



Linkage Fee Background and Answers to Frequently Asked Questions

Background

- May 2013 Council adopts [Resolution 31444](#) as a companion piece of legislation to the South Lake Union rezone ordinance. Among other things, Resolution 31444 establishes a work program for reviewing and updating the City's affordable housing incentive program.
- July – December 2013 Council retains three consultants to undertake the work program in Reso. 31444.
1. Cornerstone Partnership (Rick Jacobus and Joshua Abrams) to serve as the lead policy consultant.
 2. Otak / Peninger Consulting (Kurt Creager and Paul Peninger) to conduct a nationwide survey related to best practices for meeting workforce housing needs.
 3. David Rosen & Associates (DRA)(Nora Lake Brown) to prepare an economic analysis of the affordable housing incentive program informed by input on assumptions from for-profit and non-profit developers.
- February 2014 Council holds the first of two workforce housing workshops and public forums.
- March - May 2014 DRA convenes three technical advisory committee meetings with for-profit and non-profit developers to advise on assumptions (such as construction costs and rents) to be used in economic modeling.
- June 2014 Otak and Peninger publish [Seattle Workforce Housing - Programs and Policies Related to Meeting Workforce Housing Needs in Seattle: A Survey and Analysis of Best Practices in Comparative Jurisdictions](#).
- June 2014 Council holds the second of two workforce housing workshops and public forums.
- July 2014 DRA publishes a draft [Seattle Affordable Housing Incentive Program Economic Analysis](#).
- July 2014 Cornerstone publishes [Policy Options for Refining Seattle's Incentive Zoning Program](#), which are based on the preceding reports. The July Cornerstone report recommends two options for program changes: 1) refining the incentive zoning program and increasing in-lieu fees and 2) transitioning to an affordable housing linkage fee program.

Background

- September 2014 DRA publishes a draft [Seattle Affordable Housing Nexus Study](#). The nexus analysis 1) establishes a causal relationship between new commercial and residential development and demand for low and moderate income housing and 2) quantifies a maximum supportable linkage fee to mitigate the impact of that increased demand.
- September 2014 Cornerstone publishes a [memorandum](#) with recommendations for implementing an affordable housing linkage fee program, which is based on the Nexus Study and Economic Analysis.
- October 2014 PLUS recommends approval of [Resolution 31551](#) related to a linkage fee program.

Frequently Asked Questions

What is a linkage fee and how does it differ from the current affordable housing incentive program (a.k.a. Incentive Zoning)?

Unlike the incentive zoning program whereby a developer can choose to take advantage of bonus residential or commercial floor above a base height or density area (the “incentive” in Incentive Zoning) in exchange for providing housing affordable to moderate income households or make an in-lieu payment, under a linkage fee program a developer would be charged a fee *to mitigate the impact* on the demand for affordable housing attributable to new commercial and residential development.

The causal relationship between the new commercial and residential development and increased demand for housing affordable to lower income households is the “linkage” in linkage fee.

What would Resolution 31551 do?

1. Establish the Council’s intent to implement an affordable housing linkage fee program to mitigate the demand for low and moderate income housing caused by new commercial and residential development;
2. Provide guidance, described in more detail below, to the Department of Planning and Development and the Office of Housing related to program development and implementation; and
3. Set out a schedule for reviewing proposed implementing legislation with a delivery date to the Council of a proposed bill by June 1, 2015.

Resolution 31551 does not, in and of itself, create a linkage fee program. Such a program would be created later through an implementing ordinance or ordinances.

Where would a linkage fee program operate?

Generally, the program would operate in most commercial and multifamily residential zones and downtown. It is anticipated that most future employment and residential growth will occur in these areas. Consequently, the greatest impact on the demand for low and moderate income housing attributable to new development will likely originate in these areas. (See attached map.)

What would be the linkage fee?

The Resolution recommends a range as a floor for fees for commercial and residential development as follows:

- Higher Cost Areas - \$16 - \$22 / net square foot (NSF),
- Medium Cost Areas - \$10 - \$12 / NSF, and
- Lower Cost Areas - \$5 - \$7 / NSF.

The fee would vary based on the extent of impact. For residential development, the extent of impact is determined in part by the disposable income available to new households to purchase goods and services. Higher income households have more disposable income to spend on goods and services. Some jobs associated with providing those goods and services are lower paying. New workers in those lower paying jobs need housing affordable to them. Consequently, fees would be highest in high cost areas, such as Downtown and South Lake Union where new households are likely to be higher income. Fees would be lower outside of those areas.

Proposed fees are not set at the maximum supportable by the nexus study. Rather, fees represent a policy decision to not fully mitigate the impact of the demand for housing affordable to low and moderate income households attributable to new development. The desire to maintain development feasibility and recognize different market conditions are also reflected in the proposed fees.

Could a developer provide units in a new development project as an alternative to paying the linkage fee?

Yes. Residential and commercial developers would have the option to build units affordable to low and moderate income households either on-site or off-site as a way to mitigate increased demand. The number of affordable units under this option would be equivalent to established fees. Proposed fees are roughly equivalent to making 3% - 5% of units in a new residential building affordable for moderate and lower income households.

How would revenue from linkage fees be spent?

Linkage fee revenue must be spent on affordable housing and cannot be used for other purposes. Expenditure of fee revenue would be governed by the findings of the nexus study. Generally, the nexus study shows that of the new lower income households attributable to new development, approximately 20-25% would earn between 60-80% of Area Median Income (AMI), which is \$42,360 - \$56,480 annually for a two-person household. The remaining lower income households

