Date: May 1, 2015

To: David Wertheimer, HALA Committee Co-Chair
Faith Li Pettis, HALA Committee Co-Chair
Steve Walker, Director Seattle Office of Housing
Diane Sugimura, Director Seattle Department of Planning and Development
Robert Feldstein, Director, Mayor's Office of Policy and Innovation

From: Seattle Office of Housing RSJI Change Team, Cheryl Collins & Kara Williams Co-Leads
Department of Planning & Development RSJI Change Team, Melinda Herbaugh & Tara Zaremba Co-Leads
Seattle Office for Civil Rights RSJI Support Staff, Darlene Flynn

Subject: Racial Equity Analysis of HALA Workgroup Strategies and Recommendations

Mayor Murray's Executive Order 2014-02 directs the City to *"incorporate a racial equity lens in Citywide initiatives, such as legislation to increase the minimum wage, efforts to ensure affordable housing and coordinated planning for equitable growth and development."* In addition, the City's Race and Social Justice Initiative (RSJI), City of Seattle Resolution 31546, and Housing Affordability and Livability Agenda (HALA) goals and values (Attachment A) also affirm a commitment to ensuring racial equality. In accordance with these policies, RSJI Change Team members from OH, DPD and OCR conducted a racial equity review of the preliminary strategies currently under review by the HALA Advisory Committee.

We respectfully submit the following recommendations, cautions and RSJI "best practices" for the HALA Committee's consideration during your final review process. We hope our feedback will support the efforts of HALA Committee Members to ensure race and social justice implications are considered and embraced in your final recommendations. Our feedback is outlined according to the following RSJ themes:

1. Ensuring Equal Access to Housing Opportunities. Racial Equity Outcome - People of color have access to rental and homeownership opportunities throughout Seattle.

2. Preventing and Mitigating Displacement as Growth Occurs. Racial Equity Outcome - People of color can afford to stay in their communities as the City grows and prospers; growth benefits, rather than displaces, people of color.

3. Adopting Progressive Strategies to Generate Resources for Affordable Housing Development. Racial Equity Outcomes - Communities of color equitably benefit from housing opportunities that prioritize access to transportation, open space, cultural resources and other amenities. New City resources are generated and invested equitably to create significantly more housing opportunities for people of color.

4. Prioritizing Housing Resources and Establishing Affordability Levels According to Greatest Need. Racial Equity Outcomes - People of color can afford housing within Seattle City limits. The City prioritizes limited resources, including housing subsidies, to meet the needs of people of color who are disproportionally represented among the lowest income people in our community, including persons experiencing homelessness.

Recommend: Promising Strategies to Advance Racial Equity/Opportunity and Minimize Harms

Ensuring Equal Access to Housing Opportunities
- *Tenant Access / Protections Strategies 1(a) - 1(c)*. Recognizing the disproportionate number of people of color who have interactions with the criminal justice system, develop legislation to reduce barriers for people with criminal records; provide education, technical assistance and best practices to reduce criminal records as a barrier to housing; and, convene stakeholders to explore opportunities for housing for people leaving incarceration.
- *Tenant Access / Protection Strategies 3(a), 5(a), 6(a), 11(a) & 13(a)*. Increase access to private market housing for homeless people by supporting the Landlord Liaison Program, landlord mitigation funds, and other tools; ensure consistent enforcement of fair housing statutes; absent State legislation, allow for local portability of tenant screening reports; expand sources of income protection; and, increase tenant counseling information.
- *Homeownership 2(a) & 2(b)*. Provide financial resources for coordinated, start-to-finish support that is culturally appropriate and available in multiple languages; ensure borrowers have the help they need to address debt, repair credit and be successfully prepared for the financial implications of homeownership. While Change Team members support these strategies, there is concern about continuing racial disparities in the private lending market. The Homeownership Workgroup summary did not appear to include strategies addressing potential barriers that first time homebuyers may experience with respect to qualifying for first mortgages from private banking institutions. Reducing potential barriers and racial disparities within the private lending market could increase opportunities for families to participate in the City's Down Payment Assistance Program.

Preventing and Mitigating Displacement as Growth Occurs
- *Preservation 2(a) & 2(b).* Develop and market financing tools to preserve or deepen affordability of existing housing, including: establishing rehab loan program leveraging existing weatherization funding coupled with effective outreach, and providing technical assistance to owners to increase access to City programs.
- *Preservation 3(a) & 3(b).* Develop incentives to preserve or deepen affordability of existing housing, including: exploring State legislation to provide tax exemption to existing owners where rents are likely to increase, as well as tax exemption for acquisition/rehab projects that preserve affordability.
- *Preservation 4(a) & 4(b)*. Collaborate with communities and housing stakeholders to increase capacity and promote anti-displacement strategies.
- *Preservation 5(a).* Collect data on affordability of existing unsubsidized market-rate housing stock to strategically guide preservation efforts.
- *Homeownership 1(b).* Develop programs and/or resources to support low-income homeowners, such as a targeted foreclosure prevention campaign to seniors, housing assistance/counseling for homeowners in jeopardy of foreclosure due to medical debt and/or property tax discounts for low-income homeowners in areas experience growth and gentrification. Change Team members generally support these strategies, but there is concern about the narrow focus of targeting resources to homeowners in jeopardy of foreclosure due to medical debt. Although medical debt is a significant contributing factor, it does not in-and-of-itself trigger foreclosure. Expanding housing assistance/counseling and credit education to all homeowners at risk of foreclosure may have more impact.
- *Tenant Access / Protections 2(a)* – 2(d). Increase the impact of the Tenant Relocation Assistance Ordinance (TRAO) Program.
- *Tenant Access / Protections 4(a).* Amend Rental Agreement Regulation Ordinance (RARO) to improve enforcement or increase notice requirements for rent increases.

Adopting Progressive Strategies to Generate Resources for Affordable Housing
- *Housing Resources 4(a) - 4(d).* Support existing efforts to secure resources/mitigate housing impacts, including: a City-wide Linkage Fee program; renew and increase the Housing Levy; expand the State HTF;

and, establish bonding authority. Change Team members concur with comments in support of Linkage Fees included on the Preservation Workgroup summary.

- *Preservation 1(a) – 1(d) & Financing 1(b).* Create substantial financial resources and legislative authority to empower the City to lead an expansive affordable housing preservation effort, including: City issued bonds; expanding focus and staffing at OH; pursuing legislation for ROFR; and, explore ways to preserve buildings at risk due to URM/RRIO requirements.

Prioritizing Housing Resources and Establishing Affordability Levels According to Greatest Need

- *Financing 2(a), 2(c) & 2(d).* Calibrate MFTE program to achieve participation from a range of projects. The program should continue to target affordability to low-income households by: instituting a penalty for opt-out to provide safeguard against market pressures, expanding eligible residential target areas and exploring changes in State law to allow for lower set-aside percentages that would enable the program to serve lower income households.
- *Housing Resources 1(a) & 1(b).* Enact State legislation to authorize local option Real Estate Excise Tax to fund affordable housing development 0-60% AMI and support proposed Medicaid benefit for permanent supportive housing for chronically homeless.

Caution: Strategies with Potential Unintended Racial Equity Consequences

Ensuring Equal Access to Housing Opportunities

- *Homeownership 4(a).* Expanding down payment assistance programs to homebuyers with incomes between 80-120% AMI (currently <80%) may result in increased racial disparities in homeownership rates or other unintended consequences. Additional racial equity analysis, including racial demographics of current/past down payment assistance recipients and overall demographics of eligible homebuyers <80% AMI vs. 80-120% AMI will be needed.
- *Zoning 1(a).* Allow more flexibility of housing types in single family zones and increase the economic and demographic diversity of those who are able to live in single family areas. As outlined in the Zoning Workgroup summary, "*approximately 65% of Seattle's land is zoned single family, limiting possibilities for increasing housing supply in large portions of the City.*" Furthermore, "*Seattle zoning has roots in racial and class exclusion and remains among the largest obstacles to realizing the City's goals for equity and affordability.*" In our interpretation, this issue statement, while referencing Seattle's history of race and class exclusion, failed to explicitly acknowledge the institutional and legally-sanctioned racism and discrimination in Seattle's recent past such as redlining and racial restricted covenants. Change Team members commented that strategy 1(a) does not go far enough to address this fundamental RSJ issue. The strategy indicates the expansion could be limited to "*certain SF locations to start*" and "*may not be appropriate in all SF areas.*" This strategy assumes households at all income levels, but indicates mainly 80-120% AMI households could benefit. However, there is no data to suggest, absent specific affordability restrictions, that expanding housing types would actually result in housing opportunities for households at 80-120% AMI.

Preventing and Mitigating Displacement as Growth Occurs

- *Tenant Access / Protections 12(a).* Rent stabilization may be a valuable option to consider, but rigorous analysis of potential unintended consequences is needed. Change Team members are concerned a rent stabilization approach could result in further race and social justice disparities if the program does not directly tie affordability levels and income restrictions to units under rent stabilization.
- *Homeownership 1(a) & Zoning 1(b)(i) – 1(b)(ii).* Removing the ownership requirement to allow both ADU/DADU and principal units to be rental units could result in speculative development and potential gentrification/displacement of other homeowners. Change Team members did not support this strategy unless clear affordability requirements would be connected with the private benefit associated with rezoning.

- *Zoning 5(a) and 5(b)*. Modify zoning code to enable broad range of housing types, including the removal of recently created barriers to creation of micro-housing and code changes to encourage production of small flats. These strategies are assuming affordability levels of 60-80% AMI (micro-housing) and all income levels (small flat code changes). However, there is no data to suggest that these code changes, absent specific affordability restrictions, would actually result in new housing units available to 60-80% AMI households or to households at all income levels. Change Team members stressed that market studies would be needed to assess whether any particular zoning change (including modifications and up zoning) would actually result in the production of affordable units absent specific affordability restrictions. This market study could help determined (1) how many new rental units would be needed to produce a supply sufficient enough to trigger rent decreases, and (2) clarify what specific strategies and time frames would be required to produce the public benefit of additional "naturally affordable" housing units.

Adopting Progressive Strategies to Generate Resources for Affordable Housing
- *Financing 1(c)*. Explore short-term lending from available City fund balances. Change Team members expressed concern that this strategy could impact other important City investments in human services and homelessness.
- *Housing Resources 2(b)*. Reinstating the City Growth Fund Citywide with portion of new construction value dedicated to affordable housing if there is a demonstrated nexus between sources and expenses. As noted on the Resources Workgroup summary, "*the impact to general fund in down times and likelihood of bleeding of resources from other criteria purposes*" is a potential unintended consequence that must be evaluated.

Prioritizing Housing Resources and Establishing Affordability Levels According to Greatest Need
- *Financing 2(b) and Zoning 3(a)*. Create a 3-bedroom unit type in the MFTE program to remove disincentive for building larger units with target affordability levels 65-85% AMI. Change Team members caution against pre-establishing target affordability levels without conducting rigorous analysis of the incomes and needs of families/large households in our community. Greatest need may be at lower income levels (trade-off could be less units but deeper affordability). Further racial equity analysis, including a survey of current MFTE program residents, during the program design phase will be needed.
- *Zoning 3(b) – 3(d).* Increase production of new family-friendly rental housing – both affordable and market rate. The Zoning Workgroup summary indicates that these measures should be funding, not zoning strategies. With respect to affordable family-friendly units, Change Team members commented that affordability levels should be established according to the greatest needs and income levels of families in our community. Rigorous racial equity and needs analysis would be needed to inform program design.
- *Construction 1(a) / 2(a) & 2(b).* Increase predictability and speed of permitting process across all departments for all housing developments / Establish special permit expediting for affordable housing projects tiered according to level or term of affordability, including an interdepartmental City staff "*expeditor*". Change Team members support City prioritization in the permitting process for affordable housing development, but it was unclear how this strategy could be achieved if strategy 1(a) is also adopted.

Consider: RSJI Best Practices

- Racial Equity Outcomes. Establishing specific Racial Equity Goals/Outcomes is the first step in any Racial Equity Analysis process. Significant efforts were made to incorporate a RSJ lens into the HALA process, including RSJI trainings for HALA Committee and Workgroup members. However, it is not clear whether the Racial Equity Outcomes identified are measurable and intended to be tracked over time, which is critical in order for the City to assess progress toward reducing and eliminating racial disparities. In addition, it does not appear that work group and advisory committee members were prepared to evaluate measurable racial equity goals prior to a discussion and evaluation of those strategies.

- <u>Data Analysis</u>. Rigorous data analysis, including racial demographics, of all existing programs and proposed policies and programs is a required element of the City's Race and Social Justice Initiative. Data analysis, particularly racial demographic information, is also essential in order to track our progress toward Racial Equity Outcomes. Before new policies are adopted, a more tailored analysis of a particular program's current and potential impacts on racial equity should be documented and considered throughout development and implementation phases.

- <u>Community Outreach and Accountability</u>. Increasing representation of people of color and other historically underrepresented populations in public decision-making processes that affect overall access to housing and neighborhood changes is essential. Inclusive Outreach and Public Engagement (IOPE) best practices must be adopted and implemented throughout the early stages of program/policy development. City departments must have systems in place to incorporate community input into the development of programs/policies in meaningful ways that address community needs and concerns. Finally, City departments must be accountable to community by providing accessible information about program/policy outcomes on a routine basis.

Housing Affordability and Livability Agreement Goals and Values:

- <u>Strengthen our City through Housing Affordability</u>: When people of all incomes, from individuals to multigenerational families, have the opportunity to live throughout Seattle, our City achieves greater economic growth, environmental sustainability and equity.

- <u>Ensure Equal Access to Housing to Advance Social and Racial Justice</u>: People of all races, ethnicities and abilities should be able to access housing in Seattle.

- <u>Promote the Livability of Seattle's Neighborhoods</u>: Deliberate planning for how new housing is built should be guided by the values of equity and sustainability to create strong, sustainable communities with good transportation choices, open space and amenities that ensure a good quality of life for all.

- <u>Promote Housing Opportunity across Seattle</u>: Communities and people thrive when safe, healthy and affordable housing options are available throughout the City.

- <u>Promote Equitable Growth</u>: People who live in Seattle should be able to afford to stay in their communities as the City grows and prospers. People should benefit from growth, not be displaced by growth.

- <u>Continue our Commitment to Prioritizing those Most in Need</u>: When we invest public resources to build homes for people with the lowest incomes, our whole City benefits.

- <u>Embrace Innovation and Build upon Current, Proven Programs and Policies</u>: As a national leader in the funding and development of affordable housing, Seattle must continue to take bold and innovative actions to address the housing affordability crisis.