



# City of Seattle

Edward B. Murray, Mayor

**Date:** June 30, 2016

**To:** Affordable Housing, Neighborhoods and Finance Committee

**From:** Steve Walker, Office of Housing  
Emily Alvarado, Office of Housing  
Diana Canzoneri, Office of Planning & Community Development

**Subject:** SLI Response: OH Monitoring Program for Unsubsidized Rental Housing in Seattle

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## **Background**

The Statement of Legislative Intent (SLI) 28-1-A-1 requested that the Office of Housing (OH) with the assistance of the Office of Planning and Community Development (OPCD) develop a program to monitor unsubsidized rental housing in Seattle and submit recommendations to Council by June 30<sup>th</sup>. The Council requested that the program monitor unsubsidized rental housing affordable to households earning 80% of Area Median Income (AMI) and below. The Council further requested that the program provide as much information as is available on the housing stock, and that the Executive should identify data that is available or could be available from different sources.

## **Response**

Low cost unsubsidized rental housing plays an important role in providing affordable housing to renters in Seattle. The collection and analysis of data on Seattle's stock of low cost unsubsidized housing is critical in order to support further implementation of policies and programs to meet the City's goals for Housing Affordability and Livability, specifically those related to addressing the needs of communities facing displacement.

### **Existing data available on an ongoing basis to the City of Seattle**

Presently, the City has limited data to understand how much unsubsidized housing is affordable to lower income households. Existing data does provide some information about market conditions and costs, but does not provide a sufficient picture of the low cost unsubsidized housing stock. Consequently, the City does not have a reliable mechanism to track changes over time in the stock of low cost unsubsidized housing.

- Data generated by the City of Seattle:

- Multifamily Tax Exemption (MFTE) – Data collected from the MFTE program only includes data for units in participating properties. Furthermore, given the length of time MFTE has been operating, this only includes buildings completed in the last 12 years. Rents for the market-rate portion of units within these relatively new properties are likely more expensive than rents in the broader stock of market-rate housing.
- Tenant Relocation Assistance Ordinance (TRAO) – Data collected under TRA0 includes the number of occupied units subject to demolition or significant alterations that displace tenants, the number of households that qualify for relocation assistance (at or below 50% AMI) , and the number of households that apply but do not qualify for assistance.
- Building and demolition permits – OPCD uses residential building permit data to identify net new housing units built (i.e., final construction permits minus demolition permits) and to track growth relative to the 20-year growth estimates in the Comprehensive Plan. Permit data is similarly a tool for tracking progress toward the part of the HALA goals that aims for 50,000 new homes over the next decade. Additional information, including the types of units constructed and demolished, is also contained in the City’s permit tracking database. However permit data do not include information on rents charged.
- Rental Registration & Inspection Ordinance (RRIO) – RRIO helps ensure that all rental housing in Seattle meets basic safety and maintenance requirements. The RRIO program reports annually about status of registrations and inspections. The report currently contains information on the conditions seen in units inspected by the City. A proposal to require inspection results from private inspectors is expected to require reporting of any conditions that fail the RRIO inspection. Reporting and analysis will be of a portion of units each year, but over time will allow the City to identify broader patterns and trends related to unit conditions and maintenance. RRIO does not collect data on rents.
- Data supplied by other entities:
  - American Community Survey (ACS) –The ACS, conducted by the U.S. Census Bureau, provides important information on the physical and financial characteristics of housing, including data on rents and other housing costs such as basic utilities. HUD provides a special tabulation of ACS data, called the Comprehensive Housing Affordability Strategy (CHAS) data, to assist communities in understanding local housing costs and needs. However, neither the regularly published ACS data nor the ACS CHAS data distinguish between subsidized housing and market housing. These data therefore lack the specificity needed for monitoring the affordability of the unsubsidized portion of the housing stock.

- American Housing Survey – Conducted by the U.S. Census Bureau, the survey produces extensive information on a wide range of housing subjects, including physical condition of housing units, rents and mortgage costs. However, the Census Bureau does not publish data from the American Housing Survey below the metropolitan area level (with the exception of the associated New York City Housing and Vacancy Survey sponsored by New York City). This data can be useful for examining regional trends, but does not give information specific to housing within the city of Seattle.
- Subscription to standard Dupre + Scott reports– OPCD and OH each subscribe to Dupre + Scott Apartment Advisors’ standard, published reports. These published reports provide information on average rents charged for market-rate rental units, but do not include data on the distribution of rents. While the average rent data from the published reports is helpful, these reports do not include information on the distribution of market-rate rents needed to estimate the share of market-rate rental units that are affordable at low-, moderate-, and middle-incomes.<sup>1</sup> The purchase of customized data outlined in this SLI response would address this gap.

### **National Scan of housing market data collected by other jurisdictions**

Several high cost cities across the country monitor rents in unsubsidized housing. OH surveyed several cities and state agencies and found that the following produce reports on the existing conditions of market rate rents. These jurisdictions all work in partnership with public or private entities to conduct the research. For some cities, the data was used for program administration purposes, like New York’s administration of rent regulation laws. For other cities, the exact purpose for the data was less defined. For this proposal, OH and OPCD propose that the data be used to understand existing conditions, monitor the housing stock and inform broader policy, which may change over time.

- **New York, NY:** The New York City Department of Housing Preservation and Development sponsors the New York City Housing and Vacancy Survey every three years to comply with New York state and New York City’s rent regulation laws. The Census Bureau has conducted the survey for the City since 1965.
- **Colorado:** The Colorado Department of Local Affairs, Division of Housing offers a variety of vacancy and rental survey data researched and authored by the Daniels College of Business and the University of Denver. They publish a corporate sponsored quarterly survey of market-rate multifamily units in the Denver Metro Area to provide public information and support Division efforts.

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<sup>1</sup> For example, Dupre+Scott’s Spring 2016 Apartment Vacancy Report estimates that the average rent for 1-bedroom apartment in Seattle is \$1,554. However, this does not tell us what share of 1-bedroom units in the city that are renting at \$1,017, which is the level that a household at 60% of AMI can afford.

- **Oakland, CA:** The City of Oakland Housing and Community Development Department has produced several reports on vacancy and rents, including a Citywide Rental Survey, which covers a 5+ year period.

### **Monitoring Program for Unsubsidized Rental Housing**

The Office of Housing, in close collaboration with OPCD, will take the following actions to monitor the stock of low cost unsubsidized housing:

#### **1. Custom data purchases**

In collaboration with OPCD, OH will obtain custom data from a third party to help the City better understand the existing stock of low-cost market rate rental housing. OH and OPCD recommend that data on units in complexes with 20 or more units be purchased on an annual basis, and data on units in smaller properties be purchased every other year. OH and OPCD also recommend that data purchases include neighborhood-level rent data in alternating years.

OH and OPCD developed a proposal for obtaining custom data as described below. The total annual estimated cost of this data is \$20,000.

- A. Annually, beginning in 2016: purchase custom data tabulations from Dupre + Scott for rental units in complexes with 20 or more units, overall and for unit types based on number of bedrooms.<sup>2</sup> These annual tabulations for the city of Seattle as a whole will include:
  - Rent distribution by \$100 ranges
  - Rent distribution by AMI levels (e.g., ≤ 30%, 31-50%, 51-60%, 61-80%, 81-120%, 121%+)
  - 50th percentile (median) rents and average rents by unit type
- B. Every other year beginning in 2016: purchase custom data tabulations from Dupre + Scott that include data on rental units in properties with less than 20 units, overall and for unit types based on number of bedrooms.
  - Rent distribution by \$100 ranges
  - Rent distribution by AMI levels (e.g., ≤ 30%, 31-50%, 51-60%, 61-80%, 81-120%, 121%+)
  - 50th percentile (median) rents and average rents by unit type
- C. In alternate years beginning in 2017: purchase special custom tabulations from Dupre + Scott, with details to be determined based on further exploration of policy and planning data needs. We anticipate that this will include data for neighborhoods or zoning classification on median rent or rent distributions. Another example of the type of data that would be useful and could be purchased includes rent distributions for units in rental properties by age.

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<sup>2</sup>AMI-levels vary by household size and different-size households are regarded as having different needs in terms of unit size. Identification of rent affordability levels, therefore requires data on rents by the number of bedrooms in the unit.

## 2. Analysis and Reporting

These data will provide information on the distribution of rents typically faced by tenants seeking to rent a unit on the private market. Regular acquisition of the data will enable the City to more effectively track changes in the low cost unsubsidized housing stock.

These data will not provide clarity on the underlying factors shaping unsubsidized rents and trends. In addition, these data will not provide parcel level property and rent information. This is due to Dupre + Scott's policy on non-disclosure. However, these data will fill an important gap in the information the City needs in order to facilitate future housing policy development and program implementation. In addition, the data will provide insight into areas that may be losing low cost unsubsidized housing, indicating where additional property specific parcel level information may be useful.

The data will be used to understand and monitor:

- The share of unsubsidized rental housing that is affordable by income level in the city of Seattle, by unit size (for larger complexes annually and smaller complexes every other year), by neighborhood, zone, and or age on a periodic basis
- Changes in the supply of low cost unsubsidized housing over time
- Change in the supply of low cost unsubsidized housing over time by neighborhood
- Change in the supply of low cost unsubsidized housing in various zoning classifications within the city
- Rent trends in low cost unsubsidized housing over time

The City can use the data to:

- Support implementation of policies and programs to meet the City's goals for Housing Affordability and Livability, and in particular to inform the need for strategic investments in communities facing displacement.
- Inform planning efforts, and zoning changes as well as implementation of various anti-displacement, preservation and equitable development strategies.
- Serve as an integral resource for other ongoing City monitoring efforts, including OPCD's monitoring for the Comprehensive Plan and associated Equitable Development Implementation Plan, including potential displacement analysis.
- Provide information for federally-required assessments that the City must complete on a regular basis for Consolidated Planning and Fair Housing purposes.

Annually, OPCD and OH will analyze and produce a written report on the data to provide information on changes in this housing stock over time. The initial report will be completed by December 15, 2016 and subsequent reports will be completed by July 30<sup>th</sup> of each year. OPCD and OH will provide the report to Council on the results of the data, including any major trends as they develop over time.