

Amendment 1 Version 1 to CB 120750 - LEG Connected Communities and EDZ ORD

Sponsor: Councilmember Morales

Substitute Bill

Effect: This substitute version of the bill would make three changes to simplify the Connected Community Development Partnership Bonus Pilot Program in response to feedback from Councilmembers and members of the public. The amended bill would:

1. Reduce the required income level for studios and one-bedroom rental units to low-income housing (keeping 2+ bedroom units and all ownership units at moderate-income) and reduce the affordability duration to align with Federal housing subsidy programs;
2. Remove the homeowner's incentive; and
3. Simplify the criteria for determining whether a project is a qualifying development so that a qualifying community development organization either has to own 51% of the property or have a controlling and active management role in the property.

Affordability

Under the bill as introduced, at least 30 percent of rental units and 33 percent of congregate housing rooms would need to be affordable for 75 years as moderate-income housing. Moderate-income housing is housing that is committed to be affordable to households with incomes at or below 80 percent of the Area Median Income (AMI) for rental units and 100 percent AMI or below for homeowner units.

The substitute bill would require that any rental units in congregate housing, studios or one-bedroom units be affordable to low-income households. Low-income rental housing is affordable to households with incomes at or below 60 percent of the Area Median Income (AMI). Homeownership units and units with 2 or more bedrooms would need to be affordable to moderate-income households.

Under the substitute bill the term of affordability would be reduced to 50 years, in order to align this program with the requirements of the Federal Low Income Housing Tax Credit (LIHTC) program, which provides tax credits to developers of who commit to maintain housing affordable to low-income households for 50 years.

Homeowner's Incentive

The bill as introduced allowed for additional floor area for a project that committed to provide a unit for a moderate-income homeowner who sold their property to facilitate the project. The intent was to reduce displacement by providing a way for residents to sell their property but remain on-site for the long term. Based on feedback from members of the community, this

portion of the bill is removed. Support for legacy black and brown homeowners in efforts to stay in their homes, is funded through other programs.

Qualifications

The bill as introduced included four criteria to determine whether there is sufficient participation in a project by a qualifying community development organization (QCDO) to ensure that the goals of the program would be met. Under the bill, a QCDO would need to:

- a. Own 51 percent of the property;
- b. Own at least 10 percent of the property if a development partner has provided land for the project;
- c. Have a controlling and active management role in the organization that owns the land where the development would occur; or
- d. Have another beneficial interest, to be defined in a rule promulgated by the Seattle Department of Construction and Inspections (SDCI).

Based on feedback from community-based organizations, the substitute bill would remove two of these criteria. Under the substitute bill, the QCDO would either need to own at least 51 percent of the property or have a controlling and active management role in the organization that owns the land. This would help to ensure that the QCDO has a strong and active controlling role in the project. The substitute bill continues to request that Executive Departments promulgate rules to better define these terms.

Amend the bill by substituting version 2, attached.

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE relating to land use and zoning; establishing the Connected Community Development Partnership Bonus Pilot Program; and adding new Sections 23.40.090 through 23.40.097 to the Seattle Municipal Code.

..body

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council finds and declares:

A. In April 2021 the City published *Market Rate Housing Needs and Supply Analysis*, which identified that:

1. Approximately 46,000 Seattle households are cost burdened, meaning that those households spend more than half of their incomes on rent;

2. Housing supply is not keeping pace with demand;

3. Housing costs are increasing more quickly than income;

4. Seattle has insufficient zoned capacity for “missing middle” ownership housing;

5. The rental housing market has a shortage of housing affordable and available to lower income households;

6. Approximately 34,000 lower-wage workers commute more than 25 miles to Seattle demonstrating a latent demand for affordable workforce housing; and

7. As Seattle’s share of higher income households grows, development of housing for those households increases economic and physical displacement of lower income residents.

B. With the passage of Chapter 332, Laws of 2023, Seattle must modify current land use regulations to accommodate a range of middle housing types. The City is currently in the process

1 of environmental review for the next major update to the Comprehensive Plan, which must meet
2 the requirements of Chapter 332, Laws of 2023. To inform future implementation of the
3 Comprehensive Plan update, the City has an interest in exploring development pilots to
4 demonstrate development types and partnerships that leverage community assets to provide
5 equitable development that will not contribute to economic and physical displacement of current
6 residents.

7 C. Implementing this pilot program is implementing an affordable housing incentive
8 program under RCW 36.70A.540. The pilot program applies in most zones where residential
9 development is allowed except some highrise zones, historic districts, and industrial areas that
10 allow residential uses. Additional development capacity is available for development utilizing
11 the pilot program in areas with historical racially restrictive covenants or census tracts identified
12 by the Office of Housing for the community preference policy. Increased residential
13 development in the area where the pilot program applies, in addition to supporting housing
14 affordability, will increase housing choices and support development of housing and amenities,
15 consistent with the Comprehensive Plan. The pilot program substantially increases residential
16 development capacity for qualifying development in the areas where it applies. And, the
17 increased residential development capacity provided in the areas where the pilot program applies
18 can be achieved, subject to consideration of other regulatory controls on development.

19 D. After a public hearing, the Council has determined that 60 percent of the Area Median
20 Income (AMI) income level for small rental housing units, the 80 percent of Area Median
21 Income (AMI) income level for large rental housing units and 100 percent of AMI income level
22 for owned housing set forth in this ordinance will allow for cross-subsidy for units with deeper

1 affordability and is needed to address local housing market conditions consistent with RCW
2 36.70A.540(2)(b)(iii).

3 Section 2. New Sections 23.40.090 through 23.40.097 are added to the Seattle Municipal
4 Code as follows:

5 **23.40.090 Connected Community Development Partnership Bonus Pilot Program –**
6 **Purpose**

7 Sections 23.40.091 through 23.40.097 establish the requirements for the Connected Community
8 Development Partnership Bonus Pilot Program. The purpose of the program is to demonstrate
9 the social benefits of equitable development including community-serving uses and housing
10 available to a spectrum of household incomes by setting onsite affordability standards and
11 incentives for development of housing and equitable development uses through partnerships
12 between public, private, and community-based organizations.

13 **23.40.091 Definitions for Sections 23.40.090 through 23.40.097**

14 For the purposes of Sections 23.40.090 through 23.40.097:

15 “Equitable development use” means activities, as determined by rule, where all
16 components and subcomponents of the use provide mitigation against displacement pressure for
17 individuals, households, businesses, or institutions, that comprise a cultural population at risk of
18 displacement. An equitable development use may include, but is not limited to, activities such as
19 gathering space, arts and cultural space, educational programming or classes, direct services, job
20 training, or space for other social or civic purposes. Equitable development uses may also
21 include commercial uses including but not limited to commercial kitchens and food processing,
22 craft work and maker spaces, cafes, galleries, co-working spaces, health clinics, office spaces,
23 and retail sales of food and goods.

1 ~~“Owner unit incentive development” means a qualifying development using bonus floor~~
2 ~~area where, as determined by rule, on the date of complete building permit application submittal~~
3 ~~by a qualifying community development organization: (i) some or all of the development site is~~
4 ~~owned by a person or family with an annual income not to exceed 120 percent of area median~~
5 ~~income and who have continually resided in a dwelling unit on the property for the past ten~~
6 ~~years; and (ii) an executed partnership agreement or other binding contractual agreement with a~~
7 ~~qualifying community development organization exists affirming the applicant’s obligation to~~
8 ~~provide a dwelling unit on site for the current owner at no cost and prohibiting resale or sublet~~
9 ~~by the owner for at least ten years, except in the event of the owner’s death.~~

10 “Qualifying community development organization” means a non-profit organization
11 registered with the Washington Secretary of State or a public development authority created
12 pursuant to RCW 35.21.730, that has as its purpose the creation or preservation of affordable
13 state or federally subsidized housing, social housing, or affordable commercial space, affordable
14 arts space, community gathering spaces, or equitable development uses. A qualifying community
15 development organization can consist of a partnership among one or more qualifying community
16 development organizations, or one or more qualifying community development organizations
17 and a partnering for-profit development entity.

18 “Qualifying development” means a development located on site in which a qualifying
19 community development organization has a legally established and ongoing property-related
20 interest on the date of complete building permit application submittal. To have a legally
21 established and ongoing property-related interest, a qualifying community development
22 organization shall: own at least 51 percent of the property; ~~own at least ten percent when a~~
23 ~~partner in an entity provides site control for development;~~ or have a controlling and active

1 management role in a corporation or partnership that owns a property, such as a sole managing
2 member of a limited liability company or sole general partner of a limited partnership; ~~or some~~
3 ~~other beneficial interest, as determined by rule.~~

4 “Social housing” means a residential or mixed-use structure with at least 30 percent of
5 the dwelling units affordable to households with incomes no higher than 80 percent of area
6 median income that is developed, publicly owned, and maintained in perpetuity by a public
7 development authority, the charter for which specifies that its purpose is development of social
8 housing and at a range of affordability levels within the Seattle corporate limits. Social housing
9 is intended to promote social cohesion, sustainability, and social equity through an intentional
10 distribution of units to households with a broad mix of sizes and incomes ranging between zero
11 percent and 120 percent of median income.

12 **23.40.092 Enrollment period, and eligibility requirements, ~~and owner unit incentive~~**
13 **~~development application requirements~~**

14 A. The enrollment period for the Connected Community Development Partnership Bonus
15 Pilot Program expires on the earlier of: when applications meeting the requirements of Sections
16 23.40.090 through 23.40.092 have been submitted for 35 projects; or December 31, 2029.

17 B. To qualify for the Connected Community Development Partnership Bonus Pilot
18 Program, development must meet the following eligibility requirements:

- 19 1. Be a qualifying development;
- 20 2. Be located in a Neighborhood Residential; Multifamily, except Highrise;
21 Commercial; or Seattle Mixed zone;
- 22 3. In commercial zones, have at least 75 percent of gross floor area in residential
23 or equitable development use;

1 4. Not be located in a designated historic district, unless it is an area with historic
2 exclusionary racial covenants; and

3 5. ~~Be social housing or provide~~ **Have** at least 30 percent of dwelling units and 33
4 percent of congregate residence sleeping rooms, as applicable, ~~as moderate-income units, except~~
5 ~~that the duration of the recorded restrictive housing covenants shall be 75 years; or be social~~
6 ~~housing~~ as affordable at the following income levels:

7 a. For congregate residence sleeping rooms and rental units with less than
8 two bedrooms, as low-income units;

9 b. For units with two or more bedrooms, and all owner-occupied units, as
10 moderate-income units.

11 ~~C. Applicants with owner unit incentive development shall provide the following~~
12 ~~documentation when submitting a permit application:~~

13 ~~1. An affidavit or other information in a form acceptable to the Director~~
14 ~~confirming that the property is owned by a person or family with an annual income not to exceed~~
15 ~~120 percent of area median income and who have continually resided in a dwelling unit on the~~
16 ~~property for the past ten years; and~~

17 ~~2. An executed partnership agreement or other binding contractual agreement~~
18 ~~affirming the applicant's obligation to provide a dwelling unit on-site for the current owner at no~~
19 ~~cost and prohibiting resale or sublet by the owner for at least ten years.~~

20 **23.40.093 Alternative development standards and exemptions**

21 A. In lieu of otherwise applicable development standards contained in Chapters 23.44,
22 23.45, 23.47A, and 23.48, a proposed development project that meets the requirements of
23 Section 23.40.092 may elect to meet the alternative development standards, as applicable, of

1 Sections 23.40.094 through 23.40.097. A determination by the Director that development meets
2 the alternative development standards of Section 23.40.094 through 23.40.097 is a Type I
3 decision.

4 B. Exemptions. Eligible projects are exempt from the requirements of Chapter 23.41,
5 Section 23.54.015, Chapter 23.58A, Chapter 23.58B, and Chapter 23.58C.

6 **23.40.094 Development otherwise subject to the requirements of Chapter 23.44**

7 A. Development permitted pursuant to Section 23.40.092 may meet the following
8 development standards:

9 1. Except for apartments, the density limit is one dwelling unit per 1,500 square
10 feet of lot area in NR1, NR2, and NR3 zones and one dwelling unit per 1,200 square feet of lot
11 area in RSL zones.

12 2. The maximum lot coverage is 50 percent of lot area in NR1, NR2, and NR3
13 zones and 65 percent in RSL zones.

14 3. The maximum FAR limit is 1.0 in NR1, NR2, and NR3 zones and 1.25 in RSL
15 zones. The applicable FAR limit applies to the total chargeable floor area of all structures on the
16 lot.

17 ~~B. Owner unit incentive development permitted pursuant to Section 23.40.092 may meet~~
18 ~~the following development standards:~~

19 ~~1. The maximum lot coverage is 60 percent of lot area in NR1, NR2, and NR3~~
20 ~~zones and 75 percent in RSL zones.~~

21 ~~2. The maximum FAR limit is 1.25 in NR1, NR2, and NR3 zones and 1.5 in RSL~~
22 ~~zones. The applicable FAR limit applies to the total chargeable floor area of all structures on the~~
23 ~~lot.~~

1 ~~C.B.~~ Permitted uses. In addition to the uses listed in Section 23.44.006, the following
 2 uses are permitted outright on lots meeting the requirements of Section 23.40.092: apartments,
 3 cottage housing development, rowhouse development, townhouse development, and equitable
 4 development.

5 ~~D.C.~~ Yard requirements. No structure shall be closer than 5 feet from any lot line, except
 6 that in RSL zones if the rear yard abuts an alley there is no rear yard requirement.

7 **23.40.095 Development otherwise subject to the requirements of Chapter 23.45**

8 A. Floor area

9 1. Development permitted pursuant to Section 23.40.092 is subject to the FAR
 10 limits as shown in Table A for 23.40.095.

Table A for 23.40.095
FAR limits for development permitted pursuant to Section 23.40.092

	FAR limit	FAR limit in areas with racially restrictive covenants or areas eligible for community preference policy	Maximum additional exempt FAR ¹	Maximum additional FAR for owner unit incentive development
LR1	1.6	1.7	0.5	0.3
LR2	1.8	1.9	1.0	0.5
LR3 outside urban centers and urban villages	2.5	2.7	1.0	0.5
LR3 inside urban centers and urban villages	3.0	3.3	1.0	0.5
MR	5.6	5.8	1.0	0.5

Footnote to Table A for 23.40.095

¹ Gross floor area for uses listed in subsection 23.40.095.A.2 are exempt from FAR calculations up to this amount.

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2. In addition to the FAR exemptions in subsection 23.45.510.D, an additional FAR exemption up to the total amount specified in Table A for 23.40.095 is allowed for any combination of the following floor area:

- a. Floor area in units with two or more bedrooms and a minimum net unit area of 850 square feet;
- b. Floor area in equitable development use; and
- c. Any floor area in a development located within 1/4 mile (1,320 feet) of a transit stop or station served by a frequent transit route as determined pursuant to subsection 23.54.015.B.4.

3. Split-zoned lots

a. On lots located in two or more zones, the FAR limit for the entire lot shall be the highest FAR limit of all zones in which the lot is located, provided that:

- 1) At least 65 percent of the total lot area is in the zone with the highest FAR limit;
 - 2) No portion of the lot is located in an NR1, NR2, or NR3 zone;
- and
- 3) A minimum setback of 10 feet applies for any lot line that abuts a lot in an NR1, NR2, or NR3 zone.

b. For the purposes of this subsection 23.40.095.A.3, the calculation of the percentage of a lot or lots located in two or more zones may include lots that abut and are in the same ownership at the time of the permit application.

B. Maximum height

1 1. Development permitted pursuant to Section 23.40.092 is subject to the height
2 limits as shown in Table B for 23.40.095.

Table B for 23.40.095	
Structure height for development permitted pursuant to Section 23.40.092	
Zone	Height limit (in feet)
LR1	40
LR2	50
LR3 outside urban centers and urban villages	55
LR3 inside urban centers and urban villages	65
MR	95

3 2. Split-zoned lots
4 a. On lots located in two or more zones, the height limit for the entire lot
5 shall be the highest height limit of all zones in which the lot is located, provided that:

- 6 1) At least 65 percent of the total lot area is in the zone with the
7 highest height limit;
- 8 2) No portion of the lot is located in an NR1, NR2, or NR3; and
- 9 3) A minimum setback of 10 feet applies for any lot line that abuts
10 a lot in an NR1, NR2, or NR3 zone.

11 b. For the purposes of this subsection 23.40.095.B, the calculation of the
12 percentage of a lot or lots located in two or more zones may include lots that abut and are in the
13 same ownership at the time of the permit application.

14 C. Maximum density. Development permitted pursuant to Section 23.40.092 is not
15 subject to the density limits and family-size unit requirements of Section 23.45.512.

16 **23.40.096 Development otherwise subject to the requirements of Chapter 23.47A**

17 A. Maximum height

1 1. The applicable height limit for development permitted pursuant to Section
2 23.40.092 in NC zones and C zones as designated on the Official Land Use Map, Chapter 23.32
3 is increased as shown in Table A for 23.40.096.

Mapped height limit (in feet)	Height limit (in feet)
30	55
40	75
55	85
65	95
75	95
85	145
95	145

4 2. Split-zoned lots

5 a. On lots located in two or more zones, the height limit for the entire lot
6 shall be the highest height limit of all zones in which the lot is located, provided that:

7 1) At least 65 percent of the total lot area is in the zone with the
8 highest height limit;

9 2) No portion of the lot is located in an NR1, NR2, or NR3 zone;

10 and

11 3) A minimum setback of 10 feet applies for any lot line that abuts
12 a lot in an NR1, NR2, or NR3 zone.

13 b. For the purposes of this subsection 23.40.096.A.2, the calculation of the
14 percentage of a lot or lots located in two or more zones may include lots that abut and are in the
15 same ownership at the time of the permit application.

16 B. Floor area

1 1. Development permitted pursuant to Section 23.40.092 is subject to the FAR
 2 limits as shown in Table B for 23.40.096.

Table B for 23.40.096 FAR limits for development permitted pursuant to Section 23.40.092				
Mapped height limit (in feet)	FAR limit	FAR limit in Areas with Racially Restrictive Covenants or Areas Eligible for Community Preference Policy	Maximum additional exempt FAR¹	Maximum additional FAR for owner unit incentive development
30	3.00	3.25	0.5	0.5
40	3.75	4.00	1.0	0.5
55	4.75	5.00	1.0	0.5
65	4.50	5.75	1.0	0.5
75	5.50	6.00	1.0	0.5
85	7.25	7.50	2.0	0.5
95	7.50	7.75	2.0	0.5

Footnote to Table B for 23.40.096
¹ Gross floor area for uses listed in subsection 23.40.096.B.2 are exempt from FAR calculations up to this amount.

3 2. In addition to the FAR exemptions in subsection 23.47A.013.B, an additional
 4 FAR exemption up to the total amount specified in Table B for 23.40.096 is allowed for any
 5 combination of the following floor area:

6 a. Floor area in units with two or more bedrooms and a minimum net unit
 7 area of 850 square feet;

8 b. Floor area in equitable development use; and

9 c. Any floor area in a development located within 1/4 mile (1,320 feet) of
 10 a transit stop or station served by a frequent transit route as determined pursuant to subsection
 11 23.54.015.B.4.

12 3. Split-zoned lots

1 a. On lots located in two or more zones, the FAR limit for the entire lot
2 shall be the highest FAR limit of all zones in which the lot is located, provided that:

3 1) At least 65 percent of the total lot area is in the zone with the
4 highest FAR limit;

5 2) No portion of the lot is located in an NR1, NR2, or NR3 zone;
6 and

7 3) A minimum setback of 10 feet applies for any lot line that abuts
8 a lot in an NR1, NR2, or NR3 zone.

9 b. For the purposes of this subsection 23.40.096.B.3, the calculation of the
10 percentage of a lot or lots located in two or more zones may include lots that abut and are in the
11 same ownership at the time of the permit application.

12 C. Upper-level setback. An upper-level setback of 8 feet from the lot line is required for
13 any street-facing facade for portions of a structure exceeding the mapped height limit designated
14 on the Official Land Use Map, Chapter 23.32.

15 **23.40.097 Development otherwise subject to the requirements of Chapter 23.48**

16 A. Maximum height. The applicable maximum height limit for residential uses in
17 development permitted pursuant to Section 23.40.092 in Seattle Mixed zones is increased by the
18 following amounts:

19 1. For zones with a mapped maximum height limit of 85 feet or less, 20 feet.

20 2. For zones with a mapped maximum height limit greater than 85 feet, 40 feet.

21 3. Split-zoned lots

22 a. On lots located in two or more zones, the height limit for the entire lot
23 shall be the highest height limit of all zones in which the lot is located, provided that:

1 3) A minimum setback of 10 feet applies for any lot line that abuts
2 a lot in an NR1, NR2, or NR3 zone.

3 b. For the purposes of this subsection 23.40.097.B.3, the calculation of the
4 percentage of a lot or lots located in two or more zones may include lots that abut and are in the
5 same ownership at the time of the permit application.

6 Section 3. The Council requests that by June 30, 2024, the Directors of the Seattle
7 Department of Construction and Inspections, the Office of Housing, and the Office of Planning
8 and Community Development, in consultation with the Equitable Development Initiative
9 Advisory Board, promulgate by Director’s Rule:

10 A. A process and criteria for verifying that an organization is a qualifying community
11 development organization with a legally established and on-going property-related interest in a
12 site that would make it eligible to apply for development under the pilot program. Provided that,
13 a qualifying community development organization may consist of a partnership between a
14 qualifying community development organization and one or more community development
15 organizations that do not have as their purpose the creation or preservation of affordable state or
16 federally subsidized housing, social housing, or affordable commercial space, affordable arts
17 space, community gathering spaces, or equitable development uses. Partnering community
18 development organizations could include incorporated entities that advocate or provide services
19 for refugees, immigrants, communities-of-color, members of the LGBTQIA communities,
20 members of the community experiencing homelessness, and persons at risk of economic
21 displacement. Partnering community development organizations could also include community-
22 based organizations eligible for the new Jumpstart Acquisition and Preservation Program, which
23 was added to the Housing Funding Policies through Ordinance 126611.

1 ~~B. A process and criteria for verifying that an application utilizing the owner unit~~
2 ~~incentive includes an owner and agreement meeting the requirements of this ordinance.~~

3 C.B. A regulatory definition of “equitable development use” and a process and criteria
4 for ensuring that an equitable development use will continue to occupy leasable space for the life
5 of a development.

6 Section 4. By June 30, 2030, the Council, in consultation with the Planning Commission,
7 will evaluate the pilot to assess its effectiveness in achieving the following objectives:

8 A. Providing affordable workforce housing for communities and households that are cost-
9 burdened;

10 B. Providing neighborhood-serving equitable development uses;

11 C. Forestalling or preventing economic and physical displacement of current residents;

12 and

13 D. Demonstrating a variety of missing middle housing types that are affordable to
14 households with a range of household incomes.

1 Section 5. Section 2 of this ordinance shall take effect on June 30, 2024.

2 Section 6. This ordinance shall take effect as provided by Seattle Municipal Code

3 Sections 1.04.020 and 1.04.070.

4 Passed by the City Council the _____ day of _____, 2024,

5 and signed by me in open session in authentication of its passage this _____ day of

6 _____, 2024.

7 _____

8 President _____ of the City Council

9 Approved / returned unsigned / vetoed this _____ day of _____, 2024.

10 _____

11 Bruce A. Harrell, Mayor

12 Filed by me this _____ day of _____, 2024.

13 _____

14 Scheereen Dedman, City Clerk

15 (Seal)

16 Attachments: