# 3.2 Population, Housing, Employment

This section addresses population, employment, and housing within the U District study area. It identifies how regulatory changes contemplated under each alternative could impact the nature of population, employment, and housing. The analysis reviews existing employment and the potential change in mix and type of jobs qualitatively. The analysis also includes an evaluation of citywide development targets and capacity relative to each alternative. Lastly, the analysis reviews current and future housing conditions. Housing affordability is specifically addressed in Section 3.2.5.

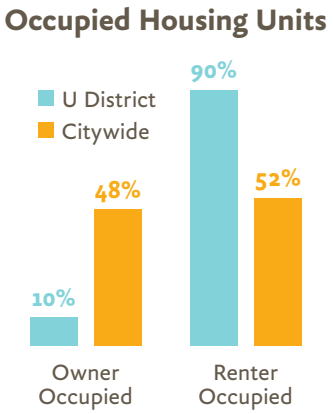
Numbers and percentages have been rounded to the nearest whole number. In some cases, percentages may not total 100% due to rounding.

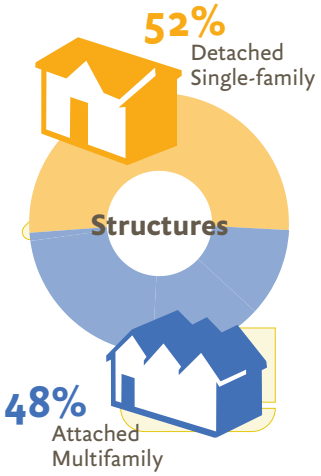
## 3.2.1 Affected Environment

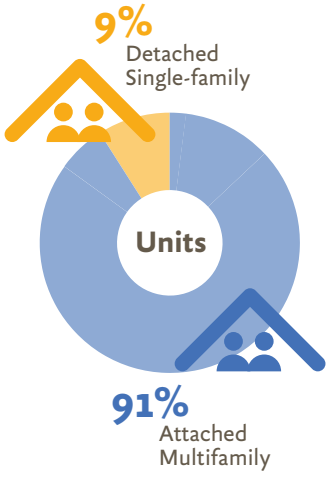
### Population

As of 2010, the total population of the study area was 14,200. The population increased by 2,800 new residents during the preceding decade. The population of the study area trends young—approximately 75% of the population was between the ages of 19 and 29. The demographics of the study area are largely driven by the University of Washington (UW), which has a current enrollment of approximately 40,000 students. The area population is generally more diverse than the city of whole. According to the 2010 census, approximately 46% of residents were persons of color, compared to 31% in the city as a whole.[1]

1 *U.S. Census Bureau, 2010 Census – Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11*




The distribution of household types in the study area differs from the City as a whole, and is characterized by the high proportion of students. There are approximately 6,137 households currently in the study area. Of those, approximately 51% are classified as one-person households, 16% are families and 4% are identified as families with children. Citywide, roughly 41% of households are one-person households, roughly 43% are families and approximately 18% are families with children.[2]

## Housing

There were an estimated 6,689 housing units in the study area as of 2012 with the majority in multi-unit structures, many of which are renter occupied. Occupied housing units comprise about 92% (6137 units) of the housing stock. Of those, approximately 10% (625 units) are owner occupied and the remaining 90% (5,512 units) are renter occupied.[3] This differs from the city as a whole where approximately 48% of occupied housing units are owner-occupied and 52% are rented.

The most common residential structure type in the study area is the detached single-family house, which comprise 52% of residential structures. However, 91% of the area's housing units are multi-family (as defined by the King County Assessor). Table 3.2–1 below presents the percentages of residential structures and units by structure within the study area.

Table 3.2–1: **U District Study Area Housing Mix (2013)**

| Housing Type | Percentage of Residential Structures | Percentage of Residential Units |
|---|---|---|
| Detached Single-family Structures | 52% | 9% |
| Townhouse | 12% | 2% |
| Duplex, Tri-plex, 4-plex | 14% | 11% |
| Apartments | 22% | 72% |
| Condominiums | 1% | 6% |

*Source: King County Assessor, 2013; and BERK, 2013.*

The tilt of unit mix toward multi-family housing is also reflected in recent citywide development trends. According to data provided by Puget Sound

2 *U.S. Census Bureau, 2010 Census – Profile of General Population and Housing Characteristics: 2010 DP–1*
3 *City of Seattle. Department of Planning and Development. 2012. University District Urban Design Framework Existing Conditions Report. Seattle, WA. June 2012.*

Regional Council (PSRC), in 2008 through 2011, the majority of residential units permitted citywide were in larger multi-family structures. Approximately 16,965 new residential units were permitted in Seattle from 2008 to 2011. Of those only 3.2% were single-family, with the remainder in multi-family structures. Of those multi-family units, 82% were within structures that had 50 or more units.

The age of the housing stock varies by geography. The majority of the buildings in the study area were built before 1960, with continued development throughout the area from the 1960s to present day. The period between 1960 and 1980 saw sporadic construction activity. In particular, the period between 1980 and 2000 saw significant construction activity in the area between I-5 and Roosevelt Way NE, south of NE 45th Street.

## Employment

There are approximately 6,332 jobs in the study area including approximately 2,000 jobs attributed to UW (included in the education sector). Jobs in the study area are distributed into the sectors shown in Table 3.2–2.

Table 3.2–2: **U District Study Area Employment by Sector (2012)**

| Sector | Number | Percent |
|---|---|---|
| Manufacturing | 73 | 1% |
| Retail | 1,512 | 24% |
| Services | 2,600 | 41% |
| Wholesale Trade, Transportation, Utilities | 20 | ≤1% |
| Government | 127 | 2% |
| Education | 2,000 | 32% |
| **Total*** | **6,332** | |

Note: * Includes suppressed construction and finance, insurable and real estate (FIRE) jobs

*Source: Puget Sound Regional Council, 2013 and BERK, 2013.*

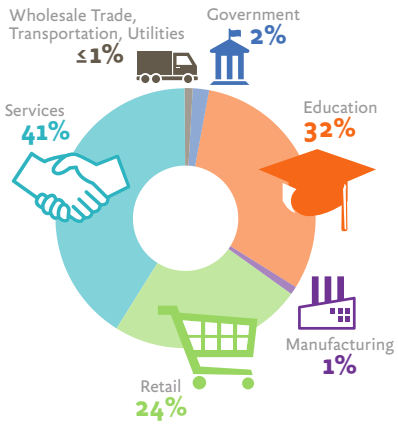



Table 3.2–2 shows employment and an estimate of some of the UW campus jobs within the study area. Only about 2,000 of the University of Washington's 25,000 jobs are within the study area.[4] Under current conditions, employment in the study area is overwhelmingly influenced by the University of Washington—either from direct employment or via the spending of students.

4 *King County Assessor, 2013*

The University of Washington has a strong research and innovation presence in the study area. However, the limited commercial real estate options in the area have not provided the supply of space that job-creating, research-intensive firms may desire. The UW has expressed interest in an "innovation district" where innovative businesses, partnering with UW, could find incubator space close enough to UW laboratories and equipment, but not located on campus itself. The innovation district would provide a place to grow and nurture businesses during early phases of start-up.

## Planning Context

The City, as part of its comprehensive planning efforts, establishes population and employment planning estimates for growth. Those estimates are then allocated throughout the City. It has been the City's policy to allocate most of its growth to Seattle's urban centers and urban villages. The City's most recently adopted growth projections for 47,000 additional householdsin the period from 2005 to 2024. Since 2005, Seattle has added over 29,000 units to its housing stock (through the end of 2012).[5]

The City is currently updating its Comprehensive Plan, including new growth estimates through 2035. These growth estimates have not yet been allocated to individual urban centers or urban villages.

Since 1994, the University Community Urban Center (UCUC) has been designated as one of Seattle's six urban centers. As an urban center, the UCUC is one of the areas designated by the City to receive the greatest share of future growth in households and jobs. The University District Northwest is a designated Urban Center Village within the UCUC. The boundaries of the University District Northwest are not exactly the same as the current study area, but are approximately close for comparability when discussing anticipated future growth. The University District Northwest had a 2005–2024 planning estimate for growth of 2,000 additional households. Through the third quarter of 2013, 92% of that estimate was accounted for, when considering constructed and permitted buildings.

Based on past trends, new regional growth projections and a market study,[6] this analysis established growth targets of 3,900 new households (or occupied

5 *City of Seattle. Department of Planning and Development. 2013a. About Seattle. Accessed December 2013 at: www.seattle.gov/dpd/cityplanning/populationdemographics/aboutseattle/housing/default.htm*

6 *Heartland LLC. 2013. U District Urban Design Framework Support Analysis Memo. Prepared for City for Seattle Department of Planning and Development. Seattle WA. June 2013*

housing units) and 4,800 jobs within the study area by 2035. These targets are assumed for all of the alternatives (both Action Alternatives and the No-Action Alternative) in this EIS.

## 3.2.2 Significant Impacts

### Impacts Common to All Alternatives

#### POPULATION AND HOUSING

Household growth estimates are consistent across the alternatives. The Action Alternatives (Alternative 1 and 2) would rezone portions of the study area allowing for taller buildings, more density and more flexibility in terms of building types. In general, demographic trends and light rail will likely encourage increased density, particularly in the walkshed of the light rail station.

All of the alternatives, provide ample capacity for the estimated growth. Analysis of capacity considers what lands have the redevelopment potential and zoning to accommodate growth. The City has completed a process of estimating capacity in the study area.[7] The results of the capacity analysis are estimates of housing and jobs that can be accommodated in the study area. As shown in Table 3.2–3 and Table 3.2–4, there is currently more than sufficient capacity in the study area to accommodate both the residential and employment growth estimates under each fo the alternatives.

Numerous market factors will determine the types of residential units developers will build. However, based on the City's residential unit development history noted above, new private development will likely be market rate rentals in larger, multi-unit structures. The city and the study area have not experienced substantial market pressure for larger units, although new development types and arrival of the light rail station may alter that trend.

Table 3.2–3: **Net Development Capacity of each Alternative**

| | Units | | |
|---|---|---|---|
| | **Alt 1** | **Alt 2** | **Alt 3*** |
| Gross Capacity | 9,404 | 10,080 | 6,862 |
| Redevelopment Reduction | 274 | 278 | 256 |
| Net Capacity | 9,130 | 9,802 | 6,606 |
| Growth Assumptions | 3,900 | 3,900 | 3,900 |
| **Additional Capacity (Difference)** | **5,230** | **5,902** | **2,706** |

Note: * No Action

*Source: Studio 3MW, Hewitt and BERK, 2013*

7 *Specific methods of the capacity analysis are contained in Appendix B.*

### EMPLOYMENT

Outside of education, retail jobs and service jobs are the most prevalent type of employment. It is likely that this pattern will continue. The market will drive the types of buildings developed during the planning horizon of this plan. However there are several factors that may provide insight into the future jobs pattern. As shown in the transportation analysis of this EIS (Section 3.5), commuters in the study area commute using transit and walking more than in the city as a whole. The introduction of light rail to the neighborhood will likely bolster this pattern. An increase in local commuters will likely continue to support local retail and retail jobs. New buildings that have commercial/office space in addition to residential and retail space may attract additional service businesses. Light rail and proximity to the University of Washington may create a better environment for professional service and technology firms looking to locate in the area.

Table 3.2–4: **Net Development Capacity of each Alternative**

| | Jobs | | |
|---|---|---|---|
| | **Alt 1** | **Alt 2** | **Alt 3*** |
| Gross Capacity | 18,917 | 20,312 | 10,928 |
| Redevelopment Reduction | 2,483 | 2,481 | 2,527 |
| Net Capacity | 16,434 | 17,831 | 8,401 |
| Growth Assumptions | 4,800 | 4,800 | 4,800 |
| **Additional Capacity (Difference)** | **11,634** | **13,031** | **3,601** |

Note: * No Action

*Source: Studio 3MW, Hewitt and BERK, 2013*

## Alternative 1

### POPULATION AND HOUSING

Alternative 1 represents an increase in density compared to Alternative 3 (No Action). It would allow larger building heights (125 and 160 feet) in the core with medium building heights (65 and 85 feet) pushing further out into the neighborhood, particularly along Roosevelt Way and the Ave, north of NE 50th Street. Proposed Alternative 1 zoning would support a development pattern that is more concentrated in the study area's core relative to the No Action Alternative and more distributed compared to Alternative 2.

Most of the capacity for new development would be in mixed-use zones in the study area core. Based on past trends and the conclusions of the Heartland market analysis, new housing would likely be smaller units in a relatively high density multi-family and mixed-use configuration. The emphasis on mixed used zoning could allow for more flexibility in building design and unit mix.

Alternative 1 also proposes a conversion of the existing multifamily zoning to higher densities. For example, the existing LR1 zone would convert to LR3 and the existing LR3 zoning would convert to MR. Similar to the increased mixed use zoning designations, these proposed changes to the multifamily designations in the study area increase residential capacity in the study area.

### EMPLOYMENT

As noted above, employment in the study area is overwhelmingly influenced by the University of Washington's jobs (an estimated 2,000 jobs out of a systemwide total of 25,000). As noted previously, there is currently no formal plan for an innovation district associated with the UW, but much of the zoning flexibility in building and space configurations contemplated in this alternative (and Alternative 2) close to both the UW and transit stop embody the principles needed to accommodate this.

As with all of the alternatives, numerous market factors will drive the types of buildings developed and the types of firms offering employment during the planning horizon. However, there are factors unique to this alternative that may provide insight into the future jobs pattern: greater height in the Core Area of the neighborhood as well as increased flexibility for land uses. These factors, along with introduction of light rail to the neighborhood and proximity to the University of Washington, may make the area more attractive to firms seeking these amenities.

## Alternative 2

### POPULATION AND HOUSING

Alternative 2 represents an increase in density compared to the No Action Alternative and Alternative 1. It would allow the greatest building heights (240 and 340 feet in the core) and greatest concentration of growth in the core. Density would be concentrated in a smaller area compared to Alternative 1. In contrast to Alternative 1, only modest increases in building heights are proposed along the Ave. As with all the alternatives, zoning changes would further encourage increased density in the walkshed of the light rail station. Capacity increases and zoning changes would allow for a variety of building forms and uses. This would provide for a high level of flexibility for developers to respond to market demands.

Similar to Alternative 1, Alternative 2 focuses most of the capacity in the mixed-use zone in the core of the study area. It also includes an area of residential emphasis in an area generally bounded by NE 43rd Street, NE 41st Street, Brooklyn Avenue NE and Roosevelt Way NE. New housing would likely be in smaller units and in a relatively high density, multi-family, and mixed-use configuration. The factors affecting the types of units built will be the same as those discussed under Alternative 1.

### EMPLOYMENT

Employment factors would be the same as discussed under Alternative 1. To a greater extent than Alternative 1, new higher intensity zoning allowing higher buildings (up to 340 feet) would provide another location in the city for employers looking for larger, suitable building locations and space configurations. Also as noted above, much of the zoning flexibility in building and space configurations contemplated in this alternative are close to both the UW and the proposed transit stop and embody the principles needed to make an innovation district function on the land use side of the equation.

## Alternative 3 (No Action)

### POPULATION AND HOUSING

Current zoning and allowable heights in the study area generally follow the established development pattern. Commercial uses and commercial zones are largely designated along the main arterials of Roosevelt Way NE and University Way NE. Residential zones are generally designated along non-arterial streets. Most of the residential and commercial density in the central area is located within the NC zones, between arterials to the east and west, south of NE 50th Street and north of roughly NE 42nd Street. Heights currently allowed in the core area range from 65 to 85 feet. The 85 foot height limits apply to the area around the NE 45th/University Way intersection in the MR zones. Beyond the north/south corridors and central area, residential and commercial development is in less dense low-rise buildings and single-family structures.

### EMPLOYMENT

Under the No Action Alternative, employment would likely continue to follow changes in market demands.

## 3.2.3 Mitigating Measures

All of the alternatives would achieve sufficient capacity to absorb the neighborhoods' growth targets for housing and employment. No significant impacts to population, employment, or housing were identified.

## 3.2.4 Significant Unavoidable Adverse Impacts

No significant adverse impacts to population, housing and employment are anticipated.

## 3.2.5 Housing Affordability

### Affected Environment

Housing affordability is a key concern for the U District community. Since the vast majority of households in the study area are renter-occupied (81% of all housing units), this discussion is limited to renter-occupied housing (however, many of the same issues are applicable to ownership housing as well). Renter households tend to have relatively less income than people who own their homes. According to the 2012 estimates from the American Community Survey, households earning less than $25,000 comprise about 31% of all renters and only about 8% of all homeowners.

Typical housing affordability measures are expressed in terms of rent-to-income ratios. This analysis uses the most frequently cited U.S. Department of Housing and Urban Development (HUD) "30% of household income" standard of housing affordability. Under this standard, HUD defines a housing unit as affordable if a household spends 30% or less of its gross income on rent and basic utilities (adjusted for household size). The affordability of a unit is estimated based on the size of the unit and presumed household size (1 person for 0 bedrooms, and an average of 1.5 persons per bedroom for larger units).

## HOUSING AFFORDABILITY IN THE STUDY AREA

### Housing Costs are an Increasing Share of Households Budgets


As shown in Table 3.2–5, an estimated 66% of renter households in the study area paid over 30% of their household income on rent (compared to 47% of households citywide). This estimate is up nominally from the 2009 estimate of 65%. In addition, between 2009 and 2011, the study area saw a substantial jump in the proportion of households who are severely cost burdened. These figures are substantially higher than the city as whole. It is likely that the income share spent on housing is higher due the high prevalence of students in the area, which is common in many university and college communities across the U.S.

Table 3.2–5: **Gross Rent as Share of Household Income in U District Study Area and in Seattle**

| | U District Study Area | | Seattle | |
|---|---|---|---|---|
| | 2009 | 2011 | 2009 | 2011 |
| Less than 30% | 35% | 34% | 54% | 53% |
| Over 30% | 65% | 66% | 46% | 47% |
| *30-40%* | *11%* | *10%* | *15%* | *16%* |
| *40-50%* | *10%* | *7%* | *8%* | *9%* |
| *Over 50%* | *43%* | *49%* | *22%* | *22%* |

*Source: American Community Survey, U.S. Census Bureau, 5-year Estimates, 2009 and 2012*

### Population Growth and a Limited Housing Supply have Contributed to Higher Rental Prices

Since 2000, Seattle has added over 60,000 people to its population and 46,000 housing units to its housing supply (U.S. Census Bureau, 2010). In times of growth and rising demand like the conditions Seattle is currently experiencing, the development of additional housing units typically lags household formation and migration into an area. This translates into low vacancy rates, tight inventory, and rising rents. The more that housing unit construction exceeds population/household growth, the greater the housing supply leads to high vacancy rates and less upward pressure on housing rents. The closer housing unit growth matches household growth, the tighter the vacancy rate leading to more upward pressure on housing rents.

As Table 3.2–6 shows, this is what has been happening in Seattle. Since 2000, the ratio of households to housing units has been around 1.0, which means that the number of households is roughly equal to the number of housing units. This is a common feature of many U.S. coastal metropolitan areas that also have limited undeveloped land supply and which are growing. In non-constrained regions (mostly in the mid-west and southern U.S.), housing unit to household ratios can be in the 1.5 to 2.0 range.[8] Where ratios are greater than 1.0, the excess supply can contribute to downward pressures on rents.

Table 3.2–6: **Ratio of Housing Units to Households**

| | 2000 | 2010 | 2012 |
|---|---|---|---|
| Housing Units (HU) | 270,524 | 308,516 | 309,612 |
| Households (HH) | 258,510 | 283,510 | 289,790 |
| **Ratio of HU to HH** | **1.05** | **1.09** | **1.07** |

*Source: American Community Survey, U.S. Census Bureau, 1-year Estimates (2010, 2012);*

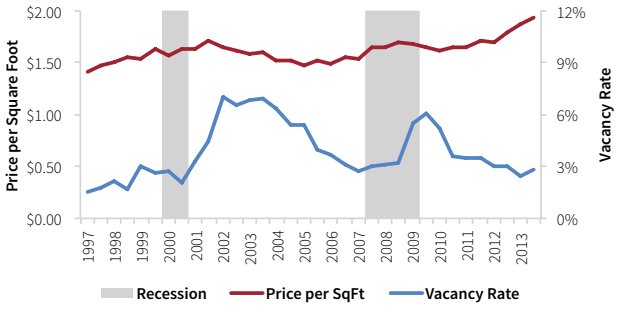
Examining the data on rental prices in Seattle shows a relationship between vacancy rates in rental housing and the rents charged. While the factors that influence residential investment and pricing are complex and subject to both macro- and micro-economic factors, the basic relationship between supply and demand effectively sets market prices. Table 3.2–7 (on the following page) shows the real price (rent) per square foot for rental housing in Seattle based on historic and current rent surveys. Economic recessions in 2000 and 2008 translated into less demand for housing and lower real rental prices. However, as the current economic recovery proceeds, rental vacancies have become extremely low and prices have increased to their highest point in over 15 years.

Similarly, Table 3.2–8 (on the following page) shows the U District submarket[9] where high vacancies have depressed rent prices and tight vacancies have increased prices.

8 *It should be noted that places with higher ratios typically face other housing issues, including housing quality and abandonment.*

9 *The University Submarket only surveys a portion of the study area, but also includes portions of the Roosevelt, Ravenna, and Laurelhurst neighborhoods.*

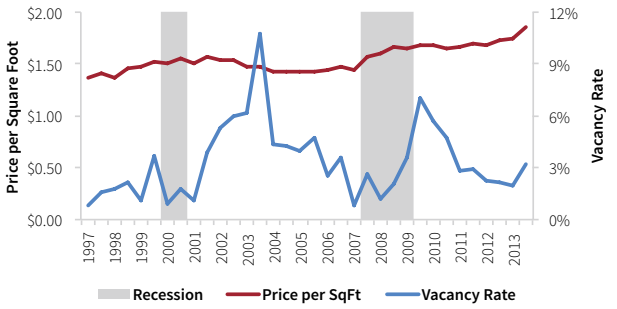
Table 3.2–7:
**Rental Price and Vacancy Rate in Seattle**




Note: All values inflation-adjusted to 2013 dollars.

*Source: The Apartment Vacancy Report, Dupre + Scott Apartment Advisors, Inc., Fall 2013*

Table 3.2–8: **Rental Price and Vacancy Rate in U District Submarket**




Notes: The University submarket surveys a portion of the study area and some of the Roosevelt, Ravenna, and Laurelhurst neighborhoods. All values inflation-adjusted to 2013 dollars.

*Source: The Apartment Vacancy Report, Dupre + Scott Apartment Advisors, Inc., Fall 2013*

## CHALLENGES OF SUPPLYING AFFORDABLE HOUSING

### New Market Rate Housing Is Typically Not Affordable to Lower Income Households

New construction is typically not affordable to lower income households. All things being equal, this is due to high land costs in urban areas, the cost of building materials, building code requirements, the cost of labor, and the need for capital investment to earn competitive market returns.

### "Filtering" can Contribute to Lower Cost Market Rate Housing

While household income, particularly for low-income renters, is a major factor driving the housing cost burden issue; the difficulty of supplying units with more affordable rents to low-income households is also a major challenge. However, the private market does provide lower cost housing. It does this through a process called "filtering". This is not to suggest that it is adequate or efficient given rising housing cost burdens, but to illustrate that market forces create fundamental challenges for building housing units within the reach lower income households.

Housing is a very durable asset in that it lasts a long time. Once constructed, housing adapts to the local marketplace primarily through depreciation as it ages. While individual housing structures/units are fairly inflexible, housing demands are not—especially in the current conditions seen in Seattle. As Seattle becomes more affluent, there is more demand for newer, higher quality/amenity housing. When such housing is developed, this resulting new supply allows households to move up the price-quality spectrum and leaves older, depreciated housing to households with less income. The rising demand for housing has translated into both more housing units and higher quality housing units through the construction of new housing; upgrading of existing housing; and the demolition and rebuilding of existing lower-quality housing and/or under-used building sites. This adaptation of the housing market to changes in area demand and new housing supply is called "filtering".

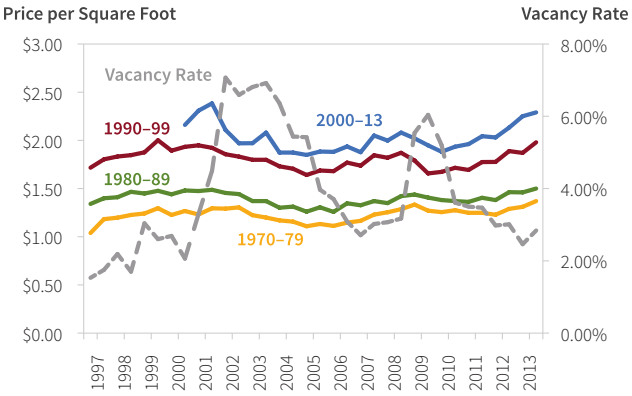
While the relative depreciation of the housing stock creates units affordable to households with lower incomes, there is concern that the filtering process may compel the lowest income households to live in structurally deficient housing when the housing supply is tight. Most urban cities have code enforcement regulations that address substandard housing. Regardless, the filtering process helps underscore the somewhat difficult trade-off households—particularly lower income households—make between quality and affordability.

Table 3.2–9 (on the following page) shows what filtering in the Seattle apartment market looks like. As units age and depreciate, they command less in rent. For example, rents for buildings constructed in the 1970s rent for about 40% the value of units constructed during the last decade. The overall vacancy rate is shown to illustrate how less demand and more supply affected the real rental price.

For Seattle, population growth and increase demand for housing combined with limited urban land actually dampen the effect of filtering so that there is less difference among rental prices for the newest properties versus the older properties because the higher rental values also increase the incentive for property owners to maintain older properties and extend their income producing life.

While the pattern is not as strong as in the broader Seattle market place, the same filtering process is seen in the study area rental market as shown in Table 3.2–10 (on the following page).

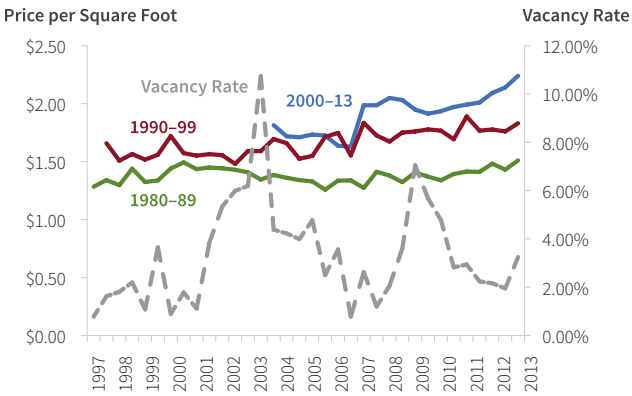
Table 3.2–9:
**Apartment Rental Price Filtering in Seattle**




Note: All values inflation-adjusted to 2013 dollars.

*Source: The Apartment Vacancy Report, Dupre + Scott Apartment Advisors, Inc., Fall 2013.*

Table 3.2–10: **Apartment Rental Price Filtering in the University Submarket**




Notes: The University Submarket only surveys a portion of the study area, but also includes portions of the Roosevelt, Ravenna, and Laurelhurst neighborhoods.
All values inflation-adjusted to 2013 dollars.

*Source: The Apartment Vacancy Report, Dupre + Scott Apartment Advisors, Inc., Fall2013*

## PUBLIC PROGRAMS FOR HOUSING AFFORDABILITY

Yet simply because the apartment market moves in the right direction by adding supply and filtering units down to lower income households does not mean it is adequate to address lagging incomes and the impact of rising housing cost burdens. Even if real rental costs fell significantly (either from loosening land use regulation or from additional housing supply from new development), it is likely that the vast majority of lower income households would still be living in rental units considered unaffordable due primarily to their low income. Due to both of these challenges, the City of Seattle and its housing partners use a myriad of public funding sources and tools to address housing affordability challenges. These sources and tools fall into two broad categories:

- Federal, state, and local resources directed toward the development of affordable housing units, or to assist income-eligible households in purchasing, rehabilitating, or renting housing. These programs are typically underwritten by federal tax credit programs and the City of Seattle's Housing Levy.

- Local land use and financial incentives directed at private developments intended to create affordable housing units. These are primarily the City of Seattle's Incentive Zoning and Multifamily Property Tax Exemption programs.

### Rent-restricted Affordable Housing

Since 1981, residents of the City of Seattle have voted to impose an additional property tax for the purpose of creating affordable housing in the City. Overall, Seattle has now funded over 10,000 affordable apartments for seniors, homeless families, and low- and moderate-income households.

The Housing Levy has five programs:

- **Rental Production & Preservation Program.** funding the production and preservation of affordable housing
- **Acquisition & Opportunity Loans.** to acquire and preserve affordable rental and ownership housing
- **Operating & Maintenance Program.** to support the operation and maintenance of units serving extremely low-income residents
- **Homebuyer Program.** that assists first-time home buyers with lending while preserving affordability
- **Rental Assistance Program.** providing short-term rental assistance to households at risk of homelessness

Within the study area, these programs, leveraged with a mix of other funding and program sources, have developed and preserved affordable housing units, including:

- **Gossett Place**. 62 units for homeless individuals and couples, including veterans. The building has an affordability requirement through 2060.
- **Ninth House, Tolson House, and Wright House.** Three individual single family homes targeted at households and individuals with needing substance abuse assistance. Affordability requirements are: Ninth House through 2034, Tolson House through 2036, and Wright House through 2028.
- **Sortun Court Townhouse.** 16 units, with an affordability requirement through 2038

The Seattle Housing Authority owns and operates two buildings in the study area through its Low Income Public Housing Program:

- **University House.** An apartment building with 101 units, all one-bedrooms.
- **University West.** An apartment building with 112 units, all one-bedrooms.

The Michelle Apartments is an unsubsidized apartment building offering four income eligible units at 80% AMI or less.

### Incentive Zoning

Incentive zoning is a voluntary land use tool that enables building developers to gain additional floor area above what is allowed by base zoning as an incentive for providing, or contributing funds, to affordable housing (although, in some zones additional floor is offered as an incentive to achieve other non-housing amenities). Affordable housing and amenities in these programs help mitigate the impacts of new development. Through these programs, a portion of the value of additional developable floor area is used to offset contributions to income eligible housing via the Land Use Code. The additional floor area is used to provide income-eligible households with a reduced rent housing unit. For rental housing, the program is intended to serve households with incomes up to 80% of area median income. Developers whose projects achieve extra height or density through incentive zoning must provide affordable housing equivalent to a calculated percentage of the bonus floor area, for a period of 50 years, or a cash contribution to be awarded by the City for development of low-income rental housing or home buyer assistance.

Within the study area, only residential projects within the Midrise Multifamily Residential (MR) zone are eligible to participate. Currently, the payment option is not available to incentive zoning projects in zones with height limits ≤85 feet, such as MR, so the developers provide affordable units for income-eligible households as part of the project (commonly referred to as housing "set asides" or "performance housing"). As of the end of 2013, there were three projects in the study area using incentive zoning. These projects will account for 15 affordable units available to qualified households with incomes ≤80% AMI. The affordability term for designated units within the projects is 50 years.

### Multifamily Property Tax Exemption Program

The Multifamily Property Tax Exemption (MFTE) Program provides a property tax exemption on the residential improvements on multifamily projects (land and non-residential improvements are not tax exempt). The property tax exemption works as a financial incentive for projects to set aside 20% of their respective units for moderate income households for as long as the exemption is in place (up to 12 years). Depending on the unit type, rent and household income limits currently range from 65% of AMI for studio to 85% of AMI for two-bedroom or larger units. The property tax exemption can remain in place for a maximum of 12 years provided the project adheres to the rules of the program.

The MFTE program is available in 39 residential targeted areas across the City, including the "University District NW" Hub Urban Village. This area overlaps much of the study area, but is not fully contiguous with its boundaries. As of the end of 2013, there were six MFTE projects that were either completed or in construction within the study area. These projects will account for 120 affordable units available to income eligible households at 65–85% AMI.

## Significant Impacts

### IMPACTS COMMON TO ALL ALTERNATIVES

The discussion thus far has summarized the housing affordability challenge in the area, which by all accounts is large. By most measures, housing costs are consuming a greater portion of household incomes and the lowest income households are most at risk of being extremely cost burdened. The issues of stagnating household incomes and scarce public resources for developing affordable housing units for income-eligible households—while important—are outside the scope of the analysis.

However, when it comes to evaluating the alternatives, there are two dimensions that either directly or indirectly affect housing affordability that should be discussed:

> ***Does the regulatory framework expand the potential supply of housing above the likely market demand?*** *There are two components to this question. First, it is important to evaluate if zoning designations restrict the supply of housing to levels less than demand. Second, it*

*is important to evaluate whether and how supply additions can filter down to lower income households over time.*

***Does the regulatory framework expand the potential use of housing affordability tools?*** *Both incentive zoning and the multifamily property tax exemption program have provided income-eligible households with lower cost housing in the study area. It is important to consider how development incentives can provide housing contributions for income qualified households through the multifamily property tax exemption and incentive zoning programs.*

### Housing Supply

All of the alternatives provide zoning capacity to support a supply of housing above the planning growth estimates established by the City. From this perspective, there is ample regulatory (zoning) capacity to accommodate potential increases in demand. Overall, the excess regulatory capacity (as opposed to a condition where supply is more tightly regulated) removes the regulatory supply limitation as a contributing factor toward upward pressure on rents and therefore reduces the impact on housing cost burdens. A regulatory framework that constrains the market supply of housing effectively reduces the supply of low-cost housing because it inhibits filtering. However, this does little to ameliorate the short-term cost impacts households feel since adding supply and filtering takes a long time to materialize (measured in decades in this analysis).

Both Alternatives 1 and 2 provide more capacity for housing in denser multifamily structures which are overwhelmingly renter occupied in the area. Regulation that might favor the supply of units that have the lowest average cost, such as apartment buildings, can help address the overall affordability challenge. The implication of this increased regulatory flexibility could place more of the added housing into the rental market and accentuate the benefits of additional supply where housing cost burdens are the greatest. Also, the concentration of denser housing zones close to the future light rail transit station in Alternatives 1 and 2 could provide additional benefits to households by reducing household transportation costs through lower cost transit options—even if housing costs continue to consume larger shares of household income.

Alternatives 1 and 2 also contemplate more mid and high-rise construction. Construction of these taller structures relies on reinforced steel and concrete construction, which costs more (on a square foot basis) than low- and mid-

rise construction. All things being equal, residential uses in these buildings will rent for more (on a square foot basis) then buildings constructed for lower costs. In order to maintain a comparable housing unit rental rate with low- or mid-rise development, units would need to be relatively smaller in high rise structures.

The retirement of older, lower-quality housing usually takes place among the lowest rent properties (especially if they are sitting on underlying valuable land as is the case in the University District). It is likely that these properties will be replaced by newer, higher rent housing units translating into an immediate loss of low cost housing. This situation is common across all of the alternatives. As described in Section 3.3.2, potential re-developable sites were identified based on historic development trends and a recent assessment of market potential. Based on this information and the proposed zoning designations under each alternative, a representative development pattern was identified for each alternative. Based on this, redevelopment under Alternatives 1 and 2 would displace about 40 housing units and under Alternative 3, 60 housing units. This analysis is not a projection of housing displacement but seeks to stress how Alternatives 1 and 2 envision more flexibility for a more efficient use of land allowing for higher concentrations of housing. The implication of this framework is the need for less land (and the potential demolition lower cost housing) to meet the target population.

Estimated housing displacement under Alternatives 1 and 2 is 40 units. Estimated housing displacement under Alternative 3 is 60 units.

If additional housing supply can out pace household growth over the long-run, there might not be a net loss of lower market rate housing units as units continue to filter down the price-quality spectrum to lower income households. However, because the filtering down of housing stock can take years or decades, this does not address the short-term cost burdens of households in the area.

### Housing Affordability Tools and Incentives

None of the alternatives consider changes to the MFTE program. The flexibility for more multifamily structures with rental units considered in Alternatives 1 and 2 may lead to a higher number of affordable units for income-eligible households created through the MFTE program compared to the No Action Alternative.

Currently, incentive zoning is only available in the MR zone in the study area. Incentive zoning is implemented as part of an up zone. Alternatives 1 and 2 could provide additional incentive zoning. In this respect, incentive

zoning has the potential to create a higher number of affordable units for income-eligible households compared to the No Action Alternative.

Table 3.2–11 provides a comparison of potential affordable housing that could be created through incentive zoning under each alternative. This analysis assumes the following:

- **Floor Area.** Bonus floor area is based on the difference between permitted FAR under current zoning and FAR proposed by each action alternative in the mixed use zones. For Alternative 3 (No Action), bonus floor area is limited to the MR zone and is the difference between the assumed base FAR (3.2) and the maximum FAR (4.25).
- **Eligible Area.** Under the action alternatives, up to 60% (for residential uses) or 75% (for commercial uses) of the bonus area could be achieved through the incentive zoning affordable housing provision. Under the No Action Alternative, 100% of the bonus area could be achieved through the incentive zoning provision.
- **Affordable Housing.** For residential development, 14% of the eligible area is used for affordable housing. For commercial development, 15.6% of the eligible area is used for affordable housing. Average residential unit size is 850 sf.

Based on these assumptions, affordable housing that could be generated by each alternative is shown in Table 3.2–11.

Table 3.2–11: **Incentive Zoning and Affordable Housing**

| | Alternative 1 Mixed Use Zones | | Alternative 2 Mixed Use Zone | | Alternative 3 MR Zone |
|---|---|---|---|---|---|
| | Residential | Commercial | Residential | Commercial | |
| Bonus Area[1] | 675,648 sf | 981,212 sf | 1,078,255 sf | 1,269,803 sf | 52,417 sf |
| Affordable Housing Area[2] | 94, 591 sf | 153,069 sf | 150,956 sf | 198,089 sf | 7,338 sf |
| Affordable Housing Units[3] | 111 | 180 | 177 | 233 | 8 |

[1] No For action alternatives, 60% of the bonus area for residential uses and 75% of the bonus area for commercial uses is assumed. For the No Action Alternative, 100% of the bonus area is assumed.

[2] 14% of the bonus area for residential uses and 15.6% of the bonus area for commercial uses is assumed to be developed as affordable housing.

[3] Total units if average unit size is assumed at 850 sf.

*Source: Hewitt, Studio 3MW, and City of Seattle, 2014*

The estimates shown in Table 3.2–11 are shown for the purpose of comparison between alternatives only. While the assumptions provide a common basis for comparison, it is understood that individual developer decisions about how to achieve the bonus area will vary and that incentive zoning provisions for the study area may provide options that differ from these assumptions.

## Mitigating Measures

No significant impacts to housing affordability were identified across the alternatives. However, housing affordability remains a major challenge even if no action is taken. There are a number of code and programmatic steps the City could take that could address part of this challenge, including:

- Expanding incentive zoning for affordable housing in concert with all commercial and residential upzones.
- Continuing to prioritize local funding for construction and preservation of affordable housing units for income-eligible households.
- Implementing new programs for preservation of existing affordable housing in key locations.

## Significant Unavoidable Adverse Impacts

No significant unavoidable adverse impacts to affordable housing are anticipated.

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