

What is affordable housing?

Affordable housing is sometimes used informally to describe a home that a household is able to afford with sufficient remaining income for basic needs. But for HALA, affordable housing has a specific meaning: housing (1) that is available only to households with incomes no higher than a certain level and (2) where limits on rents or sale prices provide affordability for households with incomes at a particular income limit.

Affordable housing may be publicly or privately owned and can be found in a wide range of neighborhoods and building types.

In all cases, creating affordable housing requires proactive public policy and investment. Below are some key facts:

- + Affordable housing helps ensure that enough income is left over for food, transportation, medical care, and other basic life necessities.
- + Housing is considered affordable when a household pays no more than 30% of its total income for housing costs.

- + Affordable housing programs create housing that restricts the rents and incomes for households at a range of incomes.
- + Most direct 60 and below, incentive programs workforce 60-80
- + Many affordable housing programs serve households earning at most 60% or less of the Seattle-Bellevue Area Median Income (AMI), but some programs serve households with lower or

Childcare Worker & Home Care Aide, one child

Household Income **\$48,360**
 Affordable Rent **\$1,209**
 Seattle Average Rent, 2 BR / 1 BA **\$1,774**

Custodian

Household Income **\$30,118**
 Affordable Rent **\$753**
 Seattle Average Rent, studio **\$1,251**

Dishwasher & Cashier

Household Income **\$50,170**
 Affordable Rent **\$1,254**
 Seattle Average Rent, 1 BR **\$1,554**

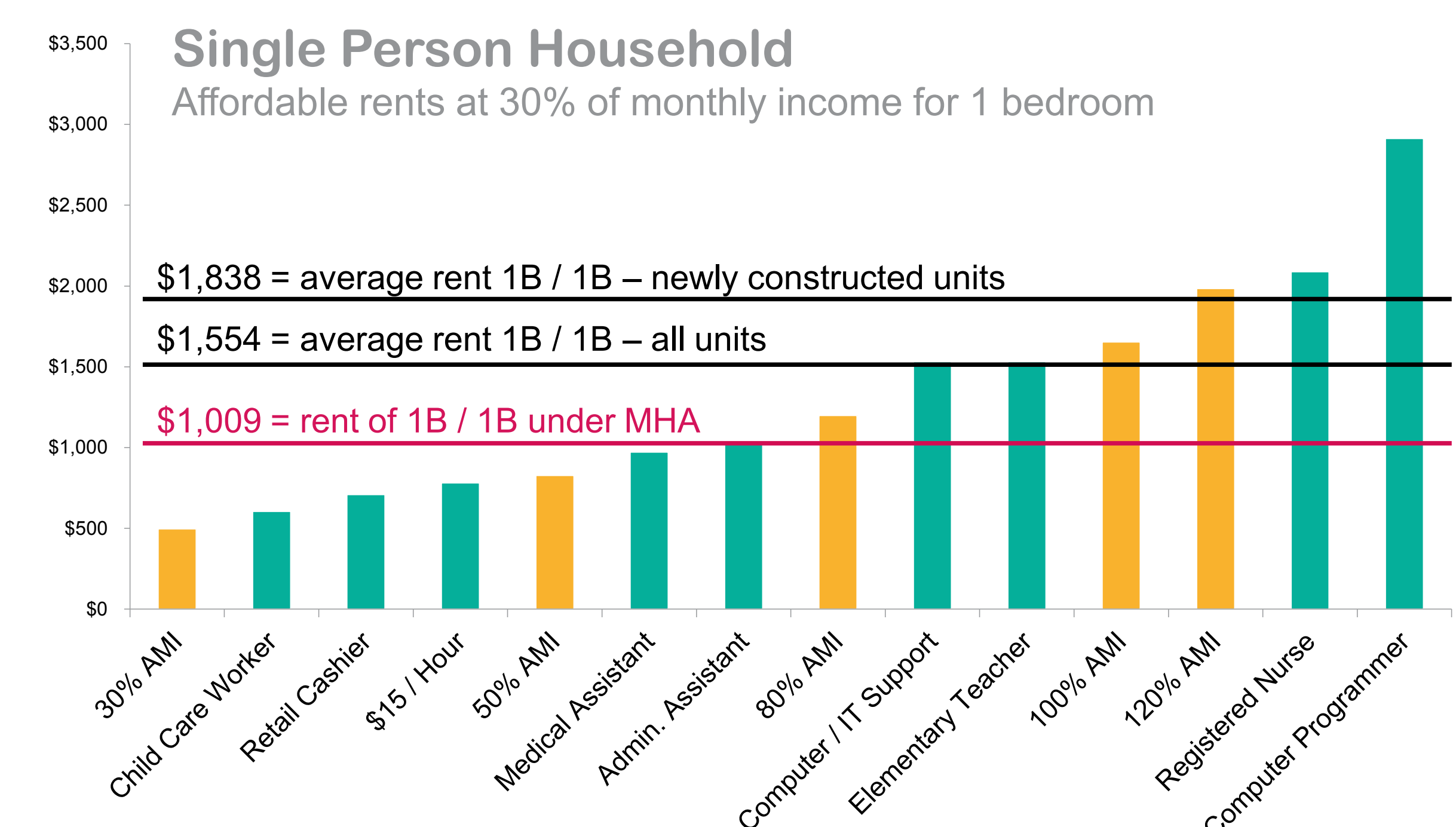
Nurse Assistant & Cook, two children

Household Income **\$58,822**
 Affordable Rent **\$1,471**
 Seattle Average Rent, 2 BR / 2 BA **\$2,328**

Households earning 60% of Area Median Income (AMI)

Household size	Gross annual income	Maximum affordable rent (with utilities)
1 person	\$37,680	\$949 (studio)
2 persons	\$43,380	\$1,017 (1 bedroom)
3 persons	\$48,780	\$1,219 (2 bedroom)
4 persons	\$54,180	\$1,409 (3 bedroom)
5 persons	\$58,560	

Source: Seattle Office of Housing 2016 Income and Rent Limits – Multifamily Rental Housing



Affordable housing funding

Financing affordable housing requires a complex mix of sources

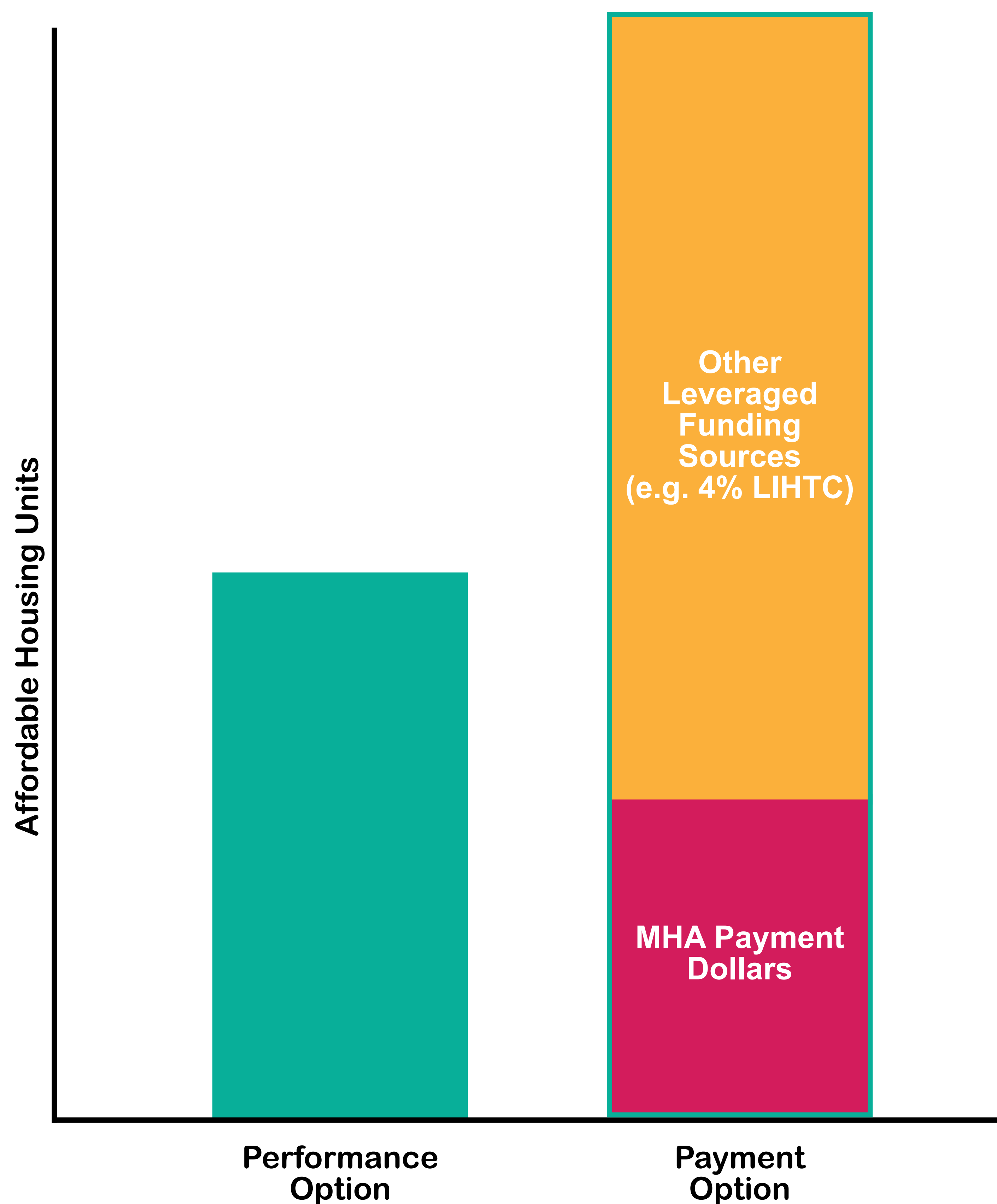
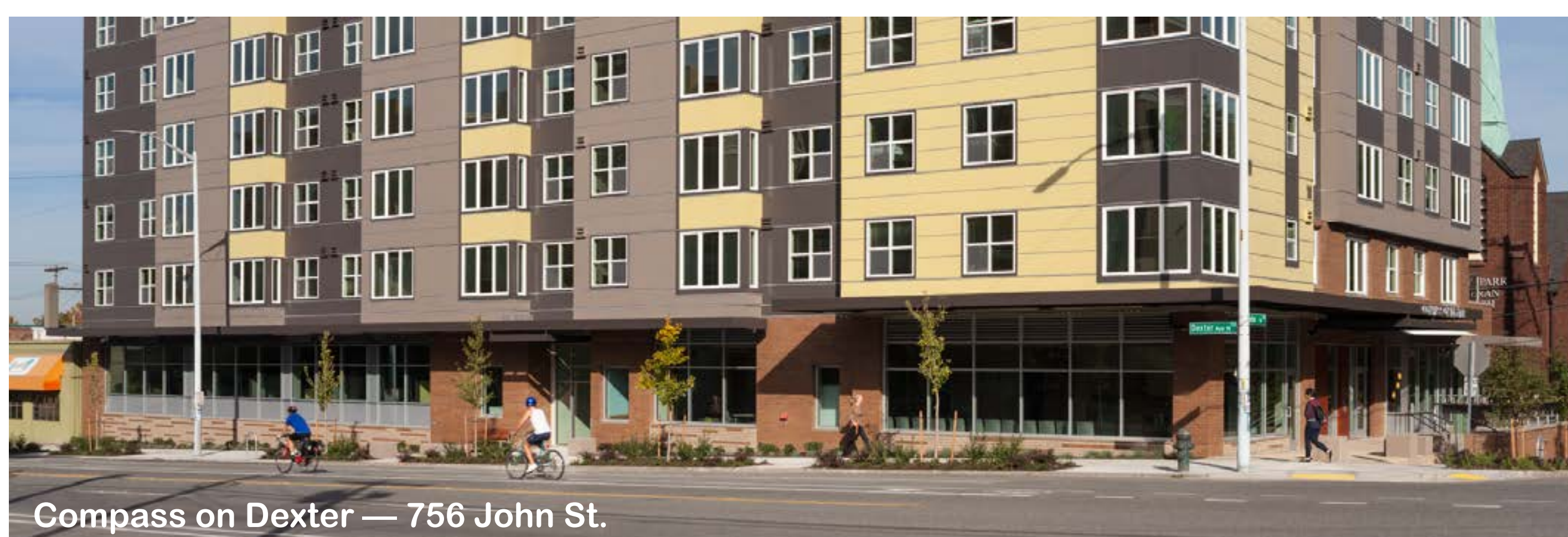
- + The City uses MHA payments to leverage various other funding sources to finance affordable housing.
- + For each payment dollar under MHA, the City can leverage 2-3 additional dollars in other funding sources (e.g., 4% tax credits).

Funding process for rental production and preservation investments

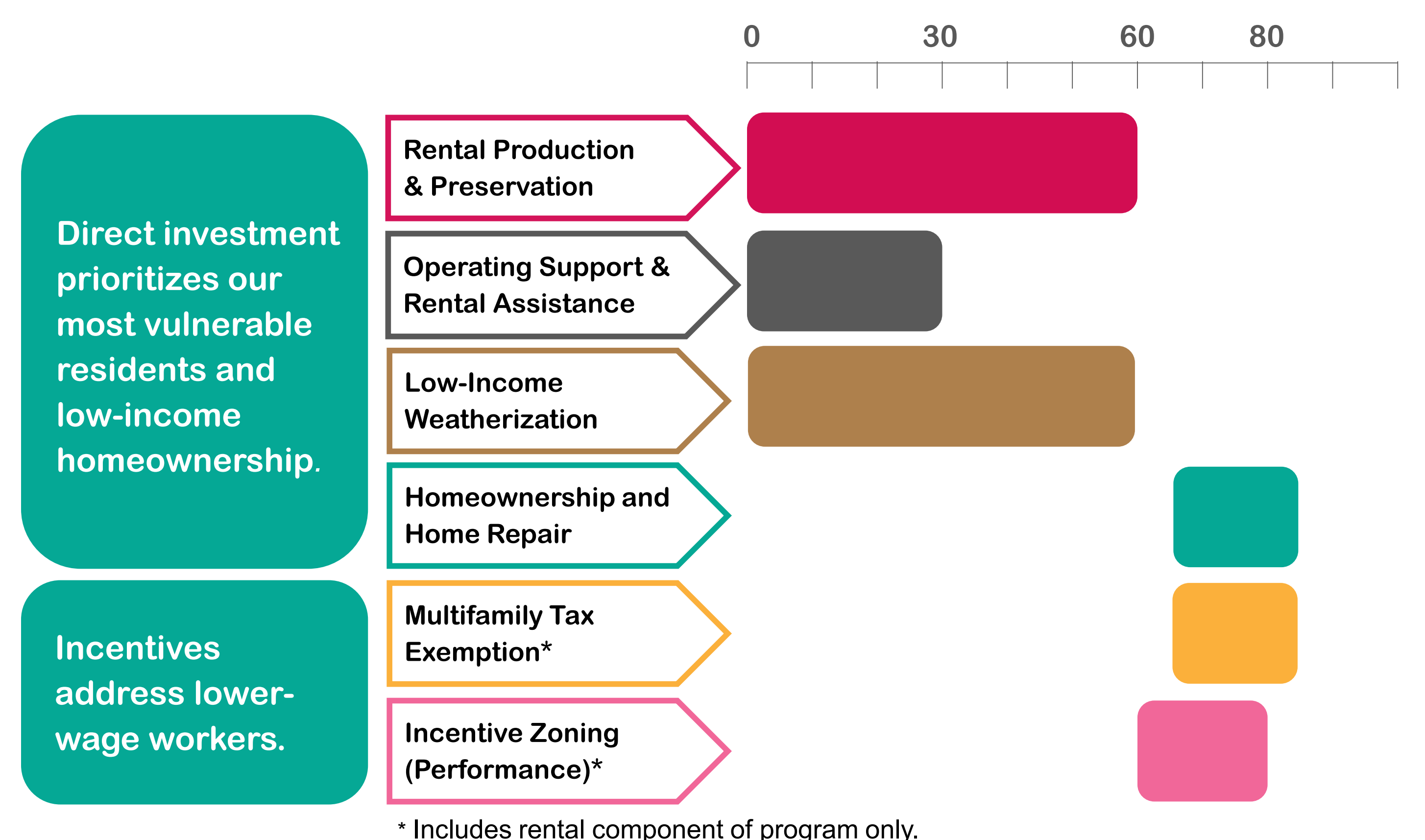
- + Funds awarded competitively to non-profit housing developers
- + OH evaluates project location, population, scale and efficiency, and organizational capacity
- + Strategic investments throughout the city
- + City dollars typically leverage three to one
- + Community partnerships

Project types for City affordable housing investments

- + New construction and acquisition/rehab
- + Reinvestment in affordable housing



Incomes Served by Percent of Area Median Income (AMI)

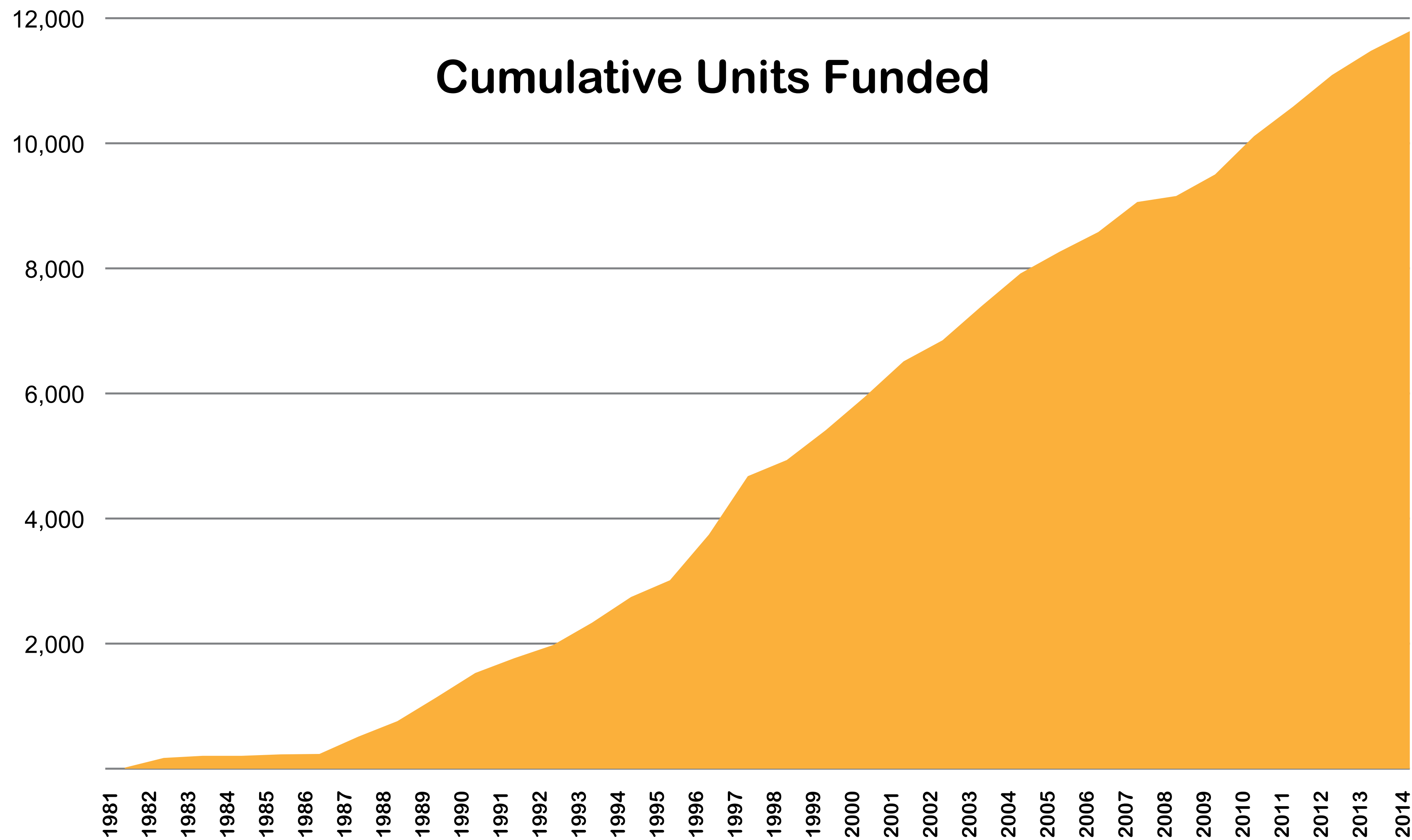


Affordable housing examples

Projects funded by the Office of Housing

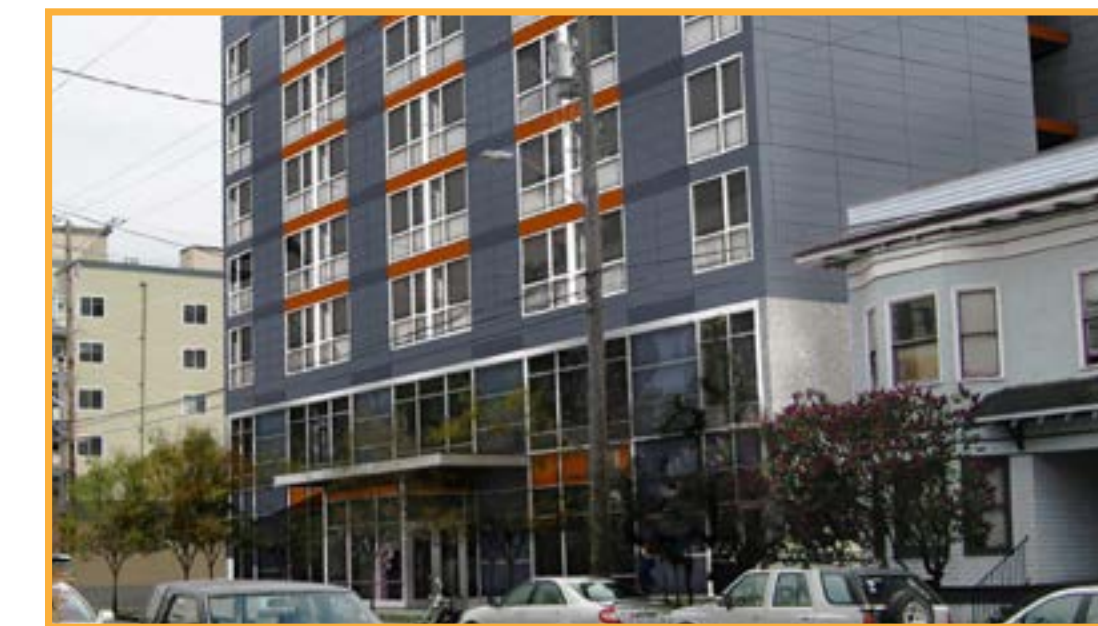
Rental Production and Preservation Program

The Seattle Office of Housing Rental Production and Preservation Program has funded 11,800 income-restricted units since 1981, an average of 358 per year.



The Multifamily Tax Exemption (MFTE) Program

The Office of Housing also administers the MFTE program, which provides a tax exemption on new multifamily buildings in exchange for setting aside 20-25% of the homes as income- and rent-restricted. By supporting mixed-income residential development in the urban centers, the MFTE program ensures affordability as the community grows. The MFTE program was renewed on November 1, 2015, which was one of the HALA Advisory Committee recommendations (Strategy R.4).



Nyer Urness House (80 units)
Compass Housing Alliance

- + NeighborCare health clinic on site
- + On-site resident services
- + Formerly homeless people and veterans



Arbora Court (133 units)
Bellwether Housing
under development

- + 40% 2- and 3-bedroom family units
- + 40 units for formerly homeless families
- + Low-income individuals and families



Compass on Dexter (74 units)
Compass Housing Alliance

- + 56% 2- and 3-bedroom family units
- + On-site children's center and play area
- + 36 formerly homeless families



The Jefferson (40 units)
Capitol Hill Housing

- + Formerly contaminated site
- + 50% 2-bedroom units
- + Low-wage workers



Plaza Roberto Maestas (112 units)
El Centro de la Raza

- + Public plaza, child development center and multicultural community center
- + 80% are 2- and 3-bedroom family units
- + Next to Beacon Hill Light Rail Station



Mt. Baker Lofts - (57 units)
ArtSpace

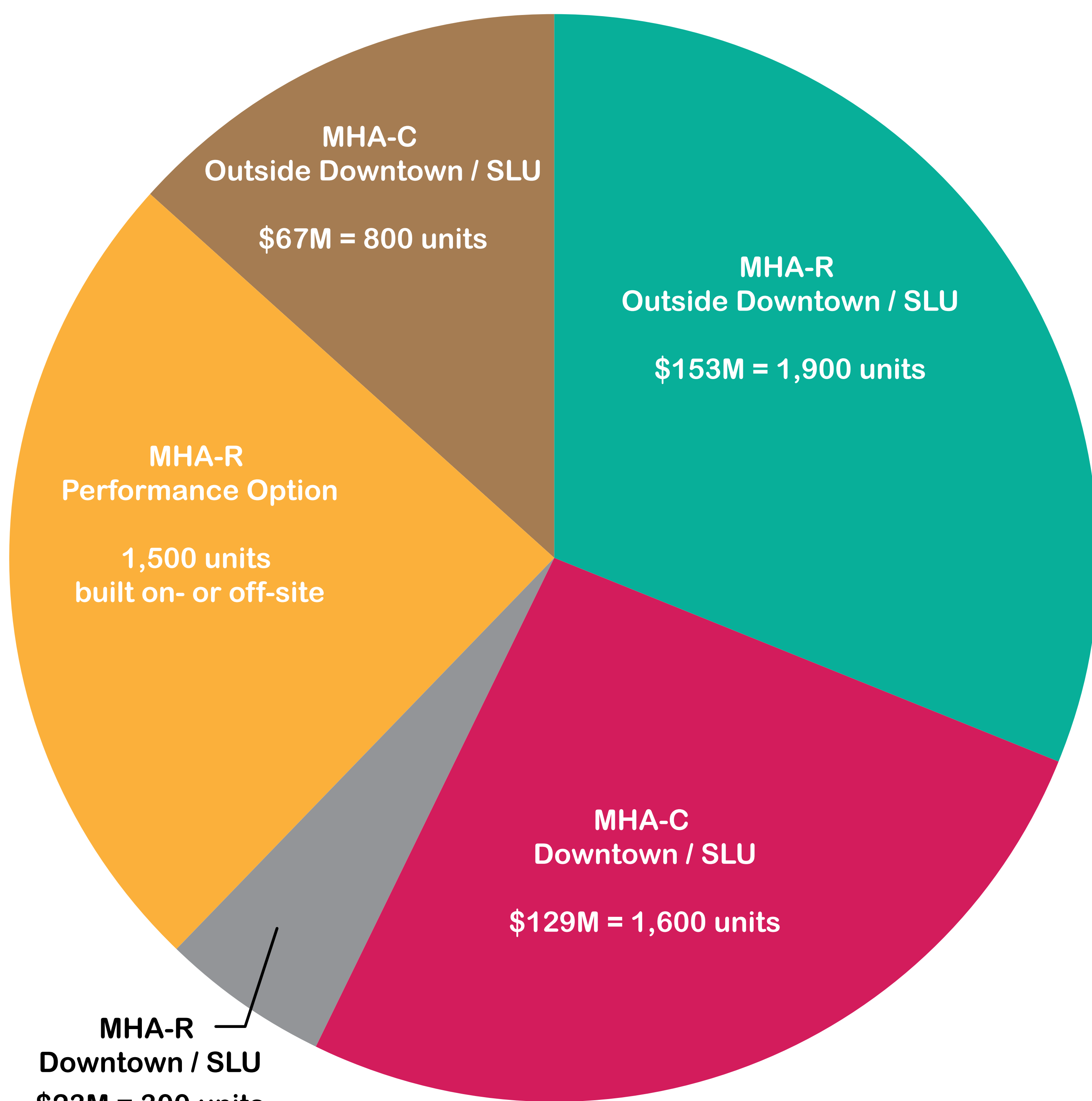
- + Mixed-use project for artists & families
- + Next to Mt. Baker Light Rail Station
- + Affordable childcare

Affordable housing buildings funded with Incentive Zoning payments, 1998-2015



MHA Goal: 6,000 affordable housing units in 10 years

Getting to 6,000 through MHA-R and MHA-Commercial



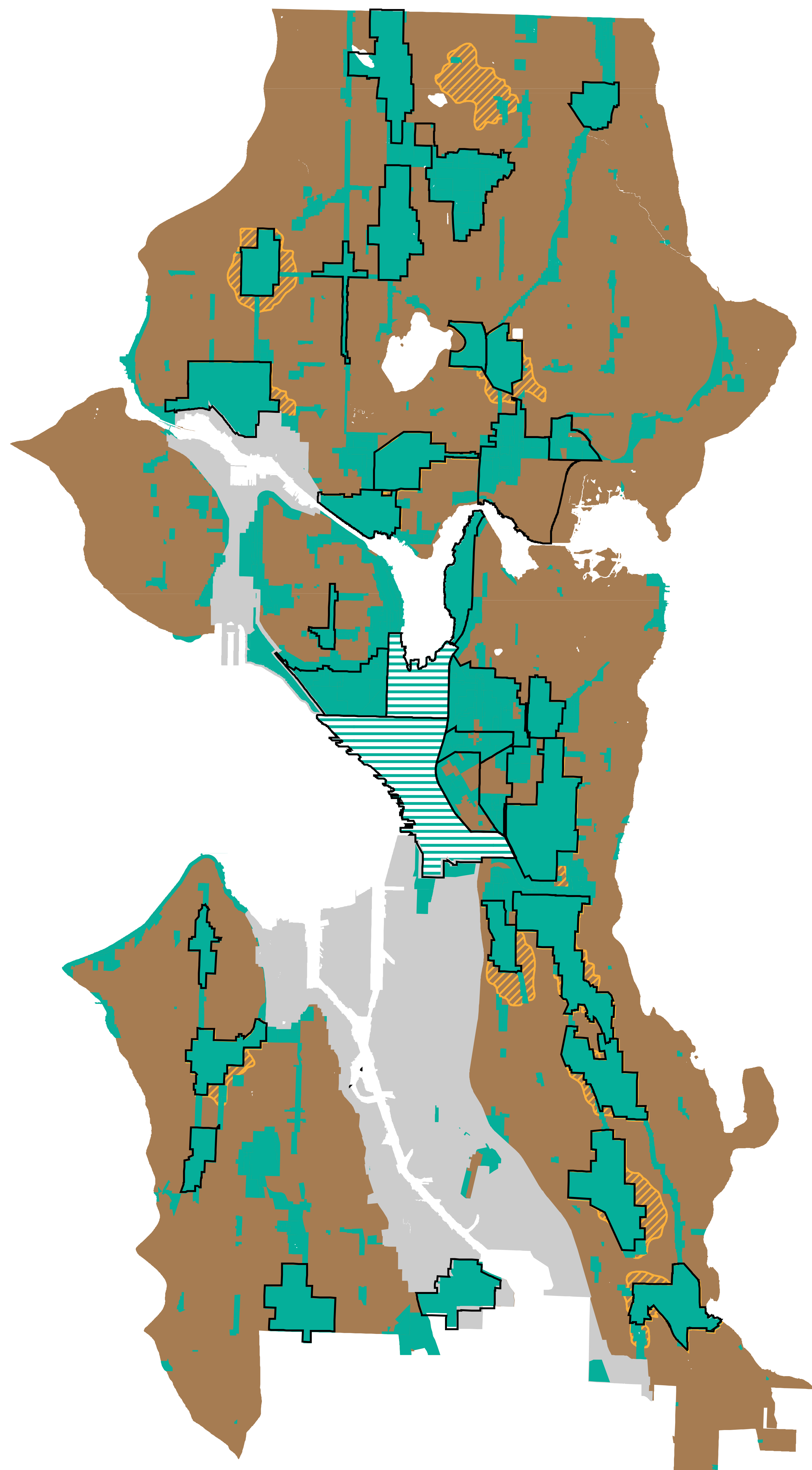
Reflects initial modeling estimates and assumptions. Assumes leverage from other sources is used to translate MHA payments collected into built units.

MHA is a critical piece of the HALA goal

+ Over the next 10 years, the City aims to increase the housing supply by 50,000 homes, 20,000 of which would be affordable. Critical to this overall vision, MHA would provide at least 6,000 of the 20,000 net new rent- and income-restricted homes for households with incomes no higher than 60% of median income.

Income Limits for Housing Produced through MHA

	Rental	Ownership
Performance Option	60% AMI	80% AMI
Payment Option	up to 60% AMI	up to 80% AMI

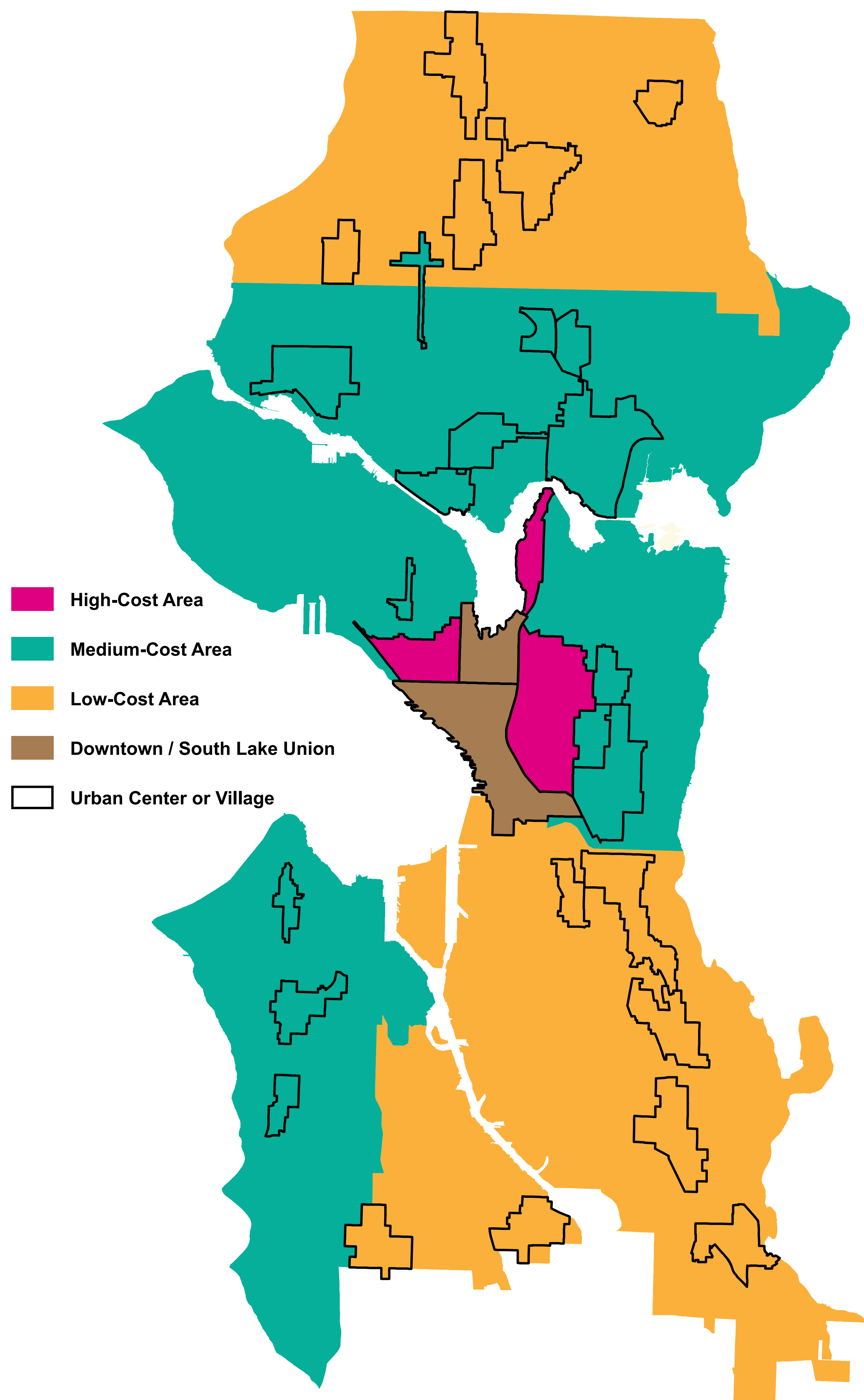


Proposed MHA cost areas

Affordable housing requirements would vary by cost area

Under MHA, multifamily and commercial development would be required to contribute to affordable housing by building it on-site or paying into a City fund for affordable housing.

- + For the payment option, developers would make a payment based on the square footage of the building.
- + The per-square-foot payment amount is proposed to vary in different areas of the city based on market conditions.
- + In Downtown and South Lake Union, payment amounts would be set for each zone.
- + Under the performance option, developers would set aside a certain percentage of housing units as affordable for households earning up to 60% of area median income (AMI).
- + MHA payments would be leveraged with other funding sources to finance housing affordable to households earning 60% AMI and less.



Payment amount
(per square foot)

Performance set-aside
(% of units)

	Payment amount (per square foot)	Performance set-aside (% of units)
High-cost areas	\$18	7%
Medium-cost areas	\$12	6%
Low-cost areas	\$7	5%
Downtown / SLU <i>varies by zone</i>	\$5-18	2-11%



How does MHA in Seattle compare with other cities?

	Seattle <i>proposed</i>	New York	Boston	San Francisco	Bellevue, WA
Mandatory program?	Yes	Yes	Yes	Yes	No
Applies to housing projects of all sizes?	Yes	10+ unit projects	10+ unit projects	10+ unit projects	Bonus development only
In-lieu payment option?	Yes	Only for small projects under 25 units	Yes	Yes	Yes
Applies to commercial development?	Yes	No	Yes Applies to large-scale commercial development	Yes Applies to large-scale commercial development	No
Citywide implementation	Yes	Rezone areas	Rezone areas and City financing	Yes	No

Research into best practices shows the most effective and productive inclusionary housing programs:

- + Are located in strong housing markets
- + Include mandatory requirements
- + Include incentives that offset the cost of the requirement on development
- + Have political will to support affordable housing and build acceptance in the development community that providing affordable housing is part of the cost of doing business
- + Are predictable and have clear guidelines
- + Allow a choice between on-site performance and a payment-in-lieu
- + Include monitoring and stewardship of affordable housing produced through the program

For more information, see:

- Robert Hickey, Lisa Sturtevant, and Emily Thaden, "Achieving Lasting Affordability through Inclusionary Housing" (Lincoln Institute of Land Policy, 2014)
- Jacobus, Rick. "Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring" (PolicyLink, 2007)



Benefits of the MHA payment and performance options

Why will MHA provide payment and performance options?

- + Payment and performance both result in mixed-income neighborhoods and advance integration in communities.
- + Performance results in fewer affordable housing units than payment.
- + Performance is difficult for small projects.
- + Payment has important equity outcomes.
- + Payment and performance levels will be set to provide a meaningful choice between options.



Slate Apartments & Lofts — 3040 17th Ave W in Magnolia



Mercy Othello Plaza Apartments — 6930 Martin Luther King, Jr. Way S in Othello



The Jefferson — 1206 E Jefferson St on First Hill

What are the benefits of payment?

Greater production

- + Payment yields substantially more housing than created through performance because the City can leverage other funding sources.

Strong equity outcomes

- + Investment in areas with high displacement risk and areas that lack private investment
- + Community-based development projects
- + Preservation of existing housing
- + Creation of family-sized units and family-friendly housing
- + Strategically sited affordable projects to support community-level inclusion

Geographic diversity

- + Track record of building affordable housing in neighborhoods throughout Seattle, including in high-cost areas
- + Criteria in MHA-R legislation sets out framework for investment

How will we invest MHA payments across the city?

The Office of Housing has a long track record of building affordable housing in neighborhoods throughout Seattle, including in high-cost areas.

- + OH invests payments to create affordable housing in neighborhoods throughout Seattle in order to:
 - Promote fair housing choice and opportunity
 - Support City strategies to promote growth near transit and in urban centers and villages
 - Make significant investments in areas with high risk of displacement
- + The City does regular reporting and monitoring to ensure quality and compliance for both payment and performance units.
- + Performance units must be comparable to market-rate units, and property owners must use affirmative marketing.
- + Payment units are built to Evergreen Sustainable Development Standards.

When determining where to use MHA payment funding, the MHA-R framework directs the City to consider the extent to which the housing would:

- + Affirmatively further fair housing choice
- + Be located within an urban center or village
- + Be located near frequent bus service or current or planned light rail or streetcar stops
- + Further City policies to promote economic opportunity and community development, and address the needs of communities vulnerable to displacement

Seattle Office of Housing Rental Housing Program

This map shows where OH has created affordable housing in Seattle to date using various funding sources. Projects using Incentive Zoning (IZ) payment funding are shown in pink. IZ is a voluntary program that applies in Downtown, South Lake Union, and limited other areas, while MHA would be mandatory and apply citywide.

