

## SUMMARY and FISCAL NOTE

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### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to land use and zoning; adding a new Chapter 23.58B of the Seattle Municipal Code (SMC) to establish the framework for an Affordable Housing Impact Mitigation Program for commercial development; and amending subsection 23.40.020.A, subsection 23.76.006.B, subsection 23.76.006.C, and subsection 25.05.675.I of the SMC.

**Summary and background of the Legislation:** This legislation provides a framework for a new affordable housing impact mitigation program for commercial development (sometimes referred to as a commercial linkage fee program). Under this new framework, commercial developers would mitigate a portion of the increased demand for affordable housing from job growth through a contribution of funds for the production and preservation of affordable housing, or through actual construction of affordable housing. Fees will vary by zone or geographic area.

The mitigation requirements would go into effect concurrent with future rezones and/or Land Use Code amendments that increase development capacity, to be approved by City Council separately in 2016-2017. The related up-zones are in accordance with the terms of the “Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee” signed in July 2015 by the Mayor, Councilmember O’Brien, the Co-Chairs of the HALA Advisory Committee, and representatives of the non-profit and for-profit development communities.

A program for mitigating development-related affordable housing impacts is a key strategy outlined in the Mayor’s Action Plan to Address Seattle’s Affordability Crisis.

### **2. CAPITAL IMPROVEMENT PROGRAM**

This legislation creates, funds, or amends a CIP Project.

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

This legislation does not have direct financial implications.

### **4. OTHER IMPLICATIONS**

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

The framework legislation will not have immediate fiscal impacts, but as rezones or code

changes go into effect and commercial development projects are subject to requirements for mitigation of housing impacts, OH and DPD anticipate a need for additional staff to administer the program during the review of permit applications, expenditure of revenue, and long-term oversight of investments. During permit review, each permit application subject to the program will require a calculation of affordable housing mitigation to be provided and a review of any requests for modification of such mitigation according to the proposed legislation.

Such a modification would require a discretionary review (Type II decision), which involves review of studies or other evidence brought forth by the applicant, and the potential for appeal by outside parties. DPD would also need to undertake other administrative tasks, in coordination with the Office of Housing (OH), including drafting declarations for execution and recording. DPD anticipates a future budget request, likely in 2017, or at the time of the first area wide rezone, for a position or positions to be funded by permit fee revenue.

DPD IT will require additional resources for configuration of the legacy software (Hansen) to track affordable housing mitigation in accordance with Chapter 23.58B. The cost for Hansen configuration to implement the Affordable Housing Mitigation Program is estimated at approximately \$21,775 for 2016 and will be included in the Mayor's 2016 Proposed Budget. The estimated cost to implement the affordable housing mitigation program as part of DPD's new Acela software in 2017 is \$26,325 and will be addressed in future budget cycles.

All affordable housing mitigation payments by developers of newly constructed commercial projects will be deposited directly to the Office of Housing (OH) and used to support the development of renter- and owner-occupied affordable housing within the city of Seattle. OH anticipates additional impacts related to the initial administration of fee revenue, as well as long-term oversight of affordable housing investments. Expenditure of revenue will entail soliciting and underwriting affordable housing proposals, preparation and review of legal documents, closing and disbursement of loans in coordination with other investors and lenders, monitoring of construction progress, and general oversight of projects to ensure consistency with funding policies and procedures such as payment of prevailing wages. Long-term impacts entail ongoing monitoring to ensure affordable housing investments are maintained for a minimum of 50 years; activities include annual compliance reviews, physical inspections, tenant file reviews, and technical assistance to housing owners. General administration of the fees, including receipt, proper usage, and tracking of funds will also impact OH Finance staff.

**b) Is there financial cost or other impacts of not implementing the legislation?**

If the legislation is not adopted either affordable housing impacts would go unmitigated or the public would bear the cost of this mitigation.

**c) Does this legislation affect any departments besides the originating department?**

No.

**d) Is a public hearing required for this legislation?**

A public hearing has been scheduled for Wednesday, September 30, 2015.

**e) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

Publication is required in the Daily Journal of Commerce.

**f) Does this legislation affect a piece of property?**

The legislation would apply to new development in downtown, South Lake Union and commercial zones throughout the city.

**g) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

This legislation will help ensure that at least a portion of affordable housing impacts of new commercial development in most zones in the city are mitigated, primarily through the payment of fees to be used for the production and preservation of affordable housing. Over half of the households served by providers of City-funded low-income housing are households of color.

**h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

Per square foot mitigation fees assessed on development of new structures, or additions to existing structures, containing more than 4,000 square feet of new chargeable commercial floor area will total an estimated \$195 million over 10 years, based on growth projections once the program is fully implemented. Cash contributions made in lieu of providing affordable housing on-site as part of mixed-use developments will be used to fund production and preservation of affordable housing for households with incomes no higher than 60% of area median income. Cash contributions may also be used to support capital cost of development of owner-occupied housing affordable to households with incomes up to 80% of median income. Seattle's new affordable housing mitigation program for commercial development, together with a mandatory inclusionary housing program for residential development, as recommended by the HALA Advisory Committee, is expected to yield approximately 6,000 affordable housing units for households with income at or below 60% of AMI over a 10 year timeframe.

**i) Other Issues:** None.

**List attachments below:** None.