SEATTLE CITY COUNCIL
CENTRAL STAFF

March 6, 2024

M E M O R A N D U M

To: Land Use Committee
From: Lish Whitson and Ketil Freeman, Analysts
Subject: Connected Communities Legislation

On March 20, 2024, the Land Use Committee (Committee) will continue its discussion of the Connected Communities pilot legislation (Attachment 1). The bill was discussed at the February 7 and February 21 Committee meetings (see the February 2 Central Staff memo for an overview of the proposed bill).

The legislation intends to foster development that can demonstrate the social benefits of projects that include community-serving equitable development uses and housing available to a range of household incomes. It intends to do that by offering flexibility to develop mixed use housing and equitable community development projects. Qualifying projects would include partnerships between public, private, and community-based organizations. The key policy questions the bill raises include: (1) are the proposed Land Use Code incentives, which will allow larger buildings in specified areas, appropriately balanced by the social benefits the pilot is intended to provide; and (2) will these incentives effectively encourage more of these projects?

To support committee consideration of the first question, this memorandum describes the requirements and incentives included in the bill and identifies issues that Councilmembers may want to consider in developing amendments. It covers the following topics:

1. Program qualifications, including affordability and partnership requirements;
2. Zoning flexibility;
3. Geography;
4. Exemptions from zoning requirements; and
5. Program administrability.

Regarding the second question, the purpose of launching the connected communities program as a pilot program is in part to understand if these incentives will encourage more equitable development projects.

Background

The City has long used Land Use Code incentives to encourage certain development goals – like increasing the production of affordable housing or green buildings with climate benefits. Some of these programs have been permanent features of the land use code, others have been developed as pilot programs intended to explore new ways of regulating land uses. The

Connected Communities pilot would a new program to the menu of incentive programs the City currently uses in the Land Use Code. Components of the Connected Communities pilot is modelled on an affordable housing development capacity bonus for religious institutions, required under the Growth Management Act.[1]

The City enacted that bonus program through Ordinance 126384 in 2021. At the time, the Office of Planning and Community Development (OPCD) identified 692 parcels that were owned by religious institutions where development utilizing the bonus could occur. Forty-one percent of those are located in Neighborhood Residential (NR) zones.[2] That bonus program as well as other currently operating green building incentive programs that offer bonus development capacity, such as the Living Building Pilot Program (adopted 2009) and the 2030 Challenge pilot program (adopted 2018), are used in this memo as bases for comparison.

ISSUE IDENTIFICATION

1. Program qualifications

The proposed bill would allow qualifying community development organizations (QCDO) with ongoing property-related interests, either on their own or in partnership with a non-profit or for-profit development partner, to build larger or denser residential or mixed-use projects than the Land Use Code (Code) would otherwise allow. To qualify, a CDO would need to meet one of the listed partnership configurations options and any housing in the project would need to meet specific affordability requirements. Projects would be eligible for additional floor area if an "owner's unit" is included.

Depending on the Council's goals, it may be appropriate to amend or remove any of these criteria.

Developer Structure

In order for a project to qualify for the pilot program, a community development organization (CDO) would need to:

a. Own 51 percent of the project;
b. Own at least 10 percent of the project 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).

[1] See RCW 36.70.545.
[2] Affordable Housing on Religious Organization Property: Director's Report. Seattle Office of Planning and Community Development and Office of Housing, May 2021.

As listed above, there are a number of partnership configurations offered to qualify for the increased density. These range from a CDO controlling 51 percent or more of the property where development is proposed to the CDO simply having a beneficial interest in the property. Councilmembers can adjust these thresholds to either increase or decrease the amount of control that a CDO must have in a partnership to qualify for the program. Increasing requirements would likely reduce the number of partnerships that qualify for the program. Reducing the requirements would potentially result in more projects that qualify for the program, but each of the projects would be less likely to provide the benefits the program is intended to support.

Affordability

Projects qualifying for the program would also need to:

a. Maintain at least 30 percent of any dwelling units and 33 percent of any congregate residence sleeping rooms as moderate-income units with a restrictive covenant requiring affordability for at least 75 years, or be social housing; and

b. If located in a commercial zone, have at least 75 percent of its floor area in residential or equitable development use.

The Code defines moderate income housing as rental housing that is affordable to households earning 80 percent or less of the area median income (AMI), or ownership housing that is affordable to households earning 100 percent AMI or less.[3] To be classified as affordable housing, there needs to be an agreement in place with a public agency that ensures that the housing will remain affordable over the term of the requirement. Generally, affordable housing is priced so that no more than 30 percent of a household's income is spent on housing costs.

The proposed legislation is intended to incentivize development that includes both housing for moderate-income households and space for non-profits that are working to address displacement. This is in part to see if cross-subsidies within the residential portion of these projects, and between the residential and non-residential components of projects, will 1) help to reduce the risk of displacement in communities most at risk of displacement, and 2) support increased housing opportunity in areas that historically excluded Black, Indigenous, Asian, or Jewish residents. Income levels are set to provide flexibility for development.

Other City incentive programs either require more affordable units (religious facilities) or deeper affordability levels (Downtown housing incentives.)

If consistency across incentive programs is a priority, Councilmembers may want to consider amending the bill to either (1) reduce the income levels that projects need to meet, or (2) increase the percentage of affordable units a project must include to align it with these other

[3] In 2023, a single person earning $70,650 would have an income at 80 percent AMI. A four-person household earning $100,900 would also have an income at 80 percent AMI. Office of Housing 2023 Income & Rent Limits.

programs. Either change will likely reduce the number of projects that would qualify for the program and would increase the difficulty for projects to be built without needing public housing subsidies.

Owner unit

The pilot would allow additional development capacity for projects including an "owner's unit." The owner's unit incentive would be available if, at the time of a building permit application:

a. some or all of the development site is owned by a person or family earning up to 120 percent of the median area income; and

b. the development agreement requires that the project include a dwelling unit "on-site for the current owner at no cost and prohibiting resale or sublet by the owner for at least ten years, except in the event of the owner's death."

The intent behind providing an owner unit incentive is to prevent displacement and increase generational wealth by providing incentives for QCDOs to provide the legacy property owner a unit in the building. While the owner would receive a new unit, which would be subject to resale and rental restrictions for a period of 10 years unless the owner dies, there is no requirement that the owner unit have an equivalent value to the prior residence. The Council may want to require more specificity about a fair market value exchange.

The bill does not appear to contemplate that development may occur on multiple lots with multiple qualifying owners. The Council may want to tie the additional floor area granted to owner's units to the individual lot that is acquired from each owner and allow for multiple owner's units.

2. Zoning flexibility

The proposed bill would allow significant increases in development potential on lots that qualify for the program. Those increases are greater than those provided under other pilots. Councilmembers should consider the benefits provided under the bill and the benefits provided by qualifying development and decide whether those increases are appropriate.

Types of development standard changes

The bill would allow flexibility for QCDO to build:

- taller structures through increases to height limits in multifamily, commercial and Seattle Mixed (SM) zones;
- wider and deeper structures through increases in lot coverage in NR zones;
- structures closer to their neighbors through decreases to required yards and setbacks in NR zones;
- equitable development and multifamily uses that may not otherwise be allowed in NR and multifamily zones;
- bulkier structures through increase to floor area ratios and exemptions from floor area limits in all zones where the program applies; and
- more units on a lot through changes to density limits in NR zones.

Height changes

The bill would allow taller buildings in multifamily, commercial and SM zones. In multifamily zones, the height increase would add 10 to 15 feet to the maximum height, allowing approximately one additional story.[4] In commercial zones, the height increases are larger. In commercial zones with a 30-foot height limit, projects could be built up to 55 feet tall, or five stories. In zones with an 85-foot height limit, projects could be built up to 145 feet tall, adding an additional six stories. These increases are similar to those provided under the Affordable Housing on Religious Property legislation adopted in 2021. They are higher than the additional height allowed under the City's living building pilot or 2030 Challenge pilot, which allow between 15 and 30 feet of additional height, depending on the base height limit. See Table 1.

Table 1. Height Bonus Comparison

Height Limit of Multifamily, Commercial and SM Zones	Religious Institution Bonus	Living Building Pilot and 2030 Challenge	Connected Communities
Less than 85 feet	10 – 30 feet	12.5 - 15 feet	10 – 30 feet
85 feet or greater	40 – 60 feet	25 – 30 feet	50 – 60 feet

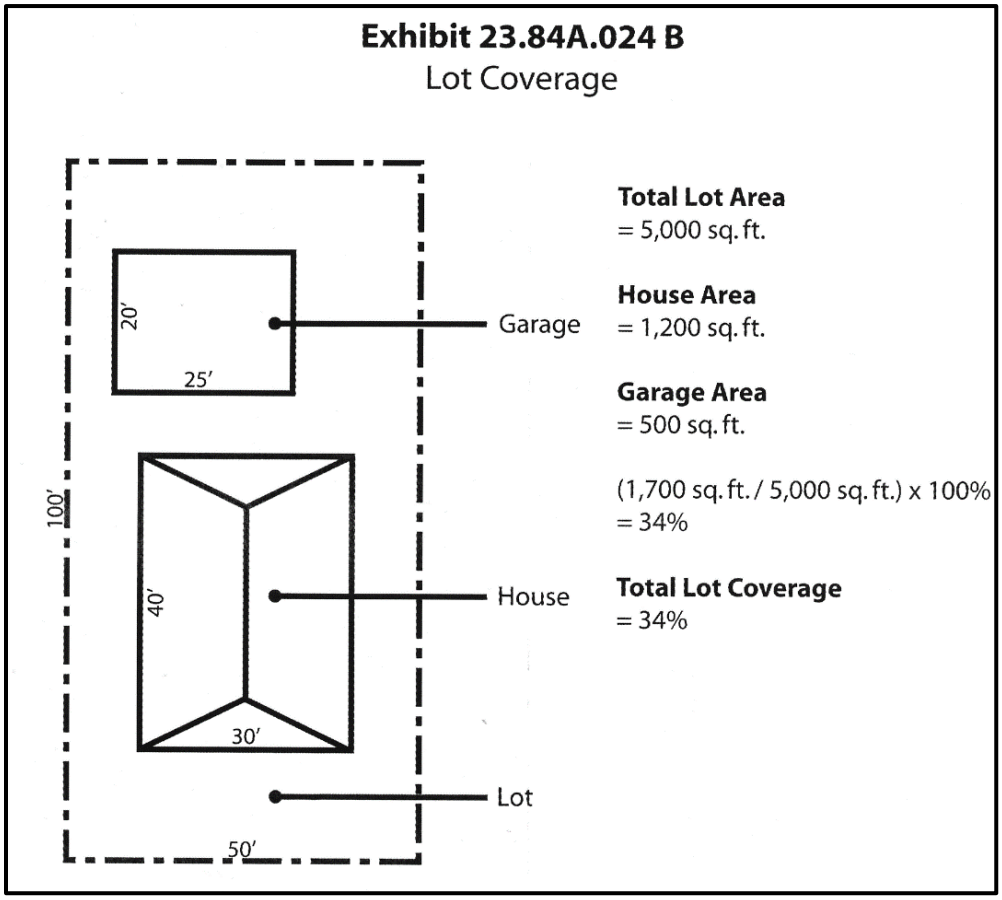
Impacts of increased height could include visual and shadowing impacts on adjacent properties.

Lot coverage and yard changes

In the NR zones, the bill would not allow for building height increases. Instead, it would allow projects in NR zones to occupy more of the lot area by increasing the maximum lot coverage allowance and allow for reductions in the depth of required yards. For most NR lots, permitted lot coverage would increase from 35 percent of the lot area to 50 percent of the lot area. For a standard 5,000 square foot lot in an NR1 zone, the amount of coverage would increase from 1,750 square feet of the lot to 2,500 square feet. Figure 1, an image from Seattle Municipal Code (SMC) section 23.84A.024, provides an example of lot coverage on a typical NR1 lot.

[4] On average a residential story in a building is ten feet tall from the floor of one story to the floor of the story above. Floor-to-floor heights can be as low as eight feet tall.

Figure 1



Increases in lot coverage can lead to smaller planting areas and increases in the amount of impervious area on a lot. This would provide less flexibility to preserve existing trees on lots redeveloped under this incentive pilot.

Another way that the bill allows additional flexibility in NR zones is to allow for smaller yards. Rather than require 20-foot-deep front yards, rear yards of at least 25 feet, and 5-foot-deep side yards, yard would have to be at least five feet on all sides of a lot. This would provide flexibility of where to site buildings on a lot but could result in buildings being closer to neighboring houses than otherwise would be permitted.

The Affordable Housing on Religious Property program did not amend lot yard requirements. The green building incentive programs do not apply in NR zones.

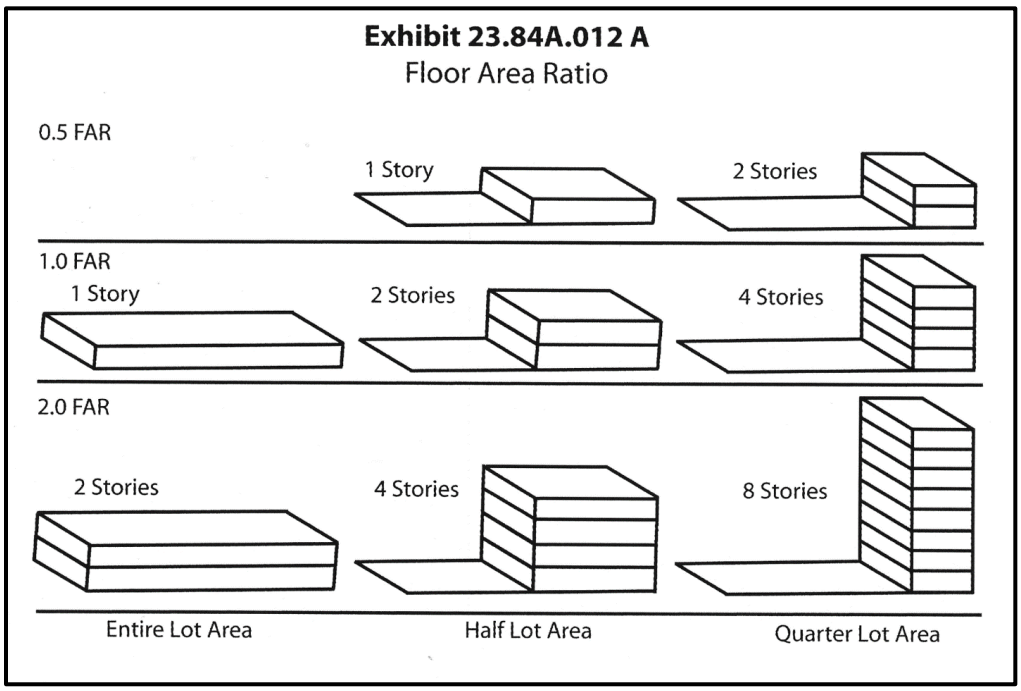
Floor Area Ratio changes

Floor Area Ratio or FAR is a measure of the size of a building compared to the size of a lot. At its most general, the FAR is determined by adding together all the floor space within a structure and dividing it by the lot area. For example:

- A 1,500 square foot single family house on a 5,000 square foot lot is 0.3 FAR (1,500 ÷ 5,000 = 0.3).
- A 100,000 square foot office building on a 20,000 square foot lot would have 5 FAR (100,000 ÷ 20,000 = 5).

FAR is intended to be a flexible way to regulate the size of structures because structures containing the same amount of FAR can have many different sizes and shapes depending on other regulations and development decisions. Figure 2, from the definition of FAR in the Code (SMC 23.84A.012), is intended to show a range of different options when different FARs are built at different heights and lot coverages.

Figure 2



FAR Increases

The proposed bill would increase the permitted FAR under each of the different zoning categories. In multifamily and commercial zones, additional FAR would be allowed in areas with racially restrictive covenants or areas eligible for community preference (preference areas), and for most zones additional FAR is permitted for owner's units. Tables 2 and 3 compare the connected communities FARs to the Religious Institution program and the green building pilots.

Table 2. FAR Comparison in NR and Multifamily zones

Zone	Standard FAR Limit	Religious Institution Bonus Maximum FAR limit	Living Building Pilot and 2030 Challenge	Connected Communities			
				Base FAR	Preference Area FAR	Additional FAR allowed for owner unit[5]	Maximum possible FAR
NR1, NR2, NR3	0.5	1.0	0.63	1.0	N/A	0.25	1.25
RSL	0.75	1.2	0.93	1.25	N/A	0.25	1.5
Lowrise 1	1.3	1.8	1.63	1.6	1.7	0.3	2.0
Lowrise 2	1.4	2.1	1.75	1.8	1.9	0.5	2.4
Lowrise 3[6]	1.8-2.3	3.0-3.75	2.25-2.88	2.5-3.0	2.7-3.3	0.5	3.8
Midrise	4.5	5.5	5.63	5.6	5.8	0.5	6.3

Table 3. FAR Comparison in Commercial zones

Zoned height limit (feet)	Standard FAR Limit[7]	Religious Institution Bonus Maximum FAR limit	Living Building Pilot and 2030 Challenge	Connected Communities			
				Base FAR	Preference Area FAR	Additional FAR allowed for owner unit[6]	Maximum possible FAR
30	2.5	3.0	3.13	3.0	3.25	0.5	3.75
40	3.0-3.25	4.5	3.75-4.06	3.75	4.0	0.5	4.5
55	3.75-4.25	5.25	4.69-5.31	4.75	5.0	0.5	5.5
65	4.5-4.75	5.75	5.63-5.94	4.50	5.75	0.5	6.25
75	5.5-6	5.75	6.88-7.5	5.50	6.0	0.5	6.5
85	5.75-6	5.75	7.2-7.5	7.25	7.5	0.5	8
95	6.25	7	7.81	7.50	7.75	0.5	8.25

The SM zone provisions add either 1.0 or 2.0 FAR to the maximum amount of FAR allowed for residential development. This is less than the 1.5 and 3.0 FAR provided under the Affordable Housing on Religious Property program. SM zones allow between 2.5 and 12 FAR.

[5] This additional FAR is added to either the Base FAR or the Preference Area FAR, as appropriate.
[6] The Lowrise 3 zone has higher FAR limits for locations inside urban centers and villages.
[7] When there are two numbers, the higher FAR limit is for sites within a Station Area Overlay district.

FAR Exemptions

In addition to allowing denser development through increases to FAR limits, the bill would also allow denser development through exemptions to the FAR limits in multifamily and commercial zones. By exempting floor area from the FAR limit, that amount of space in a structure is not counted toward the maximum size of a building, effectively increasing the maximum FAR limit. Under the proposed bill, exemptions would be provided for:

- Two bedroom or larger units, that are at least 850 square feet in size;
- Space for equitable development uses; and
- Any floor area in a development located within a quarter mile of a frequent transit stop or light rail station.

The bill provides a maximum amount of floor area that can be exempted under these provisions. This maximum ranges from 0.5 FAR in Lowrise 1 zones and commercial zones with 30-foot height limits to 2.0 FAR in commercial zones with 85 foot or higher height limits.

Because Seattle's zoning tends to map higher-density zones in frequent transit areas, and there is already additional development allowed in those areas. The Council may want to remove that exemption to focus the incentive on larger units and space for equitable development uses.

Density Limits

The Land Use Code limits the number of units permitted in NR and multifamily zones through density limits. In NR zones, generally only one principal unit is allowed on a lot, along with up to two accessory dwelling units. For the NR3 zone that equates to one principal unit on each 5,000 square foot lot. The NR1 zone allows one principal unit per 9,600 square feet. The proposed pilot would allow development with no more than 1 unit per 1,500 square feet in the NR zones, or three units in an NR3 zone and six units in an NR1 zone.

Use flexibility

The bill would also allow a range of housing types and equitable development uses that are currently not allowed in NR zones in the NR zones. These uses include apartments, cottage housing development, rowhouse development, townhouse development, and equitable development. Without allowing these uses, opportunities to achieve the densities allowed under the pilot would be limited. By July 2025, the City will need to amend its NR regulations to allow these uses citywide in response to Washington State's House Bill 1110.

Summary

The proposed bill would allow significantly larger projects than their surrounding context. Heights, bulk, and lot coverage will all mark these projects as distinct from their neighbors. Councilmembers can adjust any of the limits down if they remain higher than the current

requirements.[8] While an economic analysis of the incentives was not part of program development due to the wide of range of locations and potential development types that could be developed under the pilot, reducing allowable development capacity may provide less incentive to create these types of innovative projects.

3. Geography

Zones

The proposed bill would allow pilot projects in most of the City's zones that allow residential development. It would exclude Downtown Seattle and Highrise zones, and the City's industrial zones from the program. The effect in each zone will be different, as described in Section 2 (Zoning Flexibility). If Councilmembers are concerned about the impact of specific development standards in an area, they could amend those development standards. If a Councilmember is concerned about the totality of the changes allowed in a zone in those areas, they could also remove a specific zone or category of zones from the incentive program.

This pilot program is intended to model equitable development and partnership types that mitigate current direct and indirect residential and non-residential displacement pressure and address land use patterns caused by redlining and the use of racially restrictive covenants. Removing a specific zone or category of zones may dilute that goal. For example, NR zones represent parts of the city where most historic racially restrictive covenants were in place that resulted in greater segregation; removing that zone from the pilot would make it difficult to address the impact of the pilot on areas that historically excluded non-white residents.

Areas where additional development capacity under the program would be available.

The program is intended to support development that could reduce the risk of displacement and increase opportunities for integration within two categories of neighborhoods by increasing the FAR limits and other zoning standards in those areas:

1. Areas with racially restrictive covenants; and
2. Areas eligible for community preference policies.

Racially restrictive covenants were restrictions placed on property that prohibited members of specific racial, religious, or ethnic groups or people descended from specified nations from living on those properties. They were determined to be unconstitutional in 1948 and are no longer enforceable. However, they remain attached to property records. Areas with racially restrictive covenants are often still segregated, with a predominantly white population. The State does provide a process to remove racially restrictive covenants, but property owners are required to proactively take steps to remove a covenant that applies to property they own.

[8] Generally, increasing the zoning flexibility beyond that provided in the bill would require additional environmental review.

Consequently, in some cases a property that had a racially restrictive covenant no longer has a covenant on its title.

The Seattle Office of Housing (OH) has identified areas eligible for community preference policies. These areas have a high risk of displacement or a history of displacement of vulnerable populations. The policies intend to "affirmatively further fair housing, address displacement, and foster and sustain inclusive communities." Under these policies, low-income housing providers affirmatively market their housing to communities in the area at risk of displacement or others with historic or current connections to the neighborhood.

The bill directs the Seattle Department of Construction and Inspections (SDCI), OH, and OPCD to promulgate rules in consultation with the Equitable Development Initiative Advisory Board to define "a process and criteria for verifying that an organization is a qualifying community development organization with a legally established and on-going property-related interest in a site that would make it eligible to apply for development under the pilot program." Neither areas with racially restrictive covenants nor areas eligible for community preference policies are defined in the proposed bill or the existing Code. The question of how the City defines areas with historic racially restrictive covenants and areas eligible for community preference policies could be more explicitly added to the list of rulemaking. Councilmembers may want to add definitions or ask for rules to clarify how these areas will be identified.

4. Exemptions from zoning regulations

In addition to providing flexibility or increased development capacity, the bill exempts projects participating in the pilot from: the Design Review program (SMC Chapter 23.41), any parking requirements (SMC Chapter 23.54.015), incentive zoning provisions (SMC Chapter 23.58A), and the Mandatory Housing Affordability (MHA) program (SMC Chapters 23.58B and 23.58C).

Design Review

The bill would exempt pilot projects from participating in the design review program. The purpose of Design Review is to:

- Encourage better design and site planning to help ensure that new development enhances the character of the city and sensitively fits into neighborhoods, while allowing for diversity and creativity; and
- Provide flexibility in the application of development standards to better meet the intent of the Land Use Code as established by City policy, to meet neighborhood objectives, and to provide for effective mitigation of a proposed project's impact and influence on a neighborhood; and
- Promote and support communication and mutual understanding among applicants, neighborhoods, and the City early and throughout the development review process.

The design review program starts with early community outreach. After a development has received community input, the formal review process begins. Depending on the type of project this could include administrative review, early review and guidance by an appointed design review board, or early and final review by the design review boards. Projects are reviewed for consistency with Council-adopted design guidelines. The design review process can add time to review, but also provides early and ongoing opportunities for public comment and input into design of buildings in their community.

Because the scale of development under the pilot will be significantly larger than surrounding development, Councilmembers may want to consider if there are ways to include some community input into the project, without unduly delaying development. For example, a project could be required to participate in the early community outreach process as part of the application process but could forego the remaining steps in the process.

Parking Requirements

The bill would exempt pilot projects from both vehicle and bicycle parking requirements. Vehicle and bicycle parking requirements are set based on the particular use that will be part of a project. The City currently exempts development in urban centers, near light rail stations and frequent transit service areas from vehicle parking requirements. Bicycle parking is required throughout the city. The City has found that even though vehicular parking is exempt in many areas, developers frequently choose to provide parking based on anticipated demand from building occupants. Because areas with excellent access to transit are already exempt from parking requirements, this amendment would exempt projects in areas without frequent transit service from parking requirements.

Incentive Zoning

The incentive zoning provisions in Chapter 23.58A apply to a number of the SM zones, but not to the other zones where the pilot would be allowed. Chapter 23.58A provides the provisions related to the zoning bonus and transfer of development rights programs that apply in the SM zones in South Lake Union, Uptown, and the University District. Generally, in these areas there is a base amount of FAR that is allowed as-of-right, and additional floor area that can be achieved through the incentive zoning provisions of Chapter 23.58A.

In those areas, the local community helped to shape the SM zone provisions. These zones allow additional development if it meets neighborhood goals for development of affordable housing, preservation of historic landmarks, creation of space for childcare and schools, and public open space. In addition to provisions under each zone, Chapter 23.58A provides the framework and requirements for each of these incentive programs. The pilot would replace those existing programs with the pilot's requirements, which do not explicitly align with these neighborhoods' stated goals.

The Council could consider retaining the applicability of Chapter 23.58A to see how and whether projects in the SM zones, which already allow significant development capacity, can participate in the benefits of the pilot as well as the existing incentive programs. An alternative approach would be to increase the base FAR (rather than the maximum) in SM zones, reducing obligations under the incentive zoning program, but retaining incentive zoning requirements in zones like the SM-U 95-320 zone, which has a significant difference between the base (4.75 FAR) and the maximum (12 FAR) FAR limits.

Mandatory Housing Affordability

The MHA program generally requires developer contributions for affordable housing as part of most commercial, residential, or live-work projects. The contribution can either be fulfilled by providing affordable units on-site or through payments in lieu of providing on-site housing. Generally, the program requires, for the on-site option, that a percentage of units be income and rent restricted to be affordable for households earning less than 40 percent of the AMI for small rental units, 60 percent AMI for larger rental units, or less than 80 percent AMI for ownership units. For the payments in-lieu option, the program requires payment of funds comparable to the cost of providing those units on site. MHA does not apply to low-income housing – housing that meets these income levels. On the low end, MHA requires that a project include 5 percent of units at these income levels. On the high end, in high-cost areas which were upzoned as part of implementing the MHA program, it requires 11 percent of units to be affordable at these income levels.

Like the Affordable Housing on Religious Property program, which requires an entire project to be affordable at 80 percent AMI, the proposed pilot waives MHA requirements. The difference between the two programs is that the pilot would only require 30 percent of units to be affordable and allows ownership units to be affordable at 80 percent of median income for rental units or 100 percent of median income for ownership units.[9] The Council may want to consider if the lower affordability requirements of the pilot program, combined with the inclusion of equitable development uses, is equivalent to what is required for other types of development where MHA is waived.

5. Program administrability.

The proposed pilot relies on City departments – SDCI, OH, and OPCD – to create a "process and criteria for verifying that an organization is a qualifying community development organization with a legally established an on-going property-related interest in a site that would make it eligible for development under the pilot program" (Section 3). The pilot will also require those departments to develop a process and criteria for verifying owners' units, and a definition of "equitable development use." The bill has a delayed effective date of June 30, 2024, to make

[9] Social housing would qualify if 30 percent of units are affordable at 80 percent of median income, and all units are affordable below 120 percent of median income.

sure that that work can occur prior to the bill going into effect. The Council may want to extend that date to ensure the City departments have sufficient time to promulgate those rules.

Next Steps

Councilmembers are requested to contact us by Friday, March 8, to discuss any amendments that they are considering. The bill and amendments to the bill may be considered as early as the March 20 Committee meeting.

Attachments

1. Connected Communities Bill as of March 6, 2024

cc: Ben Noble, Director
Aly Pennucci, Deputy Director

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

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

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

D. After a public hearing, the Council has determined that the 80 percent of Area Median Income (AMI) income level for rental housing and 100 percent of AMI income level for owned housing set forth in this ordinance will allow for cross-subsidy for units with deeper affordability and is needed to address local housing market conditions consistent with RCW 36.70A.540(2)(b)(iii).

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

23.40.090 Connected Community Development Partnership Bonus Pilot Program – Purpose

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

23.40.091 Definitions for Sections 23.40.090 through 23.40.097

For the purposes of Sections 23.40.090 through 23.40.097:

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

"Owner unit incentive development" means a qualifying development using bonus floor area where, as determined by rule, on the date of complete building permit application submittal

by a qualifying community development organization: (i) some or all of the development site is owned by a person or family with an annual income not to exceed 120 percent of area median income and who have continually resided in a dwelling unit on the property for the past ten years; and (ii) an executed partnership agreement or other binding contractual agreement with a qualifying community development organization exists affirming the applicant's obligation to provide a dwelling unit on-site for the current owner at no cost and prohibiting resale or sublet by the owner for at least ten years, except in the event of the owner's death.

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

"Qualifying development" means a development located on site in which a qualifying community development organization has a legally established and ongoing property-related interest on the date of complete building permit application submittal. To have a legally established and ongoing property-related interest, a qualifying community development organization shall: own at least 51 percent of the property; own at least ten percent when a partner in an entity provides site control for development; have a controlling and active management role in a corporation or partnership that owns a property, such as a sole managing

member of a limited liability company or sole general partner of a limited partnership; or some other beneficial interest, as determined by rule.

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

23.40.092 Enrollment period, eligibility requirements, and owner unit incentive development application requirements

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

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

1. Be a qualifying development;

2. Be located in a Neighborhood Residential; Multifamily, except Highrise; Commercial; or Seattle Mixed zone;

3. In commercial zones, have at least 75 percent of gross floor area in residential or equitable development use;

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

5. Have at least 30 percent of dwelling units and 33 percent of congregate residence sleeping rooms, as applicable, as moderate-income units, except that the duration of the recorded restrictive housing covenants shall be 75 years; or be social housing.

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

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

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

23.40.093 Alternative development standards and exemptions

A. In lieu of otherwise applicable development standards contained in Chapters 23.44, 23.45, 23.47A, and 23.48, a proposed development project that meets the requirements of Section 23.40.092 may elect to meet the alternative development standards, as applicable, of Sections 23.40.094 through 23.40.097. A determination by the Director that development meets the alternative development standards of Section 23.40.094 through 23.40.097 is a Type I decision.

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

23.40.094 Development otherwise subject to the requirements of Chapter 23.44

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

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

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

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

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

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

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

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

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

23.40.095 Development otherwise subject to the requirements of Chapter 23.45

A. Floor area

1. Development permitted pursuant to Section 23.40.092 is subject to the FAR 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.

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. Development permitted pursuant to Section 23.40.092 is subject to the height 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

2. Split-zoned lots

a. On lots located in two or more zones, the height limit for the entire lot shall be the highest height 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 height limit;

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

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

23.40.096 Development otherwise subject to the requirements of Chapter 23.47A

A. Maximum height

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

Table A for 23.40.096
Additional height for development permitted pursuant to Section 23.40.092

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

2. Split-zoned lots

a. On lots located in two or more zones, the height limit for the entire lot shall be the highest height 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 height 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 23.40.096.A.2, 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. Floor area

1. Development permitted pursuant to Section 23.40.092 is subject to the FAR 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 FAR[1]	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.

2. In addition to the FAR exemptions in subsection 23.47A.013.B, an additional FAR exemption up to the total amount specified in Table B for 23.40.096 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 23.40.096.B.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.

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

23.40.097 Development otherwise subject to the requirements of Chapter 23.48

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

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

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

3. Split-zoned lots

a. On lots located in two or more zones, the height limit for the entire lot shall be the highest height 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 height 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 23.40.097.A, 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. Floor area. The applicable maximum FAR limit for residential uses in development permitted pursuant to Section 23.40.092 in Seattle Mixed zones is increased by the following amounts:

1. For zones with a mapped maximum residential height limit of 85 feet or less, 1.0 FAR.

2. For zones with a mapped maximum residential height limit greater than 85 feet, 2.0 FAR.

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 23.40.097.B.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.

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

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

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

C. A regulatory definition of "equitable development use" and a process and criteria for ensuring that an equitable development use will continue to occupy leasable space for the life of a development.

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

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

B. Providing neighborhood-serving equitable development uses;

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

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

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

Section 6. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

President _____ of the City Council

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

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

Attachments: