

**Rick Jacobus**  
September 16, 2014



# Recommendations for an Affordable Housing Linkage Fee



# Policy Options for Refining

Seattle's Incentive  
Zoning Program



July 2014  
Final Draft



Rick Jacobus and  
Joshua Abrams for  
Cornerstone Partnership



*In July we recommended  
that Seattle consider  
adopting an Affordable  
Housing Linkage Fee*



# Recommendations

- Apply the fee in all commercial zones and residential zones LR 1 and above
- Apply the fee to multifamily residential, office, retail, hotel and R&D (Exclude single family and Industrial uses)
- Adopt differing fee levels for high, medium and lower cost markets
- Adjust fees annually based on the cost of construction
- Phase the fees in over 3 years
- Allow developers to continue to build bonus density
- Preserve the onsite performance option

# Proposed Linkage Fees

Per Net Square Foot

## Option #1: Fees comparable to 5% onsite performance

	Residential	Office	Retail	Hotel
Lower Cost Neighborhoods	\$7.00 or 5% of Units	\$7.00	\$7.00	\$7.00
Medium Cost Neighborhoods	\$12.00 or 5% of Units	\$12.00	\$12.00	\$12.00
High Cost Neighborhoods	\$22.00 or 5% of Units	\$22.00	\$22.00	\$22.00

## Option #2: Fees comparable to 3% onsite performance

	Residential	Office	Retail	Hotel
Lower Cost Neighborhoods	\$5.00 or 3% of Units	\$5.00	\$5.00	\$5.00
Medium Cost Neighborhoods	\$10.00 or 3% of Units	\$10.00	\$10.00	\$10.00
High Cost Neighborhoods	\$16.00 or 3% of Units	\$16.00	\$16.00	\$16.00

# Feasibility Example

## 4 to 6 Stories

	No Program Costs	Fee In Lieu/NSF	Current Production Cost/NSF	10% Production/NSF	Linkage Fee - Option 1: Higher	Linkage Fee - Option 2: lower	DRA Maximum Nexus
<b>DOWNTOWN PROTOTYPES</b>							
1A Rental	-	10	24	46	22	16	43.91
2A Ownership	-	11	17	31	22	16	50.25
3A Commercial	-	17	26	-	22	16	75.81
<b>SOUTH LAKE UNION PROTOTYPES</b>							
4A Rental	-	14	26	50	22	16	41.97
5A Ownership	-	15	18	34	22	16	43.85
6A Commercial	-	12	18	-	22	16	76.03
<b>LOWRISE TO MIDRISE</b>							
Residential Rental							
7A-L Low Scenario	-	11	13	18	7	5	38
7A-M Middle Scenario	-	11	16	23	12	10	43
7A-H High Scenario	-	11	20	28	12	10	

	No Program Costs	Fee In Lieu/NSF	Current Production Cost/NSF	10% Production/NSF	Linkage Fee - Option 1: Higher	Linkage Fee - Option 2: lower	DRA Maximum Nexus
<b>4 STORIES TO 6 STORIES</b>							
Residential Rental							
9A-L Low Scenario	-	6	10	22	7	5	36

11A-H High Scenario	-	4	11	22	12	10	
Residential Ownership							
12A-L Low Scenario	-	4	1	2	7	5	20
12A-M Middle Scenario	-	4	2	7	12	10	25
12A-H High Scenario	-	4	4	14	12	10	

Color Key: Feasible Infeasible

# Feasibility Example

## 4 to 6 Stories

	Option 1 Fee total	Option 2 Fee total	Current Fee In Lieu	Current (5%) Performance Gap Cost	Option 1 Fee % of Dev Cost	Option 2 Fee % of Dev Cost
<b>DOWNTOWN PROTOTYPES</b>						
1A Rental	6,842,000	4,976,000	\$ 3,212,976	\$ 7,359,612	4.2%	3.1%
2A Ownership	6,292,000	4,576,000	\$ 3,082,896	\$ 4,922,964	3.5%	2.6%
3A Commercial	5,534,760	4,025,280	\$ 4,284,900	\$ 6,480,000	4.8%	3.5%
<b>SOUTH LAKE UNION PROTOTYPES</b>						
4A Rental	4,532,000	3,296,000	\$ 2,955,308	\$ 5,317,198	4.3%	3.1%
5A Ownership	4,114,000	2,992,000	\$ 2,753,613	\$ 3,453,938	3.7%	2.7%
6A Commercial	5,291,000	3,848,000	\$ 2,830,150	\$ 4,280,000	5.3%	3.8%
<b>LOWRISE TO MIDRISE</b>						
Residential Rental						
7A-L Low Scenario	322,000	230,000	\$ 490,860	\$ 597,780	2.0%	1.4%
7A-M Middle Scenario	552,000	460,000	\$ 490,860	\$ 743,580	3.1%	2.6%
7A-H High Scenario	552,000	460,000	\$ 490,860	\$ 905,580	2.7%	2.3%

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<b>4 STORIES TO 6 STORIES</b>						
Residential Rental						
<b>9A-L Low Scenario</b>	<b>497,000</b>	<b>355,000</b>	<b>\$ 454,500</b>	<b>\$ 693,900</b>	<b>1.9%</b>	<b>1.4%</b>

Residential Ownership						
12A-L Low Scenario	630,000	450,000	\$ 378,750	\$ 45,750	1.7%	1.2%
12A-M Middle Scenario	1,080,000	900,000	\$ 378,750	\$ 183,500	2.6%	2.2%
12A-H High Scenario	1,080,000	900,000	\$ 378,750	\$ 343,500	2.3%	1.9%

# Feasibility Example

## South Lake Union

		No Program Costs	Fee In Lieu/NSF	Current Production Cost/NSF	10% Production/NSF	Linkage Fee - Option 1: Higher	Linkage Fee - Option 2: lower	DRA Maximum Nexus
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Residential Ownership								
8A-L	Low Scenario	-	11	1	1	7	5	
8A-M	Middle Scenario	-	11	2	7	12	10	
8A-H	High Scenario	-	11	4	14	12	10	
<b>SOUTH LAKE UNION PROTOTYPES</b>								
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Residential Ownership								
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# Feasibility Example

## South Lake Union

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8A-I Low Scenario	322,000	230,000	\$ 490,860	\$ 24,948	1.8%	1.3%
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# Local Goals

1. Produce more affordable housing units
2. Ensure that affordable housing requirements are economically feasible
3. Create/sustain mixed income communities
4. Target resources to households with the greatest needs
  - ~30% for households earning 60-80% of median income





# Cornerstone Partnership

*Keeping Homes Affordable & Communities Strong*