

## **ATTACHMENT A - 09/06/2019**

### **Affordable Middle-Income Housing Advisory Council**

#### **Draft Proposed Ideas “So Far”**

***(Updated with new suggestions since last meeting and updated to demonstrate crosswalk between this list and the draft recommendation summaries in Attachment B)***

The following lists include ideas advanced thus far by members of the Advisory Council work groups. These lists capture a range of ideas, and do not represent any agreement or consensus of the Advisory Council members. City staff and Advisory Council facilitators will use these lists as discussion tools in upcoming meetings. Final recommendations from the Advisory Council will comprise a shorter list of near- and medium-term actions and will be followed by additional analysis and discussion.

This document provides a crosswalk between what recommendations were discussed at previous meetings and how they appear in the draft recommendations summary document in Attachment B.

### **Cost & Regulatory Strategies draft recommendations:**

**Recommendation A.01:** Structural changes to permitting processes across City departments.

*This recommendation includes:*

- Create an “ombudsman” position to review ongoing code and permitting changes and evaluate their impact on housing cost. The city should look to avoid or minimize regulations and cost that limit any and all housing production, but particularly for affordable and middle-income housing.
- Require new code and permitting changes to weigh impact on housing cost as well as potential benefits of change
- Create continuous process improvement team to track permit times across multiple departments and address bottlenecks
- Have consistent reviewers throughout utility reviews
- Create more standardized and predictable utility permitting and connection fees

**Recommendation A.02:** SDCI permit process improvements. *This recommendation includes:*

- Increase permit review capacity (more staff and/or allowing approved engineers fast-track review)
- Prioritize faster turnaround times for small corrections or those corrections that weren’t found in earlier correction rounds
- Prioritize faster turnarounds for reviews of whether an application is complete

**[Forthcoming] Recommendation A.03:** Utility-related permit process improvements. *This recommendation includes:*

- Create more clear and predictable solid waste standards
- Allow “Street Improvement Plan lite” for small projects
- Extend length of Water Availability Certificates
- Allow development on corner lots to access water main on only one side

**Recommendation A.04:** Raise SEPA Thresholds. *This recommendation includes:*

- Raise SEPA thresholds (suggested: 50,000sqft)

**Recommendation A.05:** Create faster design review process for small projects. *This recommendation includes:*

- Create faster design review process for small projects (under 100 units)

**Recommendation A.06:** Bike parking changes. *This recommendation includes:*

- Address unintended consequences of recent bike parking changes such as requiring new basements, elevators, and stand-alone structures

**Recommendation A.07:** LR1 density limits. *This recommendation includes:*

- Reduce density limit in LR1 zones to allow for more moderately sized townhouses

**Recommendation A.08:** Congregate Housing. *This recommendation includes:*

- Allow congregate housing (small units with shared spaces) in more areas

**Recommendation A.09:** DADU Subdivisions. *This recommendation includes:*

- Allow unit lot subdivisions of DADUs to encourage affordable home ownership

**Recommendation A.10:** MHA Payment Timing. *This recommendation includes:*

- Shift timing of MHA payments from building permit to Certificate of Occupancy or later

**Recommendation A.11:** Reducing Retail Requirements. *This recommendation includes:*

- Consider reducing ground floor commercial space requirement in areas with weaker retail markets

**Recommendation A.12:** Increase zoning capacity. *This recommendation includes:*

- Consider other changes to code or development standards to allow increased capacity under current zoning, particularly where FAR and height limitations compete.

**Recommendation A.13:** Innovative Construction Approaches. *This recommendation includes:*

- Review whether any changes to City permitting, code or standards would help prefab or modular construction delivered more savings in time and cost
- To promote modular and other new forms of construction (e.g., CLT), promote training in new skills necessary; and encourage means of production that support local jobs.

**Recommendation A.14:** Innovative Construction Approaches. *This recommendation includes:*

- Invest in enlarging the labor force and provide more training opportunities as a means to increase the labor pool and reduce the cost of projects.

**ADDITIONAL COST + REGULATORY IDEAS:** *These recommendations do not yet have summaries but are still being considered. Note that in blue are some new ideas that have been introduced since the last meeting and have not yet been discussed by the broader group.*

- Reduce/eliminate the City portion of sales tax (3.6%) for new housing for income-restricted households <80% AMI. Lobby for the state to do the same with its portion (6.5%)
- Monitor costs of construction—to limit exorbitant prices for projects where there are multiple layers of sub-contracting
- Consider additional changes to design review, including:
  - Eliminate Mandatory design review neighborhood outreach. There are multiple existing processes in place already to accomplish this goal. If we cannot eliminate this new and costly requirement, raise the trigger threshold to 100k sf or 100 units.
  - Streamline design review process to include shorter commitment time for board members. Limit total number of meetings.

## Finance & Investment Strategies draft recommendations:

**Recommendation B.01: Create a Transit-oriented, land control entity.** *This recommendation includes:*

- Purchase of land by a public entity who then provides long-term ground leases for middle-income development.
- Purchase of land or assembly of development sites by a public entity to land bank for future affordable and middle-income housing.
- Explore role of Seattle Housing Authority or Public Development Authorities in this category.

**Recommendation B.02:** Scale private sector investment in lower-return subordinate debt through a social impact vehicle. *This recommendation includes:*

- Explore scaling of private sector investment in lower-return subordinate debt.
- Creation of social impact investment vehicle to attract socially motivated investors willing to take a lower rate of return
- Explore combining lower-interest private debt with tax-exempt debt to create a replicable model of mixed-income housing development.

**Recommendation B.03:** Engaging Employers to support middle-income housing. *This recommendation includes:*

- Engage employers in providing homebuyer assistance to employees (e.g. new UW example, working with State Housing Finance Commission).
- Explore new sources of capital including or employer funds for housing specific sectors of workforce.

**Recommendation B.04:** Expand the nonprofit affordable housing tax exemption to permanently affordable homeownership. *This recommendation includes:*

- Advocate at state to address property taxes on permanently affordable homeownership units. This could include allowing MFTE exemption to apply as long as unit is permanently affordable OR expanding eligibility for homeowner property tax exemption up to 80% AMI.

**Recommendation B.05:** Scale development of cooperative ownership in Seattle. *This recommendation includes:*

- Promote use of cooperative ownership model, used more extensively in other parts of the country. Could be paired with acquisition strategy to help tenants become owners.

**Recommendation B.06:** Pursue a Preservation Tax Exemption. *This recommendation includes:*

- Advocate at state for application of an MFTE-like program that applies to preservation of existing multi-family units, not just new construction.

**Recommendation B.07:** Allow Major Rehab Projects to Have Full Exemption in MFTE Program.

**Recommendation B.08:** Extend MFTE Tax Exemption and affordability period for Existing MFTE Projects

- Advocate at state for an extension of MFTE tax exemption period for 12 years.

**Recommendation B.09:** Seek opportunities to streamline MFTE Application Process

- Streamline and user test MFTE reporting documentation. Make electronic submission possible.

**Recommendation B.10:** Facilitate High-Rise Participation in MFTE Program

- Incentivize participation in MFTE by High-Rise buildings through an administrative adjustment to the distribution of units requirement.

**Recommendation B.11:** Attract institutional capital to middle-income housing

- Explore how public employee pension funds might contribute while maintaining requirement for market rate return.

**ADDITIONAL FINANCE + INVESTMENT IDEAS:** *These recommendations do not yet have summaries but are still being considered. Note that in blue are some new ideas that have been introduced since the last meeting and have not yet been discussed by the broader group.*

**Reduce cost of land:** Explore strategies to reduce impacts of land cost on development:

- Explore the possibility of a “finance district” structure (similar to San Antonio) that could help facilitate purchase and/or value capture of land.

- Create partnerships between developers and property owners so the developer doesn't have to "buy the dirt".
- City program to develop under-utilized sites. Create opportunities to facilitate temporary relocation of existing residents during development and allow return to new development. Reconvene Weld coalition re underutilized land.
- Include use of city buildings that could be changed to housing.

**Reduce cost of financing:** Explore strategies to lower the cost on debt for multifamily rental development including:

- Explore opportunities for guarantees (especially during entitlement and construction period), contingent loan agreements and credit enhancement
- Explore SHA's ability to fund multifamily acquisition and rehab projects with tax-exempt debt that allows at least half of the units at 80% AMI or below, especially on larger portfolio projects.
- Explore better utilization of funds with 4% tax credits. Raise state bond cap and allow qualifying projects to average 80% AMI vs. 60% as is currently the case, set by the WSHFC.

**Increase access to capital:** Explore strategies to increase access to capital (debt or equity) willing to achieve lower returns including:

- Expand existing land acquisition bridge loan fund for projects with tenants at less than 80% AMI.

**Reduce Tax Impact in exchange for affordability:**

- Create B&O tax credits and/or sale tax rebates for construction of middle-income housing.
- REET exemption for sellers on developments with income-restricted tenants averaging less than 80% AMI.

**Homeownership Strategies:**

- Expand affordable homeownership opportunities by increasing down payment assistance programs
- Continue to reform condo construction defect liability statute (address definition of qualifying "defects", eliminate the statutory prevailing party attorney fee award, and include statutory indemnification against derivative individual homeowner claims on cases settled by HOA). Condo warranties are currently "express" while single-family home and townhome warranties are "implied" – there should be an equalization across all housing types.

**Other:**

- Rental subsidies for tenants in older housing

- “A public finance district” - A governmental entity buys land and reduces land costs through long term leases (75-99 years) for middle income housing development
- Create new tax abatement programs / [Tax-Increment Financing](#)

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