HOUSING AFFORDABILITY AND LIVABILITY AGENDA

Mandatory Housing Affordability – Implementation

Frequently Asked Questions

What aspects of affordable housing requirements across the country are considered best practices?

There are over 500 jurisdictions nationwide that require new development to contribute to affordable housing. These programs vary widely in their application and requirements. Third-party reviews have found the following features are best practices in program design and administration:

1. Programs are mandatory
2. Programs apply in areas with strong housing markets
3. 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"
4. Programs consider local market conditions and factors
5. Programs include a strong compliance component
6. Programs include a plan for revenue to support staffing

Why are payment and performance amounts for residential development lower on average for Downtown and South Lake Union than other areas?

The approach to setting payment and performance amounts was established as part of a document referred to as the Grand Bargain. The Grand Bargain is a negotiated agreement between affordable housing organizations, market-rate developers and others 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, and Seattle's Comprehensive Plan goals and growth management objectives.

Overall, the following circumstances were considered as part of these discussions and factored into the final approach:

1. In addition to affordable housing, projects in some Downtown and South Lake Union zones are required to provide non-housing benefits such as the provision of public open space, or green street improvements, in order to build beyond base development limits. Most areas outside of downtown and South Lake Union are not required to provide these non-housing benefits.
2. The additional development capacity in Downtown and South Lake Union is generally more expensive to construct due to construction type, fire suppression, seismic design considerations, elevator requirements, and smaller floor plates, compared to primarily wood-framed construction in areas outside of Downtown and South Lake Union.
3. The additional development capacity granted under MHA in Downtown and South Lake Union is generally smaller as a percentage of total development capacity than in other areas.

How does Seattle's proposed program compare to other cities?

Many cities across the country require new development to contribute to affordable housing. These programs vary dramatically in their approach and requirements based on local goals, market conditions, and legal requirements. Below is a summary of key points about the range of programs in other cities:

- The performance set-asides vary widely from 5% to 35%.
- Target income levels vary widely from 40% to 115% of area median income (AMI) and typically differ for rental and ownership housing.
- Most programs apply only to residential development.
- Most programs apply to projects of a minimum size, often 10 or more units.
- Many programs, like New York's and Boston's, apply in a limited geographic area or to limited types of development.

Within Washington State, there are five cities with mandatory housing affordability requirements for residential development and none with requirements for commercial development. The residential programs generally require that 8-10% of total units be set-aside as affordable units for households making 50-80% of AMI. Most of these programs apply in limited geographic areas.

A summary of programs in other cities with affordable housing requirements is contained in the Director's Report summarizing the residential portion of MHA, available at www.seattle.gov/hala/policies.

Seattle's proposed program is generally proposed to require 5-7% of units affordable to renter households earning 60% AMI in residential developments outside Downtown and South Lake Union (or $7-18 per square foot), and $5-8 per square foot in commercial developments. Overall, the proposed program is projected to create more affordable housing than programs in any other similar-sized city due to its intended application on a large geographic scale, and its strategy to create housing through investment of in-lieu payments that leverage other funding.

Why is it important for the program to achieve a mix of payment and performance?

MHA seeks to encourage compliance through a mix of performance and payment, given that each option provides unique benefits. The performance option creates affordable units in market-rate buildings at the time of construction. Projects supported with payment funds create significantly more units (due to leveraging of other funds, the city can generally build 2 to 3 times as many units with payment revenue). If the payment option were removed entirely, it would dramatically reduce the total number of affordable housing units that could be produced by the program and would prevent the City from reaching its goal of producing 6,000 net new rent- and income-restricted housing units over 10 years.

Additionally, payment revenue allows the City to make strategic investments that achieve strong equity outcomes:

- increase housing choice, especially in areas where there is a high risk of displacement and access to high-frequency transit and other opportunities;
- preserve existing housing;
- support community-based development projects; and
- create family-size units and family-friendly housing, and
- serve households with the greatest need.

Performance can also be difficult for small scale projects where a single affordable unit could represent a significant portion of the total units being built. In these circumstances, a performance-only program could have a greater cost impact on certain types of residential development.

For more information on Seattle's **Housing Affordability and Livability Agenda**, please visit us online at **www.Seattle.gov/HALA**