



Seattle City Council

Central Staff – Memorandum

Date: September 16, 2015
To: Select Committee on Housing Affordability
From: Ketil Freeman, Council Central Staff
Subject: Council Bill 118498, Affordable Housing Impact Mitigation Program for Commercial Development, and Resolution 31612, Intent to Implement a Mandatory Inclusionary Housing for Residential Development

In September 2014, the Council and the Mayor adopted [Resolution 31546](#), which established the Seattle Housing Affordability and Livability Agenda Advisory Committee (HALA). On July 13, 2015 HALA published the [Seattle Housing Affordability and Livability Agenda: Final Advisory Committee Recommendations](#) and the Mayor published [Housing Seattle: A Roadmap to an Affordable and Livable City](#). In July the Council created the Select Committee on Housing Affordability to consider HALA's and the Mayor's recommendations.

This memorandum describes the content of (1) Council Bill (CB) 118498, which would codify in the Land Use Code the regulatory framework for an affordable housing impact mitigation program for *commercial development*, and (2) Resolution 31612, which would establish the Council's intent to implement a mandatory inclusionary housing program for *residential development*.

Collectively, these two programs are sometimes referred to as the "Grand Bargain." Both are recommended by HALA and the Mayor. Generally, both programs would require that new development provide affordable units or make a payment in-lieu of providing those units, in exchange for increased height or density. Together both are intended to produce 6,000 rent and income restricted units over a ten year period.

This memo also describes potential amendments to both pieces of legislation from Councilmember Licata.

CB 118498 – Affordable Housing Impact Mitigation Program for Commercial Development

CB 118498 would codify a new chapter 23.58B in the Land Use Code. The proposed chapter would:

- Establish preliminary fee and performance requirements by zone for most non-residential development throughout the City, including a tiered fee structure for high, medium, and low cost areas outside of Downtown and South Lake Union;
- Establish uses and minimum square footage, which would be exempt from fee and performance calculations;
- Establish procedures for permit application and decision; and
- Establish procedures for applicants to seek administrative relief from or modifications to chapter requirements.

The proposed chapter also contains a somewhat unusual section which would codify in the Land Use Code the Council's intent in approving the chapter. While the current Council cannot bind future Councils, codification of the section may require affirmative legislative action by a future Council to vary from the proposed statement of Council intent. The proposed intent section would establish the Council's intent to:

- Provide greater height or density through future amendments to the Land Use Code;
- Limit revisions to fee and performance requirements after implementation to a prescribed process with periods for initial implementation review, ongoing review, and post-initial implementation review; and
- Codify a process by which the DPD Director could grant modifications to development standards to allow development to take advantage of increased height or density.

With the exception of development requiring a quasi-judicial rezone, the requirements of the chapter, including payment and performance, **would not** apply to non-residential development until future increases in height or density are approved by the Council.

The Mayor proposes to submit legislation to implement the program by increasing height or density in South Lake Union, Downtown, and the University District in 2016. Council action on that legislation is anticipated by the end of the third quarter. Council consideration of increases in height or density to implement the program outside of those geographies could occur by the end of the third quarter, 2017.

Resolution 31612 – Mandatory Inclusionary Housing Program for Residential Development

Resolution 31612 establishes the Council's intent to establish a mandatory inclusionary affordable housing program for residential development. Implementation would occur over the next few years concurrently with future increases in height or density in mixed-use and multifamily zoned areas throughout the City. The program would apply to all new residential development whether or not that development takes advantage of the increased height or density. Legislation codifying the regulatory framework for the program will be submitted by the Mayor in early 2016.

The resolution would establish the Council's intent to:

- Provide increased residential development capacity to implement the program;
- Establish that rental units developed under the performance requirements of the program should be affordable to households with incomes no higher than 60% of Area Median Income (\$37,680 for a 1-person household in 2015);
- Require percentage performance requirements that range from 5% - 7% of all residential units in a building;
- Allow for an in-lieu payment as well as performance with the expectation that development in areas where residential towers can be developed, such as Downtown, South Lake Union, and First Hill would likely pay in-lieu of performance; and
- Consider converting single-family zoned areas to multifamily or mixed-use areas to implement the program when those areas are (1) within urban centers and villages, as those areas may be expanded through the 7-year Comprehensive Plan update process, and (2) in transition areas from multifamily and mixed-use zones along arterials.

The resolution also establishes minimum expectations for public outreach and engagement; planning and environmental studies; coordination with the Comprehensive Plan update; and ongoing consideration of impact-mitigation programs, such as transportation and open space impact fee programs. Finally, the resolution sets out a generalized timeline for implementing the program and a generalized map of implementation areas.

Potential Licata Amendments

Councilmember Licata is considering four potential amendments. Those amendments are summarized and discussed below.

Potential Amendment	Discussion
<p>1. Amend the intent and scope sections of CB 118498 to establish that the chapter would apply to non-residential development in South Lake Union and Downtown by the end of the third quarter 2016.</p>	<p>The “Grand Bargain” makes implementation of the affordable housing impact mitigation program for commercial development contingent on prescribed future increases in height or density. Those increases are anticipated to be ripe for Council action by the end of the third quarter, 2016. The proposed amendment would make the program effective in those areas whether or not height or density increases are granted.</p>
<p>2. Amend a recital or add a section to Resolution 31612 to establish the Council’s expectation that 6,000 <i>net</i> new units should be collectively produced under the residential and commercial programs.</p>	<p>HALA’s recommendations are based on a target of 20,000 net new rent and income restricted units and 30,000 net new market rate units. However, the targets for the commercial mitigation program and residential inclusionary program are deliberately not measured as net to allow greater flexibility to achieve overall targets. Changing measurement to net would require that existing affordable units demolished for new construction under both programs be deducted from the total when measuring progress towards the 6,000 unit goal.</p>
<p>3. Amend a section in Resolution 31612 to establish that measurement of actual unit production under the commercial mitigation and residential inclusionary program would commence with adoption of the resolution.</p>	<p>The Mayor proposes to track progress based on (1) actual production after both programs are implemented and (2) modeled production as increases in development capacity occur over the next several years. The proposed amendment would advance the start date of actual production measurement.</p>
<p>4. Amend Resolution 31612 and the intent section of CB 118498 to establish that if, by the first quarter of 2018, the mandatory inclusionary housing program for residential development is not producing the number of units anticipated, the Council will consider implementing an affordable housing impact mitigation program for residential development that is not contingent on increased height or density.</p>	<p>The “Grand Bargain” anticipates that signatories to it will revisit the terms of the agreement, if the modeled 6,000 production target cannot be met.</p> <p>The proposed amendment would establish the Council’s intent to consider an affordable housing impact mitigation program for residential development that is not contingent on increased height or density as one strategy to meet the target, if production falls short.</p>