WORKFORCE HOUSING ACTION WORKSHOP

Action Report and Agenda

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Major Findings and Executive Summary

Housing in Seattle and the surrounding region has become unaffordable to many middle income wage earners. While there have been numerous studies and calls to action, there has not been a sustained and concerted effort to address the housing needs of individuals and households earning between 80% and 150% of area median income: the first responders, health care workers, educators and other critical workers in our region.

The Middle Income Housing Alliance of Seattle was created to serve as a catalyst for action, policy advocate and strategic partner focused on workforce housing in Seattle and the broader region.

In March of this year, the Alliance brought together more than 100 individuals representing housing professionals, developers, government agencies and other policy advocates for the purpose of identifying a specific action agenda aimed at increasing the supply of middle income housing in our region. With a focus on policy and regulatory changes, as well as strategies to increase employer assisted housing efforts in the area, the workshop developed a list of concrete, practical solutions which, if implemented, will have a substantial impact on cost and supply. These solutions can be found on page eight of this report.

The strategies are focused primarily on the Urban Centers, transit corridors and station areas in King County and the City of Seattle. Urban Centers have been identified by public policy as places which will have significant public transit, and higher densities to accommodate a higher proportion of new growth.

Workshop participants identified short, medium and long term solutions in a process aimed at identifying general consensus. Beginning with those measures identified as short term, the Alliance will develop and execute a specific strategy around each measure.

Workforce housing stakeholders agree that the market could, with some regulatory and policy changes, quickly and energetically, respond to the need for middle income housing, both rental and homeownership. Indeed, one housing developer defined it as "the fat part of the market," clearly identifying that the pent up demand for housing for middle income workers is significant in many of the cities in King County. However, without some changes to local and state policies and regulations, developers have a very difficult time producing housing affordable to our workforce.

It was clear to workshop participants that we know what to do; we know what will work. The barriers to action are largely political, the absence of political will to make change. Middle income housing needs a champion. It needs a sophisticated communications and political strategy focused on educating our elected officials and policy makers, working with the larger community to better articulate and showcase the benefits of increasing the supply of workforce housing and holding everyone accountable for housing this important sector of our society.

A broad coalition will be critical to the success of this effort and we hope you will join us.

This document begins the groundwork for this important effort. It provides a clear roadmap for change which, when implemented, will make a difference for middle income wage earners in Seattle and the surrounding region. We hope that it serves as a catalyst for change and a motivator to join our efforts.

Background and Workshop Overview

Seattle and other parts of King County lack sufficient affordable housing opportunities for people who make between 80% and 150% of median income. With the median home value[i] in the City of Seattle at about $450,000, many who work in the city are forced to live elsewhere. The median home value for King County as a whole is nearly $400,000 and some jurisdictions in the county have median home values well exceeding $500,000. This reality forces long commutes, lost productivity and family time, as well as an unsustainable pressure on our natural environment. Indeed, in these days where the price of gasoline is approaching $4 per gallon, those who were forced to "drive to qualify" for an affordable home are paying an increasingly higher cost for home ownership.

Housing Affordability		
Jurisdiction	**Median Home Value**	**Household Income Required for Purchase***
Seattle	$449,200	$108,008
Bellevue	$520,000	$125,032
King County	$394,200	$ 94,760

Our region continues to grow at a rapid pace. In fact, late last year the Washington State Office of Financial Management increased the 2022 population growth forecast by an additional 100,000 people. Should these forecasts hold true, as they are expected to, King County's population will grow to over 2.1 million in just fourteen years. This growth will continue to put pressure on the affordability of housing in the area, particularly in places close to employment centers.

Homeownership and, in many cases, even the opportunity to rent are often denied to the newcomer, the young family just starting out and the moderate income households in our community. This is a serious issue of social justice and equity throughout our region. It is also a growing environmental concern, with many families forced to endure long and expensive commutes that have serious environmental and transportation consequences for all of us in the region. Businesses, universities and hospitals are negatively affected because, while they can find good candidates for new job openings, they cannot convince candidates to relocate here because of the high cost of housing or the reality of a long commute.

The lack of housing opportunities for the middle income workers in our community puts unnecessary pressure on very low and low income housing units across Seattle and the region. Without a pipeline of affordable units, individuals successfully working themselves out of poverty have very limited housing choices. Where does a family go once it has too much income to be eligible for subsidized housing? There has always been a housing ladder to help families achieve stability and build equity. In our region, too often some of those rungs on the housing ladder are missing.

Indeed, it is not just family economic success and stability that suffer due to the lack of middle income housing. There are significant impacts on the entire region, from the affects on our education system to the toll long commutes take on our infrastructure.

This divide between the housing haves and the housing have nots threatens to poison our civic dialogue and make it more difficult for our political leaders to make the necessary investments in our future.

Placing new emphasis on the housing needs of our workforce does not in any way change our responsibility to address the full continuum of housing needs in the region. We have in Seattle and the region a long-standing commitment to very-low, low and moderate income housing, and there remains much to do to ensure housing opportunities for the most disadvantaged in our community. This new effort to stimulate workforce housing will only complement our region's long-standing commitment to ending homelessness and addressing affordable housing needs.

The lack of housing affordability in Seattle and the surrounding region is not a terribly new phenomenon. Over the past few years, many organizations, task forces and individuals have developed recommendations and solutions that would, had they been enacted, have increased the supply of workforce housing. The good ideas have been around for a long time. What we have lacked is a sophisticated political and communications strategy focused on implementing a clear, concerted, and practical agenda with some consensus behind it.

A Snapshot of Local Incomes	
Occupation	**Income**
Firefighter	$54,888
Public Health Nurse	$52,000
School Teacher	$35,958
Electrician	$56,000
Medical Assistant	$33,000
Retail Sales Manager	$48,000

That is why, in early March, a group of more than 100 housing and other policy advocates joined together to create the Workforce Housing Action Agenda. It lays out specific policy and regulatory changes that, when implemented, will help to substantially increase workforce housing opportunities in the city and region.

Participants in the Workshop track on Employer Assisted Housing, a strategy aimed at helping organizations recruit and retain employees critical to their work, developed an Employer Assisted Housing Draft Report and Recommendations. Those are included below following the policy and regulatory portion of the agenda.

Next Steps: Coalition and Campaign

In order to implement the Workforce Housing Action Agenda, a broad alliance, beginning with the Workshop attendees, must coalesce behind this agenda. This effort must include residents, for-profit and non-profit developers, the real estate community, financial institutions, environmental organizations, and other key stakeholders all united to bring about necessary regulatory and public policy change. This group will work to influence public officials and key decision makers to make the changes that will support workforce housing opportunities.

Now is an opportune time to begin this effort. The Seattle City Council's Planning, Land use and Neighborhoods Committee's work plan for this year includes a considerable amount of legislation that could have significant positive impacts on workforce and affordable housing in Seattle. Cities across King County, as well as County government itself, are considering updates to their Comprehensive Plans which drive housing policy in our region. Other opportunities are on the horizon that could have a direct affect on workforce housing including next year's opening of Link Light Rail, the redevelopment of the Bel-Red Corridor in Bellevue, and the planned mixed income housing redevelopment of Yesler Terrace in Seattle.

Throughout the day-long workshop, we heard two consistent themes from participants. The first theme was a clear statement from private developers that they want to develop homes and rental units for those earning 80% to 150% of AMI. Many builders said that reducing the regulatory barriers that add significant cost and time to the development process would be an important ingredient in enabling the private sector to deliver housing units that are affordable to the workforce.

The second recurring theme was the need for sophisticated communications and political strategies to increase community understanding of the importance of workforce housing and compact communities, and to build the necessary momentum to realize the policy and regulatory changes needed to stimulate housing opportunities for the region's workforce.

The Workforce Housing Action Agenda is the beginning of that multi-year implementation strategy.

What follows in this Workshop Report is what we heard as general consensus around a fairly short list of practical and achievable strategies and solutions which, if implemented over a reasonable period of time, will produce and preserve significant numbers of units of workforce or middle income housing in our Urban Centers, transit corridors and transit stations.

Specific strategies for implementation will be created immediately for those policy and regulatory changes listed as "short term." An ongoing taskforce will be assembled to begin the work outlined in the Employer Assisted Housing agenda.

Workforce Housing Action Agenda – Policy and Regulatory Changes

What follows is the prioritized list of policy and regulatory changes that were identified at the Workshop as realistic recommendations that would have a significant impact. Actions were prioritized as short, medium and long term in order to effectively focus the campaign. Specific strategies to implement each recommendation will be developed in the next phase of the Workforce Action Agenda.

Workforce Housing Action Agenda Pilot Project:

Create a Compact Communities Urban Demonstration Pilot Project in two or three urban centers or around transit centers. Provide specific development incentives, including:

- Performance based zoning
- SEPA exemption
- Parking ratio changes
- Certainty in permit processing time
- Planned action EIS
- Infrastructure funding from local jurisdictions
- A S.M.A.R.T-like program to expedite permits and allow for fee waivers, using Austin's program as a model.

Short Term – focus on expanding residential capacity in our urban centers, transit corridors and light rail station areas:

- Increase zoning to 85 feet and increase associated density on all bus rapid transit and light rail lines, as well as light rail station areas and in neighborhood commercial districts contiguous to these areas.
- Pass the Multi-Family Tax Exemption at Seattle City Council, and increase the ceiling to the limit allowed by the state legislation allows, 150% of AMI for the twelve year exemption with no income requirement for an eight year exemption.
- Make publicly owned land available for housing and other community amenities by requiring public entities to perform a comprehensive inventory and assessment of such properties and prioritize them for distribution.
- Allow additional choices, including carriage housing, ADUs, DADUs and cottage housing in single family neighborhoods.
- Remove all parking minimums in urban centers, along transit corridors and light rail stations areas.
- Simplify and rationalize the zoning envelope, especially for measuring height on a sloping slight, to ensure that a small variance at ground level does not force projects to lose an entire floor.
- Require development of mixed income housing around transit corridors in conjunction with station areas, non-motorized pedestrian facilities, shared use park and ride lots, and other appropriate public developments in urban centers.
- Create SEPA and design review exemptions for adaptive reuse of buildings converted to housing in urban centers, on transit corridors and in station areas.

Medium Term – reexamination of development processes to increase the supply of affordable and workforce housing across Seattle and the region.

- Allow the Permitting Director greater authority for minor administrative zoning variances so that all such actions do not have to go before the legislative body.
- Simplify the code in urban centers, using Tacoma and other smaller jurisdictions as examples.
- Establish a credit enhancement program in Seattle, similar to King County's.
- Use new market tax credits more extensively. Mixed use projects with no more than 80% of revenue from housing can utilize these tax credits.
- Create a statewide Growth Management infrastructure account to subsidize infrastructure improvements for affordable and workforce housing projects.
- Create a local infrastructure account where local government pays for local infrastructure improvements and charges developers to recover such costs as new development is constructed.
- Create something similar to "the growth fund" or California's Mellow-Roos law which allows a certain percentage of revenue from a new development to be collected to offset the developer cost of project infrastructure.
- Allow pre-built housing and pre-approved plans that require no additional review.
- Coordinate a regional Transfer of Development Rights program with upzones; use TDRs to increase the supply of units around transit stations.
- Revamp design review so that it is faster.
- Eliminate the "silos" within the permitting process. Establish inter-departmental teams to work together on permitting priority projects.
- Ensure multi-family code re-write includes components that work to create affordable and workforce housing.

Long Term –strategies for the longer term acquisition of tools essential to take affordable and workforce housing opportunities to scale in Seattle and throughout the region.

- Allow tax increment financing.
- At the state level, develop a higher threshold for SEPA categorical exemptions for larger projects.
- Change state law to allow housing authorities to issue bonds per federal law (i.e. housing authorities can issue bonds for new construction and substantial alteration projects serving incomes of up to 150% for 100% of the housing units). State law currently restricts housing authorities from issuing construction bonds unless 50% of the units serve a population earning 80% or less of AMI.
- Remove the sales tax on construction of low income and workforce housing.
- Encourage planned EIS in urban centers, on transit corridors and in station areas. Have the city pay for the EIS and have reimburse the city using latecomer fees.
- Provide state funding incentives to local jurisdictions for plans/zoning that requires or encourages a diversity of housing choices and types.

City of Seattle Building Code Changes – to be implemented in the next update of the Seattle building code.

Short Term:

- For 5+2 buildings (two stories of concrete with five stories of wood construction) increase height to 80 feet, or measure on a grade for the highest point for firefighter access. Seven story buildings shouldn't be subject to the same high rise provisions as skyscrapers.
- Permit scissor stair construction in 5+2 buildings instead of requiring two separate and independent stairs each in its own separate shaft. [need info regarding size of building footprint.]
- In terms of the Seattle energy code, establish different energy code criteria for existing buildings that are converted to residential use. Existing buildings should not have to perform at the same level of energy efficiency as brand new buildings as upgrades automatically improve performance over non-conversion.
- Specify in the building code building code what types of upgrades by an owner to existing buildings will trigger "substantial alterations" and thereby necessitate major life safety improvements (i.e. seismic, fire protection, egress systems, etc.).

Workforce Housing Action Agenda – Stimulating Employer Assisted Housing

Employer Assisted Housing (EAH) programs have been successfully implemented in a number of localities as a way to recruit and retain key employees, provide increased stability to employers and subsidize employee housing in expensive housing markets.

EAH programs are not unheard of in our region. Seattle's own HomeStreet Bank sponsors a program called HomeStreet Hometown Loan Program, which allows employees of participating employers to have access to various enhanced loan services such as reductions in closing costs and flexible loans. However, with the exception of the HomeStreet program and some significantly smaller individual projects, there are no other EAH programs in this region.

In our effort to bring employer assisted housing efforts to scale in Seattle and the surrounding region, lessons learned nationally suggest that the first step must be the creation of a convening organization which acts as a catalyst. This can be an additional work program folded into an existing organization, or a new entity formed specifically for this purpose. Again, based on EAH experience in other places, this new effort must focus on the following tasks to serve in this capacity:

- Development of a super tool kit for employers, regionalized to our area with specific information pertinent to laws, rules and regulations of Washington State. The tool kit should also include a template that individual employers can use to address the business case for, and cost benefit analysis of, establishing an EAH program in their company.
- Use of the Chambers of Commerce and other high level business organizations to speak directly with CEOs and business people in similar positions of power.
- Development and implementation of a sophisticated communications plan aimed at high level business and large organizations decision makers to disseminate information on EAH case studies and resources available to implement EAH programs.
- Creation of a mentoring program for employers so they have access to CEOs and other business decision makers who have successfully implemented EAH programs.
- Development and implementation of a legislative agenda to support the stimulation of EAH programs including, but not limited to, tax incentives that would benefit employers who provide EAH benefits for their employees.

Over the next few months, the Middle Income Housing Alliance will work to identify an appropriate structure to begin implementing the specific tasks identified above.

Attachment A – Workshop Participants

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Hal	Calbom	The Royer Group
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Sharon	Maeda	American Sunrise Communities
Kelly	Mann	ULI

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Cheryl	Markham	King County DCHS
Michael	McGinn	Great Cities Initiative
Dan	McGrady	Vulcan Inc.
Kollin	Min	Enterprise Community Partners
Robert	Miranda	Unico
Beth	Mountsier	King County Council Staff
Jim	Mueller	JC Mueller LLC
Joe	Nabbefeld	RealSolutions Capital
Han	Nachtrieb	Fred Hutchinson Cancer Research Center
Carol	Natio	PSRC
Sara	Nikolic	Futurewise
Craig	Nolte	Federal Reserve Bank of San Francisco
Steve	Norman	King County Housing Authority
Casey	O'Connor	Cascade Land Conservancy
Carla	Okigwe	Housing Development Consortium
Denny	Onslow	Harbor Properties
Cynthia	Parker	Seattle Northwest Securities
Chris	Persons	CHHIP
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Cesar	Portillo	Seattle University Executive Leadership Program
Jim	Potter	Developer
Traci	Ratzliff	Seattle City Council
Earl	Richardson	South East Effective Development
Catherine	Rudolph	Seattle King County Realtors Association
Bill	Rumpf	City of Seattle, Office of Housing
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Bob	Simeone	Developer
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Steve	Wood	Century Pacific LP
Nancy	Yamamoto	Seattle OED
Gary	Young	Polygon
David	Yuan	NBBJ

Additional Policy and Regulatory Strategies Proposed by Workshop Participants and Other Organizations

Permitting – Local

- Streamline permitting processes for all residential development.
- Expedite permitting for affordable and workforce housing developments.

Permitting – State

- Create alternatives for dealing with storm water that are less intensive and provide more land for housing.
- Eliminate barriers to small housing, such as explicitly eliminating covenants and regulations that set minimum house sizes and lots beyond that necessary for health and safety issues.
- Simplify and standardize regulations and processes across local jurisdictions.

Additional Land/Supply/Housing Type/Density – Local

- Address condo conversions through mandating increased notice time, relocation payments and capping number of conversions per year.
- Create a voluntary density bonuses program that allows developers to build at higher than allowed densities if a specified number or percentage of affordable/workforce housing is included in a given development.
- Recognize workforce housing as a public benefit when vacating public rights of way and surplussing properties.
- Set up land banks; look at cities/Sound Transit/school districts for partnership opportunities.
- If city sells public property for development, dedicate a portion of the proceeds to provide housing.
- Reduce taking of land to widen alleys and public rights of way.
- Provide SHA the necessary tools to maximize mixed income development at Yesler Terrace.

Zoning – Local

- Reexamine the cities' Comprehensive Plans to determine whether the criteria for rezoning single family zoned land should be adjusted.
- Add "opportunities to provide affordable and workforce housing" to all rezone evaluation criteria.
- Develop and implement minimum density requirements in urban centers.
- Ensure Seattle's Multifamily Code rewrite includes components that work to create affordable and workforce housing.

- Simplify zoning code to allow housing at ground level without requirement of live/work.
- Do not overlay LEED or other green standards on affordable/workforce housing projects.
- Replace fixed per-unit impact fees with a fee structure that charges proportionately to the square footage of a home or condominium unit.

Zoning – State

- Base growth projections on job growth, rather than population growth.
- When actual job growth exceeds projections, adjust comprehensive plans to make up the deficiency and accommodate the unanticipated growth.
- Encourage local jurisdictions to adopt planning measures/policies (20-year housing targets, jobs-housing balance, housing diversity, no-net loss) as well as development regulations (SEPA exemptions for projects up to 20 units, short plats up to 9 lots, accessory dwelling units, lot size averaging, cottage housing, cluster developments) that promote development of affordable housing.
- Encourage jurisdictions to use form-based zoning in urban centers.
- Invest in infrastructure and amenities to encourage families to live in high-density neighborhoods.

Resources – Local

- Tax single family properties to fund neighborhood amenities in neighborhoods taking growth.
- Waive all infrastructure costs for new affordable housing conversions.
- Revise/reduce impact fees structures, including street improvement fees, City Light fees, and other utility connection fees for affordable/workforce housing.
- Develop financial incentives for employers who participate in employer assisted housing programs.
- Develop financial incentives for cities for increasing the number of ADUs and DADUs.

Resources - State

- Create a rental housing trust fund.
- Create B&O tax incentives for Community Reinvestment Act institutions.
- Create a fund to finance pre-development costs for non-profit developers.
- Eliminate REET on affordable housing sales.
- Target CDBG and HOME funds for housing.
- Offer tax exemptions for existing rental property owners to reduce condo
- Provide incentives, through B&O tax rebates, to new employers who contribute to new housing if there is insufficient housing available.
- Update the LIFT legislation so that it is more closely tied to achieving statewide GMA housing affordability goals.

- Expand the state's multifamily tax abatement program to allow cities to use these tools for development of smaller lots, flex lots and the creation of alternative housing choices.
- Eliminate the Low Income Housing Tax Credit administrative barriers to joint developments.
- Reward cities that are taking their housing targets with a sales tax rebate.
- Provide low-interest rehabilitation and maintenance loan programs to non-subsidized property owners to preserve affordable rental units.
- Provide incentives to jurisdictions for the following zoning tools: minimum densities, bonus densities, lot size averaging, town homes, cottage housing, carriage housing, ADUs, mixed use development, design standards, allowing attached housing as a permitted use when clustering to avoid critical areas while not losing unit count. Incentives for these zoning tools could include: getting points on an application for state infrastructure funding for use of enough of these tools or authority for increasing categorical exemptions under SEPA in the UGA for using enough of these tools.
- Provide incentives such as state funds for development to help share the risk for building innovative housing types.
- Eliminate the ten year rule for low income housing tax credits.
- Utilize federal "enterprise zones" and CRAs.
- Dedicate a percentage of construction sales tax to workforce housing.
- Create a commercial impact fees for housing.
- Allow market rate and low income housing to be combined in one project when utilizing funding sources such as the Housing Trust Fund, low income housing tax credits, HOME funds, etc.

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[i] Median Home Value data from the 2006 American Community Survey.

* Household income required to purchase median home calculated with a 30-year fixed loan (principal and interest only), 20% down, a rate of 6.41% and the mortgage being no more than 25% of the person's income (this allows for taxes and utilities to be included to get to the usual 30% of income allocated for housing needs).