

## SUMMARY and FISCAL NOTE\*

| <b>Department:</b>                                | <b>Dept. Contact/Phone:</b> | <b>CBO Contact/Phone:</b>                               |
|---|-----------------------------|---|
| Office of Planning & Community Development (OPCD) | Geoff Wentlandt 684-3586    | Caleb Wagenaar (CBO)/4-5805 / Steven Shain (CBO)/4-8211 |

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

- 1. Legislation Title:** AN ORDINANCE relating to land use and zoning; amending Chapter 23.32 of the Seattle Municipal Code at page 28 of the Official Land Use Map to rezone land in the Northgate Urban Center; amending Sections 23.30.010, 23.48.002, 23.48.040, 23.48.055, 23.48.085, 23.58B.040, 23.58B.050, 23.58C.040, 23.58C.050, 23.71.004, 23.84A.025, 23.84A.038, 23.84A.048, and 25.05.800 of the Seattle Municipal Code; and adding a new Subchapter VII to Chapter 23.48 of the Seattle Municipal Code, consisting of Sections 23.48.802, 23.48.805, 23.48.820, 23.48.825, 23.48.827, 23.48.835, 23.48.840, 23.48.841, 23.48.845, 23.48.846, 23.48.847, 23.48.850, 23.48.852, 23.48.880, and 23.48.885.
- 2. Summary and background of the Legislation:** This proposed legislation will increase commercial and residential development capacity in the Northgate Urban Center near the Northgate Light Rail Station that is expected to begin operating in 2021. The zoning changes will promote transit oriented development consistent with the Northgate Transit Oriented Development Urban Design Study that was based on community input and released in March of 2012. The proposed changes complement the Request For Proposals (RFP) issued by King County and Seattle Office of Housing in November of 2017, calling for developers to submit proposals for mixed-use projects at its Northgate Transit Center that would include a mix of affordable and market rate housing.

The proposed rezone will also implement Mandatory Housing Affordability (MHA) requirements. Under MHA, developers will be required to contribute to affordable housing as part of most commercial or residential development. This contribution will be met by including affordable housing within new development or paying into a fund that will support development of affordable housing. The legislation also provides for additional development capacity in the form of an increase in the amount of height or floor area. The result will be increased capacity for new market-rate housing and commercial space and the creation of new rent- and income-restricted housing as Seattle grows, both of which support the City's growth management and housing policies.

In November 2015, the City Council passed Ordinance 124895 establishing the framework for the commercial component of MHA, which was codified in a new Chapter 23.58B. In August 2016, the City Council passed Ordinance 125108 establishing the framework for the residential component of MHA, which was codified in a new Chapter 23.58C. Together, these pieces of legislation set up the basic parameters and procedural

requirements that apply to commercial and residential development where MHA applies, but did not actually implement the requirements in any area of Seattle.

## 2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project?     Yes  No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget?     Yes  No

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

The overall financial implications of MHA were included in the fiscal notes accompanying the legislation for the MHA-C and MHA-R frameworks (Ordinances 124895 and 125108), and in the fiscal note accompanying legislation to implement MHA in urban villages citywide that was transmitted in November of 2017. As mentioned in those fiscal notes, implementing the MHA frameworks will likely result in increased workload and potential staffing impacts for SDCI and OH in the areas of permit review, affordable housing funding and compliance monitoring.

However, overall MHA implementation in the 2-block Northgate transit oriented development area that is the subject of this legislation would produce a very small amount of the citywide affordable housing production, and the amount is encompassed in the MHA implementation impacts evaluated in the fiscal note for MHA implementation citywide. As with other MHA implementation, this action will increase the total revenue collected which will result in a corresponding increase in the amount of OH lending and asset management activity.

- c. Is there financial cost or other impacts of *not* implementing the legislation?

If the legislation is not adopted, less affordable housing will be generated. If the legislation is not implemented transit oriented development consistent with King County's RFP for King County Transit Center site could not be achieved. In 2016 City of Seattle and King County agreed to contribute \$10 million each towards production of 200 affordable housing units at the King County Transit Center site, which is expected to be achieved as part of development following the RFP process.

### 3.d. Appropriations

This legislation adds, changes, or deletes appropriations.

### 3.e. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

| <b>Fund Name and Number</b>    | <b>Dept</b> | <b>Revenue Source</b>                 | <b>2018 Revenue</b> | <b>2019 Estimated Revenue</b> |
|--------------------------------|-------------|---------------------------------------|---------------------|-------------------------------|
| Low Income Housing Fund, 16400 | OH          | MHA payment from development projects | \$0                 | \$0                           |
| <b>TOTAL</b>                   |             |                                       |                     |                               |

**Is this change one-time or ongoing?**

The legislation would require new development in the affected area to contribute to affordable housing by providing affordable housing units on site or providing payment to OH’s low income housing fund in lieu of performance. The requirement would be permanent, but the extent to which the City would receive revenue in any given year will be subject to the amount and scale of development that occurs and the degree to which developers choose to use the payment option rather than the performance option. Payments would be made at the time a building permit is issued for a project. It is not expected that market rate development in the affected area will submit for permits before year end 2018. A first phase of affordable housing development could occur in the area before year end 2018 that would not make an MHA payment.

Revenue/Reimbursement Notes: If TOD areas are fully developed over a 10-year period and assuming that half of residential development would elect MHA payment, approximately \$20,000,000 in payments from the affected area could be generated. However, given the length of permitting and the potentially slowing construction market, it is very possible that some of the market rate development would happen over a timeframe longer than 10 years. It is also possible that the TOD sites could develop with less floor area than the maximum allowed, in which case MHA payment received would be lower.

OH’s adopted budget already assumes revenue from MHA, including Northgate Urban Center areas, so potential revenue from this legislation is already anticipated in the 2018 endorsed budget.

**3.f. Positions**

**\_\_\_\_\_ This legislation adds, changes, or deletes positions.**

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

Fiscal impacts, described herein, are primarily on the Office of Housing (OH) and Seattle Department of Construction and Inspections (SDCI). Other departments that may be impacted are the Office of Civil Rights (OCR) and, during the implementation phase, the Office of Planning & Community Development (OPCD), and the Department of Neighborhoods (DON).

**b. Is a public hearing required for this legislation?**

Yes. A public hearing is expected to be held in the middle of 2018.

**c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

**d. 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.

**e. Does this legislation affect a piece of property?**

The legislation will apply to residential, live-work, and commercial development in the proposed Seattle Mixed Zones within the Northgate Urban Center.

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

MHA is a critical step in furthering City goals for racial and social justice since it is an important piece of the City's plan to address housing affordability. Communities of color are disproportionately burdened by increasing housing costs. This legislation also directly facilitates development of at least 200 rent and income restricted housing units in close proximity to the Northgate Light Rail Station.

Analysis of displacement suggests MHA will reduce displacement as the legislation will result in additional affordable and market-rate housing and is not likely to increase the likelihood that new properties will redevelop. Rather, the legislation will tend to encourage development that would otherwise occur to be incrementally larger, and to require these developments to contribute to affordable housing.

The locational criteria for expenditure of MHA payment dollars and OH's Housing Funding Policies emphasizes housing choice, access to opportunity and community development investments, and preventing displacement. OH will encourage affordable housing locations that afford low-income residents the access to jobs, quality education, parks and open space, and services. Affordable housing development will continue to support community development investments that improve quality of life in low-income communities and help mitigate displacement of low-income residents in locations where new development is driving up housing prices. Access to transit is a priority, since transportation costs are second only to housing costs for a majority of low-income households, many of whom do not own a car. Over half of the households served by providers of City-funded low-income housing are households of color. MHA enables the City to strategically locate affordable housing in neighborhoods to serve lower income households where displacement risk is high and where other community development efforts and investments clearly support the City's RSJI principles.

Inclusion of affordable housing within new market rate development in Seattle's fast-growing neighborhoods is another important way to increase access to opportunity for low-income households.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

The goal of MHA citywide is to produce 6,000 net new units of affordable housing over 10 years, when fully implemented. It is projected that implementation of MHA in the Northgate transit oriented development area will generate over 400 of these units. OH is developing a tracking process for measuring progress toward this goal.