



# City of Seattle

## Seattle Planning Commission

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Demographer &  
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May 20, 2010

Councilmember Sally J. Clark, Chair  
Committee on the Built Environment  
PO Box 34025  
Seattle, WA 98124-4025

### Re: 2010 Comprehensive Plan Annual Amendments and Affordable Housing

Dear Councilmember Clark,

In the past two Comprehensive Plan annual amendment cycles we have offered a number of updates to the Plan that help advance our Affordable Housing Action Agenda released February 2008. In light of two important upcoming efforts – the 7-year update and the Commission's soon to be released Affordable Housing Trends report – we have decided not to propose additional amendments in this cycle. We believe that the Trends report will help to enlighten our perspective on this issue. Additionally, the 7-year update of the Comprehensive Plan will provide a great opportunity to rethink the interaction between our community's vision and framework policies and the actions the City can take to realize them.

Although we are not proposing Comprehensive Plan changes in this cycle, we would like to take this opportunity to instead highlight the Planning Commission's work over the past two years implementing the nine strategies of the Action Agenda. We'll also outline several pressing priorities that need swift attention, and finally we provide you with a small taste of some of the Trends Report and some of the interesting data we have seen in our preliminary review.

The Commission 2008 Affordable Housing Action Agenda outlined nine key strategies:

1. Encourage the development of affordable housing in mixed-use, transit-supportive, walkable neighborhoods.
2. Explore ways to preserve Seattle's existing rental stock, including mitigating effects of condominium conversions.
3. Encourage the use of Incentive Zoning programs, especially in areas that experience significant land value increases as a result of substantial up-zoning.
4. Increasing development capacity citywide by implementing minimum densities or encouraging upzones in certain areas.
5. Accurately measure Comprehensive Plan's stated goals for affordable housing.
6. Ensure Seattle's Land Use Code works to create more affordable housing in Seattle, particularly for families.
7. Work to expand housing choices, including Accessory Dwelling Units (ADUs), Backyard Cottages, also known as Detached Accessory Dwelling Units, and cottage housing citywide.
8. Encourage the development of more resources for affordable housing.
9. Coordinate increases in density with development of transportation strategies or infrastructure, open space, and other public amenities.

## **Progress Achieving the Nine Strategies for Affordable Housing**

Over the past two years, the Planning Commission has worked with elected officials and City staff on a number of issues that help achieve the strategies outlined in our Affordable Housing Action Agenda. Some of the main accomplishments include:

- ***Updating Framework Housing Goals and Policies***

In the past two Comprehensive Plan amendment cycles, the Commission has proposed amendments that reinforce the City's commitment to affordable housing. The amendments focus on better encouraging affordable housing in areas well served by transit and providing affordable housing incentive zoning programs.

- ***Measure Affordable Housing Goals***

We have added important technical expertise to the Commission staff that allows the City to better measure and understand progress toward our Comp Plan goals and policies. In June 2008 the Commission hired a demographer, one of whose responsibilities is developing a trends report gauging progress on housing affordability goals. The demographer also provided consultation to the Office of Housing and Human Service Department on the most recent four-year Consolidated Plan for Housing and Community Development.

- ***Zoning and Land Use***

Additional land use and zoning changes have supported affordable housing, such as the incentive zoning legislation adopted at the end of 2008 and elimination of minimum parking requirements in multifamily zones that are located in Urban Centers and Station Area Overlays. The Commission is working with City Council on the lowrise portion of the multifamily code, which we hope will be passed this summer and will further expand housing opportunities for Seattle's families.

- ***Housing Levy***

Seattle's voters overwhelmingly approved renewal of the housing levy, which provides essential funding for affordable housing. In May of 2009, the Commission reiterated its strong support for the vital work the levy enables and provided Council with recommendations regarding the 2009 Housing Levy Renewal ordinance. The Commission recommended that the levy renewal go on the ballot with funding that will serve at least as many low income households and create and preserve at least as many units as the previous levy.

- ***Backyard Cottages***

Backyard cottages expand housing choices for Seattle residents and the Planning Commission was delighted that City Council passed legislation last year that allows them to be built in single family zones throughout the city. We were happy to provide the Commission's independent expertise during your consideration of this legislation. The Commission is working with DPD to update our popular Backyard Cottage Guide based on the new legislation and will release the revised guide later this year.

- ***Multifamily Tax Exemption***

We worked closely with the Office of Housing on changes to the Multifamily Tax Exemption (MFTE) program in order to better achieve Housing Goal 4 in the Comprehensive Plan, to "Achieve a mix of housing types that are attractive and affordable to a diversity of ages, incomes, household types, household sizes, and cultural backgrounds."

## **Pressing Priorities for Housing Affordability**

The Commission has identified three matters related to housing affordability that need immediate attention: sustainable communities, finance and development and accurately measuring housing goals.

- ***Sustainable Communities***

A number of the Action Agenda strategies relate to sustainability, which is recognized as an essential focus of planning at the local and national level. Affordable housing success will increasingly be defined by metrics beyond rent or home ownership costs. Transportation equity, economic opportunity, access to essential community services and facilities, and healthy neighborhoods are all essential indicators of overall affordability issues. Concepts of sustainability are starting to drive conversations around affordable housing and should increasingly be brought to the forefront. It will be essential for the City of Seattle to direct resources in ways that encourage family-friendly housing in our urban centers and villages and continue to encourage compact, livable communities that will be sustainable.

- ***Affordable Housing Finance and Development***

The collapse of the housing and banking bubble in 2008 has dramatically changed the amount of and process by which equity investment and debt flows into affordable housing projects. This new financial landscape, coupled with projected budget deficits at the state and local level, threatens to make achieving affordable housing targets in Seattle nearly impossible. Legislation recently introduced by U.S. Senator Cantwell to make low income housing tax credits more attractive to investors has the potential to mitigate some, but by no means all, of the lingering impact the financial crisis is having on low income housing construction. If we continue to rely on current financing and development models alone, production will be far less than what we have seen in prior years. In addition, encouraging strategic partnerships among small developers could help maximize the effective use of development resources.

- ***Housing Goals***

As noted, the fallout of the housing and banking crisis has diminished the rate at which affordable housing developers will realistically be able to add new affordable units. Affordable housing production goals are not likely to be met if housing developers and governmental jurisdictions are limited to the current mix of strategies. Production goals and means to reach those goals (development, zoning, housing choices etc.) must be addressed now or our housing supply may fall significantly below the the affordable housing goals identified in the Comprehensive Plan.

## **Commission Work Currently Underway**

The Commission has two major reports underway that will be released this summer. ***Seattle's Transit Communities*** report identifies funding and implementation strategies for complete communities, which include affordable housing. This report will include funding and implementation strategies for transit communities that are available for affordable housing at the local, state and federal levels. We expect to release this report early this summer.

The second, the ***Affordability Trends report*** will measure Seattle's progress toward Comprehensive Plan goals for affordable housing. Findings from this report, to be completed late this summer, will inform further Planning Commission recommendations, and help policymakers identify priorities for the City's affordable housing policies and programs.

## **Preview from the Commission Affordability Trends Report**

What follows is a preview the Affordability Trends Report that looks at a one portion of Seattle’s affordable housing supply. The complete report will provide a broader perspective and will objectively analyze Seattle’s progress toward the affordable housing goals identified in the Comprehensive Plan.

In the complete report, we will aim to paint as thorough a picture as feasible in progress toward Comprehensive Plan goals for affordable housing, and will also include metrics addressing goals related to ensuring affordable housing is available near transit and in urban villages and centers, providing affordable housing opportunities suitable for different types of households, supplying housing affordable to those who work in Seattle, increasing the rate of homeownership, and addressing homelessness.

To whet your appetite for the full report, we’d like to preview what we are finding with respect to progress on Comprehensive Plan Policy H34 -“*plan for at least one-quarter of the housing stock in the city to be affordable to households with incomes up to 50 percent of the area median income*” (considered ‘very low income’ households).

### ***Considerations***

Policy H34 addresses Seattle’s entire housing stock—both market and subsidized. Policy H34 does not distinguish between rental and owner housing; our analysis measures progress toward the goal by identifying the portion of affordable units as a share of the city’s total housing including both rental and owner units.

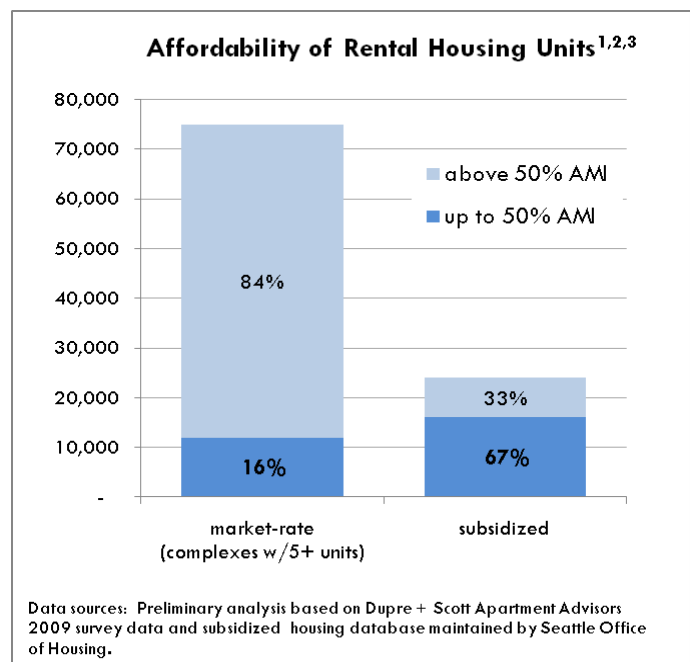
H34 is one of several policies in the Comprehensive Plan that focus on households with very low incomes, although it’s important to note that the Plan also addresses affordable housing to meet the needs of low-income and workforce households more generally.

To assess how well the City is achieving Policy H34 for the Trends report, we are pulling together rent data on both market-rate and subsidized units, and are home sales.

To date we have analyzed the following two rental housing segments in Seattle: market-rate units in buildings with 5 or more units (about 75,000), based on 2009 survey data from Dupre+Scott Apartment Advisors<sup>1</sup>; and subsidized rental units (about 24,000).

### ***What does it mean?***

The adjacent chart previews our findings on these two segments, which represent roughly two-thirds of Seattle’s almost 150,000 rental households. For perspective, owner housing—which we are still analyzing and which is not reflected in the chart—contributes slightly more than 150,000 units to Seattle’s housing stock, which is roughly 300,000 units.



<sup>1</sup> Dupre+Scott’s data do not include subsidized rentals or tax credit properties catering to households earning 60 percent or less of AMI. Further excluded from their data are converted or soon-to-be converted condominiums, rental condominiums, and retirement homes.

- Initial analysis of market-rate apartments in buildings with 5 or more units indicates that roughly 12,000—or 16 percent of these 75,000 units—are affordable to households with incomes up to 50 percent of area median income (AMI). (AMI varies by household size and is \$67,450 for a two-person household.<sup>2</sup>)
- Units in smaller complexes (i.e., 5-19 units) tend to be more affordable than units in larger complexes (20+ units). However, among both the smaller and larger complexes, there are few units with more than 2 bedrooms.
- As we begin to compare the 2009 rent data to past years, we are finding a great deal of variability over time in proportions of units affordable at 50 percent AMI. We will explore these trends with Dupre+Scott and other housing market experts. We will also seek to understand the degree to which the recent economic downturn is reflected in the data we have collected and how affordability has been impacted more recently.
- Per the database that Seattle’s Office of Housing maintains on subsidized rental units, about 16,000—or roughly two-thirds of these 24,000 units—are affordable at or below 50 percent of AMI.
- We have also begun analyzing rental data for smaller multiplexes and for single family homes (not included in the chart above). One striking—but not surprising—finding is that although a large portion of single family homes are suitable for larger families, there are few rental houses affordable to families at 50 percent of AMI.
- We are in the process of reviewing home sale prices (not included in the chart), and note that very few of these homes appear to be affordable for households earning 50 percent of AMI or less.
- While the units depicted in the chart represent less than half of Seattle’s overall housing stock, the roughly 28,000 rental units in the chart that are affordable at 50 percent of AMI may represent the majority of units in the city affordable to households with very low incomes.

These preliminary findings illustrate the critical role that affordable housing programs, such as those funded by the City’s seven-year Housing Levy, play in making housing available to individuals and families with very low incomes. In the months to come, we will expand these findings to better understand how close we are to reaching the goals stated in Policy H34, as well as other important affordable housing goals articulated in Seattle’s Comprehensive Plan.

While measuring progress in supplying housing at low and moderate income levels is necessary, additional approaches to measuring affordability are required to fully address many of the broader affordable housing goals in the Comprehensive Plan. For example, we know from the Census and other sources that many homes affordable at low income *levels* are not actually *available to households* at these income levels because the homes are occupied by households with higher incomes. The Affordability Trends Report will, therefore, also evaluate the frequency with which low and moderate income households themselves are burdened with unaffordable housing costs.

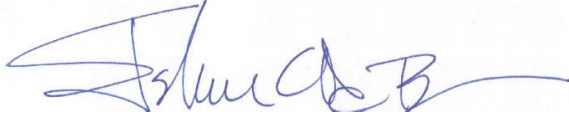
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<sup>2</sup> In measuring the affordability of Seattle’s housing stock, the Comprehensive Plan specifies using income levels as defined by the U.S. Department of Housing and Urban Development (HUD), which are based on HUD’s calculation of ‘area median income’ adjusted by household size. HUD’s income levels present several idiosyncrasies when used as the basis for measuring the supply of affordable units, especially within market-rate housing. As a result, rents that HUD calculations consider affordable to one-person households (as well as household sizes on the higher end) are substantially higher than would be calculated using more direct estimates of median income. Given these and other issues with measuring affordable housing supply, one key finding of the Commission’s Affordability Trends report may be that some of the housing goals need to be restated so that they can be measured in a more meaningful way.

<sup>3</sup> Per HUD convention, a rental unit is counted as affordable if monthly rent and basic utilities cost no more than 30 percent of monthly household income. Analysis assumes same ratios of household size to unit size that HUD commonly uses for administering low income housing programs: 1.5 occupants per bedroom for units containing one bedroom or more, and 1.0 occupant for studio units.

Affordable homes are an essential component of all sustainable communities. While more can always be done to improve access to safe, affordable housing, much has been accomplished in the two years since the Commission's report. Again, the 7-year Comprehensive Plan update provides a unique opportunity to revisit the goals and policies related to affordable housing and we look forward to working with you on this and other projects that will improve housing choices in Seattle. Please feel free to contact the Commission for clarification on any of these points through our Executive Director, Barbara Wilson at (206) 684-0431.

Sincerely,



Josh Brower, Chair  
Seattle Planning Commission

cc: Mayor Mike McGinn  
Seattle City Councilmembers  
Julie McCoy, Ethan Raup, Rebecca Deehr; Mayor's Office  
Diane Sugimura, Alan Justad, Marshall Foster, John Skelton, Tom Hauger, Mark Troxel; DPD  
Rick Hooper, Maureen Kostyack, Laura Hewitt-Walker; OH  
Peter Hahn, Tracy Krawczyk, Barbara Gray; SDOT  
Rebecca Herzfeld, Ketil Freeman, Traci Ratzliff; Council Central Staff

**SEATTLE PLANNING COMMISSION RECORD OF DISCLOSURE & RECUSAL:**

- Commissioner Colie Hough-Beck disclosed that her firm, Hough Beck & Baird works on multifamily projects in Seattle.
- Commission David Cutler disclosed that is firm, GGLO, designs market rate and affordable multifamily housing projects in Seattle.
- Commission Chris Persons disclosed that his firm, Capitol Hill Housing, builds and manages affordable housing in Seattle.
- Commissioner Catherine Benotto disclosed that her firm, Weber Thompson, works on Multi-family projects in Seattle.
- Commissioner Josh Brower disclosed that his firm, Tupper Mack Brower, represents developers who build multifamily projects and other transit oriented development.
- Commissioner Amalia Leighton disclosed that her firm SvR Design Company works on affordable housing projects throughout Seattle.
- Commissioner Matt Roewe disclosed he was recently appointed to serve on the Board of Director for Capitol Hill Housing which builds and manages affordable housing in Seattle. He also disclosed his firm, VIA Architecture provides design services for multifamily and senior housing projects.