

TO: Mayor Ed Murray and the Seattle City Council

From: Seattle Planning Commission

Date:

Re: Recommendations for MHA Implementation

Dear Mayor Murray and Council President Harrell:

The Planning Commission offers our strong support for the Office of Planning and Development's (OPCD) ongoing work to implement Mandatory Housing Affordability (MHA) citywide. As Seattle continues to grow, it is more important than ever to take advantage of this growth to achieve a net gain in affordable housing units as soon as possible. MHA is a significant and critical tool in building a more affordable, inclusive, and equitable Seattle for all.

The Planning Commission has carefully reviewed the draft zoning changes for urban villages released in October 2016, MHA implementation principles, and community input heard at various Housing and Livability Agenda (HALA) focus groups and community workshops. After robust discussion, we have developed a set of priority recommendations intended to inform OPCD's work towards developing a preferred alternative. Our unique role as an independent advisory body allows us to offer a citywide lens on MHA implementation, focused heavily on achieving equitable outcomes. In addition to recommendations on the urban village expansions and rezones, we have identified complementary strategies and non-regulatory actions aimed at long-term affordability and shaping a vibrant, livable, and inclusive Seattle.

The Planning Commission's recommendations and considerations address three main objectives:

Objective #1: Increase citywide housing capacity through urban village expansions and rezones.

Overall, we support implementing the citywide urban village expansions included in *Seattle 2035* as an avenue to increase the number of affordable units produced under MHA. We have identified additional opportunities to adjust the methodology used for urban village expansions and rezones to increase housing opportunities in areas with access to essential services while promoting an equitable distribution of growth capacity.

Objective # 2: Implement anti-displacement policies and strategies. Lack of affordable housing options is compromising our ability to prevent displacement. While MHA is one anti-displacement tool, other thoughtful measures and strategies can complement MHA in reducing displacement and promoting social and racial equity in the long-term.

Objective #3: Increase affordable housing options through MHA, housing funding policies, and complementary policies. Providing a variety of affordable units across the City helps to reduce disparities in housing choice and access to opportunity, while being an essential component of dismantling historic patterns of segregation.

URBAN VILLAGE BOUNDARIES AND EXPANSIONS

Implementation Phase: Near-term

- 1. *Increase development capacity in areas across the city that afford high access to opportunity to residents.*** Equitable access to housing requires both producing affordable housing in areas of high displacement and in areas with high access to opportunity and historic patterns of segregation. There are opportunities to increase housing capacity through more intense rezones in high-cost and high-opportunity areas, which may help to dampen market pressures in areas with similar amenities but higher displacement risk. The burdens and benefits of growth should be distributed equitably, so that more affluent areas which have historically benefitted from public investments do not continue to disproportionately benefit at the cost of citywide affordability.
- 2. *Maximize growth capacity in areas with a high-risk of displacement while considering impacts to long-term housing opportunity instead of seeking conservative rezones and boundary expansions.*** Disadvantaged communities may fail to benefit from new development if it does not result in affordable housing and economic opportunities; however, a limited housing supply may only accelerate competition and displacement of lower-income residents and communities with cultural ties in these areas. Pair rezones in areas with a high risk of displacement with incentives to provide affordable (performance) units.
- 3. *In areas with a high risk of displacement, consider implementing alternative anti-displacement strategies instead of raising MHA requirements beyond what the market or intensity of rezone dictates.*** MHA is an essential anti-displacement tool when paired with complementary anti-displacement strategies. The Planning Commission is concerned that increasing MHA requirements in areas with a high risk of displacement may have negative consequences on Seattle's historically marginalized communities by stagnating growth, exacerbating housing shortages, and further limiting access to jobs, housing, and amenities. While we acknowledge that some communities hope to combat displacement by deterring growth, discouraging new development to retain existing naturally-affordable units does not preclude rents from rising, and may in the future cause land to be underutilized. A lack of new units contributes to an overall scarcity of housing options that drives up competition and cost. As Seattle continues to grow, the fundamental task at hand is not to halt growth and prosperity, but to improve housing options, economic opportunities, and neighborhood amenities *without displacement*. More permanently affordable housing and investments in community infrastructure are needed to stabilize Seattle's most vulnerable populations and make sure that existing communities are benefiting from growth in their neighborhoods. Consider incentivizing and encouraging performance units in urban villages identified as having a high risk of displacement, and continue to expand funding for place-based strategies, such as the Equitable Development Initiative, that incorporate specific strategies to address community concerns and desires.

4. ***Expand proposed urban village boundaries to better align with existing and planned investments in infrastructure, essential services, and amenities.*** The methodology used to delineate urban village boundary expansions should include areas near existing schools, parks and usable open space, major medical and educational institutions, cultural centers, and other essential facilities and services that are within one to three blocks of the ten-minute walkshed. In addition, areas between urban villages, or areas that are in close proximity to urban villages that are zoned for mixed use, should be included in urban village expansion areas to direct investments and growth where higher densities of residents and jobs already exist and allow growth that is in scale with the surrounding zones.
5. ***Increase the intensity of rezones around public investments such as schools, parks, community centers, usable open space, and transit hubs*** more than shown in the October 2016 draft maps. There is an opportunity to locate more households in immediate proximity to other important community assets. As pressure on the limited land around transit and amenities increases, forward-thinking policies are needed to ensure that land around our public investments is not underutilized.
6. ***Equitably distribute housing opportunities by zoning more medium-density areas throughout urban villages instead of only concentrating higher densities along arterials and preserving other areas of the urban village at much lower densities.*** Simply adding new housing capacity in higher-density zones along arterials limits housing choices. In addition, air quality and traffic can be detrimental to the health and safety of residents living along major arterials. While some high-density areas are desired and necessary, rezones should generally strive for medium-density neighborhoods that distribute development capacity more evenly across each urban village.

MHA, HOUSING POLICIES, AND COMPLEMENTARY STRATEGIES

Implementation Phase: Ongoing

7. ***Prioritize and incentivize production of affordable and market-rate family-sized housing in projects of various scales and locations.***

The Planning Commission has long voiced support for family-sized affordable housing in Seattle, as articulated in our 2014 white paper, *Family-Sized Housing Action Agenda*. We see the opportunity to address gaps in availability of suitably sized housing for families at a variety of income levels through leveraging MHA funding and revising zoning regulations. While we support the intent behind the amendment to the South Lake Union and Downtown MHA program, that allows extra height for including ten units with three bedrooms, we are concerned that these family-sized units are not required to be affordable. The Planning Commission will continue to work with OPCD to develop creative and bold policies that require or incentivize family-sized units in lower and higher density areas of urban villages projects across the city.
8. ***Provide incentives and technical assistance for projects that choose performance.*** A key reason for encouraging new development to choose performance rather than payment in lieu is to achieve

greater socioeconomic diversity within projects and neighborhoods. Performance units are key to producing affordable units in tandem with growth and increasing the diversity of housing choices in high-cost areas. Incentives and streamlined processes, such as expedited permit review, administrative Design Review, or dedicated technical assistance, could reduce complexity and management of annual requirements and help encourage developers or owners to choose the performance option.

9. ***Leverage funding generated by MHA to produce a wider variety of housing choices.*** MHA provides a new and relatively flexible mechanism for funding affordable housing. There is an opportunity to work with the Office of Housing to ensure funding policies promote development of a more diverse portfolio of 6,000 affordable units over the next ten years. The Planning Commission has provided a letter to the Office of Housing regarding the Administrative and Financial Plan that guides how MHA-generated funds are distributed, which we have included as an attachment. In addition, we see the opportunity for OPCD to continue working with OH to implement the following recommendations:
- **Target MHA investments to areas that are generating funds and seeing growth, but are producing few affordable (performance) units.** Some areas may generate MHA funds but see few units produced through the performance option. MHA and OH policies should proactively address neighborhoods experiencing a gap between market-rate investment and the development of affordable housing.
 - **Increase the supply of income-restricted units in smaller-scale multi-family developments through both performance and payment options.** The complexity of complying with annual MHA requirements is likely to push many smaller projects towards the payment option, contributing to a lack of affordable units in low-rise multifamily zones and limiting affordable housing opportunities to larger-scaled developments in higher intensity zones. Address the challenges of the MHA performance option in smaller-scale multi-family developments by providing technical assistance and incentives to make performance less challenging, and explore creative funding strategies to encourage smaller-scaled affordable housing projects
 - **Dedicate funds toward making land acquisition feasible for affordable housing projects in high-cost areas.** Areas with a history of exclusion of communities of color generally have higher land costs, making the overall price tag much greater than for the same number of units in low-cost areas. Ensuring that affordable housing project proposals in high-cost areas can be competitive is critical to providing housing choice and fostering inclusive communities.
 - **Align housing investments with goals of communities experiencing displacement.** Support development of affordable housing types and financing tools that have been identified through community planning processes in areas with a high risk of displacement, such as cohousing, land trusts, and limited equity ownership options. Explore and enable use of innovative construction methods that can lower cost and speed up construction times.
 - **Adopt and monitor Citywide goals for affordable housing choice and variety.** This information can be used to inform ongoing work and provide a framework to help determine if funding priorities

need to be adjusted. We encourage the City to commit to monitoring detailed data on affordable units produced under MHA including building types and unit size; the location of units as it relates to displacement risk, access to opportunity, and the cost of land; populations served by income, race, family size, and unique needs; and number of units in each urban village as it relates to payments generated and overall growth.

10. *Identify opportunities for more equitably distributing growth across the city through ongoing*

Comprehensive Plan updates and new urban villages. Affordability is a citywide crisis which cannot be solved by only increasing density in a portion of Seattle's neighborhoods. While the success of the urban village strategy is evident, it has also precluded other areas of the city from receiving any growth at all—including high-opportunity areas that would likely require minor public investments to adequately accommodate additional capacity. The Planning Commission encourages the City to plan for long-term growth and affordability by committing to planning studies that explore updates and amendments to the Comprehensive Plan that designate new urban villages and proactively promote equitable growth.

Recognizing that Seattle is a city of unique neighborhoods, we intend to follow up with how some of these general principles and strategies can be applied to specific urban villages after the release of the growth alternatives and accompanying analysis in the Draft Environmental Impact Statement. In addition, we will continue to support MHA implementation, and provide more detailed recommendations as the program continues to develop. We look forward to working with you to build a more inclusive, affordable, and livable Seattle.

Please contact our Director, Vanessa Murdock, at 733-9271 if you have any questions or would like to discuss any of our recommendations further.