

25<sup>YEARS</sup> futurewise

Building Communities & Protecting the Land

# Affordable Housing Strategies for Seattle



February 2015



### INTRODUCTION

The City of Seattle is at a crossroads – enjoying economic growth and an unprecedented population boom. With this growth comes new challenges, including the need to be more proactive and intentional about housing affordability. Over the next 20 years, we expect an increase of at least 120,000 people and 115,000 jobs in the city. With increasing population comes increasing demand for housing and rising costs. We all feel the impacts of rising housing costs as it threatens to drive away diversity and increase sprawl in our region.

Affordable housing needs and solutions have been part of the city's public policy debate for decades. Countless studies have identified the need for affordable housing and made recommendations for addressing that need. It is time to move from studies to strategies and turn recommendations into actions.

*Futurewise is committed to a comprehensive, collaborative approach to creating healthy communities and environments. We provide data and research, innovative planning and policy strategies and legal expertise to maintain and improve the quality of life we value.*

Futurewise believes the City of Seattle needs a Comprehensive Affordable Housing Strategy that sets clear, measurable affordable housing goals and enacts smart housing and land use planning strategies to achieve those goals. We need to implement a broad range of flexible and equitable tools to meet the challenge of preserving and creating affordable housing in a rapidly growing city. Futurewise is committed to ensuring that Seattle remains affordable to all income levels and believes that proactively and effectively addressing our affordable housing challenge is imperative to ensuring a sustainable, equitable future for Seattle.

**Affordable housing is necessary for an equitable, just city.** Affordable housing is a key component to address social and economic inequities throughout our region. Like ensuring access to jobs and basic services, ensuring the availability of affordable housing to all income levels is key to meeting our social and economic justice goals.

**Affordable housing will help Seattle and our region meet its environmental goals.** Providing affordable housing allows those who work in Seattle to live in Seattle, decreasing the need to travel long distances from more affordable housing locations to employment centers, and thus, reducing greenhouse gas emissions from transportation.

**Increasing affordability and density in our developed centers is critical to preventing sprawl and protecting our working lands and other natural resources.** Without adding density and providing for affordability in our cities, housing supply will increasingly move farther away and create additional development pressure on our agricultural lands and environmentally critical areas. Increasing density in our cities and reducing sprawl also reduces the cost of providing infrastructure and basic government services.

**Centrally located affordable housing leverages transportation investments and social service provisions for those who are most reliant on them.**

The City of Seattle has and will continue to make significant investments in public transit, parks and recreation, libraries and social services. By preserving and increasing the affordability of our city, we ensure that all households, regardless of income, have access to these critical services, particularly those households who most rely on public transportation, parks, and social and health services.

From our neighborhood planning work to our state policy leadership, Futurewise has seen how challenging it is for our residents and our policy makers to meet increasing housing prices throughout Washington State. The strategies outlined below are a sampling of many of the potential actions which the City could implement to address its housing affordability needs. Futurewise believes all of these strategies should be pursued as real, practical ways to make Seattle more affordable for all. Only then can the City maintain economic growth and a high standard of living for its current and future residents. Futurewise looks forward to assisting the City in creating and implementing a comprehensive affordable housing strategy and working with the Mayor, the City Council, city departments and both the non-profit and private sectors to achieve our common affordable housing goals.

## AFFORDABLE HOUSING IN SEATTLE

### Types of Housing

This document refers to three different types of housing: (1) low-income and (2) workforce housing (both “affordable”) and (3) market-rate housing. These three levels of affordability have different forces of demand, different funding and financing challenges, as well as different entities involved in their production.

**1. Low-income housing** is defined as units affordable to households earning below 80% Area Median Income (AMI). For example, a four-person household earning less than \$63,900 would be considered low-income. Low-income housing typically requires deep subsidies and relies on outside funding sources from city, state and federal governments. These outside funds are decreasing and the City will need to continue to supplement and leverage these funds to achieve the same levels of production of low-income housing. While some housing programs differentiate between “low-income” and “very low-income,” this document does not address them differently.

**2. Workforce housing** is a subset of affordable housing and has some overlap between low-income housing, but it is generally assumed to be affordable to households earning between 60% and 80% of AMI for

rental units and sometimes up to 100% AMI for ownership units. The production of “workforce” units will more likely be achieved through incentive programs and better engagement of private sector developers through innovative programs.

**3. Market-rate housing** units are not subsidized and are subject to market forces for pricing and development. Increasing market-rate housing supply is an important way to relieve the increasing demand for housing and subsequent rising of rents and home prices city-wide. It is important that the City continue to examine its land use and regulatory environment to remove restrictions that create impediments to meeting growth targets, to ensure development occurs in the urban core, and to provide adequate production of market-rate housing.

*The table below presents the income limits required to qualify for low-income housing set by the US Department of Housing and Urban Development for Seattle in 2014.*

Income Limits						
Family Size	Percent of Area Median Income					HUD 80%
	30%	40%	50%	60%	65%	
<b>1 Person</b>	\$18,550	\$24,720	\$30,900	\$37,080	\$40,170	\$44,750
<b>2 Persons</b>	\$21,200	\$28,240	\$35,300	\$42,360	\$45,890	\$51,150
<b>3 Persons</b>	\$23,850	\$31,760	\$39,700	\$47,640	\$51,610	\$57,550
<b>4 Persons</b>	\$26,450	\$35,280	\$44,100	\$52,920	\$57,330	\$63,900
<b>5 Persons</b>	\$28,600	\$38,120	\$47,650	\$57,180	\$61,945	\$69,050
<b>6 Persons</b>	\$31,970	\$40,960	\$51,200	\$61,440	\$66,560	\$74,150
<b>7 Persons</b>	\$36,030	\$43,760	\$54,700	\$65,640	\$71,110	\$79,250
<b>8 Persons</b>	\$40,090	\$46,600	\$58,250	\$69,900	\$75,725	\$84,350

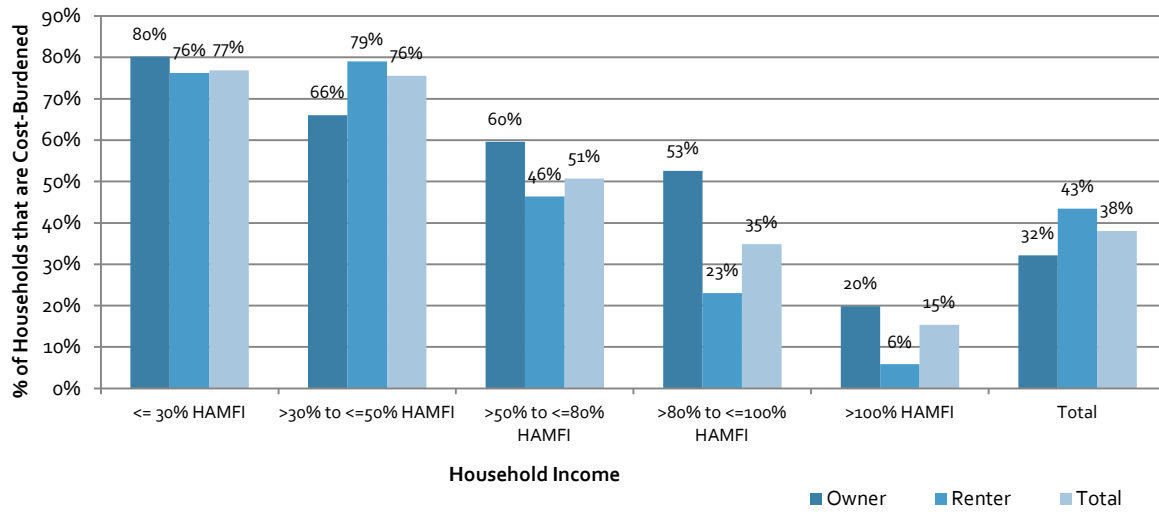
Source: Seattle Office of Housing/HUD

### Affordable Housing Need

A household is considered “cost-burdened” if they spend more than 30% of their income on housing expenses. In 2011, 38% of Seattle households were cost-burdened. Renter households were more likely to be cost-burdened; 43% of renter households were cost-burdened compared to 32% of households who owned their homes.

Not surprisingly, low-income households are much more likely to be cost-burdened. In 2011, 77% of our city’s lowest income households were cost-burdened. However, even households with higher incomes are seeing significant rates of cost-burden. For example, half of those households with incomes between 50% and 80% of AMI are cost-burdened.

### Seattle Cost-Burdened Households in 2011



Source: 2011 Comprehensive Housing Affordability Strategy (CHAS) data, HUD

### Housing + Transportation Costs

Increasingly, cost-burden is calculated to include transportation in addition to housing costs. Combined housing and transportation costs (H+T) recognizes that these two elements are typically the largest household expenditures and in many cities there is an inverse relationship between the two. Locations that are closer to desirable destinations and have lower transportation costs through transit and active transportation infrastructure often have higher housing costs. Conversely, often households who move farther away from destinations to find affordable housing spend more on transportation due to required car ownership and long commutes.

#### In Seattle...

A single-parent with 2 children earning \$33,719 spends 40% of their income on rent and 19% of their income on transportation, or a total of 59%.

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A retired couple living on \$53,950 per year spends 41% on their home and 10% on transportation, a total of 51%.

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A single worker earning \$33,719 per year spends 33% of their income on rent and 15% on transportation, or a total of 48%.

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Source: Location Affordability Index

### Future Housing Need

In addition to our current affordable housing gap, the City also needs to consider our future affordable housing needs. The City of Seattle is currently planning for growth of 70,000 new households by 2035. If these households have the same income distribution as our current households<sup>1</sup>, we will need approximately 11,000 additional affordable units for households earning under 30% of AMI, 7,500 units affordable to households earning between 30% and 50% AMI, and an additional 9,250 units earning 50% to 80% of AMI, a total of 27,750 units.

In 2012, the City of Seattle had an estimated 312,853 housing units with an additional 13,760 units permitted but not built. The City estimates that of these existing units, 23,773 (8%) are units which have rents restricted to affordable housing, including those units owned and managed by Seattle Housing Authority or units produced by programs like the Multifamily Tax Exemption Program. Additionally, many market-rate units are affordable to low-income or workforce housing units, though because these are not income-restricted units, they can be, and often are, rented to households not meeting the definition of low-income or workforce households.

Developing detailed projections of existing and future demand for affordable housing should be the first step in creating the City's affordable housing strategy. The City should further disaggregate housing cost data, cost-burden data and housing projections to get an accurate and detailed understanding of housing need at all income levels. Calculating specific targets for affordability needs of our future growth is also an imperative to creating a comprehensive set of housing policies and programs to meet those targets.



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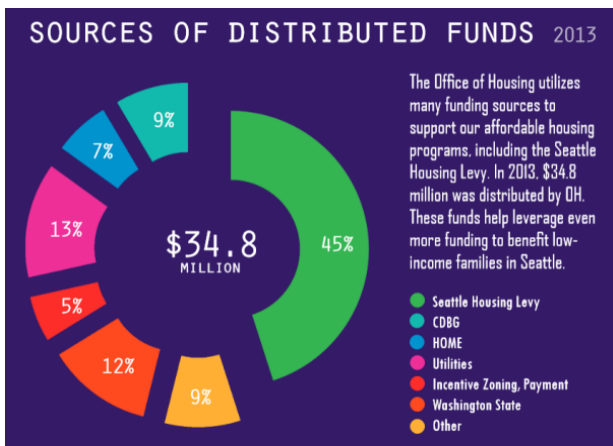
<sup>1</sup> Income distribution based on CHAS data from HUD for 2011.

### Existing Affordable Housing Funding and Programs

Seattle currently has several programs to support the production of affordable units by the non-profit and for-profit housing sectors, as well as those units built and managed by the Seattle Housing Authority. Existing funding sources and programs include:

#### Funding Sources

**2009 Housing Levy** – The Seattle Housing Levy is a voter-approved property tax levy intended to raise \$145 million in between 2009 to 2016. Funds are distributed between five program areas: Rental Production and Preservation (\$104 million), Acquisition and Opportunity Loans (\$6.4 million), Operating & Maintenance (\$14.4 million), Homebuyer Assistance (\$9.1 million) and Rental Assistance and Homelessness Prevention (\$4.15 million). In 2013, 45% of the funding allocated by the Office of Housing was from this Housing Levy.



Source: Seattle Office of Housing, 2013 Annual Report

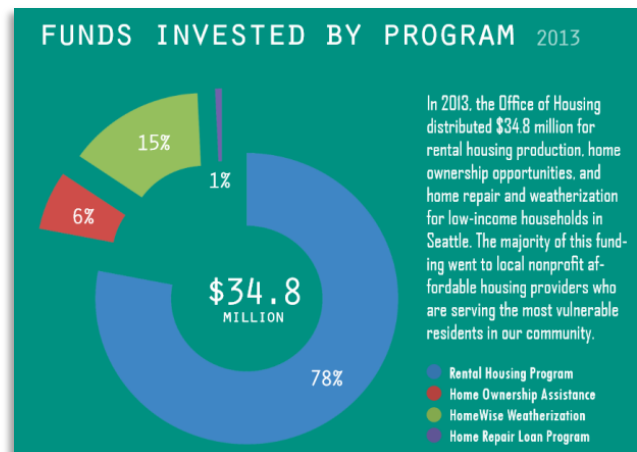
**CDBG and HOME** – Federal funds which are allocated to local governments to support a variety of community development programs. According to the Seattle Human Services department, the City receives approximately \$9 to \$10 million annually, one-third of which is dedicated to affordable housing development, home repair programs and improving buildings which house social service providers. This represents approximately 16% of the housing funds distributed in 2013.

**Incentive Zoning In-Lieu Fees** – The City's current Incentive Zoning Density Bonus program (discussed below) allows for a payment in-lieu of on-site performance. In 2013, these fees accounted for 5% of the Office of Housing's housing funds, or approximately \$1.7 million.

Additional funds for the city came from local public and private utilities (primarily distributed through weatherization programs), Washington State and other funding sources.

#### Housing Programs

**Multifamily Tax Exemption Program** – The MFTE program gives property developers and owners a tax exemption in exchange for keeping 20% of project units affordable for 12 years. For rental housing, studio units must be affordable to households earning 65% AMI, 1-bedroom units must be affordable to households earning 75% AMI and 2-bedroom or larger units must be affordable to households earning 85% AMI. For ownership housing, units must be affordable to households earning 100% or 120% of AMI, depending on size. Since 1998, a total of 4,369 affordable multifamily units have been approved through the program, with 693 of those units approved in 2013 alone. In addition, the program has approved 108 single family units. (Not all approved projects have been completed.) Of the approved units, 78% are studio or one-bedroom units. Currently, the program is available for projects in 39 locations throughout Seattle.



Source: Seattle Office of Housing, 2013 Annual Report

**Rental Housing Program** – In 2013, the Office of Housing invested 78% of its \$34.8 million in funds in the Rental Housing Program. Based on a competitive process, developers apply for available funds in an



annual cycle to either build new units or preserve and rehabilitate existing units. Typically, developers leverage these funds with other sources (federal, state, etc.) in order to layer financing resources. In 2012, the program supported the development or preservation of 408 housing units. (Unit data for 2013 unavailable.)

**Incentive Zoning (Density Bonus)** – The density bonus allows developers in certain areas to build above the maximum allowable Floor Area Ratio (FAR) in exchange for dedicating a portion of their square footage to affordable housing/childcare or paying a fee to the City for affordable housing and childcare. The program applies to both commercial and residential buildings in several areas, most broadly in South Lake Union and Downtown, but also scattered through urban villages and station areas. According to the Office of Housing, developers can receive bonus density by (1) providing affordable housing on- site or off- site equal to 15.6% of the extra floor area obtained for commercial floor area and 14% for residential floor area; (2) paying a fee-in-lieu of \$29.63 per gross square foot (GSF) of bonus floor area for commercial floor area (\$25.25 per GSF for affordable housing and \$4.37 for child care) or \$22.11 for residential floor area; and/or (3) purchasing transfer of development rights from the King County Transfer of Development Rights (TDR) for Tax Increment Financing (TIF) program. Affordable housing provided on-site or

off-site must be affordable for 50 years for a household making 80% of AMI for rental and 100% of AMI for owner occupied units. According to the Office of Housing and Cornerstone Partnership, the density bonus program has produced 714 affordable units since 2001, including 56 units built on-site, 42 ownership units and 616 units funded with in-lieu payments and other funding sources.



## STRATEGIES & ACTIONS

### 1. Develop a Comprehensive Affordable Housing Strategy

The City of Seattle's affordable housing strategies should be targeted to meet our diverse housing needs and be designed to meet our housing goals while understanding the market and economic conditions of development. To do this Seattle needs to have a clear understanding of the housing needs at the different level of affordability, geography, tenure and unit type. This understanding should lead to a specified goal for the number of housing units created and preserved at all levels of affordability, a comprehensive set of tools and strategies to achieve those goals, and clarity and transparency within housing programs to ensure the ability to measure and track the effects of the City's policies and programs.

#### Actions:

- Assess the current housing stock and unmet housing needs.
- Develop affordable housing goals that consider access to critical community services, including transit.
- Develop measurable goals at different levels of affordability, geography, tenure and unit type, including goals for increasing both income restricted and market rate housing stock.
- Incorporate clear, measurable housing affordability goals, strategies, and policies into a Comprehensive Affordable Housing Strategy and the 2016 Comprehensive Plan Update.

### 2. Work within Existing Policy Framework

Seattle is guided by plans, policies and action strategies through a variety of planning processes and agencies. By ensuring that housing strategies are addressed and advanced within the context of each of these elements, the City will be better able to meet its affordable and low-income housing goals.

**Comprehensive Plans** – The Seattle Comprehensive Plan, now undergoing a major revision to be completed in 2016, should set forth a wide-range of housing goals and implementation measures within its Housing Element which will influence City actions for the next 20 years. Using the Comprehensive Plan to set forth clear, measurable goals and the policies to achieve those goals is the first step toward providing guidance to the City in the upcoming decades to ensure that affordable housing goals are achieved.

**Neighborhood Plans** – Each neighborhood plan should incorporate affordable housing and low-income housing strategies and projects into its recommendations. The affordable housing plan should be set by the City with a range of strategies which allow residents and stakeholders to determine which strategies would be best for their neighborhood. A Neighborhood Plan is also the best scale for creating an inventory of existing affordable housing which should be preserved and the identification of potential redevelopment opportunities which would be the best sites for low-income, affordable and mixed-income projects. For those neighborhoods planning for significant growth, budget allocations and capital projects should support increasing transit-accessibility, affordability and other neighborhood amenities like libraries, parks and schools.

**Transit Oriented Communities** – Because costs for transportation are typically the second highest household costs behind housing, locating affordable housing near transit will significantly decrease additional household expenses related to transportation. Locating affordable housing and increasing housing density within walking distance near transit should be a primary goal for the City and region. This should be accomplished through planning, policies, zoning regulations as well as the City's direct public investment in affordable housing. To leverage investments in expanding transit service in Seattle through light rail, street cars and BRT, the City should prioritize locating affordable housing near transit and other community amenities.

**Transit and Station Area Planning** – The Growing Transit Communities (GTC) initiative housed at Puget Sound Regional Council (PSRC) calls for Work Plans for

each transit site which should incorporate a wide variety of strategies encompassing housing, economic development, multi-modal connectivity, active transportation, green infrastructure and other components of a healthy and vibrant transit-community. Affordable housing goals should be incorporated into planning for all high-capacity transit areas, both existing and planned. For each jurisdiction which will be part of the expansion of Sound Transit light rail, a detailed Station Area Land Use Plan must be adopted for each transit center. These plans make recommendations for land use, supporting infrastructure and other elements which will be required to build a successful transit community. Incorporating or requiring specific affordable housing targets and implementation strategies for each of these plans in Seattle would ensure that affordable housing is located near transit, and mitigate displacement which might otherwise occur with transit investments. Inclusion of affordable housing in disposition of Sound Transit and other public lands surrounding stations should also be prioritized.



**State Environmental Policy Act (SEPA)** – Projects that provide housing, especially affordable housing, should be incorporated into Environmental Impact Statement (EIS) reports prepared by the City of Seattle for any sub-area plans or planned actions. By incorporating these projects into EIS reviews, future projects that are consistent with the sub-area plan or planned action may already meet the SEPA requirements, thereby reducing costs and risk for developers of housing projects if the original SEPA adequately addressed environmental and public safety impacts of any housing projects.



#### Actions:

- Ensure that each planning framework – from Multi-County Planning Policies to Neighborhood Planning - address affordable housing needs, including adopting measurable goals and policies and strategies which are appropriate at each scale.
- Ensure that various plans are consistent and support specific affordable housing goals.
- Require that policy decisions, programs and funding are consistent with the goals and objectives set forth in planning documents.
- Undertake neighborhood plans to increase housing along major transit corridors with affordable housing goals and strategies as part of these plans. Prioritize these neighborhood plans to take advantage of transit investments.
- Reduce cost of building housing by incorporating projects with affordable housing into EIS for any sub-area plan or planned action prepared by City of Seattle. Allow these projects to not have to go through SEPA again.

### 3. Increase effectiveness of existing programs and protect past investments.

Seattle has several existing programs that create new affordable housing. Expanding these programs either geographically, through new funding sources, by increasing the length of affordability or by targeting greater unit diversity could greatly increase the efficacy of these programs. In addition, the City should utilize these programs to ensure that billions of dollars already invested in subsidized affordable housing are not lost because of market pressures or lack of maintenance and upkeep.

**Expand Scope of the Multifamily Tax Exemption Program** – The MFTE program has produced over 4,300 affordable units but is limited to a relatively small number of neighborhoods. The City should consider expanding the geographic scope of this program to additional neighborhoods, improving participation in existing buildings, and extending the length of the exemption.



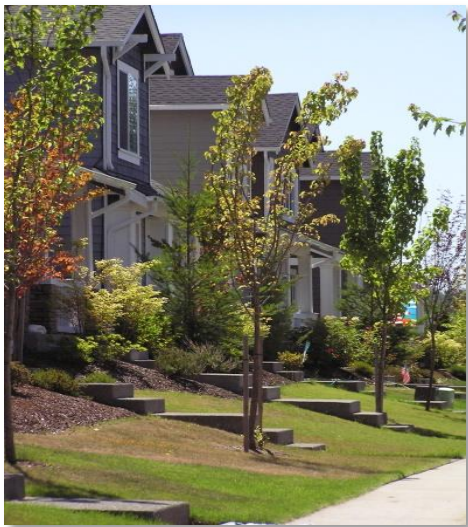
**Leverage Existing Publicly Owned Property** – Seattle has existing, publicly owned property that is underutilized as parking lots or vacant buildings. These city-owned properties could be developed into affordable housing. The City should analyze city-owned property to identify those which would be appropriate development sites for affordable housing or that could be sold to fund additional affordable developments throughout the city.

**Establish Preservation Incentives for Existing Property Owners** – Seattle's aging rental stock is a significant potential source for preservation or conversion to subsidized affordable housing. The City should explore

an incentive program to encourage private property owners in transitioning areas to lock in affordability of housing before the neighborhoods in which that housing is located become more expensive. This can be done by providing low- or no-cost loans for rehab or refinancing in exchange for a long-term commitment to affordable rents. Many cities are developing "Preservation Inventories" of both subsidized and unsubsidized affordable units and use these inventories as a tool to reach out to property owners for participation in preservation and refinancing programs. The City should consider adding incentives such as lowered Real Estate Excise Tax (REET) for property owners to sell older apartment buildings to nonprofit housing developers to preserve affordability.

**Prioritize the Preservation of Existing Affordable Units in Existing Housing Programs** – Many of the City's existing housing programs fund preservation of units as well as construction of new units. By creating a quantitative set-aside for preservation or incorporating a preservation and rehabilitation priority into project scoring, the City can achieve a greater leveraging of its existing funds, as well as minimize displacement of affordable housing and achieve better environmental outcomes by reducing the use of new construction materials. In addition, rehabilitation regulations in these programs should be carefully considered to ensure that the rehabilitation standards balance the need to improve existing units without impeding the ability to preserve those units.

**Expand Partnerships** – There is also additional leveraging opportunity through partnerships with the State, public authorities, not-for-profit institutions, faith-based organizations, and private owners who own land that could be utilized for affordable housing. Within many of the strategies presented in this memo, working with the non-profit and private sector with the knowledge and experience in real estate property acquisition, development and management will create efficiencies and a more cost-effective approach to affordable housing development while limiting the strain on City resources.



**Incentive Zoning** – Seattle currently uses a density bonus to incentivize workforce housing units in a select number of areas, including Downtown and South Lake Union. In these areas, developers can build at a greater density (“above the base” zoning allowance) in exchange for including units affordable to workforce households or by paying an “in-lieu fee” which goes into a housing fund used by the Office of Housing to finance other affordable housing projects. Typically, these in-lieu fees are used to leverage other funding sources which require units which are affordable to households below 60% AMI, but the current program has not generated a significant number of units of production.

Improving and strengthening the current incentive program should be a priority for the City. Improving the existing density bonus program should balance several objectives, including increasing the supply of workforce housing, expanding the geographic distribution of affordable units particularly in transit-rich or areas with significant employment opportunities, eliminating participation barriers, establishing additional and more effective incentives which better offset the cost of including workforce units, and reducing unnecessary delays and redundancies in regulatory and permitting processes.<sup>2</sup>

### Actions:

- Strengthen the Multifamily Tax Exemption, including streamlining requirements to promote renovations and consider expanding its geography and duration.
- Expand programs for land acquisition loans to respond to market opportunities.
- Compile a census of all vacant and underdeveloped publicly controlled properties; take steps to put these properties into higher and better use for affordable housing or to be sold with revenues generated from sales going to fund affordable housing.
- Create property acquisition and loan fund to purchase existing, aging housing stock and provide funds to existing property owners to lock in affordability requirements.
- Develop coordinated partnerships with state, public authorities, non-profit institutions, faith-based organizations and private owners who have land that could be utilized for affordable housing.
- Buy land for later sale/lease to affordable housing developers.
- Update current incentive zoning tool to apply City-wide and encourage onsite performance while improving the incentives so they are more effective.

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<sup>2</sup> The City of Seattle is currently considering implementing a linkage fee. We will be evaluating the linkage fee in further detail as the City continues its research and analysis of this strategy.

#### 4. Authorize and expand financing tools that broaden participation in creating a city that is affordable for all.

Simply put, much of the challenge of building affordable housing rests with the high cost of producing units, which makes affordable rents and sales prices economically infeasible. Therefore, city, state and federal funding to close this gap between what the market can produce and what is affordable is critical. Currently, the City uses three primary local funding sources to close this gap, including Seattle Housing Levy funds, in-lieu fees from Incentive Zoning and local allocations of CDBG/HOME funding. From 2000 to 2013, these funds supported the creation of over 6,000 low-income and workforce units.<sup>3</sup> Meeting the challenge of affordable housing will require additional funding sources – the city should explore solutions that best spread the costs out to ensure equitable contribution to our housing solution.

**Budget Appropriation** – Through its normal budget appropriation, the city should expand its financial commitment to affordable housing and leverage its capital dollars and tax expenditures by exploring a program similar to the 1985 Growth Fund (Resolution 27332) which dedicated a portion of tax growth from new downtown commercial development to support city affordable housing programs. This would not be a permanent set-aside, but rather a series of annual budget allocations made through the budgeting process. The funds would be used to create a land acquisition fund that will give private nonprofit developers the means to acquire land at high priority sites in the city. This will help to meet the city's larger key goals of livability and diversity of neighborhoods by controlling sites for the future development of affordable housing.

**Expand Local Taxing Authority** – There are several potential funding sources which are currently not in use by the City of Seattle or are not currently permitted due to limits on local taxing authority by the State of Washington. These include, but are not limited to:

**Value Capture Financing** – There are several types of value capture mechanisms, including special assessment districts, tax increment financing and land value taxation. This tool allows local jurisdictions to recapture the value of public infrastructure improvements on private property values. Authorizing new value capture tools – with appropriate limits to prevent sprawl and require public benefits for affordable housing and conservation – through state legislative action would provide all local jurisdictions with a widely-used and powerful tool.

**Real Estate Excise Tax (REET)** – An excise tax is imposed at any time that a property is conveyed to another owner. It is levied as a percentage of the value of the property. Currently, for most Growth Management Act (GMA) planning jurisdictions may impose two REETs, but funds are limited to capital projects like transportation and utilities infrastructure, parks and recreation, and fire and police service facilities. The Washington Legislature should reauthorize a third REET which can fund affordable housing in jurisdictions with an inadequate supply of affordable housing.

##### Actions:

- Identify new funding streams and increase funding for affordable housing within annual City budget.
- Seek adoption of state legislation like authorizing value capture financing, expanding impact fees and REET, and creating social impact bonds to finance more affordable housing.
- Review Seattle Housing Levy tax authority and ensure that the levy is renewed with an increase which reflects rising development costs in the city. Continue funding for the Community Cornerstones program. Expand levy to include funding to implement affordable housing strategy.
- Work with PSRC to establish a regional loan fund for equitable transit oriented development.

<sup>3</sup> Cornerstone Partnership, "Seattle Incentive Zoning", February, 2014.



### 5. Ensure land use and other policies support increasing housing supply overall, including affordable units.

Without ensuring an adequate increase in housing supply to meet increasing housing demand, prices will rise throughout the market, and those with the lowest incomes will be priced out first and displaced. Therefore, increasing the overall housing supply to meet increasing demand is an important part of slowing the rising costs of housing in the city and relieving pressure on the existing affordable inventory. The City's plans, planning processes, and land use policies need to be changed to make it easier to increase housing in all of Seattle's neighborhoods and especially neighborhoods close to employment centers and transit.

**Increase Land Supply for Housing** – Seattle is filled with many excellent single-family neighborhoods. Over 55% of the city's residentially-zoned land is restricted to single family housing. With slight increases in density in targeted areas, even by only 5% to 10%, the City could greatly increase its overall land capacity for housing and increase access to the amenities and public goods located in these neighborhoods. Increasing zoning capacity in these areas could occur in a context sensitive way by identifying appropriate strategies like accessory dwelling units-and some attached housing products such as townhomes.

**Allow Innovative Construction Methods** – There are several examples of innovative housing types and construction methods which produce lower-cost housing units, including micro-housing, flexible housing, modular construction, innovative building materials and streamlined design to produce efficiencies of scale. In addition, methods such as passive design can allow for significant decreases in operations and maintenance cost over the life of a building. As seen in the five-over-one or five-over-two construction type, the financing and development community can quickly adapt to new product types once their feasibility and desirability has been demonstrated. The city should ensure that a broad range of housing types and construction methods are allowable under building regulations.

**Cost Reduction Strategies** – The City should examine ways to reduce the cost of producing housing, especially low-income and workforce housing units, and engage the private sector in the production of more affordable units. There are elements of construction costs dependent on building codes and regulations that will not jeopardize public safety or labor standards. These codes and regulations can include design review requirements, setbacks, parking requirements, design standards for materials down to the smallest detail of where electrical sockets are placed. The cost of fulfilling these standards adds to the cost of producing each unit. If these costs were reduced slightly, some market-rate housing units might then be affordable to workforce households. The City should work with private sector developers, designers and engineers to examine building codes and regulations to look for places where regulations could be eased slightly in exchange for a long-term commitment to affordability. While these strategies would not be effective in very high-cost locations, in those areas of the City where market prices are closer to workforce prices, these strategies may reduce or eliminate the "affordability gap" without subsidy or additional funding sources.

#### Actions:

- Reform zoning, building and housing codes and other regulations to lower costs and increase density (e.g., re-examine parking requirements, zoning envelope constraints, land use classifications, etc.).
- Adapt regulations and reduce barriers to enable market-based solutions for the full range of housing types.
- Maximize capacity in Urban Centers and Villages and high-capacity transit areas with additional strategies identified in this report put in place to prevent displacement.
- Convene a task force that focuses on consolidating and streamlining the permitting and review processes across agencies, without weakening environmental protections, in order to reduce costs and avoid unnecessary delays.
- Convene housing builders to develop "Affordable Housing Building Codes" which will identify potential costs savings that will not jeopardize environmental protections, public safety, or labor standards.
- Work with large employers to create Employer-led partnerships to develop affordable housing located close to jobs.
- Allow private sector donation of land in exchange for development bonuses.