What is affordable housing?

Affordable housing is sometimes used informally to describe a home that a household is able to afford with sufficient remaining income for basic needs. But for HALA, affordable housing has a specific meaning: housing (1) that is available only to households with incomes no higher than a certain level and (2) where limits on rents or sale prices provide affordability for households with incomes at a particular income limit.

Affordable housing may be publicly or privately owned and can be found in a wide range of neighborhoods and building types. In all cases, creating affordable housing requires proactive public policy and investment. Below are some key facts:

+ Affordable housing helps ensure that enough income is left over for food, transportation, medical care, and other basic life necessities.
+ Housing is considered affordable when a household pays no more than 30% of its total income for housing costs.
+ Affordable housing programs create housing that restricts the rents and incomes for households at a range of incomes.
+ Most direct 60 and below, incentive programs workforce 60-80
+ Many affordable housing programs serve households earning at most 60% or less of the Seattle-Bellevue Area Median Income (AMI), but some programs serve households with lower or

### Households earning 60% of Area Median Income (AMI)

<table>
<thead>
<tr>
<th>Household size</th>
<th>Gross annual income</th>
<th>Maximum affordable rent (with utilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$37,680</td>
<td>$949 (studio)</td>
</tr>
<tr>
<td>2 persons</td>
<td>$43,380</td>
<td>$1,017 (1 bedroom)</td>
</tr>
<tr>
<td>3 persons</td>
<td>$48,780</td>
<td>$1,219 (2 bedroom)</td>
</tr>
<tr>
<td>4 persons</td>
<td>$54,180</td>
<td>$1,409 (3 bedroom)</td>
</tr>
<tr>
<td>5 persons</td>
<td>$58,560</td>
<td></td>
</tr>
</tbody>
</table>

Source: Seattle Office of Housing 2016 Income and Rent Limits – Multifamily Rental Housing

Affordable housing programs create housing that restricts the rents and incomes for households at a range of incomes. Affordable housing helps ensure that enough income is left over for food, transportation, medical care, and other basic life necessities. Housing is considered affordable when a household pays no more than 30% of its total income for housing costs.
Affordable housing funding
 Financing affordable housing requires a complex mix of sources

+ The City uses MHA payments to leverage various other funding sources to finance affordable housing.
+ For each payment dollar under MHA, the City can leverage 2-3 additional dollars in other funding sources (e.g., 4% tax credits).

**Funding process for rental production and preservation investments**
+ Funds awarded competitively to non-profit housing developers
+ OH evaluates project location, population, scale and efficiency, and organizational capacity
+ Strategic investments throughout the city
+ City dollars typically leverage three to one
+ Community partnerships

**Project types for City affordable housing investments**
+ New construction and acquisition/rehab
+ Reinvestment in affordable housing

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**Compass on Dexter — 756 John St.**
Affordable housing examples
Projects funded by the Office of Housing

Rental Production and Preservation Program
The Seattle Office of Housing Rental Production and Preservation Program has funded 11,800 income-restricted units since 1981, an average of 358 per year.

Cumulative Units Funded

The Multifamily Tax Exemption (MFTE) Program
The Office of Housing also administers the MFTE program, which provides a tax exemption on new multifamily buildings in exchange for setting aside 20-25% of the homes as income- and rent-restricted. By supporting mixed-income residential development in the urban centers, the MFTE program ensures affordability as the community grows. The MFTE program was renewed on November 1, 2015, which was one of the HALA Advisory Committee recommendations (Strategy R.4).
MHA Goal: 6,000 affordable housing units in 10 years

Getting to 6,000 through MHA-R and MHA-Commercial

Reflects initial modeling estimates and assumptions. Assumes leverage from other sources is used to translate MHA payments collected into built units.

MHA is a critical piece of the HALA goal

Over the next 10 years, the City aims to increase the housing supply by 50,000 homes, 20,000 of which would be affordable. Critical to this overall vision, MHA would provide at least 6,000 of the 20,000 net new rent- and income-restricted homes for households with incomes no higher than 60% of median income.

Income Limits for Housing Produced through MHA

<table>
<thead>
<tr>
<th></th>
<th>Rental</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Option</td>
<td>60% AMI</td>
<td>80% AMI</td>
</tr>
<tr>
<td>Payment Option</td>
<td>up to 60% AMI</td>
<td>up to 80% AMI</td>
</tr>
</tbody>
</table>
Proposed MHA cost areas
Affordable housing requirements would vary by cost area

Under MHA, multifamily and commercial development would be required to contribute to affordable housing by building it on-site or paying into a City fund for affordable housing.

+ For the payment option, developers would make a payment based on the square footage of the building.
+ The per-square-foot payment amount is proposed to vary in different areas of the city based on market conditions.
+ In Downtown and South Lake Union, payment amounts would be set for each zone.
+ Under the performance option, developers would set aside a certain percentage of housing units as affordable for households earning up to 60% of area median income (AMI).
+ MHA payments would be leveraged with other funding sources to finance housing affordable to households earning 60% AMI and less.

<table>
<thead>
<tr>
<th>Cost Area</th>
<th>Payment amount (per square foot)</th>
<th>Performance set-aside (% of units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-cost areas</td>
<td>$18</td>
<td>7%</td>
</tr>
<tr>
<td>Medium-cost areas</td>
<td>$12</td>
<td>6%</td>
</tr>
<tr>
<td>Low-cost areas</td>
<td>$7</td>
<td>5%</td>
</tr>
<tr>
<td>Downtown / SLU</td>
<td>$5-18</td>
<td>2-11%</td>
</tr>
</tbody>
</table>

Payment amount and performance set-aside percentages are set for different cost areas based on market conditions. MHA payments would be leveraged with other funding sources to finance housing affordable to households earning up to 60% AMI and less.
How does MHA in Seattle compare with other cities?

<table>
<thead>
<tr>
<th></th>
<th>Seattle proposed</th>
<th>New York</th>
<th>Boston</th>
<th>San Francisco</th>
<th>Bellevue, WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory program?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Applies to housing projects of all sizes?</td>
<td>Yes</td>
<td>10+ unit projects</td>
<td>10+ unit projects</td>
<td>10+ unit projects</td>
<td>Bonus development only</td>
</tr>
<tr>
<td>In-lieu payment option?</td>
<td>Yes</td>
<td>Only for small projects under 25 units</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Applies to commercial development?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Citywide implementation</td>
<td>Yes</td>
<td>Rezone areas</td>
<td>Rezone areas and City financing</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Research into best practices shows the most effective and productive inclusionary housing programs:

+ Are located in strong housing markets
+ Include mandatory requirements
+ Include incentives that offset the cost of the requirement on development
+ Have political will to support affordable housing and build acceptance in the development community that providing affordable housing is part of the cost of doing business
+ Are predictable and have clear guidelines
+ Allow a choice between on-site performance and a payment-in-lieu
+ Include monitoring and stewardship of affordable housing produced through the program

For more information, see:

- Robert Hickey, Lisa Sturtevant, and Emily Thaden, “Achieving Lasting Affordability through Inclusionary Housing” (Lincoln Institute of Land Policy, 2014)
Benefits of the MHA payment and performance options

Why will MHA provide payment and performance options?

+ Payment and performance both result in mixed-income neighborhoods and advance integration in communities.

+ Performance results in fewer affordable housing units than payment.

+ Performance is difficult for small projects.

+ Payment has important equity outcomes.

+ Payment and performance levels will be set to provide a meaningful choice between options.

What are the benefits of payment?

Greater production

+ Payment yields substantially more housing than created through performance because the City can leverage other funding sources.

Strong equity outcomes

+ Investment in areas with high displacement risk and areas that lack private investment

+ Community-based development projects

+ Preservation of existing housing

+ Creation of family-sized units and family-friendly housing

+ Strategically sited affordable projects to support community-level inclusion

Geographic diversity

+ Track record of building affordable housing in neighborhoods throughout Seattle, including in high-cost areas

+ Criteria in MHA-R legislation sets out framework for investment
How will we invest MHA payments across the city?

The Office of Housing has a long track record of building affordable housing in neighborhoods throughout Seattle, including in high-cost areas.

+ OH invests payments to create affordable housing in neighborhoods throughout Seattle in order to:
  • Promote fair housing choice and opportunity
  • Support City strategies to promote growth near transit and in urban centers and villages
  • Make significant investments in areas with high risk of displacement

+ The City does regular reporting and monitoring to ensure quality and compliance for both payment and performance units.

+ Performance units must be comparable to market-rate units, and property owners must use affirmative marketing.

+ Payment units are built to Evergreen Sustainable Development Standards.

When determining where to use MHA payment funding, the MHA-R framework directs the City to consider the extent to which the housing would:

+ Affirmatively further fair housing choice
+ Be located within an urban center or village
+ Be located near frequent bus service or current or planned light rail or streetcar stops
+ Further City policies to promote economic opportunity and community development, and address the needs of communities vulnerable to displacement

Seattle Office of Housing Rental Housing Program

This map shows where OH has created affordable housing in Seattle to date using various funding sources. Projects using Incentive Zoning (IZ) payment funding are shown in pink. IZ is a voluntary program that applies in Downtown, South Lake Union, and limited other areas, while MHA would be mandatory and apply citywide.