City of Seattle

Workforce Housing Forum Notes
February 13, 2014
Seattle City Hall: 600 4th Avenue

Purpose: On Thursday, February 13, 2014 the Seattle City Council hosted a workforce housing forum featuring national experts who discussed best practices in affordable housing production in growing urban centers like Seattle. The forum was part of a broader effort led by the City Council to examine housing needs and policies for those making between 60-100% of area median income (AMI) in Seattle.

EXECUTIVE SUMMARY

Over two hundred members of the public and eleven national experts joined Councilmembers for discussion on: 1) the need and availability of housing for families at 60-80% AMI; 2) performance of existing housing programs; 3) best practices for incentive zoning programs; 4) best practices for other strategies to serve this income level and 5) how Seattle stacks up with peer cities around the country.

Key Findings about Seattle, compared to peer jurisdictions

- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, making it the fifth fastest growing city surveyed.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has the fourth highest median household income.
- Seattle has the fourth least number of households earning less than $50K after San Francisco, San Jose and DC.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is "out of reach" for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.

Key Findings about Need and Existing Programs

- The greatest needs are the lowest incomes: households below 60% AMI are most likely to be paying more than 50% of their income in rent and very little market-rate housing exists at levels affordable at this income.
- Many studio and 1 bedroom apartments are affordable at market rates to those making 80-100% AMI.
- Larger 2 and 3 bedroom rental units are not affordable to families below 100% AMI.
- Homeownership is out of reach for those below 100% AMI in Seattle.
- Seattle expects to grow by 70,000 households in the next twenty years and will need 28,000 new affordable units (below 80% AMI) and 43,000 market-rate units to meet future demand.

- $31.6 million has been generated from the incentive zoning program since 2001 have been invested into a total of 1,570 units of affordable housing. Taking into account other funding sources, the program created approximately 714 affordable units since 2001 that would not have otherwise been created (56 onsite production units, 42 homeownership units and cash in lieu payments equivalent to 616 rental units).

New Policy Ideas for Further Study

The following policies and strategies emerged as key ideas for further study and discussion during the forum.

- Land-banking: by purchasing property near future light rail development and in urban villages, Denver and other cities are preserving opportunities for future affordable development. The Puget Sound Regional Council is currently considering a regional TOD fund that could be the first opportunity to realize this program in Seattle.
- Employer-led funding: Regions like Minneapolis and the Silicon Valley have engaged major employers and philanthropic partners to invest in public-private affordable housing trust funds. How could the City engage major employers in our region to make this a reality in Seattle?
- Family size units: while there are many studio and one-bedroom apartments affordable at market-rates, there are few two and three bedroom units being produced. Many participants expressed interest in strategies to produce larger units at all income levels.

Key Ideas for Further Study in Incentive Zoning

These three themes emerged as key questions for further study of the incentive zoning program.

- Income and household type served: consider strategies to create lower-income and family size units through the incentive program.
- Evaluate the incentive: further research is warranted to better understand why more developers are not using the program and to explore options for making the incentive a greater “actual incentive” for developers.
- Expand geography: explore strategies to expand the incentive to more geographic areas in order to produce more units.

Next Steps: The consulting teams will continue to develop final reports of their work in April and May. The Council will receive and deliberate on policy recommendations in summer 2014, for formal adoption by Ordinance in spring 2015.

City of Seattle

FORUM NOTES

12:00-1:45pm - COUNCIL BRIEFING AND OVERVIEW

City of Seattle data:
Ketil Freeman of the City Council's Central Staff presented the following data compiled by the City of Seattle.

- The greatest needs are the lowest incomes: households below 60% AMI are most likely to be paying more than 50% of their income in rent and very little market-rate housing exists at levels affordable at this income.
- Many studio and 1 bedroom apartments are affordable at market rates to those making 80-100% AMI.
- Larger 2 and 3 bedroom rental units are not affordable to families below 100% AMI.
- Homeownership is out of reach for those below 100% AMI in Seattle.
- Seattle expects to grow by 70,000 households in the next twenty years and will need 28,000 new affordable units (below 80% AMI) and 43,000 market-rate units to meet future demand.

Seattle Compared to Peer Cities
Kurt Kreager of Otak, Inc. in partnership with Paul Peninger presented findings from their draft report benchmarking Seattle against other cities.

Key findings:

- Seattle added 40,000 new households between 2000 and 2014 according to Nielsen, making it the fifth fastest growing city surveyed.
- After San Francisco, Seattle has the highest median age at 35.2 years.
- Seattle has the lowest average household size of comparison cities at 2.05.
- Seattle has the fourth highest median household income.
- Seattle has the fourth least number of households earning less than $50K after San Francisco, San Jose and DC.
- Most new units approved since 2000 have been multi-family, but Seattle still has a relatively large percent of detached units compared to the comparison jurisdictions.
- Although rental and ownership housing is "out of reach" for many lower and middle income households, Seattle ranks near the middle of the comparison jurisdictions in terms of housing rental rates and sale prices.

Suggested solutions:

- Land use and regulatory programs: consider expansion of the SEPA planned action ordinance in transit areas to reduce permitting time and cost and consider refinements to the accessory dwelling unit and multi-family tax exemption programs to increase production of affordable units.
- Financing: There are several creative financing tools that should be further explored including the use of contingent loan agreements and expanding the use of the Section 108 Loan Program.

- Other innovative programs: consider land-banking in transit areas and urban villages to preserve affordable options for future development and explore private sector and major employer investment in a housing trust fund.

Performance of the Incentive Zoning program
Rick Jacobus from the Cornerstone Partnership presented information on how Seattle's existing incentive zoning program is performing.

Key Findings:
- $31.6 million has been generated from the incentive zoning program since 2001 have been invested into a total of 1,570 units of affordable housing.
- Contributions from the incentive zoning program are co-mingled with other local sources. Taking into account these other sources, Cornerstone Partnership estimates the total units created through the program that would not otherwise have been created is: 714 affordable units since 2001 (56 onsite production units, 42 homeownership units and cash in lieu payments equivalent to 616 rental units).

Mr. Jacobus then framed up four key policy questions for the Council to consider as they consider revisions to the program:
- Increasing production: what are the best strategies to maximize production of total units from the incentive zoning program? Could the fee be higher? Are there other incentives that could be offered? Is a more mandatory program possible?
- Targeting benefits: What income level and unit size should be targeted? Should the city focus on rental or home ownership units?
- Onsite vs. off-site performance: should the program more strongly encourage on-site production?
- Changing Markets: how can the program respond to changing market conditions?

Public Q&A and Discussion.
Questions, answers and discussion with the public followed the presentation. The key themes that arose in discussion are:
- There are many factors for where people choose to live. Some of the "down-renting," or folks living in a unit more affordable than they can in theory afford is because it is all that's available in their neighborhood, or because they are saving for college or paying off debt – the city should be careful about the assumptions we make about what households can afford.
- Preservation of existing affordable housing is important to consider. This includes older units that are currently renting below market rate and TDRs for existing subsidized low income housing to help fund renovations.
- People would like to see more strategies for un-subsidized affordable units. How do we encourage good design for these (often smaller) spaces?
- There is a tension between achieving our density and affordability goals. Mr. Jacobus shared that in other cities he has worked, the density advocates embrace affordability and the two working together often achieves both outcomes.
- Could a more mandatory program place the costs of producing affordable units on the land-owner rather than the developer? If a program is clear and consistent – if every project is under the same rules – the cost is more likely to come out of the

land, rather than from the developers. It is hard to calibrate a program to do this exactly, but because the land-owner is who reaps the benefit of an up-zone (rather than the developer), it is something to strive towards.
- How can we turn the IZ program into more of an incentive that factors in the cost and risk of taking advantage of the additional height?

2:00-4:30pm BREAKOUT SESSIONS

Panel A: New Strategies for Workforce Housing
The panel explored innovative ways that other regions are meeting affordable and workforce housing needs. It highlighted public - private partnerships and other new strategies in Minneapolis, Denver and San Jose that are having that are having real impact.

Facilitator: Paul Peninger
Panelists:
- Bena Chang, Silicon Valley Leadership Group
- Aaron Miripol, Denver Urban Land Conservancy
- Thomas Streitz, City of Minneapolis, MN

Bena Chang shared the story of the Silicon Valley Leadership Group, a group of 353 private sector businesses working to build more affordable housing in the Silicon Valley where job growth is rapidly out-pacing housing growth and the average home price is over a million dollars. The partnership has raised $76 million from public and private sources, which have produced 10,000 new units of affordable housing, advocated for 229 new market-rate housing developments with 65,000 units.

Aaron Miripol shared the story of the Denver Urban Land Conservancy, a non-profit organization established in 2003 to acquire, develop and preserve urban community assets in Metro Denver. The organization has invested $15 million in a ten-year fund that will preserve and create over 1,000 affordable homes near high frequency transit.

Thomas Streitz shared the Minneapolis experience which has been a diversified strategy of many programs. The programs include an affordable housing trust fund with public and private funding, tax credits and regulatory strategies such as eliminating parking requirements and density bonuses.

Public Feedback from small group report out
Participants expressed concerned about:
- Declining support from the State Housing Trust Fund, including less support for workforce projects.
- Income targeting may be missing the 50-60% AMI, which tax credit developers have trouble reaching.
- Seattle may need to set our own strategies around this issue because we are ahead of the curve nationally, but still have a need in our city.
- Be thoughtful about investment in transit locations - funds must be used in a way that we are not creating involuntary displacement.

Ideas to pursue:

- Real Estate Investment Trust or "Land Bank," a NGO/quasi GO that uses a blended approach to secure sites quickly and hold on to sites. PSRC working on TOD work fund. Seattle should engage in this process and also explore their own program.
- Reopen TDR policies to create capital for existing low-income housing that has zoned capacity it is not using.
- Create a carve-out of private activity bond cap.
- Multifamily bridge loans to simplify the lending process: joint underwriting is good and smart and should be pursued.
- Employer assisted funding is an untapped resource. Seattle does not have an affordability crisis of the same magnitude as the Silicon Valley, but major employers should be approached to determine whether they are interested in engaging.

Market-led strategies to pursue:

- Expand micro-housing and accessory dwelling units, making sure what is built fits into neighborhoods.
- Focus on transit – we can't achieve maximum density without it and it's critical for people getting to work throughout the city.
- The QFC development in Ballard with housing above a grocery store is interesting and worth trying to replicate.
- Changes to regulations that limit town houses and row houses should be explored.
- Consider strategies to incentivize family-size units.

Panel B: Best Practices for Incentive Zoning

The panel featured experts and administrators of incentive zoning policies around the country about how to optimize an incentive zoning program.

Facilitator: Rick Jacobus

Panelists:

- Robert Hickey, Center for Housing Policy/National Housing Conference, Washington, D.C.
- Robin Kniech, City Councilmember, Denver, CO
- Sandy Council, City of San Mateo, CA
- Brenda Clement, Citizens Housing and Planning Association, MA
- Marc Babsin, Emerald Fund, Inc, CA

Robert Hickey shared a national perspective of trends in incentive zoning policies. Most programs survived the economic downturn and many are now expanding as cities are increasing zoning capacity with the upturn in the economy.

Robin Kneich talked about the importance of serving the "workforce" AMI level (60-80% AMI) in Denver. These households do not qualify for rent-restricted units, but market rate units are out of reach and it's important to have middle-class in her City.

Brenda Clement shared data about affordable housing production across programs in Massachusetts and Sandy Council shared facts about the City of San Mateo's incentive zoning program.

Marc Babsin shared the perspective of a developer who has both performed on site and paid fees through San Francisco's inclusionary housing ordinance. Decisions are project and neighborhood-specific, but they have been able to make it work in many circumstances.

Public Feedback from small group report out:

- Consider funding a lower AMI level like 50% to better meet the greatest need.
- The city should engage people at 50, 60 and 80% AMI to get their feedback how they would be impacted by these policy changes.
- Some places in the city (Rainier Beach was mentioned) currently do not have development happening – consider a program of that does not place barriers to development in these neighborhoods.
- The in lieu fee appears to be working well – don't remove this option.
- Many projects have not utilized the fee – the city should further research why this is and options to lower the cost should be considered to increase participation.
- Consider geographic expansion – some neighborhoods would agree to an upzone if it meant more affordable housing.
- Develop a program with options and flexibility to increase the probability that the program will be used.

6:00-8:00pm PUBLIC FEEDBACK SESSION

Approximately 75 people gathered in the evening for a public feedback session. After a short panel presentation by our panelists, small groups convened around six topics. Key themes that emerged from each are below.

Creative Financing Strategies for Workforce Housing (e.g. housing trust funds, acquisition funds)
This group wanted to see truly mixed income projects being produced and identified the issue of creating resilience through both growth and down markets.

- Consider expanded use of MFTE, but want to see a bright line between when a property tax exemption is really needed and not.
- Quasi-governmental organizations (e.g. public-private housing trust funds) have promise, but it can be complicated to co-mingle public and private funds.

Market Led Strategies for Workforce Housing (e.g. second units, micro units, pre-fabricated housing)

- More flexibility in the code would result in more housing. Ideas include: eliminate parking requirements, expand ADUs and increase the limits on the number of occupants in housing, expand micro-housing.
- Consider strategies for bank-owned vacant homes and the use of eminent domain.
- Consider strategies that result in more landlords accepting Section 8 vouchers and consider what to do about substandard housing.
- Coordinate housing and transit in city planning.

Other ideas for Workforce Housing (community land trusts, land bank, tax abatements, employer assisted)

- Expand community land trust programs (note: Homestead Community Land Trust currently has 170 properties).
- Develop an employer-led fund for Seattle focused on the specific needs of local employers. Seek a foundation or non-profit to convene and house the funds, rather than government.

Increasing overall production of the Incentive Zoning program

This group identified the following strategies to increase production overall:

- Increase geography where IZ program applies;
- Revise fees;
- Make program mandatory below the base;
- Increase the percent of affordable units required.

Questions for further research:

- Could developers participating in IZ also access MFTE?
- Would expedited permitting help offset the costs of participation in the program?
- Why there has not been full participation in the IZ program?
- Where does income affordable to moderate income households currently exist?

Targeting the benefits of the Incentive Zoning program and balancing onsite vs offsite production

This group recognized that higher income folks have choice and lower inform people do not; that the City needs to work on housing issues in a regional context and that incentive zoning is a tool to help stem displacement of renters during new or re-development. Three changes to consider:

- Target on-site production to 50-60% AMI;
- Use fees to target lower income renters;
- Consider support for larger units.

Questions for further research:

- What are the cost-implications of targeting lower incomes for on-site performance?
- How does a patchwork program impact where development happens?
- How does the incentive zoning program fit with others in the region?
- What would be the impact on number of units produced if there was an option to buy down units to lower affordability?
- How do we best balance preservation of neighborhood character with affordability, growth and incentive zoning?