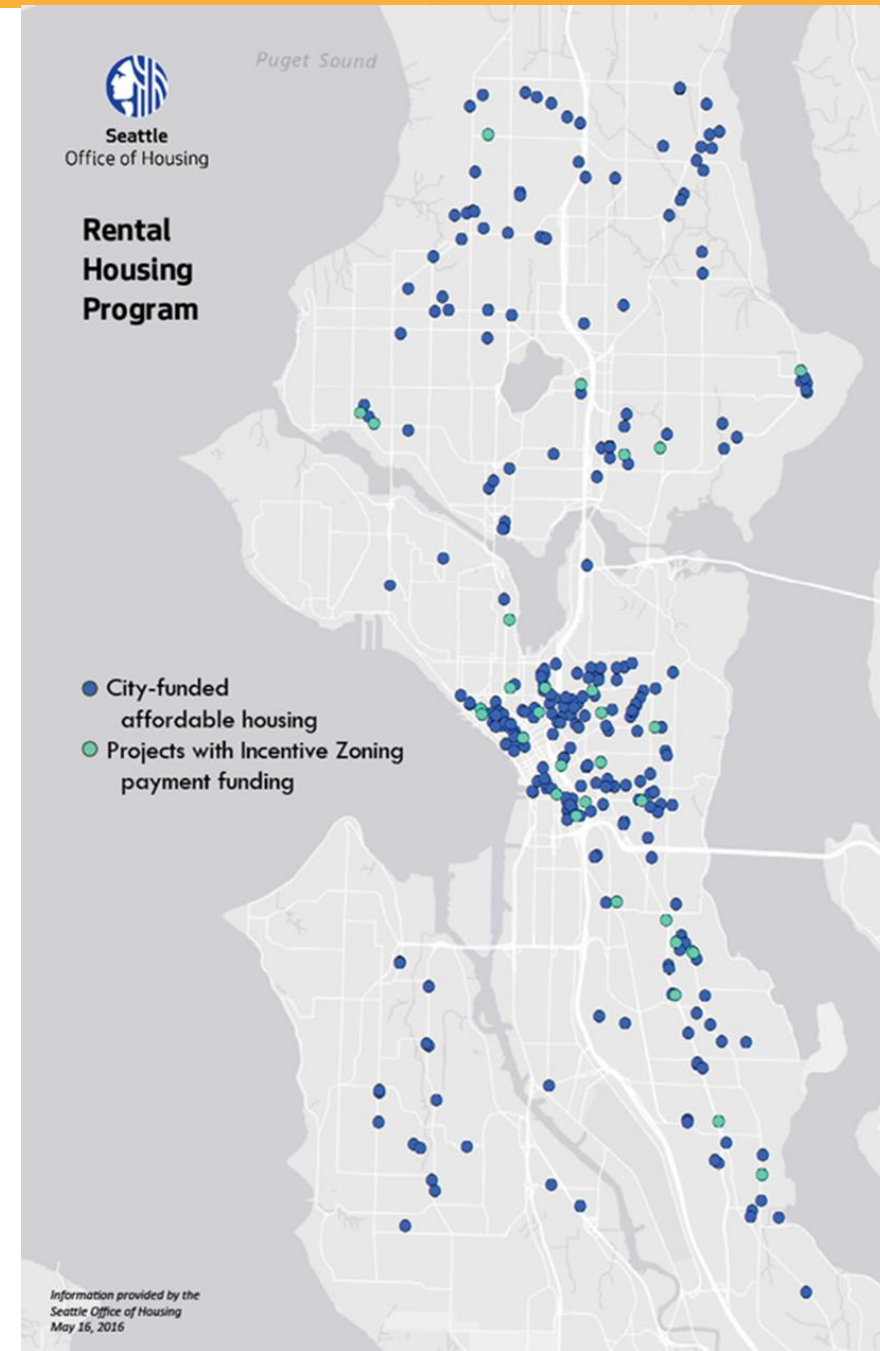
Geographic diversity

- Track record of building affordable housing in neighborhoods throughout Seattle, including in high cost areas
- Criteria in legislation sets out framework for investment

How will we invest MHA payments across the city?



- Payment and performance result in mixed-income communities.
- Payment and performance both advance integration in communities
- Affordable housing located in neighborhoods throughout Seattle
- Promotes fair housing choice and opportunity
- Supports City strategies to promote growth near transit and in urban centers and villages
- Significant investments in areas with high risk of displacement



How does Seattle compare with other cities?



	Seattle <i>proposed</i>	New York	Boston	San Francisco	Bellevue, WA
Mandatory program?	Yes	Yes	Yes	Yes	No
Applies to housing projects of all sizes?	Yes	10+ unit projects	10+ unit projects	10+ unit projects	Bonus development only
In-lieu payment option?	Yes	Only for small projects under 25 units	Yes	Yes	Yes
Applies to commercial development?	Yes	No	Yes Applies to large-scale commercial development	Yes Applies to large-scale commercial development	No
Citywide implementation?	Yes	Rezone areas	Rezone areas and City financing	Yes	No



Mandatory Inclusionary Housing Program (2016)

- Mandatory for all residential projects in rezoned areas
- Affordable units may be set aside at a range of incomes up to 135% AMI, so long as they average out to the required AMI:
 - **Option 1** 25% of units at 60% AMI (minimum 10% at 40% AMI)
 - **Option 2** 30% of units at 80% AMI
 - **Deep Affordability Option** 20% of units at 40% AMI
 - **Workforce Option** 30% at 115% AMI (minimum 5% at 70% AMI, 5% at 90% AMI)
- Program proposed along with broad rezoning amendments changing density, setbacks, lot coverage, etc.



Inclusionary Development Policy (IDP) (updated 2015)

- Mandatory in 10+ unit projects requiring zoning relief, developed on City property, or receiving City financing
- Requires 13% of units at 70% AMI (rental) or 80-100% AMI (ownership)
- 18% set-aside requirement for units provided off-site
- In-lieu payments per unit vary by zone:
 - \$200,000 (Zone C)
 - \$300,000 (Zone B)
 - \$380,000 (Zone A)
- Prior to 2015 updates, program created 3,600 units of affordable housing:
 - 2,047 affordable units through on-site and off-site performance
 - 1,597 affordable units through investment of payments

Linkage fee on large-scale commercial development

- Funds support Neighborhood Housing Trust and Neighborhood Jobs Trust



Inclusionary Housing Ordinance (updated June 2016)

- Mandatory in 10+ unit residential projects citywide
- Voters recently approved doubling set-asides (see table)

Project size	On-site	Off-site	In-lieu fee
10-25 units	10% at 55% AMI	20% at 55% AMI	based on 20%
25+ units	25% (15% at 55% AMI, 10% at 80% AMI)	33% (20% at 55% AMI, 13% at 80% AMI)	based on 33%

Unit type	In-lieu payment per unit
studio	\$198,008
1BR	\$268,960
2BR	\$366,369
3BR	\$366,369
4BR	\$521,431

Jobs-Housing Linkage Program

- Applies to commercial development over 25,000 sq. ft.
- In 2015, fees were \$16-22 per sq. ft.



Set-aside amounts for bonus development

– Bel-Red Corridor “Tier 1a”

- 1 sq. ft. affordable per 4.6 sq. ft. bonus rental
- 1 sq. ft. affordable per 7.2 sq. ft. bonus ownership

– elsewhere

- 1 bonus market-rate unit for each affordable unit up to 15% of maximum density

Affordability levels

- 80% AMI rental housing
- 100% AMI homeownership

In-lieu payment amount

- \$18 per sq. ft. for bonus residential development (Bel-Red)

Bonus development capacity

- Height bonus, increased lot coverage, increased “compact” parking stalls, reduced minimum lot area, reduced open space requirement

Why do we need to upzone?



- Utilizes a state-approved pathway for these types of programs
- Considered a best practice for these programs (Lincoln Institute and Cornerstone)
- Recommendation of HALA Advisory Committee
- Supports increasing supply of affordable housing and market-rate housing

Does development cause displacement?



New development has both positive and negative effects on the amount of displacement that occurs.

- Demolition of existing buildings reduces lower-cost housing and commercial space
- Production of new housing frees up older housing units affordable to more people at lower rents
- Increasing supply of housing is critical to minimizing housing price increases
- Rehabilitation of lower-cost apartments also reduces lower-cost housing without increasing supply
- Development brings new customers for local businesses and can result in additional retail space

Does upzoning cause displacement?



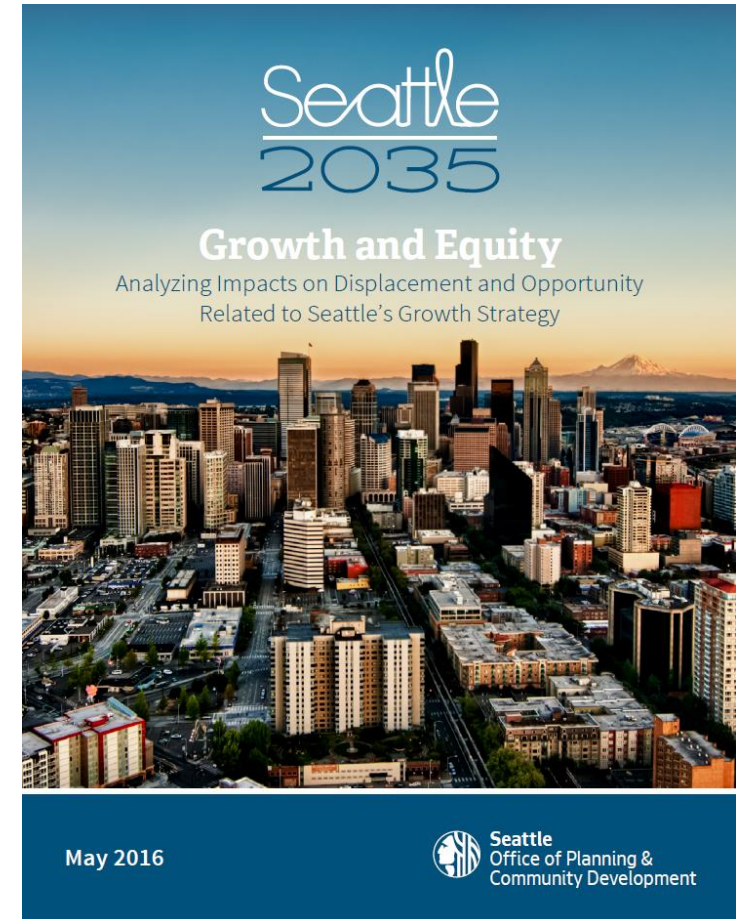
Complex factors affect displacement when zoning changes occur. Zoning can:

- Affect amount and rate of development that occurs
 - Higher zoning capacity encourages development of new buildings
 - Lower zoning capacity encourages rehabilitation and “tear-downs”
- Guide location of development citywide or within specific neighborhoods
- Encourage or discourage certain types of business and jobs
- Affect the balance of jobs and housing
- Influence the types of housing created
- Influence cost of transportation

What are the City's anti-displacement strategies?



- **HALA**
 - MHA
 - Tenant protections
 - Preservation Tax Exemption
 - Consider targeted acquisition of priority buildings
- **Economic Development Initiatives**
- **Equitable Development Initiative**
- **Commercial Affordability Initiative**
- **Mayor's Education Summit**



What are the City's anti-displacement strategies?



- **RSJI Racial Equity Toolkit**
- **Area Planning**
 - Inclusive community outreach
 - Economic development
 - Community anchors
 - Zoning that reflects local and citywide needs
- **Tenant Relocation Assistance**

Does development affect Combined Sewer Overflows (CSO)?



What is a combined sewer overflow?

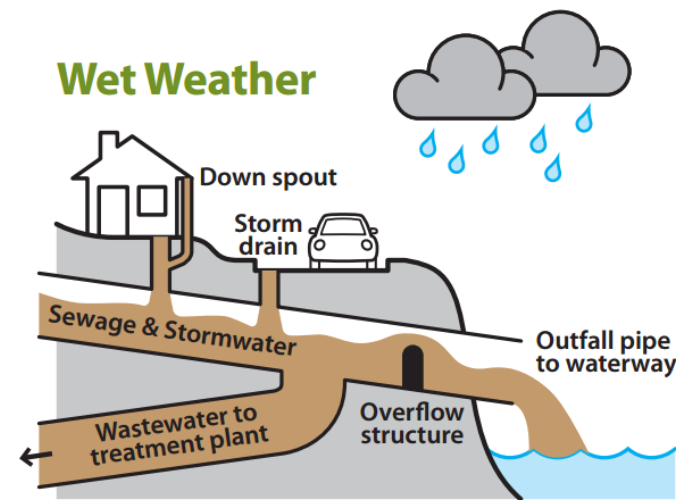
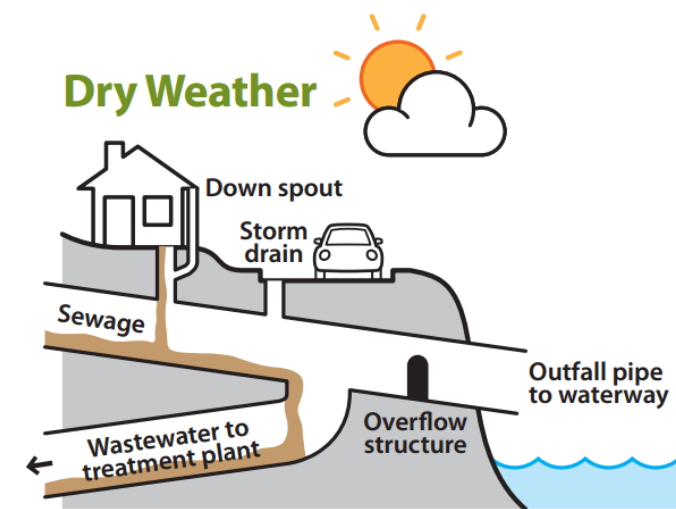
- CSOs occur when heavy rainfall causes sewer pipes that carry wastewater and stormwater to overflow, discharging sewage into water bodies

What is the effect of development?

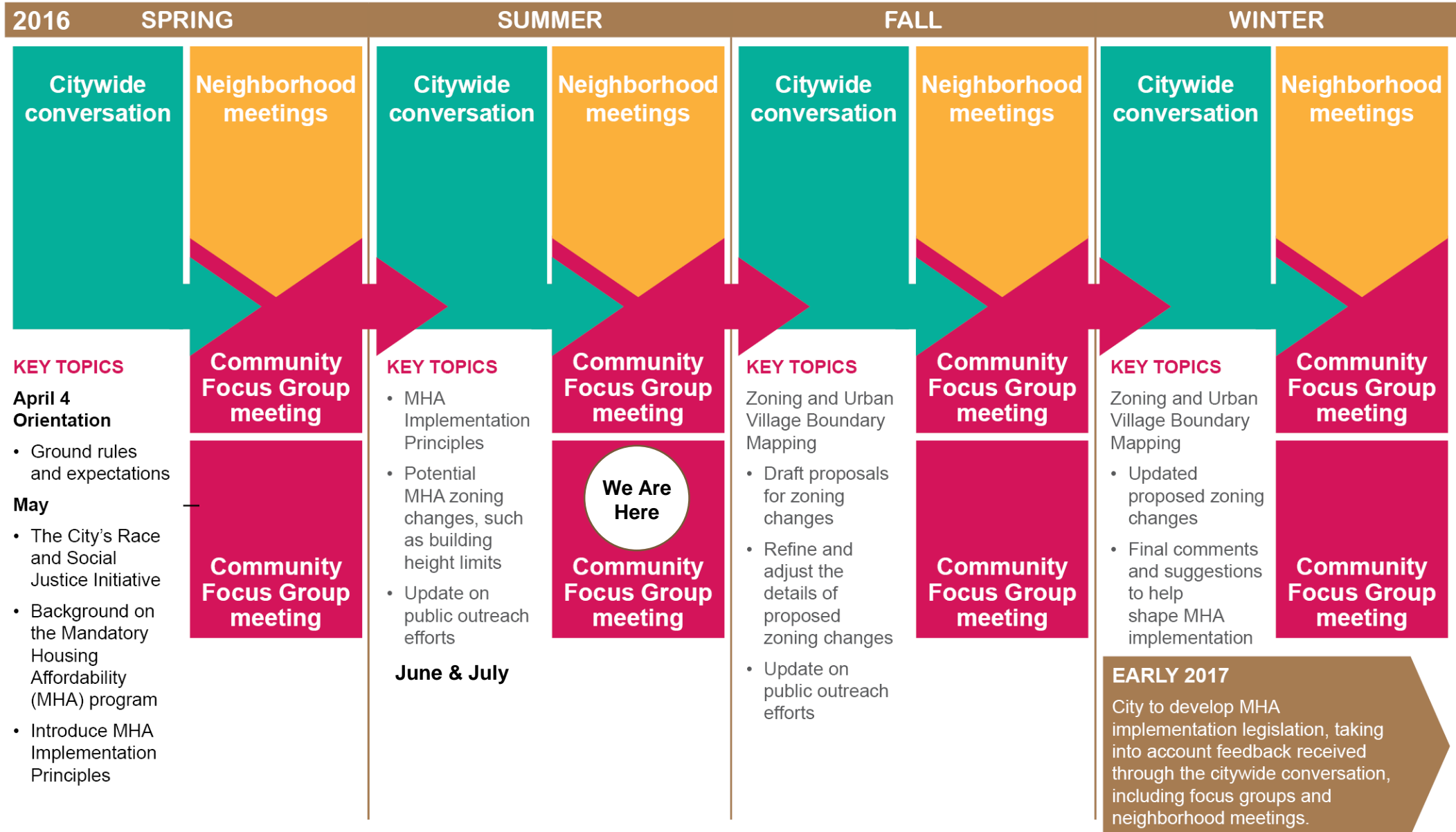
- New development must meet Stormwater Code requirements to manage stormwater on site, rather than discharging to combined sewers

What is the City doing?

- SPU is building major sewage overflow projects to reduce overflows to one per outfall per year by 2030
- This also addresses the largest source of water pollution: runoff of oil and heavy metals from roadways and vehicles



Community engagement update



Next steps: MHA legislation



MHA-R Legislation (Spring/Summer 2016)



U District Area Rezone Legislation (Summer 2016)

- **August** Transmit to Council

DT/SLU Rezone Legislation (Summer 2016)

- **August 24** Hearing Examiner Hearing

MHA-C Refinement (Summer 2016)

- **August** Transmit to Council in parallel with 1st rezone
- **Summer/Fall 2017** Zone-wide changes in other areas

thank you.



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AND LIVABILITY AGENDA