

Housing Plans & Policies Technical Report

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Prepared for: Seattle Downtown Regional
Center Plan

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Memorandum

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From: Paul Peninger, MCP, Principal

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Re: Housing Strategies for the Downtown Seattle Regional Center Plan

Introduction

Over the past decade, Downtown Seattle has emerged as the city's fastest growing residential neighborhood. While Downtown continues to be a major employment center and regional hub for retail, food, arts and culture, residential development is also an increasingly important part of the character of Downtown's diverse neighborhoods.

As part of the preparation of the Downtown Seattle Regional Center Plan, this memo outlines a comprehensive set of housing strategies to ensure that Downtown's growing housing stock serves the full diversity of Seattle households by age, income, family type and special housing needs. Considering existing initiatives and programs sponsored by City agencies, the Seattle Housing Authority, and various nonprofit organizations and developers, the strategies proposed here will inform housing programs and policies to be included in the Downtown Regional Center Plan.

Process and Racial Equity Tool Outcomes

The strategies presented here build directly on existing conditions and policy analyses prepared by BAE, Agency, SEVA, the City of Seattle and other project partners. They also build on extensive outreach efforts conducted for the Regional Plan and incorporate input from Seattle residents, nonprofit organizations, housing developers and other key stakeholders.

Importantly, the memo refers to and addresses specific proposed actions identified in the Racial Equity Tool (RET) Outcomes for the Downtown Regional Center Plan and described fully in other Plan documents. The specific Downtown RET outcome for housing is as follows:

Access to Housing: Downtown offers diverse housing options that support where people are in their lives without creating a cost burden.

Downtown Regional Center Neighborhoods

The Downtown Regional Center Plan Area is composed of five distinct neighborhoods with very different socioeconomic conditions and community needs. The strategies described below recognize the differences across neighborhoods by providing policies and programs that either apply to Downtown as a whole or to one or more of the distinct neighborhood subareas. As analyzed in other Plan documents and the City's socioeconomic equity index¹, Downtown Seattle comprises both "highest equity priority" neighborhoods (e.g., Pioneer Square and Chinatown-International District) and neighborhoods with relatively low equity priority rankings (e.g., Belltown and Denny Triangle). The strategies and actions have been developed accounting for the differences in socioeconomic needs across the Plan Area.

Summary of Housing Needs and Policy Implications

To provide additional context and support for the strategies developed below, the following portion of this memo summarize major themes, findings, and policy recommendations from the Economic, Real Estate and Housing Existing Conditions Report prepared by BAE for the Downtown Regional Center Plan.

By 2044 Downtown is Projected to be the City's Largest Residential Neighborhood, Requiring Need for Ongoing Affordable Housing Investment. Downtown Seattle has added a significant supply of new housing in recent years, estimated at nearly 20,000 new housing units between 2010 and 2024, and by 2044 is projected to grow by 13,500 additional housing units. Along with high rates of overpayment², overcrowding is a significant problem reported by many moderate- and lower-income families across Downtown neighborhoods. Achieving many of the RET outcomes and other key policy goals for Downtown will require additional affordable housing investments as well as new public service and social infrastructure to support future residential development.

Downtown has Sufficient Capacity to Accommodate Future Growth, but Additional Investments in Community Amenities and Basic Infrastructure are Critical to Ensuring Inclusive and Equitable Growth. According to the Land Use Analysis prepared by Seva Workshop for the Downtown Regional Center Plan, Downtown has sufficient zoned capacity to accommodate future growth estimates. However, investments in the public realm, basic infrastructure, transportation infrastructure, cultural institutions, and community amenities are necessary to ensure that future development is both equitable and inclusive and does not exert pressure on existing residents, businesses, and community institutions. In addition, the provision of affordable housing, noted above, is needed to ensure future development does not lead to the displacement of existing households and residents.

¹ <https://www.arcgis.com/apps/mapviewer/index.html?layers=3a6bcc7fa4c14c4daabdb1cd8f329758>

² Defined as paying 30 percent or more of gross household income towards total housing costs.

Downtown's Housing Market is Relatively Robust Despite Current Challenges to Development Feasibility. Both rental and for-sale housing remains in comparatively high demand in Downtown Seattle, and the cost of housing Downtown is generally higher than elsewhere in the city, particularly in terms of rental rates in multifamily residential properties.

Downtown Seattle has a Comparatively High Population of Both Higher-Income and Extremely Low-Income Households with Limited Housing Options for Low- and Moderate-Income Households. The Downtown Regional Center contains nearly twice the share of extremely low-income households relative to the City of Seattle and Puget Sound Region. Approximately 24 percent of Downtown residents have extremely low incomes, defined as 30 percent or less of the HUD Area Median Income (AMI). Extremely low-income households account for only 14.6 percent and 12.4 percent in the City of Seattle and Puget Sound Region, respectively. By contrast, the Downtown area contains a similar proportion of above moderate-income households, or those households with incomes above 100 percent of AMI, relative to the City and Region. As a result, Downtown is home to proportionally fewer households with incomes between 30 percent and 100 percent of AMI.

Many Existing Affordable Housing Developments Face Expiring Affordability Restrictions. Downtown Seattle has a substantial existing inventory of affordable residential properties. According to HUD data, 76 projects within the Downtown Regional Center have been financed in part with the Low-Income Housing Tax Credits (LIHTC) program. These projects are primarily concentrated in Belltown, Pioneer Square, and the CID. The 76 housing properties include a total of 6,163 total units, 94 percent of which are affordable. Of the 76 projects Downtown, 15 have expired rent restrictions, with another ten expiring in the next five years.

Mandatory Housing Affordability (MHA) Requirements for Downtown Will Add to the Future Inventory of Affordable Housing. MHA requirements for new development will aid in expanding the affordable housing inventory Downtown and throughout the city. New multifamily residential development in Seattle must either include affordable units in the development (performance option) or contribute to the Office of Housing's affordable housing development fund (payment option). However, the funding raised by MHA requirements is sensitive to the broader development landscape. In 2023 the program brought in \$67 million, 15 percent below the \$75 million in 2022, due to a private development slowdown in the face of increasing construction costs and high interest rates.

Goals and Policy Directions Framework

The proposed policies below fall into three major categories: Production; Preservation; and Protection. The policies also encompass for-sale/shared ownership housing types that provide opportunities for equity building and wealth creation for low- and moderate-income households. The goals and policies address the priority housing needs identified for Downtown Seattle and incorporate feedback received from community members, housing advocates, developers, and other key stakeholders. Following each major goal are a set of related policies and proposed implementing actions or programs.

Goal 1: Grow and Diversify the Supply of Housing for All Downtown Residents. As the Downtown housing inventory continues to expand, every opportunity should be taken to identify opportunities for diversifying and growing the Regional Center’s housing stock by unit type, size, tenure, and affordability.

Policy 1.1: Continue to monitor the supply of land available for housing. Maintain a parcel database for City use that allows planning, housing, and economic development staff to identify opportunities for future residential development of all types; share this information with affordable and market-rate housing developers to advance community objectives. Continually seek to have an adequate supply of sites to accommodate future housing needs in all Downtown communities.

- a. Maintain and leverage a publicly accessible database of land available for residential development.
- b. Identify key housing opportunity sites and proactively address environmental, infrastructure and regulatory constraints on future development.

Policy 1.2. Simplify the housing regulatory and permitting process to promote production and incentivize the creation of more diverse housing types. Although Seattle has done much in recent years to facilitate housing development through updated land use and zoning policies, the regulatory environment still constrains housing production.

- a. Allow greater flexibility in zoning requirements associated with residential development in areas of Downtown currently zoned “Downtown Office Core.”
- b. Reduce the regulatory and financial burdens of periodic Energy Code updates and seismic and energy upgrades in historic buildings through incentives and regulatory changes.
- c. Consider convening an interdisciplinary team of relevant City departments (OPCD, SDCl, etc.) to review the building code update processes to ensure consistency and clarity for the development of new residential properties.
- d. Continue to waive State Environmental Policy Act (SEPA) requirements for all residential projects beyond existing State mandated period in September 2025.
- e. Update zoning along Third Avenue from Union to Stewart Streets and east along Union and Pike Streets toward Fourth Avenue to encourage residential land uses.

Policy 1.3. Lower housing development costs by incentivizing less structured parking in new housing development. High structured parking costs are one of the most significant costs and financial constraints for new residential development. While the City does not have minimum parking requirements in downtown, additional efforts can be made to reduce the amount of parking provided in individual development projects, leading to improved project feasibility. This includes investments in alternative transportation infrastructure and potential district-level parking strategies. .

- a. Invest in alternative forms of transportation to reduce need for on-site auto parking
- b. Encourage shared, district-level structured parking strategies to reduce project development costs and manage parking holistically.
- c. Better utilize existing off-street parking garages through shared parking agreements.

Policy 1.4. Continue to support the adaptive reuse of commercial buildings. Older – including historic – office, retail and industrial properties represent an important opportunity for creating new housing opportunities through adaptive reuse, particularly in Belltown, Pioneer Square and the CID.

- a. Leverage the City's Housing Levy and other existing and new funding sources to support the reuse of older offices and other commercial buildings that require seismic upgrades and other structural improvements.
- b. Consider adopting a pilot program that funds residential adaptive reuse retrofit costs in exchange for long-term deed restrictions requiring that resulting units are available and affordable to low- and moderate-income households in perpetuity.
- c. Building on existing City policies such as the recently passed Office to Residential Legislation, continue to work with Downtown property owners to adopt flexible zoning and development standards for adaptive reuse projects

Policy 1.5. Encourage the development of housing and related community infrastructure to serve family households, seniors and households with special housing needs.

- a. Expand family-focused services and programming around housing clusters and transit, including childcare, neighborhood-serving retail, and play experiences.
- b. Support the creation of housing that provides a mix of units for residents in different life stages (live-work housing, accessible senior housing, and family housing).
- c. Work with development projects to provide publicly accessible private open space that meets each neighborhood's goals and needs.

Policy 1.6. Partner with the private sector to advance innovations in new construction techniques and materials. Funders and developers across the United States are increasingly turning to new construction techniques and materials to address rising construction costs. The City can provide expanded financing and technical assistance to support efforts to spur innovation and lower develop costs and construction time-lines for new housing development.

- a. Continue to promote emerging green building and sustainable development practices.
- b. Support increased use of innovative construction techniques and materials that are both cost effective and time efficient such as mass timber and volumetric modular construction.
- c. Work with SDCI to identify and eliminate constraints on the financial feasibility of sustainable building practices.

Goal 2. Support the Development of Affordable Housing and Supportive Services. Although Downtown has a significant supply of affordable housing serving lower-income households, the need for affordable housing for both individuals and families far exceeds existing resources. Land use, regulatory and financial strategies specifically targeted to housing serving lower-income households are central to ensuring that Downtown's neighborhoods are both inclusive and diverse.

Policy 2.1. Expand funding and financing resources for affordable housing. Funding tools for affordable housing may include resources like the City's Housing Levy, private efforts such as the Amazon Housing Equity Fund and other public and private sources of subsidy for new affordable housing development. Financing tools include bonds, tax credits and exemptions, and district-scale financing mechanisms such as tax increment financing (TIF).

- a. Continue to support the development of LIHTC-financed affordable housing throughout the Downtown Regional Center.
- b. Prioritize affordable housing funding efforts in neighborhoods with the highest socioeconomic needs and displacement risks, including the CID and Pioneer Square.
- c. Continue to partner with foundations, Community Development Financial Institutions (CDFIs), and private-sector funders to develop new funding sources for affordable housing.
- d. Evaluate the feasibility of creating district-scale public-financing mechanisms such as TIF.
- e. Leverage the Multifamily Tax Exemption (MFTE) to better incentivize the inclusion of affordable housing in market-rate development in alignment with the City's Mandatory Affordable Housing (MHA) ordinance, and expand flexibility to allow horizontally-mixed use developments to leverage the MFTE program.

Policy 2.2: Leverage vacant, underutilized and publicly-owned sites for affordable housing development. Publicly- and privately-owned vacant and/or underutilized sites present strategic opportunities for investment in affordable housing. Particularly as new transit investments take place with the attendant consequences for increased land values, community ownership of key sites provides a critical hedge against displacement and can ensure a diversity of housing types by affordability.

- a. Explore opportunities for the acquisition and assembly of privately held vacant sites for future affordable housing development.

- b. Study the feasibility of site acquisition and assembly of key sites and the potential for the development of affordable housing.
- c. Conduct outreach to foundations, CDFIs, and other private- and public-sector partners to evaluate the feasibility of establishing an acquisition fund for underutilized and vacant sites.
- d. Create a comprehensive inventory of publicly-owned sites by agency and create a priority list of sites for development with affordable housing and other priority community-serving uses (e.g., schools, cultural centers, etc.).
- e. Create an inclusive community-led process for guiding the disposition and development of these key sites facilitated either by the City and/or a working group of public agencies with land assets located in the Downtown Plan Area.

Policy 2.3. Expand housing options for unhoused people. Homelessness remains one of the most pressing problems facing Downtown Seattle. New resources and investments should be focused on creating both temporary shelter and services for people experiencing homelessness throughout Downtown as well as longer-term service-enriched housing for both individuals and families.

- a. Create a comprehensive services navigation center in the Commercial Core for individuals and families experiencing homelessness.
- b. Invest in additional emergency and short-term shelters with supportive services and security.
- c. Work with the Office of Housing, nonprofits, and other key stakeholders to identify new opportunities for permanent supportive housing to serve the needs of the unhoused in all Downtown neighborhoods.

Policy 2.4. Continue to implement and update Mandatory Housing Affordability (MHA). MHA is a key tool for creating affordable housing through on-site production of low-income housing and contributions to the City's affordable housing funds. The City should continue to monitor and, as necessary, update MHA as it applies to Downtown, including by adjusting requirements to reflect market conditions, support project feasibility, and maximize affordable housing outcomes.

Goal 3: Preserve Existing Affordable Housing. Many properties serving lower-income households are at risk of conversion to market-rate housing without proactive interventions from the City, nonprofit, and private-sector partners. Over the long run, it is more cost effective to preserve these housing units than to fund the development of comparable new affordable projects, and preservation also acts as a powerful hedge against displacement in neighborhoods under increasing redevelopment pressures.

Policy 3.1. Preserve existing multifamily affordable housing with expiring income restrictions. Existing ordinances and programs, such as the City's first right of refusal law passed in 2019, already provide powerful tools for preserving existing affordable housing serving households

earning less than 80% of AMI. But more can be done Downtown to identify and monitor at-risk properties and fund their acquisition,

- a. Continue outreach to affordable housing property owners to refinance and preserve existing affordable housing with currently expired or soon-to-expire affordable housing deed restrictions and/or covenants.
- b. Leverage existing funding sources and explore new public and private sources to fund the acquisition and refinance of properties at risk of conversion to market-rates.

Policy 3.2. Explore the feasibility of investing in low-cost market-rate properties and converting them into permanently affordable housing. Most low-income households live in market-rate housing, which may be relatively affordable due to its quality, location, or other factors. When these properties fail to meet return requirements, they may be vulnerable to rehabilitation or demolition and present an opportunity for acquisition and preservation.

- a. Partner with CDFIs, nonprofit developers and private-sector funders to explore the feasibility of creating a program to acquire and revitalize distressed multifamily properties.

Policy 3.3. Expand technical support and financial resources to lower-income homeowners facing displacement. The costs of repairs, maintenance or other unexpected costs can put significant pressures on lower-income households to sell their homes and relocate to other neighborhoods. The City and nonprofit partners should expand efforts to support this comparatively small but critical sub-set of Downtown households.

- a. Work with LISC, the Amazon Housing Equity Fund, the Black Home Initiative and other partners to expand outreach to lower-income owner households at risk of displacement.
- b. Explore the feasibility of structuring a targeted loan and/or grant program targeted to lower-income owner households in high-risk neighborhoods such as the CID and Pioneer Square.

Goal 4: Protect Downtown Tenant Households from Displacement. The City already provides a robust set of tenant protection tools within the limits of Washington State law. These tools should continue to be implemented and refined throughout the Downtown Regional Center.

Policy 4.1. Consider strengthening tenant protections for lower-income renters. The Office of Housing, SDCl, and various advocacy and legal-aid organizations provide assistance to lower-income tenants facing eviction.³ There may, however, be targeted resources that can be provided in the Downtown Regional Center focusing on neighborhoods with the highest percentage of at-risk lower-income renters.

³ <https://www.psrc.org/media/2064>

- a. Develop an expanded suite of tenant protection strategies that conform with Washington State law and proactively market and conduct culturally- and linguistically-appropriate outreach to tenants to provide legal assistance, financial support and other resources in the event that they face eviction or displacement.

Policy 4.2. Implement community preferences for rental and ownership housing as allowed through the City's existing community preference policy. Cities across the US use community preference policies to prioritize local residents and workers in applications for affordable housing.

- a. Work with nonprofit and community-based organizations to tailor community preference policies for each eligible Downtown neighborhood.

Goal 5: Promote Access to Ownership for Downtown Households. Compared to other parts of Seattle, Downtown has a very low homeownership rate. The following proposed policies would provide increased ownership and wealth building opportunities for lower- and moderate-income households, including BIPOC and immigrant communities at relatively high risk of displacement.

Policy 5.1 Promote Community Ownership of Residential Properties through Community Land Trusts. Building on successful examples of community land trust-sponsored projects in other Seattle neighborhoods, provide technical assistance and financial support to community and tenant organizations exploring the feasibility of acquiring existing residential properties.

- a. Conduct outreach to public and private funding partners to explore the feasibility of establishing a dedicated fund for the purpose of supporting community acquisition of residential properties.
- b. Create a program to allow lower-income households that rent to purchase their home through subsidy.

Policy 5.2 Expand First-Time Homebuyer Programs Targeted to Lower- and Moderate-Income Households. Existing first-time homebuyer programs in Seattle should be supplemented by targeted loan and/or grant programs tailored to the unique needs of Downtown households to mitigate the risk of displacement of existing downtown residents and expand opportunities for homeownership to communities and households that have traditionally been excluded from the homeownership markets, especially BIPOC communities.

- a. Work with City agencies, nonprofits, private-sector funders and employers to explore the feasibility of creating a first-time homebuyer fund and program targeted to Downtown Seattle.
- b. As feasible, create a pilot first-time homebuyer program prioritizing lower- and moderate income BIPOC households living or working in Downtown Seattle.