

# **Response to Public Feedback on Mandatory Housing Affordability (MHA) Implementation In Downtown and South Lake Union May 23, 2016**

The City of Seattle is proposing to implement a new Mandatory Housing Affordability (“MHA”) requirement. Under MHA, developers would be required to contribute to affordable housing when new commercial or multi-family buildings are built. This contribution would be met by including affordable housing within a new development or paying into a fund that will be invested in affordable housing projects. In exchange for the new affordable housing requirement, some additional development capacity would be added. This program is proposed to be implemented first in Downtown and South Lake Union in late 2016.

During November 2015 through March 2016, the City of Seattle conducted significant public outreach and engagement to gather feedback on the proposal. This document is a compilation of the comments received from this process as well as proposed changes to the original proposal in response to comments. A summary of the initial proposal and more information about the Housing Affordability and Livability Agenda (HALA) can be found at: <http://www.seattle.gov/hala/policies>.

The City held a public open house meeting on February 24<sup>th</sup> and gave presentations to the following groups: the Alliance for Pioneer Square, Belltown Community Council, Building Owners and Managers Association (BOMA), Chinatown-International District Business Improvement Association, Denny Triangle Neighborhood Association, Downtown Residents Alliance, Downtown Resident’s Council, Downtown Seattle Association, InterIM, International District Special Review Board, NAIOP, Pioneer Square Preservation Board, Pioneer Square Residents Council, Seattle Chinatown-International District Preservation and Development Authority (SCIDpda), Seattle Planning Commission, and South Lake Union Community Council. In addition to these meetings, the City received comments from letters, emails and other correspondence from individuals and groups. The feedback received is summarized at the end of this document.

Overall, there was a great deal of support for the City’s effort to increase affordable housing through the multi-pronged approach recommended by the HALA Advisory Committee. Specifically, there was significant support for the basic approach to require developers to contribute to affordable housing in exchange for additional development capacity.

## **CHANGES TO INITIAL PROPOSAL**

The City is pursuing the changes outlined below based on comments received during public discussions, as well as additional modeling of development prototypes that was done during this period. Where the revised development capacity proposal is greater than what was initially proposed, the payment and performance amounts for the affordable housing requirements are also being increased.

1. Add the option of allowing taller rather than wider buildings into our State Environmental Policy Act (SEPA) analysis. During public comment, staff heard numerous comments that allowing taller rather than wider towers would tend to yield a better design outcome as it would provide

light and air between towers. Below is a summary of the affected zones and the alternative capacity proposal that will be studied.

- a. DOC2 500/300-500 (allow 40 additional feet in height)
  - b. DMC 340/290-400 (allow 40 additional feet in height)
  - c. DMC 240/290-400 (allow 40 additional feet in height)
  - d. SM 240/125-400 (allow 40 additional feet in height)
  - e. SM 160/85-240 (allow 30 additional feet in height)
  - f. SM 85/65-125 (allow 20 additional feet in height)
  - g. SM 85-240 (allow 30 additional feet in height)
  - h. DMR/C 65/65-150 (allow 20 additional feet in height)
2. Increase the amount of additional residential capacity in certain zones where the original proposal was small in comparison to other similar zones. City staff heard numerous comments that we should consider granting more development capacity where it would result in more affordable housing, particularly in certain zones where the initial proposed appear to lower than in other similar zones. Below is a summary of the affected zones and the alternative capacity proposal.
- a. IDM 75/85-150 (allow 20 additional feet rather than 10 additional feet)
  - b. IDM 150/85-150 (allow 20 additional feet rather than 10 additional feet)
  - c. IDR 45/125-240 (allow 30 additional feet rather than 10 additional feet and increase floor maximum coverage from 35% to 40%)
  - d. IDR/C 125/150-240 (allow 30 additional feet rather than 10 additional feet and increase floor maximum coverage from 35% to 40%)
  - e. SM 85 (allow additional 0.75 Floor Area Ratio rather than 0.25)
  - f. SM 125 (allow additional 1.5 Floor Area Ratio rather than 0.5)
3. Allow additional height for commercial structures where modelling of prototype buildings found that additional floor area granted as part of the proposal could not be achieved in the existing height limit or where additional height might encourage a taller, but less bulky form. The changes would not modify the total amount of floor area allowed in the projects overall.
- a. DMR/C 65/65-85 (allow 10 additional feet in height for commercial)
  - b. DMR/C 65/65-150 (allow 10 additional feet in height for commercial)
  - c. DMR/C 85/65 (allow 10 additional feet in height for commercial)
  - d. IDM 150/85-150 (allow 15 additional feet in height for commercial)
4. Exempt DH2/55 and DH2/85 zones from the proposal due to concerns about view blockage from Peter Steinbrueck Park. Since these zones are largely built out, this change is unlikely to have significant impact on future development and affordable housing production.

## **RESPONSES TO OTHER FEEDBACK**

City staff heard numerous comments both for and against implementing new tower standards. At this time, we are not proposing to implement additional standards regulating tower separation or setbacks. In general, the tower standards considered could significantly reduce the amount of residential development that could occur on the limited number of sites in DOC zones that are viable for residential development. Reducing the capacity for housing in these neighborhoods could conflict with neighborhood goals to expand the residential population and create a more 24/7 environment and the goals of HALA and the Comprehensive Plan to encourage housing affordability, in part, by increasing the supply of housing, especially in areas well served by services and employment opportunities. Implementing tower standards in the context of this MHA legislation was felt by many people to be

particularly problematic as it would result in reducing capacity on many sites where we were trying to provide additional capacity as a key element of the proposal.

Staff heard many comments about how funds generated through the payment options should be used. Based on these comments and those received through other process, the City added a list of factors that should be considered in funding decisions to the MHA-R framework legislation which is currently being considered by Council. These factors address the importance of locating affordable housing in urban centers and villages and near high capacity transit, ensuring an equitable distribution throughout the City, and addressing the needs of communities vulnerable to displacement.

There were also many comments received during public discussions that addressed key issues related to growth generally, such as transportation, condo insurance issues, and family-friendly design. Since most of these issues are already being discussed or addressed as part of other more comprehensive projects, we will make sure these comments are used to inform other work that is ongoing at the City including the Comprehensive Plan Update, Center City Mobility Plan, Parks Development Plan, ongoing Parking Management program, and the larger HALA implementation work.

**SUMMARY OF COMMENTS**

Below is a summary of comments we received.

<b>GENERAL COMMENTS</b>
<p>There was significant support for exempting the proposed historic and waterfront areas, including the Pioneer Square, Chinatown-International District, Pike Place, Downtown Piers, and South Lake Union lakefront, from the upzone proposal and therefore the Mandatory Housing Affordability program.</p> <p>There were many commenters who expressed interest in implementing the affordable housing requirements in historic areas without additional capacity (see below comment); however, most of these people felt that if the affordable housing requirement and additional capacity would be implemented together that the areas listed above should be exempted.</p>
<p>Many residents of Pioneer Square agree that there is a need for both more affordable housing and preserving the intrinsic value of Seattle's oldest district. With those two items taken into consideration, many residents would like to implement affordable housing requirements in Pioneer Square while exempting the historic district from the added height allowance.</p>
<p>Lots in historic core shouldn't be punished. If the value of the additional height is greater than the cost of the development, the core of the Chinatown-ID historic district should be included.</p>
<p>Interest in implementing the MHA proposal as soon as possible due to scope of the affordability problem and the impacts it was having on people today.</p>
<p>The City was moving too quickly with MHA implementation. These comments generally focused on a desire to hold the MHA program until other efforts such as various transportation or urban design initiatives could be completed or concern that the program would be implemented in Downtown and South Lake Union prior to implementation in other areas. Of particular concern was how the proposal for Downtown and SLU and the proposal for areas outside Downtown and South Lake Union would work together, whether they would achieve the goal of producing 6,000 units over 10 years, and whether Downtown and South Lake Union residents would get enough time to consider the proposal.</p>

<p>The City was so focused on the creation of subsidized units for households with incomes at 60% of AMI or less, and there was not enough focus or concern about the affordability of market-rate units.</p>
<p>Expressed concern about the adequacy of planned transportation investments to support growth. In particular, comments focused on high levels of existing congestion and the impact of additional automobile use, congestion in alleys, the lack of sufficient transit options, and difficulty finding on-street parking. Suggestions to address the issues included more funding for transportation improvements, larger alleys, more coordination between city departments, or a moratorium on new development until a new plan was developed.</p>
<p>Expressed interest in giving more additional development capacity and asking for higher affordable housing requirements.</p>
<p><b>ADDITIONAL DEVELOPMENT CAPACITY</b></p>
<p>Expressed interest in allowing greater height rather than width as the additional development capacity, particularly if additional tower standards were not implemented. Arguments for this approach included that taller, skinnier towers looked less bulky and would allow more light and privacy for existing towers. Additionally, many felt that allowing wider towers would worsen existing issues about how close new towers can be located to existing towers.</p>
<p>Expressed concern about how large existing buildings could be in the DOC and DMC zones. These comments focused primarily on the lack of tower separation requirements in some zones, the number of towers that could be built on block, the height and scale of the podium, and the size of commercial towers when located next to residential towers. Commenters were also focused on size of mixed use buildings which can in many cases be larger than a building that contained primarily residential or commercial use.</p>
<p>Consider using design review as an option to make decisions about whether towers should be taller or wider.</p>
<p>Zones in South Downtown with 150 feet and 240 feet heights are great opportunities for developing taller buildings but it is not happening. Additional height and the affordable housing requirements (which apply to buildings even if they don't use the height) might encourage use of the full development capacity.</p>
<p><b>AFFORDABLE HOUSING REQUIREMENTS</b></p>
<p>The proposed percentage requirements for MHA are too low for residential development. These comments particularly focused on a concern that they would not result in truly mixed-income buildings at such low levels and that they seem small compared with programs in other cities and the initial proposal for outside of Downtown and South Lake Union.</p>
<p>The City should encourage the performance option as it would result in affordable housing being integrated into market-rate units that were available at the time of development. Arguments for performance also included a feeling that payment was too easy for developers and a concern that affordable housing generated through payment might not be located in the same neighborhood.</p> <p>One suggestion to address this issue was putting the revenue generated in each neighborhood in separate accounts that could only be spent on projects in that same neighborhood</p>

The City should encourage payment since it would result in significantly more affordable housing overall. Some commenters felt it was not a good use of limited money to subsidize rent in towers, which tend to be large units with expensive features and views.

The City should reinvest money generated from payment in locations that have access to transit. Specifically, it was felt that this approach would support the City's growth strategy and would support affordability since transportation costs are a major issue for low-income tenants.

Payment revenue generated in downtown should be spent primarily outside of downtown as it would allow more units to be developed overall. Some commenters felt that Downtown and South Lake Union already has a significant number of affordable housing units compared to other neighborhoods.

Consider opportunities for public/private partnerships to create higher percentage of affordable housing.

It is important to ensure affordable units are similar to market-rate units in same building.

Consider supporting larger units by requiring a certain number of larger units or providing lower requirements for larger units.

Program should not have a unit size/type requirements because the city will be getting money from fees that can help build larger units.

#### **TOWER STANDARDS**

Adding additional tower standards would not be appropriate as it would reduce potential housing development when it is needed to address affordability and would violate the basic principle of MHA by reducing development capacity in some cases. Specific concerns concentrated on the loss of residential development that would occur overall and the specific impact of approaches on various sites. There was concern that potential standards would directly prohibit towers on many sites and would indirectly prevent them where they resulted in a small tower footprint or in column locations that prevented efficient underground parking arrangements. Many felt that preventing development on one property because the adjacent property developed first is unfair and that new standards could result in a significant loss of property value for owners of lots without existing towers.

Existing development standards regarding towers are insufficient to ensure light and privacy for existing and future residents. Specific concerns centered on the ability of new towers to locate very close to existing towers, the overall concentration and massing of towers that could result overtime, and the impact of these towers on neighborhood character and light on the street.

Commenters were most concerned about lack of separation requirements in DOC (downtown commercial) zones, but also expressed concerns about specific exemptions from tower separation in DMC zones for towers built before 2006 as well as overall development standards in DMC 160 and DRC zones. Commenters offered multiple examples of the impacts of recent projects on existing buildings including Escala, Enso, and Madison Tower Condos. Many commenters thought the existing rules for mixed-use towers further aggravated this issue by allowing buildings that could be larger than a single-use building. Arguments for implementing additional tower standards also included that the variation in development standards was unfair, that lack of standards could result in a significant loss in property value for current owners, and that people wouldn't want to live downtown if towers became too crowded. Suggestions to address this issue include Floor Area Ratios, tower separation standards, tower coverage limits, setbacks from alleys and adjacent lots, or a moratorium on development until a comprehensive approach could be developed.

**OTHER**

The City should support affordable commercial space. Commenters felt it was important to have affordable commercial spaces to support existing, local, and non-chain business and to encourage retail that might support low-income residents.

Suggestions to address this issue included requiring small retail spaces in new development, requiring developers to provide space at certain rents, or using City funds to subsidize rents.

Consider strategies to minimize displacement of existing residents.

Consider strategies to encourage more families in Downtown including encouraging a mix of family size units and more open spaces for kids.

Apply existing open space requirements in SLU to small lots.

Consider developing a tax exemption program for buildings that include family-sized units.

Consider opportunities to encourage more development of condos by fixing issues with state condo insurance rules.

Consider opportunities to make it easier for individuals to get mortgages with less than 20-30% down payments.

Consider opportunities to make it easier for individuals to get mortgages in buildings that are more than 15% commercial and thus have different mortgage requirements.