

## **URBAN NEIGHBORHOODS – MULTIFAMILY CODE UPDATE**

### **White Paper – Affordable Housing**

#### **Summary**

Affordable housing goals can be achieved through a combination of regulatory and programmatic strategies. Regulatory recommendations include “bonusing” the provision of affordable housing units, as part of a regulatory package that includes modification of development standards to reduce costs and provide flexibility. Bonusing refers to allowing additional development, typically in the form of floor area or unit density, when affordable housing or other features are provided. Programmatic recommendations build on existing programs. Affordable housing measures can be strengthened by review of model programs from other cities.

#### **Summary: Focus Groups**

DPD worked with the Seattle Planning Commission to host a series of six focus groups in 2005. Specific findings from the focus group discussions that relate to affordable housing include:

- Existing housing, smaller units, lots developed to their allowed density tend to be affordable.
- Regulatory standards and the rising cost of construction made it difficult to maintain low enough costs to keep new housing affordable.
- Specific regulatory standards that added to project costs included parking and open space requirements, density limits and the combination of lot coverage and setbacks.
- Changes to those standards should be tied to reduced housing costs, potentially through a bonus or incentive system

#### **Background: Housing Need in Seattle**

Seattle’s Comprehensive Plan goals related to affordable housing:

- At least 17% of expected household growth should be affordable to households earning between 51% and 80% of median income (80% median = \$40,600 to \$58,000 depending on household size).
- At least 20% of expected household growth should be affordable to households earning up to 50% of median income (\$27,250 to \$39,000 depending on household size);

Analysis of U.S. Census and private housing market (Dupre+Scott) data shows that Seattle households face two major housing challenges:

- Renters: lower wage workers (families earning under \$40,000 a year) have difficulty finding an apartment they can afford.
- Homebuyers: households earning less than median income, which by definition means half of all households, cannot currently afford to buy a median priced affordable home.

#### **Rental Market:**

- People earning less than \$16,000-\$23,350, depending on family size, have the hardest time finding affordable housing; approximately 18,000 Seattle households are paying far

more than a third of their income on rent; most are paying up to half their income on rent--that doesn't include people who are homeless.

- Seattle needs at least 20,000 more units affordable to those with incomes below 50% of median to meet the needs of the City's current population.
- Trends suggest the need may grow: vacancy rates are dropping, job growth continues, conversions from rental units to condo are at record levels, and average rents are again increasing.

#### Homeownership:

- Median price for a home in Seattle is \$383,000; home prices have increased 30% since 2002, far outpacing increases in income.
- Buying a median priced home in most Seattle neighborhoods requires an annual income that exceeds \$55,000, higher than the median income for a single person household.

#### **How does Seattle currently address affordable housing needs?**

- **Housing subsidies:** providing funding for nonprofit developers (for example, the Seattle Housing Levy, approved by Seattle voters in 2002, provides funds through 2009 for rental housing production and preservation, first-time homebuyer assistance, and emergency rental assistance).
- **Homebuyer assistance:** using Levy and other funding, primarily in the form of down payment assistance, helping first-time buyers afford homes in Seattle.
- **City-owned surplus land:** using land to help facilitate development of additional affordable housing.
- **Developer incentive programs:** providing incentives for for-profit developers (for example, the Multifamily Property Tax Exemption Program, a 10 year exemption on payment of property tax on improvements in return for some affordable units in largely market rate projects).

#### **How can Land Use Code changes help produce affordable housing?**

*(Examples from other Cities are shown in a chart at the end of this paper.)*

Additional residential building density (increased square footage, height or dwelling units) is offered in exchange agreements to keep a percentage of units in the project affordable (either lower rents or lower sale prices).

- Density bonuses are an effective incentive if the value of the bonused units exceeds the lost profit of the requested affordable units; in other cities density bonuses range from 15 to 25 percent of all units, compared to the request for affordable units, which ranges between 10 – 15% of all units or 33 to 50% of the bonus units.
- Code incentives often work best when packaged together; as described in *Preliminary Recommendations for New Multifamily Zones*, a combination of reduced minimum parking requirements, expedited permit processing, greater code flexibility and density bonuses may be an effective means of achieving affordable housing goals,
- Other options to be considered are a payment-in-lieu provision, whereby a developer can make a payment into an affordable housing fund, or encouraging building the affordable housing units into the project

- Land Use Code strategies can be supported by strengthening the City’s other affordable housing programs and encouraging creation of new programs, potentially based on analysis of models from other cities :

### **Preliminary Recommendations**

Develop an affordable housing mechanism for multifamily zones as part of the Multifamily Code Update:

- Include height or density bonuses that provide real incentives, calibrating the requested affordable units and the bonus provisions;
- Consider other mechanisms as part of a package of incentives (reduced parking, expedited permitting, removing density limits, replacing lot coverage and setback standards with a FAR-based system); and
- Analyze programs, initiatives and codes from other cities to develop programmatic, non-regulatory approaches to creating long-term, sustainable affordable housing, possibly through a speaker series or workshop where best ideas and practices from other cities can be shared locally.

-- Staff Draft --

Rick Hooper, Office of Housing/Kristian Kofoed  
 April 10, 2006

	Density Bonus:	Minimum Project Size:	Affordability Levels:	Affordability Set-aside	Other:
<b>WA Cities</b>					
Redmond	15%	10 units	Rental < 50% Ownership < 80%	50% of Bonus Units	<ul style="list-style-type: none"> <li>Impact fees can be waived: 100% if project serves &lt;60% AMI; 50% if project serves 61-80% AMI</li> <li>On-site; or off-site/cash</li> </ul>
Kirkland	25%		Rental < 50% Ownership < 70%	33% of Bonus units	<ul style="list-style-type: none"> <li>Road and Park impact fees, and zoning/planning fees, are exempted for affordable units and bonus market units</li> <li>On-site; or off-site/cash</li> </ul>
Bellevue	15%		Rental < 50% Ownership < 80%	50% of Bonus units	<ul style="list-style-type: none"> <li>Exemption from school and transportation impact fees</li> <li>On-site only</li> </ul>
<b>OTHER CITIES:</b>					
Boston	Height and FAR increase in Downtown	10 units	50% < 80% AMI 50% < 120% AMI Average 100% AMI	10% of all units	<ul style="list-style-type: none"> <li>Off-site or cash options: 15% units times affordable housing cost factor (\$52,000 per unit)</li> </ul>
San Francisco	None	10 units	Rental < 80% Owner < 120%	10% of all units	<ul style="list-style-type: none"> <li>Off-site, but 15% of units</li> <li>Cash option based on value of on-site unit production</li> </ul>
Denver	10% m/f	30 units	Rental < 65-80% Owner < 80-95%	10% of all units	<ul style="list-style-type: none"> <li>Off-site if more affordable housing</li> <li>Cash = 50% of cost of developing affordable unit</li> <li>Reduced parking, expedited permitting, limited subsidy provided</li> </ul>
San Diego	None	10 units	Rental < 65% Owner < 100%	10% of all units	<ul style="list-style-type: none"> <li>Off-site, same set-aside</li> <li>Cash @ \$2.50 per foot</li> <li>Expedited permitting</li> </ul>
Sacramento	25%	9 units	67% units < 50% 33% units < 80%	15% of all units	<ul style="list-style-type: none"> <li>Off-site OK</li> <li>Expedited permitting</li> </ul>