# Report of the OneRedmond Workforce Housing Working Group

February 2019

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February 6, 2019

TO: Redmond City Council and Mayor

FROM: OneRedmond and our community partners

SUBJECT: Workforce Housing – Executive Summary

## OBJECTIVE

Provide 1,000 Workforce Housing Units in the next five years for middle class individuals who work in Redmond.

## THE ISSUES AND SOLUTIONS WE BRING TO YOU

The cost of housing has become so high that only the wealthy or those who bought long ago can afford to live in our City. Our children, who grew up here, cannot afford to come back to Redmond to live.

Redmond's teachers, firefighters, and middle class workforce have no opportunity to live where they work. Currently, 88% of our workforce commutes into Redmond on jammed freeways and streets. We can create better choices with wise, thoughtful actions, but we need to act with a true sense of urgency.

We have four basic choices confronting us regarding workforce housing:

1. Ignore the problem or discuss it endlessly with little action.
2. Continue to force more housing into outlying cities and create still greater pressure on our already clogged freeways.
3. Allow density growth into all areas of our City including single neighborhoods.
4. Focus growth and density in our existing planned Ten Minute Communities centered on light rail.

We have chosen to focus on Redmond's planned Ten Minute Communities with light rail locations, because we believe this provides a superior quality of life for all of our residents and businesses.

The plan that we propose brings benefits to all Redmond residents. We will need to work together to help the whole community understand. If our teachers, public safety officers, healthcare workers, and service providers can live in Redmond, we will be able to recruit candidates of the highest caliber and retain them. Their presence and the greater density of the Ten Minute Communities will create a magnetic vibrancy and more choices for dining, shipping, entertainment and recreation. Your Council packet has a wealth of information which supports this action plan.

We believe we can accomplish this together.

## THE SIZE OF THE AFFORDABLE HOUSING CRISIS

King County has a significant need for affordable housing. The King County Housing Task Force estimates the current need to be 154,000 units which will grow to 244,000 units by 2040. In their recent announcement, Microsoft estimated the need to be even greater at 305,000 units.

Redmond has been a hub of economic prosperity. This means that affordable workforce housing has become an even greater concern locally. Today, one of the biggest challenges our local businesses face is attracting and retaining a high quality workforce. This will become an even greater concern as Redmond grows, and the choice will be between even higher housing costs or even longer commutes. Delayed positive action is a mistake. Our plan focuses on workforce housing with rental limits at 60% - 100% Area Medium Income. Enterprise Community Partners, recognized national experts in affordable housing who have been retained by Microsoft, warned us that in Boston affordable workforce housing is focused at 100% to 200% AMI's. If we do not act today, the situation will get worse.

## WHAT IS "WORKFORCE HOUSING"

Workforce Housing is housing for the "missing middle" of our local employees – teachers, firefighters, health care providers and so many others. We need to make affordable housing available for the families of those who work in and serve our community. This proposal is not meant to create luxury single family homes or condos or to provide housing for the homeless, although workforce housing can play a role in reducing homelessness.

We define workforce housing as housing for those who earn 60 – 100 % of King County's Area Median Income (AMI). (However, Greater Seattle supports up to 120% in their call to act, and they may be correct.) This encompasses our middle-class working households including teachers in the Lake Washington School District, Redmond firefighters and police officers, paramedics, assistant professors at the Lake Washington Institute of Technology, and many of the service staff at Microsoft. A firefighter, with a family of four makes 80% of AMI, and a starting teacher makes less. More extensive information on incomes is available in the Council packet.

Until recently, affordable housing for our middle-income residents meant that they could afford "regular" apartments and homes in our neighborhoods, if not the biggest or newest. As we are all aware, housing costs reached a fever pitch in the last decade. In high value areas, such as Redmond, housing costs have climbed much faster than incomes. The cost of new construction has been driven by higher costs for land, materials and labor as well as the cost of complying with a growing body of regulations.

Slowly and inexorably these costs have compounded and killed affordable housing "by a thousand cuts" in our city, county and region. This march to more expensive housing in Redmond has sent many members of our local workforce in search of affordable housing farther and farther away. The result is jammed freeways and streets, as they are forced into miserable two to four hour daily commutes.

It is no wonder that our teachers are in a hurry to get to their car to get home to their family one or two hours away. Let's give them the option to live locally, to stay and coach volleyball after school, and to have their children go to school in the same district where they teach.

## WHERE DO WE LOCATE OUR WORKFORCE HOUSING?

Our action plan proposes to create blended housing communities with both workforce and market rate units in Redmond's existing Ten Minute Communities – Downtown, Overlake and Southeast (Marymoor). Instead of sitting in traffic for ten or twenty hours a week, residents can have access to all of their daily needs within a ten minute walk from home – work, shopping, services, entertainment, and parks. And, the money saved on transportation is available to help meet housing costs.

When people have the opportunity to live in the city where they work, it becomes their community. They know their neighbors, patronize local businesses, and give back to the place they've come to call "home" – Redmond. Further, developing vibrant Ten Minute Communities becomes an asset to all of our city residents. They enjoy the benefits of a short drive to one of our "downtowns" to walk, meet friends for a meal together, shop, and attend theaters. Done right, there will be more parking available, because those that live in our Ten Minute Communities will be required to park on site.

Unfortunately, the current problem is that high rents are needed to pay for the costs of land, labor, materials, regulation, and construction loans. This is why virtually all new affordable housing within King County is built by non-profits that use hefty charitable and public funding to close the gap, but the funding is very limited relative to the need. Redmond's forward-thinking 90/10 inclusionary housing code has been a significant step in the right direction. We propose to move the needle forward and make housing available for even more households by using market mechanisms to increase the percentage of workforce housing in each new project.

## SO, HOW DO WE DO IT?

The key to creating affordable workforce housing is simple in concept but challenging in execution. There may be an inclination to solve the workforce housing crisis by instituting more rules and requirements. This approach has demonstrably failed elsewhere. Increased rules and requirements in other jurisdictions have resulted in either a significant reduction in new housing supplies or large increases in the cost of housing. When rules increase costs, ultimately the resident pays these costs.

We recognize that if our proposed plan is implemented it will require ongoing adjustment based on experience. With that said, this is how we propose to start:

### First, Preserve Existing Affordable Older Units

This is relatively easily done, although it requires a large amount of funding. Here we propose collaborating with the King County Housing Authority and other non-profits that are most skilled at preserving existing properties.

### Second, Create "Ten Minute Community" Code Overlay Zones

Locate workforce housing in areas of the City that citizens recognize are already planned for density. We hope that this will build trust and confidence with our citizens. We recommend that these zones be defined as within an approximate ten minute walking radius from the planned light rail stations in Overlake, Marymoor, and Downtown.

### Third, Create Incentives for Construction of Workforce Housing in these Overlay Zones

Preservation will not provide enough workforce housing to meet the local need. New workforce housing must be created. Financing and financial performance will be the linchpins to our success in creating workforce housing. To achieve this, we propose actions which will lower the costs to build and incentives to engage private sector investment. Our proposals eliminate the need for massive taxpayer funding. These incentives will make the construction of workforce housing a financially attractive alternative to market rate housing for the development community.

We have analyzed construction proformas for the market rate projects being built in Redmond today. We have built and analyzed theoretical proformas for workforce housing employing various incentives. With the advice and participation of a wide array of public and private stakeholders, investment groups, and builders we have crafted a set of proposed incentives which we believe will harness the power of the market place to address this challenge.

We propose that you take the following actions and create the following incentives <u>only for Workforce Housing constructed in the Ten Minute Community Overlay Zones:</u>

1. Actively support King County's proposal to the legislature to extend the Multifamily Tax Exemption "MFTE" to 20 years and when enacted adopt in Redmond.

2. Allow up to 10% more units within the building envelope without charging additional unit based impact and connection fees. The effect will be to incent the creation of approximately 10% smaller units.

3. Reduce construction costs by 1% by adopting selective changes that we will identify in city standards and processes.

4. Match code parking ratio requirements to actual need – a required parking stall represents approximately \$50,000 - \$55,000 of the cost of a housing unit – but, require a forward thinking, cost effective Transportation Management Plan "TMP" that requires all residents to park on site, not on the streets. This has been effective in other local cities.

5. Reduce construction costs by 1.1% to 3.4% by adjusting city permit, impact and connection fees. These can be outright reductions - for example, King County reduces the sewer capacity charge by 50% for affordable housing. Or, reductions can be a recognition of real cost savings - for example, LEED construction reduces utility capacity needs per households.

6. Provide a "bonus" half floor of market rate housing within workforce housing projects if they have 100% lot coverage and are designed to LEED Gold standards. We believe that these buildings will stand out as some of the best built, highest quality buildings in the City.

7. Proceed to action with a sense of urgency and with consistent ongoing oversite.

A consequence of our proposals is that the amount of workforce housing per square foot of "land" will be increased by 2.5 to 5.0 times the existing code allowance. Typically, land comprises 15 – 20% of the cost of a project. So, you can see the affordability effect.

Finally, Council will need to decide the appropriate amount of workforce housing it desires to see in each building. The tradeoff is this: the more workforce housing, the greater the reduction in impact and connection fees needed. In the Council package, we provide two examples:

- 50 percent market rate housing and 50 percent affordable workforce housing.

- 70 percent market rate housing and 30 percent affordable workforce housing.

WHAT DO WE THINK WILL HAPPEN?

The outcome will be a superior quality of life for all of us. More of our local teachers, police officers and firefighters together with our other workforce employees will live in our City. There will be less traffic and a greater social and economic connectivity within our community. The Greater Seattle report issued January 29, 2019 speaks to this clearly.

We expect other benefits as well. For example, we have hired and trained police officers who live in faraway areas like Federal Way only to see them resign after a few years. They tire of the time and expense of commuting and accept jobs close to where they live. Redmond then has to restart the process of hiring and training at great expense to the City and taxpayers. It is time we enable our police officers, teachers, health care and service workers the opportunity to live in Redmond and be part of our community. This is a socially and economically superior situation.

We anticipate that there will be those who tell you not to act or only act on parts of our proposal. However, for our proposal to be ~~a~~ successful for Redmond to create more workforce housing all of the components need to be put in place - it must be holistic. We feel that the majority reaction to the plan will be as follows:

- This plan will be non-controversial, since it is voluntary; it will be an option with incentives, not a requirement, and built on the existing code.

- Developers, banks and investment groups, including large funders such as pension and retirement funds, will be interested, since incentives offer a possibility, but not a guarantee, to achieve a better financial return by building workforce housing than market rate housing.

- We can expect that many institutional investors and the developers that serve them will hesitate to build workforce housing, because the incentives and program are new and unique, though some with experience in Redmond may be early investors.

- Local investors who understand and trust Redmond will see the advantages and embrace the program.

- It will be noted that our plan parallels the excellent Microsoft affordable housing initiative and the Greater Seattle workforce housing action plan.

- It should be noted that our plan, while paralleling the Microsoft and Greater Seattle plans, is tailored to Redmond. We would not be surprised to see Redmond's plan used as a starting template by other cities in the region, who then customize it to fit their situations. Redmond will be recognized as a leader in our region.

- It will be understood that the plan does not require huge public investments but uses incentives to align the desires of the community for more workforce housing with the financially driven decision-making of developers.

- The plan is open to all and goes beyond transparency by also be very candid and honest.

- Like any program, there will be a need for ongoing review, revision and improvement as the City and the development community learn from project experience and as the market changes.

CONCLUSION

For eight months a team of the City's citizens, housing professionals and local business leaders have worked in collaboration to create a thoughtful, well-developed plan to bring more affordable housing for our working families in Redmond. This is "Workforce Housing". Our action plan proposal has been created through the effort, talent and wisdom of this team. If ever there was a team asked to start from a standing stop and missioned to do something in a short period of time, it was this diverse group of people. Each participant's contribution is deeply appreciated.

On Behalf of the Entire Team,

Robert Pantley Angela Rozmyn

# Possible Workforce Housing Units To Be Created

## 2020 - 2024, 50/50 Incentive Overlay Option

**New Rental Units In Redmond, 2013 - 2017**

| | |
|---|---|
| Market: | 3,115 |
| Affordable: | 299 |
| Total: | 3,414 |

**Affordable Workforce Housing is defined a 60, 80, 100% AMI (Area Median Income)**

**WFH = Workforce Housing**

**Workforce Housing Units Possible (15% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 2,803 |
| Affordable (90/10): | 269 |
| Units Created (Current Code): | 3,072 |
| Market (50/50): | 208 |
| Affordable (50/50): | 208 |
| Units Created (WFH Code) | 416 |
| **Total Market:** | **3,011** |
| **Total Affordable:** | **477** |
| **Total:** | **3,488** |

**Workforce Housing Units Possible (30% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 2,181 |
| Affordable (90/10): | 209 |
| Units Created (Current Code): | 2,390 |
| Market (50/50): | 625 |
| Affordable (50/50): | 625 |
| Units Created (WFH Code) | 1,250 |
| **Total Market:** | **2,806** |
| **Total Affordable:** | **834** |
| **Total:** | **3,640** |

**Workforce Housing Units Possible (50% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 1,558 |
| Affordable (90/10): | 149 |
| Units Created (Current Code): | 1,707 |
| Market (50/50): | 1,041 |
| Affordable (50/50): | 1,041 |
| Units Created (WFH Code) | 2,082 |
| **Total Market:** | **2,599** |
| **Total Affordable:** | **1,190** |
| **Total:** | **3,789** |

*Workforce housing incentive code produces 22% more units per project

# Possible Workforce Housing Units To Be Created

2020 - 2024, 70/30 Incentive Overlay Option

**New Rental Units In Redmond, 2013 - 2017**

| | |
|---|---|
| Market: | 3,115 |
| Affordable: | 299 |
| Total: | 3,414 |

**Affordable Workforce Housing is defined a 60, 80, 100% AMI (Area Median Income)**

**WFH = Workforce Housing**

**Workforce Housing Units Possible (15% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 2,803 |
| Affordable (90/10): | 269 |
| Units Created (Current Code): | 3,072 |
| Market (70/30): | 291 |
| Affordable (70/30): | 125 |
| Units Created (WFH Code) | 416 |
| **Total Market:** | **3,094** |
| **Total Affordable:** | **394** |
| **Total:** | **3,488** |

**Workforce Housing Units Possible (30% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 2,181 |
| Affordable (90/10): | 209 |
| Units Created (Current Code): | 2,390 |
| Market (70/30): | 875 |
| Affordable (70/30): | 375 |
| Units Created (WFH Code) | 1,250 |
| **Total Market:** | **3,056** |
| **Total Affordable:** | **584** |
| **Total:** | **3,640** |

**Workforce Housing Units Possible (50% development uses WFH incentive code)**

| | |
|---|---|
| Market (90/10): | 1,558 |
| Affordable (90/10): | 149 |
| Units Created (Current Code): | 1,707 |
| Market (70/30): | 1,457 |
| Affordable (70/30): | 625 |
| Units Created (WFH Code) | 2,082 |
| **Total Market:** | **3,015** |
| **Total Affordable:** | **774** |
| **Total:** | **3,789** |

*Workforce housing incentive code produces 22% more units per project

# Big Picture Overview: Workforce Housing

*What is the size of the problem?*

King County needs between 244,000 – 305,000 affordable housing units between now and 2040. 156,000 now.

*What is the focus of this proposal?*

The "missing middle" - our working families who make too much to be served by traditional affordable housing efforts, but too little to afford what is now market rate rent.

*What is not the focus of this proposal?*

This proposal is focused on rental workforce housing only. Not luxury, not lowest AMIs or homeless, other than to prevent more families from entering homelessness.

*Who qualifies as the "missing middle"?*

People making between 60 – 100% of King County Area Median Income (AMI). Our teachers, fire fighters, health care providers, paramedics, service staff.

*What makes up this proposal?*

Six pieces make up a holistic opportunity to create affordable, workforce housing in Redmond:

1) 10% more units in the same building footprint
2) Extend MFTE to 20 years
3) 1% cost reduction (changes to City standards/processes)
4) Customize parking ratios to actual need
5) 1.1-3.4% savings on construction costs (permit, impact, connection fee reductions)
6) Additional half floor with LEED Gold designation

*What is the proposed outcome of this proposal?*

To increase the opportunity for 3.7 to 6.1 times workforce housing units per parcel of land as compared to the existing code.

# Workforce Housing Incentive Overlay Code

Blended Communities: Market Rate and Workforce Housing Together

*Redmond's current inclusionary zoning code requires 10% affordable housing units to be created for all new communities over 4 units. This proposal would dramatically increase these percentages (under an optional incentive workforce housing overlay).*

**Optional Workforce Housing Incentive Code Overlay**

**Current Inclusionary Code:** 90% market rate rents / 10% affordable housing rents

**Preferred Option:** 50% market rate rents / 50% workforce housing rents

**Alternate Option:** 70% market rate rents / 30% workforce housing rents

**Action Items:**

1. Make Units 10% Smaller to Create Additional 10% Units Per Piece of Land
2. 3% Savings on Fees (Impact Fees, Permit Costs, Capital Charges)
3. Customize Parking Ratios to Actual Need
4. Construction Costs Reduced By 1% Through Adjustments to City Standards/Processes
5. Extend MFTE to 20 Years from Current 12 Year Standard (State Level Process)
6. Additional Half Floor with LEED Gold Designation

**Results:**

**Preferred Option:** 6x increase over current code

**Alternate Option:** 3.7x increase over current code

# THE INVISIBLE CRISIS:

# A Call to Action on Middle-Income Housing Affordability

CHALLENGE SEATTLE

Committed Leaders. Shared Vision. Greater Good.

Dear Residents,

Challenge Seattle—led by the CEOs of 15 companies and 2 philanthropies—is committed to improving our region for the better.  We work collectively to address the region's most pressing challenges, from education to transportation to supporting economic prosperity throughout the Cascadia Innovation Corridor from Seattle to Vancouver, B.C.

Today, one of the biggest threats to our region's quality of life and economic future is the lack of affordable housing.  The hardest hit, and most visible, are our region's very-low and low-income  residents.  As a community, we have been hard at work addressing the homeless crisis and building more housing opportunities for low income individuals and families.  As individual companies and philanthropies we have, over the last five years, committed hundreds of millions of dollars to these efforts.  Our commitment to these families and individuals has not and will not waver.

However, another threat is less known and less understood.  It is "The Invisible Crisis"—the lack of affordable housing for middle-income families and individuals.  These are the people our community depends on every day: the people who educate our children, care for us when we are sick, respond to natural and man-made disasters, protect us from harm, fight fires and build our homes and cities.  And they are being priced out of almost every zip code in King County.

The health and vitality of our region is at grave risk.  Our traffic congestion could get even worse, economic growth stagnate, our quality of life decline.  If we do not act, we will not leave the legacy we must to the next generation.

It is time for us, and the region as a whole, to take action to address The Invisible Crisis.

In our research, we spoke to cities around the world who have attempted to address their housing affordability crisis.  While nobody can claim to have conquered the issue, the clear takeaway is that success is only possible with commitment and action from the public and private sectors along with support from every member of the community.  While daunting, we don't intend to shy away from the challenge.  Our teachers, nurses, first responders, construction workers and others need us and our community needs them.  Failure is not an option.

Significant first steps have already been taken: 1) Microsoft, a Challenge Seattle member, recently announced an unprecedented private-sector investment, and 2) Challenge Seattle has partnered with the mayors of King County's largest cities and the King County Executive who have publicly committed to advance middle-income housing affordability in the region.

It is time for action.  We will succeed only if everybody joins in.  Challenge Seattle is ready to join you to ensure that our region preserves its quality of life and that we can all continue to call this place home.

Let's get going.

Thank you.

Chris Gregoire

# EXECUTIVE SUMMARY

The high cost of housing in the greater Seattle region has reached crisis level, threatening our quality of life, economic vitality, and the future of our community. Challenge Seattle—led by the CEOs of 17 of the region's leading businesses and philanthropies—is committed to tackling our region's toughest issues. In this Call to Action, we raise awareness of a growing, and often invisible, aspect of the housing affordability crisis: the lack of affordable homes for middle-income residents. We lay out the problem and why it matters, and we recommend a set of public- and private-sector actions that can address the current market gap in affordable homes. Importantly, these actions must be taken together. This is a challenge that cannot be solved by a subset of stakeholders, no matter how well-intentioned. But if we can bring a spirit of partnership and the full suite of recommendations to bear, we can set an example to the rest of the world on how to tackle the Invisible Crisis of middle-income housing affordability.

## THE PROBLEM

Year by year, middle-income residents are being priced out of more and more communities. In the last decade, home prices have risen nearly 60%, three times the national growth rate. Housing prices are seven times the median income in King County, and nearly 40% of middle-income households find themselves cost burdened by housing. Today, a middle-income household can no longer afford to rent, let alone buy, a home in most of the county's zip codes.

## WHY THIS MATTERS

Our community fabric is unraveling. Teachers, nurses, utility workers, police officers and others are moving out of the communities they serve, with far-ranging impacts, from longer emergency-response times to fewer hours spent after school with students. Traffic congestion is now among the worst in the nation as more and more workers can't afford homes close to job centers.

We are at risk of losing our economic edge. Our relatively low cost of doing business and our high quality of life have helped make us a global center of innovation and allowed us to attract and retain leading businesses and talent from around the world. If we do not act, we risk our economic future.

## THE SOLUTION

We must build more housing at the right price, of the right size, in the right location. In this segment of the market, however, the economics of market-rate development don't pencil and few public financing tools are available. If we want to provide more options for middle-income households, it will take new sources of capital and land from the private sector, smart policy changes and public investments, and a community willing to embrace change and make room for new neighbors.

We lay out 15 recommendations that, if deployed in concert, can materially move the needle on housing affordability in our region. We call for new sources of below-market, patient capital and discounted land; zoning changes to increase density and encourage transit-oriented development; streamlined permitting and relaxed parking requirements; new community investment vehicles; deployment of construction technology and innovations; and more.

## CALL TO ACTION

Collectively, we have the tools and capabilities to address the middle-income affordability crisis. But it will take all of us. In our research of cities around the world, we found that success requires everyone doing their part—the public sector, the private sector, and the community each have an important role to play and each must play that role.

Challenge Seattle is committed to action. We will lend our voice, data, expertise, and resources. We will encourage investment, and we will support the public-private partnership needed for success. If we all work together, we can ensure the future vitality of our region for generations to come.

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# 1 INTRODUCTION

Nearly four million people call the Greater Seattle region home.[1] Whether born here or drawn here, we share a love for the region's unsurpassed natural beauty, culture of diversity and inclusion, spirit of innovation and creativity, and high quality of life. Our world-class companies, philanthropies, and universities are at the cutting edge of innovation and progress, and we are attracting talent and ideas from around the world. These attributes have made us one of the leading economies of the 21st century.

Over the last decade, our region's* economic success surpassed expectations. In King County, we added jobs at twice the national rate, and our population grew by around 300,000 people—roughly double the rate of growth of the U.S. as a whole (Figure 1).[2]

**Figure 1: Key economic indicators (2008-17)**

| | King County | United States |
|---|---|---|
| **Population** | +16% | +7% |
| **Jobs** | +14% | +7% |
| **Median household income** | +28% | +16% |

With great success, however, come challenges. Chief among them is housing affordability.

Across the entire income spectrum, renting or buying an affordable home in our region has never seemed more daunting. In the last decade, median home prices rose nearly 60%—three times the national growth rate.[3] We have all seen the impacts: skyrocketing rents, bidding wars, disrupted communities, displaced families, increased commute times, and rising homelessness. Our region's quality of life—the very engine of our growth—is at risk.

* For the remainder of this paper, unless otherwise specified, "our region" refers to King County.

As a region, we did not stand idly by as housing prices climbed. Rather, we added new housing stock at twice the national rate in the last decade and even accelerated this growth in recent years (Figure 2). In 2017 alone, 24,000 units of new housing were added—more than double the average yearly growth from 2012–2016.[4] Moreover, the pipeline of new units is robust, with similar additions estimated for 2018 and 2019.[5] Rents and home prices are beginning to stabilize, however, much of this new development has gone toward high-priced units.

**Figure 2: Key housing indicators**

| | King County | United States |
|---|---|---|
| Housing stock (2008-2017) | +12% | +6% |
| Median home value (2008-2017) | +58% | +19% |
| Median rental housing costs as % of median household Income (2017) | 35% | 32% |

The reality is that housing prices remain out of reach for many of our region's families. While this is most acute for our low-income and homeless community members, there is an underreported—and growing—middle-income affordability crisis.

Today, with few exceptions, a middle-income family cannot afford to buy a median-priced home in King County. Teachers cannot afford to live comfortably in the districts where they teach, and first responders are moving out of the communities they serve. Families are faced with a difficult choice: either they move farther away from their jobs, or they bear a significant financial burden to pay for housing.

The consequences of this growing crisis threaten our quality of life, our culture of inclusion, and our future economic prosperity. We must act to increase the supply of the right type of housing, at the right price, in the right location. We must leverage the investments being made in our regional transit system, and support job growth and economic development in the urban centers throughout the region.

Challenge Seattle is committed to addressing our region's housing affordability crisis. First, it fits with who we are: we take on the issues

**We have a middle-income housing affordability crisis in our region. This crisis is growing and to date has received relatively little attention. It will require the private and public sectors working side-by-side, supported by the broader community, to create change.**

that are critical to our region's success.  Second, we understand that we, the private sector, must be part of the solution.  As we lay out in the following pages, the solution to this crisis lies in bold partnership between the private and public sectors.  Both are essential to addressing this issue.  Third, we care deeply about this region—it is our home, and it is where we choose to grow our businesses and invest in our future.  Ensuring that families across the income spectrum can afford to live in our community is essential to its health and vibrancy.

In this report on the middle-income housing crisis, we hope to raise awareness and lay out a course of action. We have researched best practices around the world and analyzed local housing economics.  One thing has become clear—the solution will take all of us.  The private sector must step up in new ways—particularly to provide low-cost capital and affordable land.  The public sector must adopt smart policies and regulations that break down barriers and incent development.  One will not work without the other, and both will fail without community support.  The community must be willing to embrace change and support our leaders.

We are clear-eyed that this is not an easy task.  As we learned from cities across the globe, no community has yet claimed victory.  But if any region can do it—it is ours.  We are a community of creators and innovators who have put airplanes in flight, helped to cure cancer, and invented personal computing.  If we bring together our vision and collective determination, we can preserve our high quality of life and establish affordability for generations to come.

### Figure 3: Definitions of key terms

**Affordable housing:** Housing for which the monthly housing cost is less than 30% of gross monthly income.  Please see the graphic below for a more detailed breakdown of affordability levels.

**Housing cost:** Monthly costs of housing for a household, which includes rent and utilities for renter households, and mortgage, insurance, taxes, and utilities for owner households.

**Housing cost-burdened:** A household that spends more than 30% of gross monthly income on housing costs.

**Region:** For the purposes of this paper, refers to King County.

**Affordability**
(Spending up to 30% of gross monthly income on housing costs)

**King County median household income:** $89,700

| **Low-income household** | **Middle-income household** | **High-income household** |
|---|---|---|
| Earns <60% of region's median household income | Earns 60–120% of region's median household income | Earns >120% of region's median household income |
| < $53,800 | $53,800 – 107,600 | > $107,600 |

> I am married with two small children under the age of five... We are both public servants and don't make a ton of money. By the end of 2018, we will fall short by several thousand dollars of meeting all of our financial obligations... so my husband is starting to look into ways to supplement our income. We dream of buying a home, but housing costs in this area are through the roof. Add the high cost of daycare for two children, the high cost of rent, and our student loan debts, and it is impossible to save any money to put towards a home, much less set aside for a rainy day.

—Administrator at a local community college

# 2 THE PROBLEM

By any reasonable estimate, Seattle and its surrounding areas are some of the most expensive housing markets in the United States. Over time, median home values have far outpaced median household income in our region, with marked acceleration in the last decade (Figure 4). Today, the median home price is nearly seven times the median household income (Figure 5). Moreover, median rental housing costs are now 35% of median household income—diverging from the national average over the past five years.

**Figure 4: King County home value and gross rents over time**

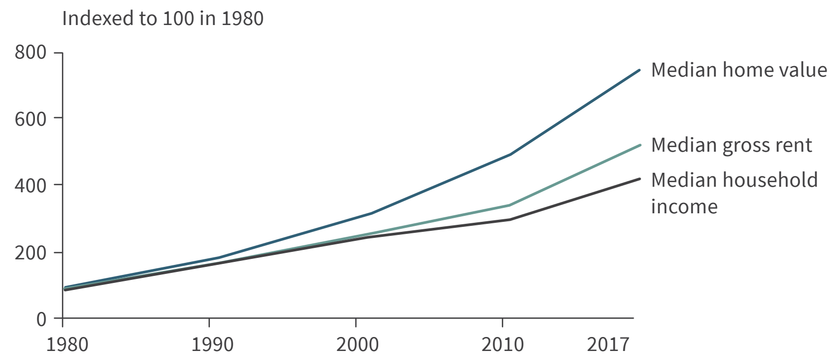
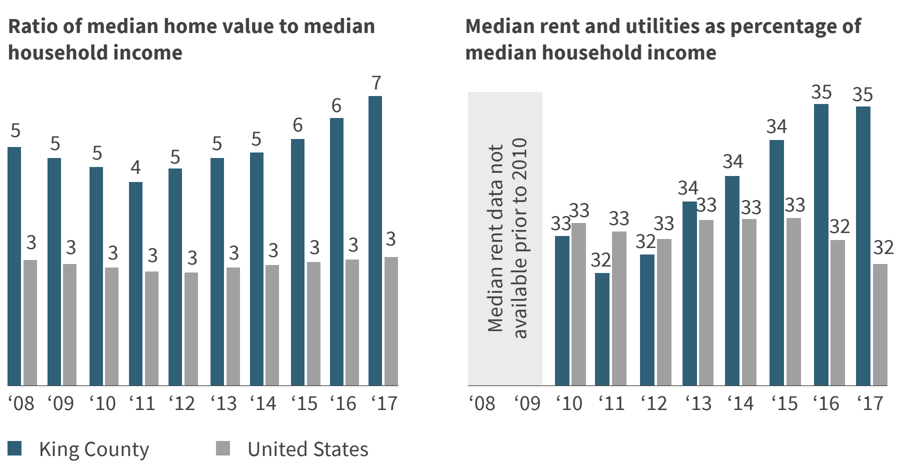



**Figure 5: Housing affordability metrics over time**




Labels rounded to the nearest whole number

> Housing costs are having a major impact on our company's ability to attract the talent we need. The voluntary turnover rate of first responders serving King County is nearly three times the rest of our company's average. The recruiting team has had multiple candidates renege on job offers that had been accepted once the candidates considered the housing options they would be able to afford.
>
> —Report from a local utility company

The overall affordability story has been widely publicized and is well known to all of us in the region. The part of the story that has received less attention, however, is the toll that rising housing prices are having on our middle-income families—our teachers, nurses, electricians, civil engineers, carpenters, accountants, machinists, and police—our neighbors.

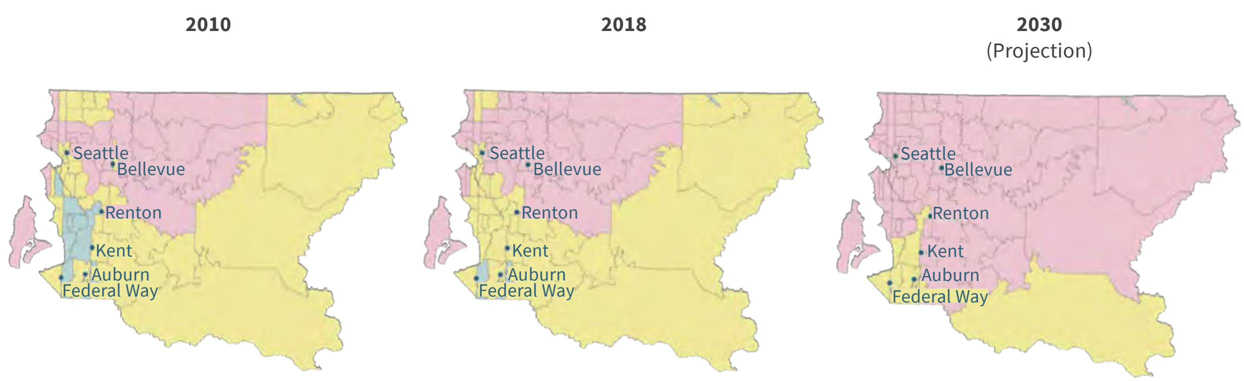
In our region, nearly 40% of middle-income households find themselves cost-burdened by housing, meaning they must allocate more than 30% of their income to housing costs each month.[6] Housing cost burden matters. Families with greater housing cost burdens must compromise on other expenses such as child care, student debt, and transportation. These families also experience greater financial instability in the face of the unexpected, including job loss, workplace injury, or medical issues. For renters, it limits the ability to save for a down payment and the opportunity to build wealth through home ownership. The options to avoid a high housing cost burden are rapidly dwindling for middle-income families. Today, with few exceptions, residents cannot afford to purchase a home in King County (Figure 6). Vast parts of neighboring Pierce and Snohomish Counties are also out of reach. Rental rates in King County are similarly becoming unaffordable for many middle-income households (Figure 7). Projections show that even communities that are today more affordable will become out of reach in the coming years.

## Figure 6: Household income required to afford to buy a median-priced home


Percentile of median household income that can afford to buy a median-priced home

Below 80% | 80%–100% | 100%–120% | Above 120%

## Figure 7: Household income required to afford median rent

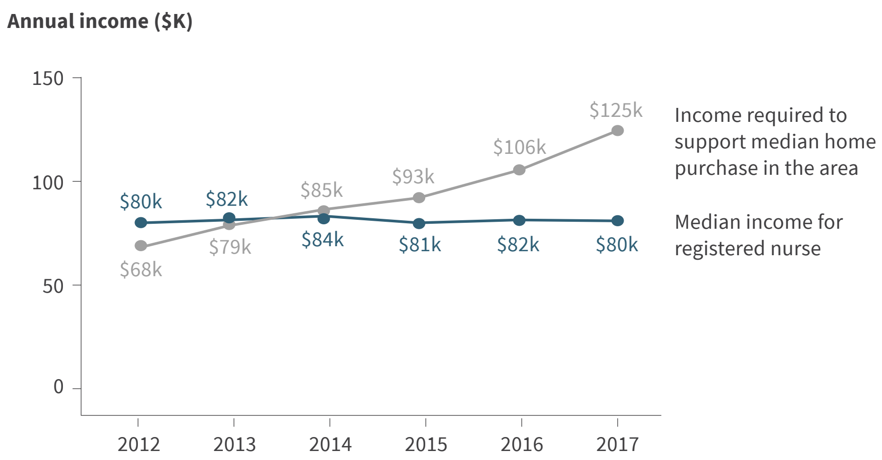



Percentile of median household income in King County that can afford median rent

Below 80% | 80%–100% | 100%–120% | Above 120%

Today, a registered nurse earning $80,000 per year cannot afford to buy a median-priced house in the area.[7] In fact, nurses were "priced out" of the area in 2014 (Figure 8). The trend continues to hit city after city: 2013 was the last year a nurse could afford to buy a house in Seattle; in 2017, Renton became too expensive.

### Figure 8: Typical registered nurse wage vs. income needed to afford to buy a home




| City | Year priced out |
|---|---|
| Seattle | 2013 |
| Kirkland | 2013 |
| Area median | 2014 |
| Renton | 2017 |
| Auburn | Currently affordable |
| Federal Way | Currently affordable |
| Kent | Currently affordable |

Note: Registered nurses were "priced out" of Bellevue, Issaquah, Redmond, and Sammamish prior to the analysis period.

While King County added a total of 90,000 new households since 2010, only 11,000 new middle-income households were added over that time.[8] To find affordable options, middle-income families are increasingly choosing to live farther away. While not a direct cause, the decline in affordability has coincided with an additional 150,000 King County residents commuting more than 30 minutes and an additional 40,000 residents commuting more than 60 minutes each way.[9] These trends have consequences for congestion, commute times, and our environment.

If the trends we have summarized above continue, we foresee far-reaching negative impacts.

# 3 WHY THIS MATTERS


If we do not act to address the middle-income housing affordability crisis, quality of life and economic vitality in our region will be at stake. This is not a problem that impacts only middle-income families. All parts of our community will feel the effects of the crisis if we do not move swiftly.

**Public education.** Education is a core pillar of a healthy community and, as the training ground for our future workforce, a vital part of our economic foundation. Around the country, public education suffers in communities with extreme housing affordability challenges. School districts struggle to maintain sufficient funding and to attract and retain high-quality teachers.[10] In South San Jose, California in the Bay Area, the Oak Grove School District was forced to close three elementary schools as enrollment declined precipitously for multiple years as young families found it increasingly challenging to afford housing in the area.[11] The shrinking student population cost the district more than $2 million in annual funding, straining the district's budget and forcing the closures.

The impact of unaffordable housing on the education system extends beyond school administration and resources. Teachers who must live outside the district can invest less time helping students after school, as they face long commutes home. Students pay the price when rising housing costs or rents force families to move and change schools, which can have damaging effects on academic outcomes, including on-time graduation.[12]

**Community safety.** In a middle-income housing crunch, many first responders such as police officers and firefighters cannot afford to live in the communities they serve. In Menlo Park, California, the fire department resorted to providing monthly stipends to help firefighters move closer to work in 2016.[13] As the fire chief stated, "If I saw someone sleeping in a chair… it's because they have to travel farther to get to work."[14]

Similar issues are emerging in our region. We have spoken to local police chiefs who have had to move away from the cities they serve to find affordable housing. After-hours emergency utility response times are reportedly higher in some high-cost communities because workers have to travel in from more affordable outlying areas. For instance, at one regional utility, only three after-hours emergency first responders live in a particular, central service area.[15]

**Traffic congestion.** As people are forced to move farther from their jobs to find affordable housing, traffic congestion increases—wasting time, increasing pollution, and reducing quality of life. In addition to the trends reviewed in the previous section, we have seen dramatic statistics involving "mega-commuters" who commute 90 minutes or more each way. In 2017, the Seattle-Tacoma-Bellevue metro area had the 3rd fastest-growing population of mega-commuters in the nation. Our population of mega-commuters has increased more than

70% since the start of the decade (surpassed only by the Bay Area, California). By 2020, we can expect nearly 100,000 mega-commuters in our metro area if current trends hold.[16]

**Socioeconomic diversity.** A key ingredient to a healthy, vibrant community is socioeconomic diversity. Long term trends show that we are losing economic diversity as the middle-income share of the population shrinks.[17] This foreshadows local economic segregation, which has been linked to lower inter-generational economic mobility.[18] As middle-income households are priced out of an increasing number of zip codes in our region, concentrations of wealth and poverty will deepen.

**Homelessness and low-income affordability.** A shortage of affordable middle-income housing hurts households further down the income scale by increasing competition for affordable units. This "cascading effect" takes place when rent exceeds middle-income affordability, pushing middle-income renters into housing once occupied by lower-income households, who then displace even lower-income households, and so on. Renters at the lowest income level are already at risk of homelessness by even small increases in rent and the cascade pushes them past the brink. Recent research by Zillow found this correlation between homelessness and median income affordability. Specifically when median rent exceeds 32% of median income, cities see faster growth in homelessness. For example, Zillow estimates that if rent increases by 2% in Los Angeles, another 4,000 people are expected to become homeless.[19]

**Economic growth.** Our region's economic growth in recent years was fueled in part by our relatively low cost of doing business and high quality of life compared to peer cities. This edge allowed us to attract businesses to the region and recruit and retain talent. The housing affordability crisis has significantly dulled that edge. We are now one of the most expensive regions in the country, and our high housing costs are making it hard to retain—let alone attract—talent.

**Quality of life.** We all call this area home via different paths, but we all choose to stay here in part because of the high quality of life and sense of an inclusive, diverse, and innovative community. Longer commutes, worsening air quality, homogenized neighborhoods, community displacement, and financial insecurity threaten the very essence of what we all love about this region.

If we do not act to provide affordable housing for low- and middle-income families, we risk losing what we hold dear about our community. We need to ask ourselves a critical question: are we willing to risk our quality of life and the future of our middle-income families? If not, then doing nothing is not an option.

# 4 SOLUTIONS

Then, what should we do? Communities around the world have been grappling with affordable housing challenges for decades. We spoke to leaders in cities all over the globe, including Vancouver, Sydney, London, New York, and San Francisco, to understand best practices and lessons learned. Unfortunately, no easy answers emerged.

That said, one common theme prevailed—it takes everyone: the public sector, the private sector, and the broader community working together to address the crisis. We must influence the economics of development, adopt smart policies, and as a community, change our mindset. To see how these all come together to solve the problem, we must first understand the basic dynamics of our real estate market.

Housing prices are determined by supply and demand. As discussed, our region's economic success over the last decade has fueled a population boom, dramatically increasing demand for housing. At the same time, housing supply has not kept pace, and when supply is lower than demand, prices tend to rise.

So how do we increase the supply of affordable middle-income housing? A short term strategy is to preserve affordable middle-income units (see sidebar on preservation). For long term success, we must sustainably influence the market to build enough new units to meet demand. In doing so, we must remember one unit of housing is not equal to all others. A one-bedroom apartment in an urban center close to transit is not the same as a three-bedroom, single-family home in the suburbs. Our goal is to build the right types of housing at the right price and in the right locations to serve the needs of our community.

## PRESERVATION

It takes time to build new housing to add to our supply—time during which prices can continue to rise and more families could find themselves priced out. As such, the preservation of existing affordable housing must go hand-in-hand with efforts to increase housing supply.

Affordable housing preservation typically involves a non-profit entity buying existing multi-family properties which have rents that are already affordable to low-and-middle income families. The new non-profit owner then maintains the price stability of these units over time, keeping rents lower than they otherwise would be if left to the private market.

This strategy lessens the risk of displacement of existing residents, often preserves historic buildings and neighborhood character, and supports affordable housing in areas where there is less available land to build new units. Importantly, this strategy can be implemented quickly and cost effectively. Maintaining the affordability of existing housing is a valuable tool that can provide a much-needed backstop while we work to increase supply.

Currently, the economics of middle-income housing development do not pencil out. To understand why, let's look at the basic economics of a development project. There are three main cost drivers:

**It will take everyone: the public sector, the private sector, and the broader community working together to address the crisis.**

**(1) Land.** Land acquisition—whether public or private—is a sizable portion of development costs, typically accounting for 15–30% percent of overall costs.[20] The Seattle region has the 13th highest land values in the country out of over 200 metro areas.[21] The availability of land is affected by zoning and density decisions, as well as the cost of preparing land for development.

**(2) Financing.** Developers need capital to acquire land and pay for permitting, construction, and other costs. Capital comes in two main forms—debt and equity. Debt is typically provided by banks in the form of loans, and its cost is the interest rate charged on the loan. In the case of equity, investors require a return on their capital. That return is typically realized through annual payments yielding a percentage of the investment plus a lump-sum payout when the development is sold. To attract equity, the returns must be competitive with other investment options of similar risk. In our region, equity investors are currently requiring 13–16% return on investment.[22]

**(3) Construction.** Construction costs—labor and materials—typically account for one-half to two-thirds of the cost of a new multi-family development.[23] In Seattle, construction costs have increased by over 30% in the past decade, flowing directly to higher prices for homeowners and tenants.[24] High demand for labor and shortages in skilled trades have contributed to the rise in costs. Material costs have also increased nation-wide, in part due to international trade developments over the past year, with particularly acute impacts on multi-family development.[25, 26]

In addition, regulatory requirements and fees that affect building design, permitting, and time to construction contribute to the overall cost of constructing a project and impact all of the above costs.

In our region today, we estimate that in order to cover the costs of financing, construction, and land, a developer must be able to rent a 700 square foot apartment at $2,800 a month. Adding utilities of $150 a month brings the total housing costs to $2,950.[27] However, the median-income family in our region can afford a monthly housing cost of $2,200, leaving a gap of $750. A family earning 60% of median household income can afford a monthly housing cost of $1,300, leaving a gap of nearly $1,700.[28]

## INFLUENCING THE ECONOMICS OF DEVELOPMENT

To make the market economics of middle-income housing work, we must bend the cost curve, lowering the cost of financing, construction, and land. Lower development costs means lower housing costs for buyers and renters. Our community is already tackling the low-income affordability crisis with an impressive suite of public sector tools (see table below). Drawing inspiration from this toolkit, we propose a set of complementary tools that target middle-income housing, yet have benefits across the income spectrum.

## EXAMPLES OF THE LOW-INCOME TOOLKIT, WHICH IS NOT CURRENTLY FOCUSED ON MIDDLE-INCOME

- **Low Income Housing Tax Credit:** a federal tax credit program that provides incentives for private sector investment in affordable housing developments serving families up to 80% of Area Median Income (AMI).[29] Since the early 1980s, more than $3.5 billion worth of investment has gone to low-income housing projects in King County through this program.[30]
- **Seattle Housing Levy**: Since 1981, this voter-approved levy has provided $678 million to assist low-income families by supporting loans for construction and preservation, assistance to first-time home buyers, and rental assistance and stabilization for those at risk of homelessness.[31]
- **Washington State Housing Trust Fund**: Since 1986, this state fund has provided $1 billion in capital statewide to develop and preserve affordable housing for low-income residents, with the majority at 30% AMI or below.[32]
- **Federal HUD Programs:** The U.S. Department of Housing and Urban Development has historically had a suite of programs that provide grants and low-interest loans to help communities build low-income housing and to help low-income households access homeownership. HUD also provides “Section 8” vouchers that provide rental subsidies to very low-income families.
- **Multi-Family Tax Exemptions (MFTE)**: Authorized by state law, many cities in Washington provide a property tax exemption on new multi-family buildings in exchange for setting aside a certain percent of units as income- and rent-restricted.

Non-profit organizations have long played an important role in supporting low-income housing by harnessing these and other tools.

The recommendations that follow provide actions that the public and private sector can take to begin to bend the cost curve. For the private sector, the focus should be on providing low-cost capital, land, and other investments. For the public sector, donating land and adopting smart policies and regulations will break down barriers and incent the creation of more middle-income housing. While it is difficult to model the complete impact of these recommendations, our analysis shows that we can markedly reduce development costs and therefore reduce required rents through these actions.

## OUR MODEL

We consulted with local developers and real estate experts to construct a bottom-up model of the cost of building a new multifamily development in a high-cost land area of our region. The model predicts that rents required to cover costs must be roughly $2,800 per month, plus $150 in utilities. We subsequently modeled the potential cost savings of a number of our recommendations that directly influence the micro-economics of a development project. Please note that, due to the dynamic interactions modeled between various actions, the total dollar impact does not equal the summed impacts of each individual action.

### Figure 9: Actions we can take to reduce costs and increase supply

| | Action | **Illustrative rent reduction/month** Original rent: $2,800 + $150 utilities |
|---|---|---|
| **Land** | Contribute desirable land, ideally near transit | $100–300 |
| | Change zoning to increase density | Primary impact to increase supply |
| | Encourage transit-oriented development | Long term opportunity |
| | Support job growth near affordable housing supply and transit corridors | Long term opportunity |
| **Financing** | Provide below-market loans | $200–300 |
| | Provide patient, below-market equity | $100–200 |
| | Extend housing tax incentives to middle-income | $200 |
| | Provide short term, early-stage loans | Primary impact to increase supply |
| | Create community investment opportunities | Long term opportunity |
| | Encourage private investment through consistent & transparent policy decisions | Primary impact to increase supply |
| **Construction** | Reduce requirements for expensive-to-build parking in transit corridors | $100–300 |
| | Reduce impact and other development-related fees | $100 |
| | Streamline and accelerate the permitting process | Primary impact to increase supply |
| | Reform condominium liability laws | Primary impact to increase supply |
| | Support construction innovation and technology advances | Long term opportunity |
| | **New rent for example apartment:** | **Approximately $1,700–$2,100 plus $150 utilities** |

Note: Due to dynamic interaction of levers in our model, impact of full implementation is not equal to the sum of the individual levers' impact

## LAND

**(1) Contribute desirable land, ideally near transit | $100–300 reduction in monthly rent**
Discounting the cost of land—or even donating land—is one significant way that both public and private sector landowners can increase the supply of middle-income housing. As mentioned, land typically accounts for 15–30% of the total cost of a housing development.[33] With Washington State ranking fifth for the highest land values in the U.S., land costs are a major reason the market is not supplying middle-income housing.[34] Policy makers should ensure that local and state laws allow jurisdictions to discount or donate land for middle-income housing development.

In addition to discounting the price, landowners can lower the costs of a project through other means. For example, entities that would like to retain ownership over currently under-utilized land parcels can offer long-term leases at below-market rates. Additionally, landowners can invest land as equity in a project, patiently accepting longer-term returns over the life of the project and reducing upfront costs. In our model, offering land at 50–75% of market value could reduce monthly rent by $100–300 per unit.

**(2) Change zoning to increase density | Primary impact to increase supply**
Increasing housing density is fundamental to addressing the housing affordability crisis. We have a fixed amount of land in our cities. We cannot house more families unless we increase the number of housing units that can be built on a given parcel of land.

Cities around the world are recognizing that prioritizing single-family zoning is no longer working. Vancouver, B.C. voted to rezone 99% of single-family lots to allow higher density duplexes.[35] Minneapolis recently eliminated all single-family home zoning to allow duplexes and triplexes in neighborhoods citywide.[36]

In Seattle, 75% of residential land is zoned as single-family.[37] By comparison, single-family houses occupy less than 40% of residential land plots in Chicago, Brooklyn, and Boston.[38] As a community, we must take a hard look at the percentage of land we dedicate to single-family zoning—particularly near transit—and be willing to increase density.

In addition, relaxing height restrictions to allow for building more floors, reducing minimum property size requirements to allow properties to be sub-divided, and allowing for cottage housing and accessory dwelling units (ADUs) can all increase the social value that each parcel of land provides in housing our region's residents.

**(3) Encourage transit-oriented development | Long term opportunity**
Given the already-formidable commute times for drivers and the limited land availability in existing job centers, the development of housing near public transit is becoming increasingly important. This means building new housing in existing transit corridors as well as responding to planned transit expansions that will connect job centers to new areas.

Sound Transit's ST3 expansion plan will add over 60 miles of new light rail, expand rapid transit and express bus service, and increase the service area of the Sounder rail line.[39] To fully realize the benefits of this major investment in public transit, the expansion must be met with new affordable housing development throughout the future footprint of our public transit system. Strategies such as Sound Transit's policy to offer 80% of surplus property to affordable housing projects can encourage the transit-oriented development that our region needs.[40] However, this program currently targets only up to 80% of an area's median income. We should expand it to include a broader set of middle-income households.

**(4) Support job growth near affordable housing supply and transit corridors | Long term opportunity**
Where people live, where they work, and how they move between the two is a dynamic system. While we typically focus on where to put housing, the location of jobs matters as well. Both public and private sector employers should evaluate how they can provide workspaces in areas with easy access to sufficient affordable housing and transit.

## FINANCING

**(1) Provide below-market loans | $200–300 reduction in monthly rent**
Loans typically make up 65–75% of the funding for a housing development, but most available loans are at prevailing market rates. Lenders willing to offer loans at lower rates can reduce the cost of monthly interest payments, consequently lowering the rent needed to recoup costs. Impact-oriented investors, banks, non-profits, and a variety of other institutions have the power to provide below-market loans. In our model, reducing interest rates on loans by 1–2% from the current market rates of roughly 5% can decrease rents by $200–300 per month.

Lenders have additional levers that could reduce financing costs on middle-income housing projects. For example, extending the term—or time over which the loan is repaid—can reduce monthly interest payments. Additionally, providing low-cost subordinate debt—debt that is repaid after senior bank loans are repaid—provides much needed capital and allows projects to access more favorable terms on their primary debt.

**Example:** In Denver, a public-private partnership created the Regional Transit-Oriented Development Fund, which offers a pool of $24 million in low-interest rate loans to finance property development for affordable housing projects.[41] As a result of this partnership, over 1,300 affordable homes have been created.[42]

**(2) Provide patient, below-market equity | $100–200 reduction in monthly rent**
Equity typically makes up 25–35% of funding for housing developments.[43] Equity investors expect to earn a return when they sell the property, but also expect an annual dividend, or cash yield, on their investment. Typically the annual cash yield is 6–9% of their total investment, and is an important driver of housing costs.

Impact investors, such as private-sector companies, institutions, or individuals, can support middle-income housing development. By offering patient equity investments, they can lower costs by extending "patient" equity investments, which lower costs by extending the time horizon before returns are realized. Additionally, some equity investors are willing to define "return" holistically to include social impact, as well as financial returns. These investors may be willing to accept below-market rate financial returns. In our model reducing annual cash yields by 1–2%, from our example rate of 7.5%, could reduce monthly rent by $100–200 per unit.

**Example:** The Healthy Neighborhoods Equity Fund is a private equity fund that provides patient equity and loans to development projects that combine community impact with financial returns. This fund focuses on development projects that improve community health outcomes with a goal of creating over 550 housing units close to local transit in the Greater Boston area.[44,45]

**(3) Extend housing tax incentives to middle-income | $200 reduction in monthly rent**
As discussed, several local, state, and national programs provide financial support and incentives for low-income housing projects. Increasing the scope of programs to include eligibility for middle-income housing projects would boost supply. Extending the timeframe associated with tax incentives can keep units affordable for longer.

For example, jurisdictions should explore expanding and extending existing property tax exemption programs with a proven track record for spurring low-income development. In our model, if owners receive a 50% property tax exemption on affordable middle-income multifamily development projects, monthly rents could be reduced by $200 per unit.

**Example:** The Low Income Housing Tax Credit (LIHTC) has been an effective mechanism for encouraging affordable low-income housing development for families earning less than 60% of the area median income. In 2018, Congress finalized a federal spending bill that expanded the LIHTC to now serve some middle-income households, specifically those earning up to 80% of the median income in their areas.[46]

**(4) Provide short term, early-stage loans | Primary impact to increase supply**
Development projects proceed in phases and require financing at each step in their lifecycle. One of the riskiest stages, and therefore one of the hardest for which to obtain financing, is the period prior to construction. This is when design, permitting, environmental reviews and other time-consuming, non-revenue-generating activities take place. Lenders willing to increase the supply of short term loans at reasonable rates can help spur developments that otherwise could not have gotten off the ground.

**Example**: The Housing Trust of Silicon Valley's TECH Fund provides short term, early-stage loans to projects that might not otherwise receive them. These loans ensure affordable housing projects have the capital and agility to compete with higher cost developments.[47] Overall, the TECH Fund has helped to create and preserve over 1,400 affordable housing units since its launch in 2017.[48]

**(5) Create community investment opportunities | Long term opportunity**
The lack of affordable housing impacts all of us. Many individuals and organizations are willing to join the ranks of impact investors, but they are often uncertain how they can participate. Our region should explore creating innovative investment products that allow non-traditional real estate investors—including local residents—to provide funding in exchange for modest financial returns and high social impact. Additionally, the federal Opportunity Zone program may offer additional avenues to incent investment in affordable housing development in certain parts of our region. By exploring new investment opportunities, we can leverage the financial power of all parts of our community.

**(6) Encourage private investment through consistent and transparent policy decisions | Primary impact to increase supply**
When making financial investments, investors consider not only returns, but also the risk associated with those returns. There are many sources of risk. For instance, the housing market might enter into a downturn when it is time to sell a project, or a natural disaster might destroy the existing supply of lumber. Some risks are more within our control as a region; importantly, we can lower the "regulatory risk" associated with a changing policy environment.

If we want to encourage lenders and investors to provide low-cost capital, policy makers must reduce regulatory risk by providing transparency into decision-making and consistency over time in the rules and regulations that govern a given development project. For example, mid-stream changes in rent restrictions or income eligibility requirements that apply to existing projects can significantly alter investors' returns, potentially resulting in a loss. If investors worry about future policy changes jeopardizing their expected returns, they will not invest and the market for low-cost capital will dry up. As such, our region must create a transparent, predictable policy environment that allows investors to confidently invest.

## CONSTRUCTION

**(1) Reduce requirements for expensive-to-build parking in transit corridors | $100–300 reduction in monthly rent**
In our region, underground parking construction costs up to $50,000 per parking spot.[49] Local city policies govern parking requirements for new housing developments, which add to construction costs and ultimately rent. Some cities even require more than one parking spot per housing unit.[50]

With a regional investment of $50 billion to build out our transit infrastructure and a future of shared and autonomous vehicles on the horizon, it is worth revisiting how many parking spots are really needed per unit, particularly in developments near transit. In our model, if cities relax requirements from 1.2 to 0.6–0.9 parking stalls per unit, monthly rent could be reduced by $100–300 per unit.

**(2) Reduce impact and other development-related fees | $100 reduction in monthly rent**
Impact fees are one-time local city charges used to fund infrastructure expansion. Today, impact fees can total up to $25,000 per unit in our region.[51] Cities can make a major dent in the cost curve by reducing, restructuring, or waiving impact and other development fees on some middle-income housing projects. In our model, this could reduce monthly rent of targeted projects by $100 per unit.

**(3) Streamline and accelerate the permitting process | Primary impact to increase supply**
In the life of a middle-income housing project, time is money and certainty is gold. Housing projects must gain numerous permits and approvals on everything from design to environmental impact. Currently, however, permitting timelines are variable, processes and forms change between localities, and duplicative information must be provided to multiple agencies—all of which create uncertainty and take time. To address this, King County cities could develop predictable, uniform approval processes that achieve necessary assessments through a more streamlined approach. Cities can also fast-track projects that meet certain criteria.

**(4) Reform condominium liability laws | Primary impact to increase supply**
Condos are an attractive housing type for sustaining our region's growth. They allow for home ownership—protecting residents against displacement and enabling families to build wealth—while making better use of scarce land in high-density areas. Condos also regularly serve as homes for younger residents, empty-nesters, and retirees.

The Washington State Condominium Act, initially passed in 1990 to protect condo buyers from shoddy workmanship, has created a 10-year implied warranty for construction. This has unintentionally resulted in high insurance costs to cover the liability, and increased the financing needed to build and operate condo buildings.[52] As a result, condo development in Washington State has slowed with the exception of luxury buildings.[53] Reforming the Act to ensure that condo buyers are protected while eliminating unreasonable liability requirements could allow more affordable condo projects to become viable.

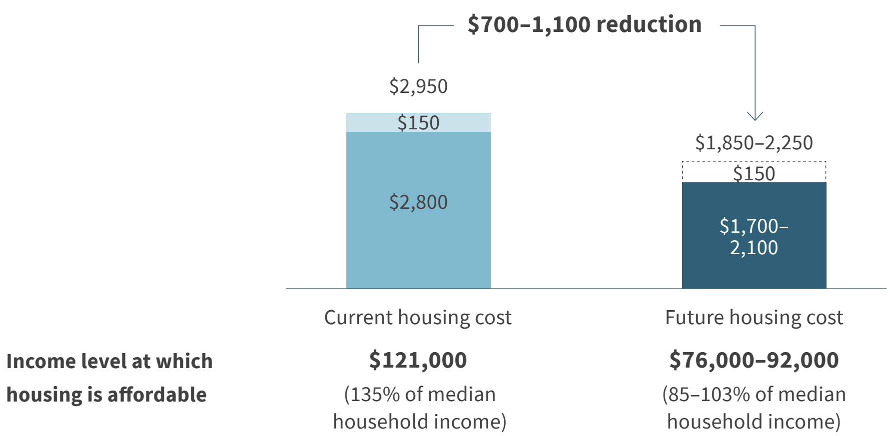
**(5) Support construction innovation and technology advances | Long term opportunity**
Construction accounts for more than half of the cost of most development projects, offering an opportunity to harness the power of technology and innovation to save money. For example, new products such as new mass timber products are emerging as a potentially cost-effective alternative to steel for mid-rise and even high-rise developments. Production of these products also results in fewer greenhouse gas emissions compared to steel production.[54]

Prefabrication offers another potential strategy to reduce costs, through a combination of off-site production and on-site assembly.[55] We must ensure that our local building codes and regulations safely facilitate these opportunities to reduce development costs.

## IT ADDS UP

We quantified the dollar impacts of a subset of these actions and found they could reduce a unit's monthly rental price by $700-1,100 (Figure 10). Acting on the entire set of recommendations will have an even greater impact on supply, speed-to-market, and sustainable growth. Everyone—the public sector, the private sector, and the community—can play a significant role in bringing these recommendations to life.

**Figure 10: Impact of actions**
(that have quantifiable, direct links to per unit rent)



# 5 CALL TO ACTION

## FIRST STEPS HAVE BEEN TAKEN

**Microsoft has made a historic and unprecedented commitment of $500 million to address the housing affordability crisis. The commitment includes the first substantial investment focused on middle-income housing in our region—$225 million in low-cost capital.**

**Nine mayors from some of King County's largest cities have committed to advancing housing affordability in the region by exploring this paper's recommended public sector actions.**

We recognize that achieving the full scope of our recommendations will not be easy. Affordable housing is a complex and multi-faceted issue, and the magnitude of the crisis we face is daunting. It will require us to take risks and to try things that have never been done here before.

And most importantly—as we have stated throughout this report—it will take everyone. We need new sources of capital and land from the private sector, smart policy changes and public investments, and a community willing to embrace change and make room for new neighbors. First steps have already been taken (see sidebar).

Collectively, we have the tools and capabilities we need to succeed. And in this region, we have a history of tackling big problems with bold, innovative thinking and action.

If we succeed, we will not only safeguard affordability for our own communities for generations to come, but also establish a new benchmark for what can be done on housing affordability for other fast-growing regions across the globe.

**Imagine what the future could hold. If we work together, we can:**

- Ensure **households across the income spectrum** can afford to live in the communities they serve
- Reduce the cascade effect of unaffordable middle-income housing and **stem the rising tide of homelessness**
- Retain and attract the talent we need to **fuel our economy**
- **Reduce commute times** and improve air quality
- Preserve access to our **beautiful, natural environment**
- **Protect our culture** of inclusivity, creativity, and innovation

As the leaders of 17 of our region's largest businesses and philanthropies, we commit as Challenge Seattle to rise to the occasion.  We will lend our voice, our data, our expertise, and our resources to the effort.  We will nurture the public-private partnerships needed for success and support smart policies and effective programs. We will encourage investments of all kinds from all corners of our community that can advance the cause.

If we all work together, the future we imagine is within our reach.

We invite you to join us.

# ACKNOWLEDGMENTS

Special thanks to Boston Consulting Group for their insights and contributions to this work. We are particularly grateful to Microsoft Corporation for their partnership in this effort and Zillow Group for generously sharing their data and research.

Challenge Seattle is immensely grateful for the contributions of the following experts and organizations, who have provided valuable insights that informed this work. We have made a genuine effort to incorporate their thoughtful inputs, but final responsibility for this paper and its analysis and recommendations rests with us.

- Challenge Seattle's 17 member organizations
- David Hoffman
- Dow Constantine, King County Executive
- Enterprise Community Partners
- Homesight
- Housing Trust Silicon Valley
- Kate Joncas
- King County Housing Authority
- Mayor Christie Malchow, City of Sammamish
- Mayor Dana Ralph, City of Kent
- Mayor Denis Law, City of Renton
- Mayor Jenny Durkan, City of Seattle
- Mayor Jim Ferrell, City of Federal Way
- Mayor John Chelminiak, City of Bellevue
- Mayor John Marchione, City of Redmond
- Mayor Mary Lou Pauly, City of Issaquah
- Mayor Nancy Backus, City of Auburn
- Mayor Penny Sweet, City of Kirkland
- Peter Orser
- Seattle Foundation
- Security Properties
- Sound Cities Association
- Sound Transit
- Spectrum Development Solutions
- University of Washington
- Vulcan Real Estate
- Wright Runstad & Company

# APPENDIX A

## LOCAL MAYORS' STATEMENT

We are some of the largest city mayors in King County representing communities outside Seattle and we believe that healthy, vibrant communities are ones that offer affordable housing options for families and individuals all along the income spectrum.

In recent years, the speed of economic and population growth in our region has outpaced the growth in housing supply, creating a shortage of affordable housing-pricing out too many households and threatening the fabric of our community.

We will continue our work to address homelessness and low-income housing and we will also work to address the growing crisis of the lack of affordability of middle-income housing in the area.

Too many of our teachers can no longer afford to live near the schools where they teach. Too many nurses, teachers, police and other first responders are moving out of the communities they serve to find homes they can reasonably afford. Homelessness continues to rise, and our local workforce is commuting from farther and farther away- worsening congestion and eroding our sense of community.

To address this problem, we intend to do our part to break down barriers and provide incentives to substantially increase the supply of quality housing for all households in our community.

We will consider opportunities to advance housing affordability in the region, including but not limited to:

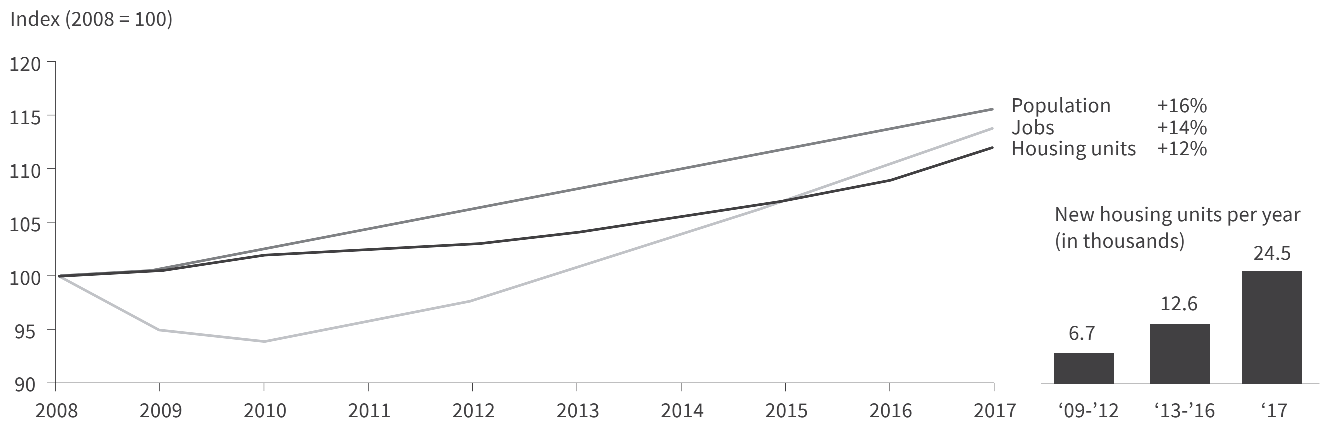
1. Making available at no cost, at deep discount, or for long-term lease, under-utilized publicly-owned properties,
2. Updating zoning and land use regulations to increase density near current and planned public transit,
3. Reducing or waiving parking requirements in transit corridors to help reduce overall development costs,
4. Reducing or waiving impact and other development-related fees,
5. Streamlining and accelerating the permitting process for low- and middle-income housing projects to improve developer certainty,
6. Providing tax exemptions and credits to incent low- and middle-income housing development, and
7. Updating building codes to promote more housing growth and innovative, low cost development.

We believe that these efforts, combined with the support of the greater community, will make our region more affordable for all households and will advance quality of life throughout the region.

# APPENDIX B

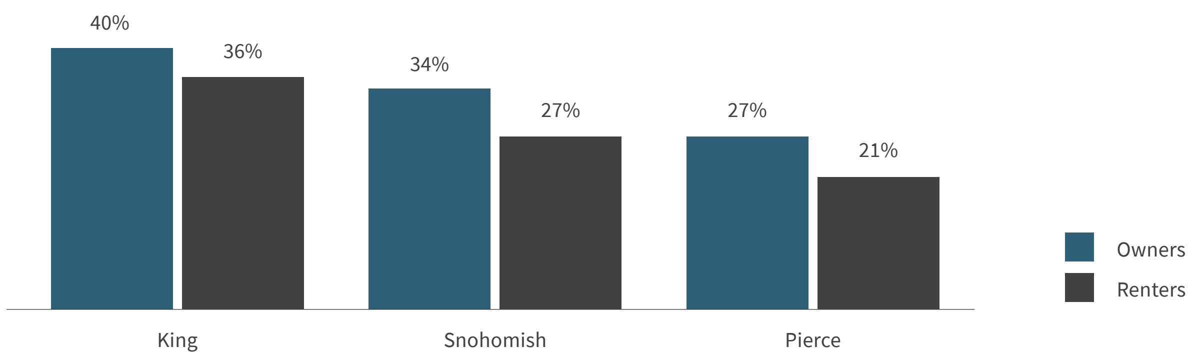
## ADDITIONAL FIGURES

**King County demographic, employment and housing trends**




Source: US Census via American Community Survey, retrieved from American FactFinder on 1/2/2019
Bureau of Labor Statistics

**Percent of middle-income households that are cost-burdened**
Note: Based on Census data household income band of $50-100k per year, 2017




Source: US Census via American Community Survey, retrieved from American FactFinder on 1/2/2019

# APPENDIX C

## DETAILED HOUSING MODEL ASSUMPTIONS

The housing development model cited in this paper used the following assumptions to calculate monthly rent per unit before enacting any of the recommended actions to reduce cost.

**Overall assumptions**

- Number of units: 150
- Square feet per unit: 667
- Pre-construction timeline (months): 24
- Construction timeline (months): 24
- Sale timeline (years): 7

**Equity capital assumptions**

- Equity portion of capital: 35%
- Equity total: $20M
- Equity IRR: 14%
- Preferred annual return: 7.5%

**Development assumptions**

- Total cost to build: $58M
- Developer fee: $1M
- Financing cost: $3M
- Construction cost: $24M
- Parking construction cost: $9M
- Construction sales tax: $3M
- Land cost: $10M
- Initial feasibility cost: $1M
- Other costs: $6M

**Debt capital assumptions**

- Debt portion of capital: 65%
- Construction loan: $37M
- Construction loan rate: 4.5%
- Permanent loan: $38M
- Permanent loan rate: 5%

# APPENDIX D


## REFERENCE SOURCES

Affordable Housing Advisory Board of Washington State

Bureau of Labor Statistics

Curbed

Data Smart City Solutions

Education Week

Enterprise Community Partners

Lincoln Institute of Land Policy

Neighborly

New York Times

Puget Sound Regional Council

Seattle City Government

Seattle Times

Seattle's Housing Affordability and Livability Agenda (HALA)

Sightline

Sound Transit

Terner Center for Housing Innovation, UC Berkeley

Urban Institute

U.S. Census Bureau; American Community Survey

Washington State Department of Transportation

Zillow

# ENDNOTES

## FIGURES SOURCES AND NOTES

Figure 1: U.S. Census Bureau, American Community Survey; Bureau of Labor Statistics

Figure 2: U.S. Census Bureau, American Community Survey; Zillow.com/research/data

Figure 3: U.S. Census Bureau, American Community Survey

Figure 4: Note: Median home value and gross rent use U.S. Census Bureau reported data rather than Zillow data, due to historical data availability. Slight differences exist in reported figures.
Source: U.S. Census Bureau, American Community Survey

Figure 5: Note: Affordability ratio calculated by taking rent (plus utilities) as a percent of median household income, home value divided by median household income
Source: U.S. Census Bureau; American Community Survey; Zillow.com/research/data

Figure 6: Note: Affordable payment assumes household avoids being housing cost burdened by spending less than 30% of monthly income on housing Mortgage assumptions: 30-year fixed mortgage, 14% down payment, average interest rate in 2010 & 2018, including PMI, 1.06% property tax, $900 home insurance and $150 per month in utilities. Broader region median household income used for analysis, calculated as a population weighted average of King, Pierce, and Snohomish counties.
Source: U.S. Census Bureau; American Community Survey; Zillow.com/research/data

Figure 7: Note: Affordable payment assumes household avoids being housing cost burdened by spending less than 30% of monthly income on rent plus utilities. Broader region median household income used for analysis, calculated as a population weighted average of King, Pierce, and Snohomish counties.
Source: U.S. Census Bureau; American Community Survey; Zillow.com/research/data

Figure 8: Note: Registered Nurse is example of typical middle-income job in region (other examples include: firefighter, police officer, teacher). Analysis area is comprised of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Redmond, Renton, Seattle, and Sammamish.
Source: Analysis performed by Microsoft Data Analytics team; news.microsoft.com/affordable-housing

# ENDNOTES


1 Population of King, Pierce, and Snohomish counties; U.S. Census Bureau, American Community Survey

2 Bureau of Labor Statistics, Quarterly Census of Employment and Wages; U.S. Census Bureau, American Community Survey

3 Zillow, https://www.zillow.com/research/data/

4 Throughout this report, numbers may be rounded to the nearest hundred or thousand, for ease of reading; U.S. Census Bureau, American Community Survey

5 https://seattle.curbed.com/2018/1/26/16938894/seattle-area-residential-construction-2017

6 U.S. Census Bureau, American Community Survey; Zillow

7 Cities included in this analysis are Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Redmond, Renton, Sammamish, and Seattle

8 U.S. Census Bureau, American Community Survey

9 U.S. Census Bureau, American Community Survey

10 https://www.mercurynews.com/2017/03/06/to-attract-teachers-pricey-bay-area-school-districts-are-becoming-their-landlords/

11 https://www.mercurynews.com/2018/02/02/south-san-jose-school-district-decides-to-close-three-schools/

12 https://www.edweek.org/ew/issues/student-mobility/index.html

13 http://amp.timeinc.net/fortune/2016/03/28/silicon-valley-housing-crisis-firefighters

14 http://amp.timeinc.net/fortune/2016/03/28/silicon-valley-housing-crisis-firefighters

15 Input from a senior executive at a local utility company; the area consists of Renton, Bellevue, Kirkland, Mercer Island and Newcastle

16 https://www.seattletimes.com/seattle-news/data/seattles-mega-commuters-we-are-spending-more-time-than-ever-traveling-to-work/

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19 https://www.zillow.com/research/homelessness-rent-affordability-22247/

20 Expert interviews

21 https://www.mitpressjournals.org/doi/suppl/10.1162/REST_a_00710/suppl_file/REST_a_00710-esupp.pdf

22 Return is composed of a commonly used preferred annual return, and the larger payout when a building is sold; Expert interviews

23 Expert interview

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25 https://www.seattlepi.com/business/article/Under-building-boom-construction-trades-face-12161836.php

26 http://www.globaltrademag.com/global-trade-daily/trumps-tariffs-how-will-us-construction-fare

27 See “our model” sidebar for more details

28 Housing for which the monthly rent is less than 30% of gross monthly income. In this case 60-120% of King County median household income is $53,800 - $107,600 resulting in a rent of $1,300 - $2,700.

29 Area Median Income (AMI) is the typical metric that housing affordability programs use to measure median income; it is a series of dollar figures published regionally, which vary based on household size

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31 http://www.seattle.gov/housing/levy/#seattlehousinglevyhistory

32 https://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/

33 Expert interviews

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[43] Expert interviews

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[47] https://housingtrustsv.org/tech-fund/

[48] https://housingtrustsiliconvalle.app.box.com/s/oaow16m81o0cdmhtj9ig1u9cr9yve4cg

[49] Expert interviews

[50] http://www.redmond.gov/cms/one.aspx?objectId=3466

[51] Expert interviews

[52] https://www.kiro7.com/news/investigates/law-meant-to-protect-wash-homeowners-instead-pushing-up-condo-prices/265540875

[53] https://www.seattletimes.com/business/real-estate/500000-for-a-1-bedroom-condo-shortage-worse-than-ever-in-king-county/

[54] http://www.woodworks.org/wp-content/uploads/CLT-Solid-Advantages.pdf

[55] https://ternercenter.berkeley.edu/blog/offsite-construction

Photo credit: Spectrum Development Solutions

# ABOUT CHALLENGE SEATTLE

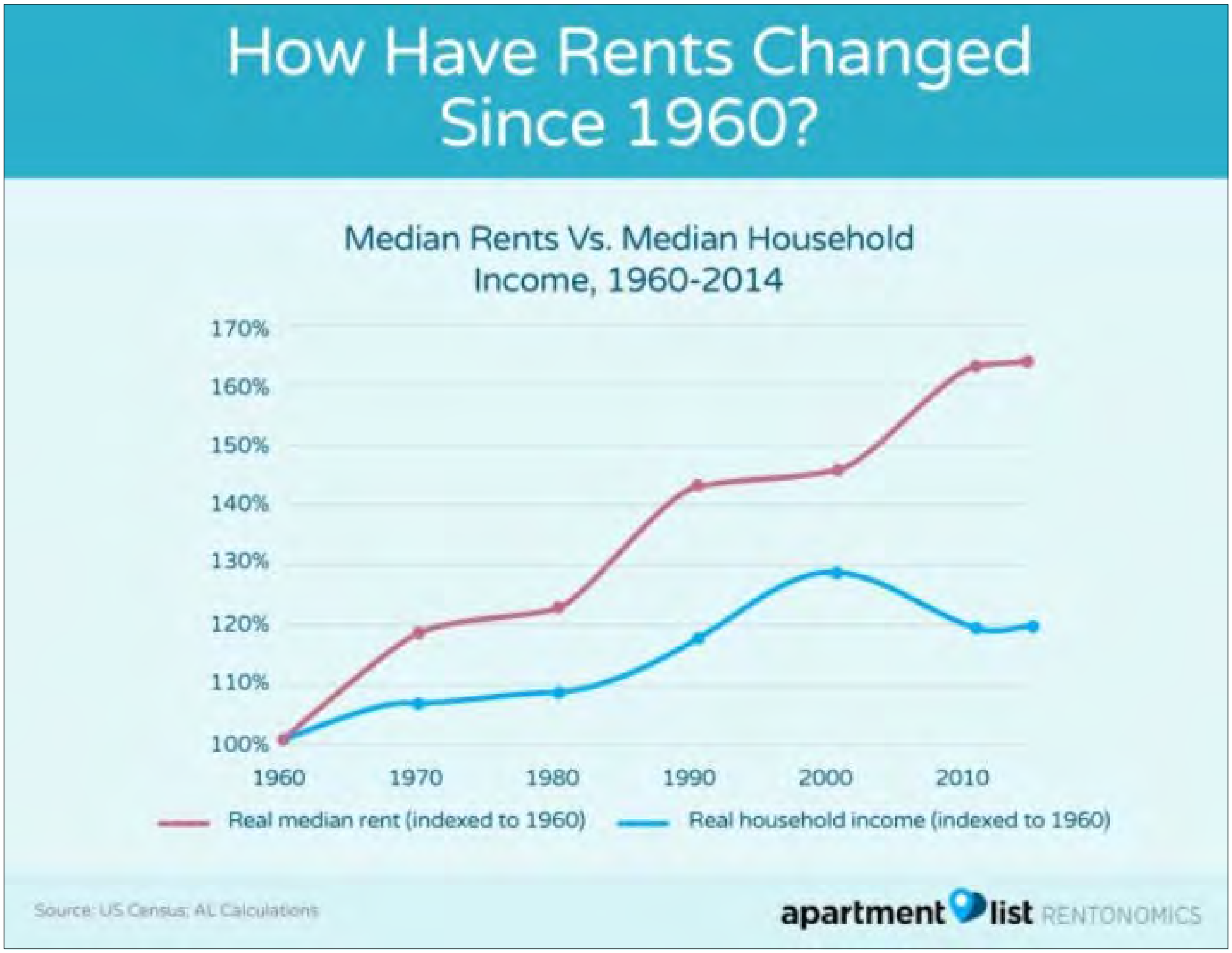
Challenge Seattle is an alliance of CEOs from 17 of the region's largest employers. Together, we are taking on the challenge of ensuring the greater Seattle area continues to thrive as one of the most vibrant, innovative, and globally competitive regions in the world. Led by former Washington State Governor Christine Gregoire, Challenge Seattle harnesses the committed leadership, unique resources, and innovative talent of its member companies to find innovative solutions and inspire collective action for the greater good.

Alaska Airlines
amazon
Bill & Melinda Gates foundation
Boeing
Chateau Ste Michelle
Costco Wholesale
expedia group
JPMorgan Chase & Co.
Kaiser Permanente
Madrona Venture Group
Microsoft
Nordstrom
PATH
PSE Puget Sound Energy
Weyerhaeuser
Zillow Group

Challenge Seattle

Committed Leaders. Shared Vision. Greater Good.

# History of US Rents




- Inflation-adjusted rents have increased by ~64% since 1960.
- Similarly, construction costs have increased 5-7% year over year in the last decade.

# Impediments to Affordable Housing

The cost to create:

- Rising construction costs
- Rising land costs
- Rising interest rates

The cost to maintain and operate:

- Rising utility costs
- Rising operating costs
- Recurring maintenance costs

# King County Housing Affordability Task Force

## Understanding The Need

### October 31, 2017

### Key Takeaways

# Lower housing costs require greater government intervention

| 0-30% AMI Rental: | 30-50% AMI Rental: | 50-80% AMI Rental: | 80-125% AMI Rental or Home Ownership: | Above 125% AMI |
|---|---|---|---|---|
| *Government support needed in all markets* | *Gov't support needed in many markets* | *Government incentives needed in some markets*<br>**Home ownership:** *Subsidy or incentives needed in many markets* | *Permissive zoning or zoning flexibility needed in some markets* | Market Rent and Home Ownership |
| **<30% AMI**<br>$28,800 max | **30-50% AMI**<br>$48,000 max | **50-80% AMI**<br>$76,800 max | **80-125% AMI**<br>$120,000 max | **>125% AMI**<br>More than $120,000 |

**King County Households, 2017**

| | | | | |
|---|---|---|---|---|
| **130,800**<br>**15%** | **105,300**<br>**12%** | **151,900**<br>**17%** | **159,800**<br>**18%** | **339,700**<br>**38%** |

*Sources: HUD, 2017; US Census Bureau, ACS 2015; CAI, 2017*

**King County Requires 156,000 new homes to address countywide need for today alone (not including continued growth).**

## TODAY'S CHALLENGES

| Household by Type | Estimated Homes Required |
|---|---|
| **11,600** People Experiencing Homelessness | **9,700** |
| **122,700** Severely Cost-Burdened Households | **75,700** |
| **167,400** Cost-Burdened Households | **70,200** |

**290,100** Households & **12,000** Experiencing Homelessness

Requires **156,000** Homes in 2017

## King County requires 244,000 new homes to address the countywide affordable housing need by 2040.

| Income Segments | Households |
|---|---|
| 0-30% AMI | 29,700 |
| 31-50% AMI | 23,900 |
| 51-80% AMI | 34,500 |
| 81-125% AMI | 36,300 |
| > 125% AMI | 77,100 |
| Total Growth | 201,500 |

ADD GROWTH 2017-2040

**88,000**
Households @ 80% AMI or lower

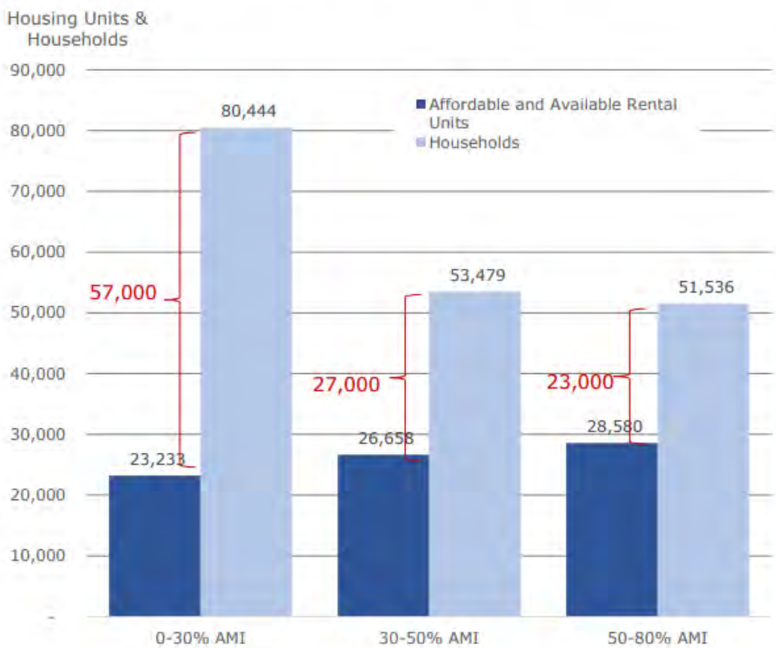
**156,000**
Homes Required for 2017 Alone

Requires
**244,000**
Homes by 2040

**Developments costs play a role in determining price.**

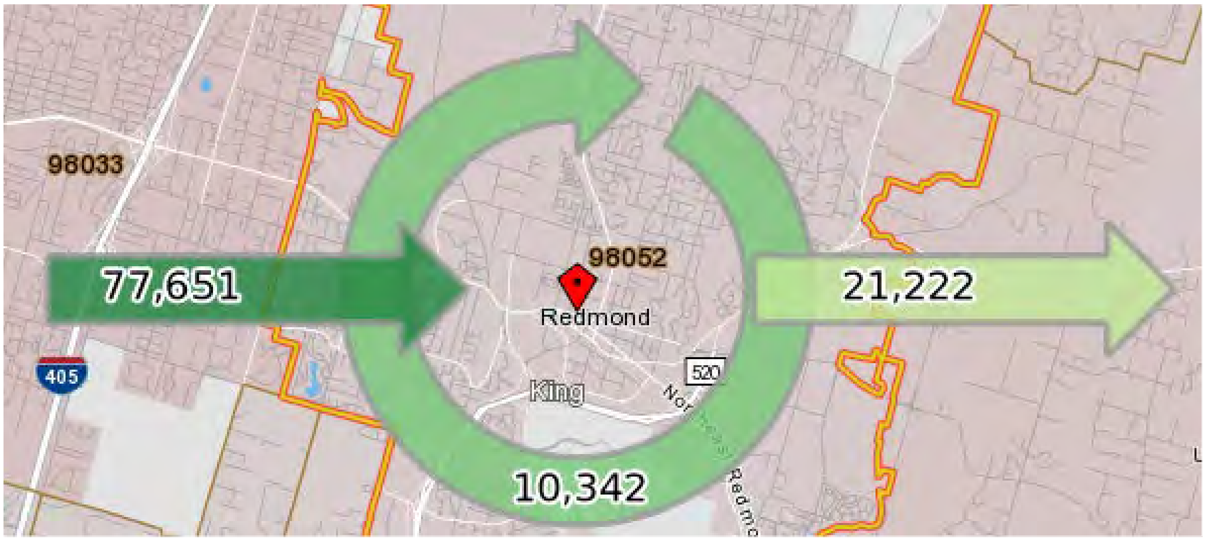
- **Land and site acquisition**
- **Hard costs**
- **Soft costs**
- **Financing costs**
- **Design-driven costs**
- **Permit and approval time**

## The supply of rental units does not meet the needs of lower income households.



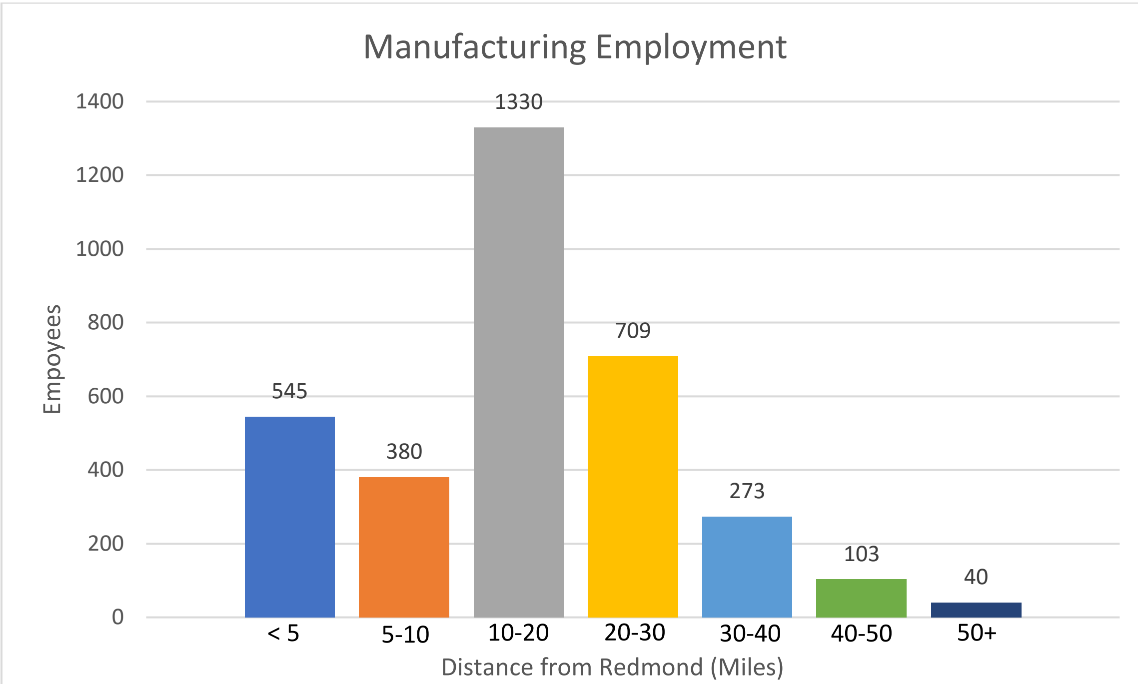

- Rental prices matched to households' ability to pay at 30% of household income.
- Reflects analysis by King County staff (2014 data).

# Where Does Redmond’s Workforce Live?

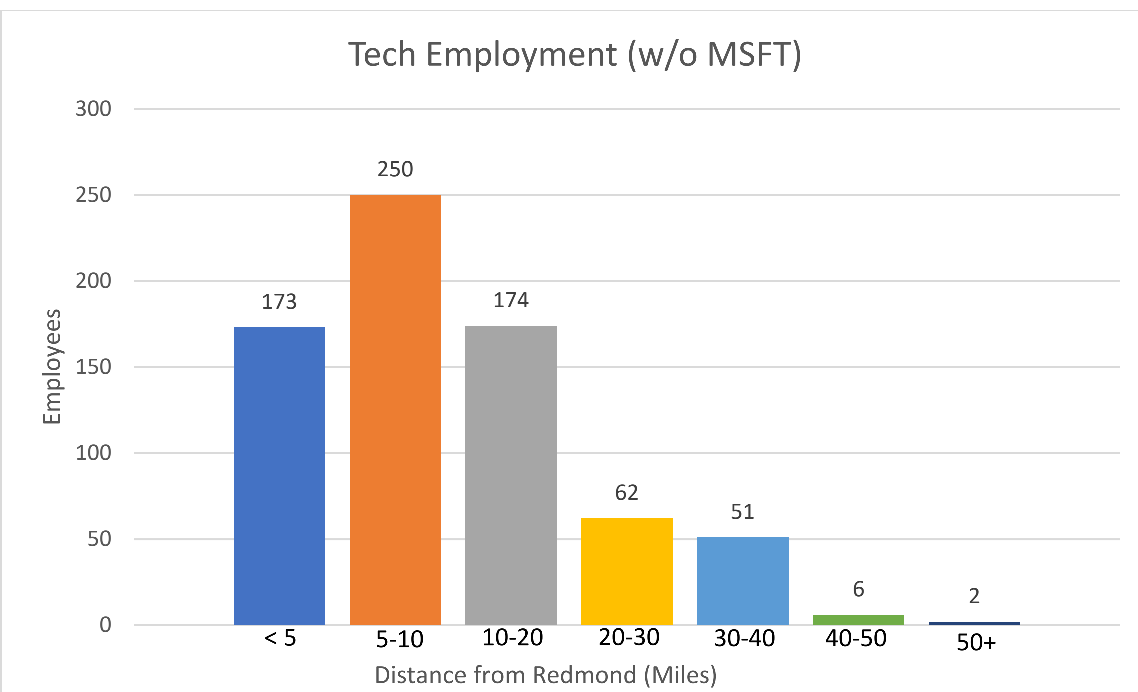



88% of the workforce commutes in

**Manufacturing (middle income) has double the long commutes as technology (higher income):**



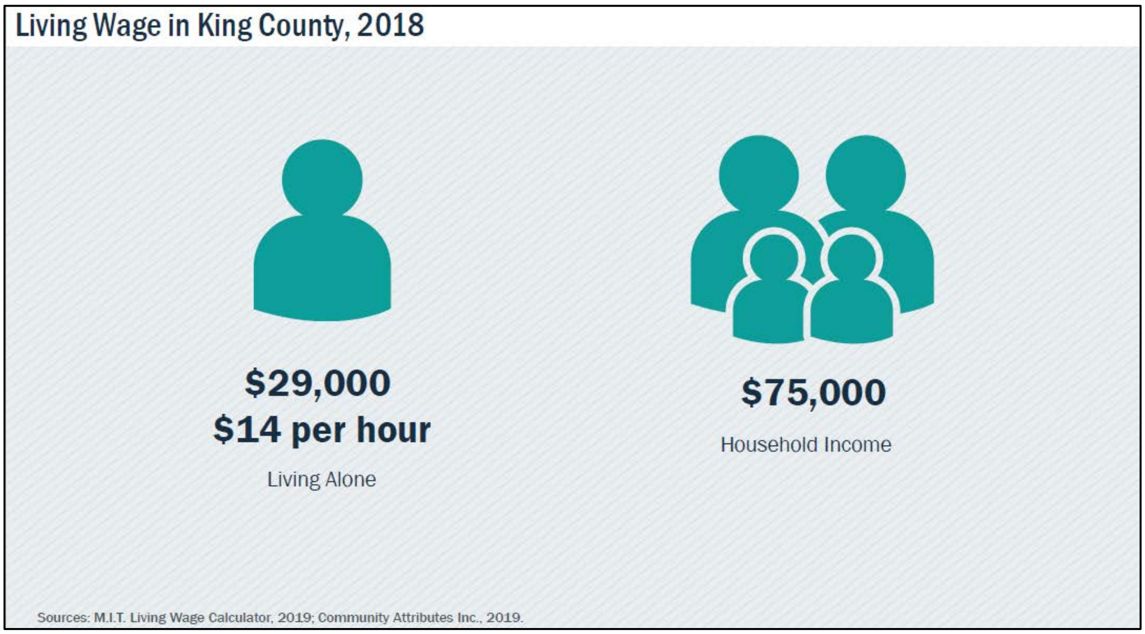

33% commute from more than 20 miles away (45+ minutes each way)

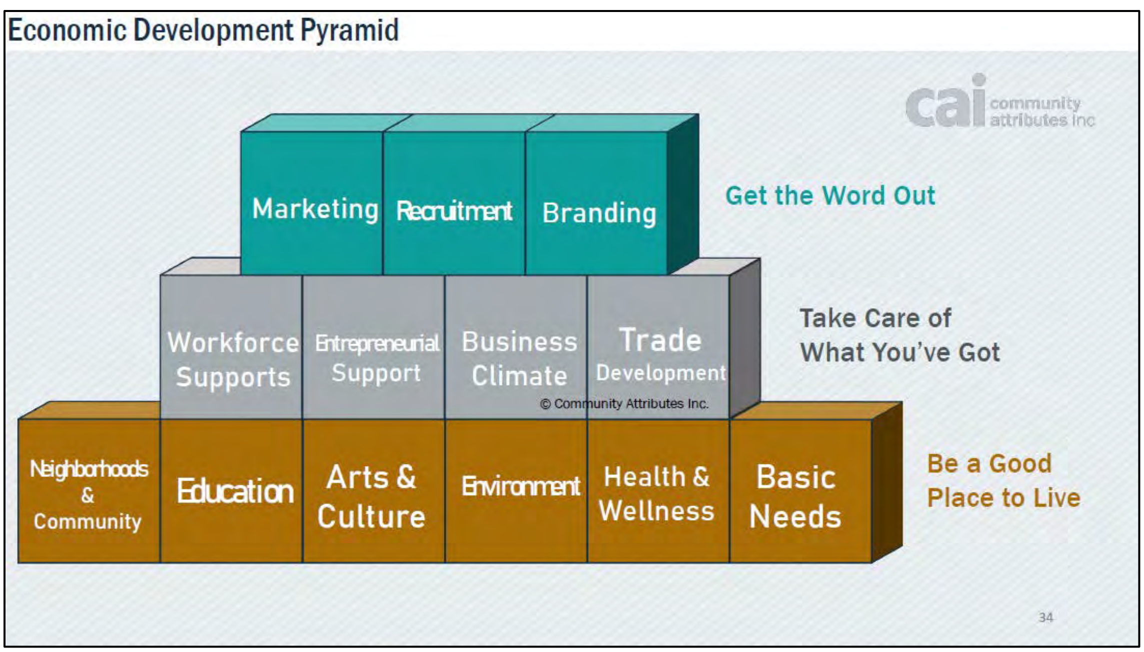



17% commute from more than 20 miles away (45+ minutes each way)

# Local Business Challenges: Attract and Retain

One of the biggest challenges that our local businesses face is attracting and retaining talent to employ at their companies. The Puget Sound region is a wonderful place to live, work, and play – as long as you can afford a place to live close to where you work. Otherwise, the high cost of living that goes along with all the great things about being in the Pacific Northwest negates the rest. Before employees can look to all the great benefits of our region, they first need to make sure they can take care of their basic needs, including affordable housing.



# Workforce Housing Matters. They Are Your:


Teachers


Police Officers

Fire Fighters

City Staff


Healthcare Providers


Machinists


Service Personnel

# Eastside Rents by Property Age

| Unit Type | When Built | Rent | Rent/SF | AMI |
|---|---|---|---|---|
| Studio | 1985-1989 | $1,273 | $2.35 | 80% |
| | 1990-1999 | $1,419 | $2.84 | 90% |
| | 2010-2017 | $1,614 | $2.97 | 100% |
| | 2018 | $1,750 | $3.50 | 110% |

| Unit Type | When Built | Rent | Rent/SF | AMI |
|---|---|---|---|---|
| 1-Bed | 1985-1989 | $1,501 | $2.22 | 80% |
| | 1990-1999 | $1,604 | $2.21 | 90% |
| | 2010-2017 | $1,870 | $2.58 | 100% |
| | 2018 | $2,300 | $3.07 | 120% |

| Unit Type | When Built | Rent | Rent/SF | AMI |
|---|---|---|---|---|
| 2-Bed, 1-Ba | 1985-1989 | $1,664 | $1.91 | 80% |
| | 1990-1999 | $1,810 | $1.98 | 90% |
| | 2010-2017 | $2,318 | $2.49 | 110% |
| | 2018 | $2,600 | $2.36 | 120% |

| Unit Type | When Built | Rent | Rent/SF | AMI |
|---|---|---|---|---|
| 2-Bed, 2-Ba | 1985-1989 | $1,836 | $1.84 | 90% |
| | 1990-1999 | $2,035 | $1.85 | 100% |
| | 2010-2017 | $2,610 | $2.34 | 120% |
| | 2018 | $3,359 | $3.17 | 150% |

Per September 2017 report by Dupre+Scott

2018 Redmond NEW construction rents per Muse MGMT

# Example Family Budgets: Redmond Salaries

| | |
|---|---|
| **Career(s):** | Police Officer |
| **Family:** | Employee, stay at home spouse, two children |
| **Starting Salary:** | $79,608 |
| **Single AMI:** | 100% |
| **Family AMI:** | 77% |

| | |
|---|---|
| **Career(s):** | CNC Machinist, Veterinary Technician |
| **Family:** | Dual earners, one child |
| **Starting Salary:** | $80,000 |
| **Single AMI:** | 53% - 58% |
| **Family AMI:** | 86% |

| | |
|---|---|
| **Career(s):** | K-12 Teacher (MA) |
| **Family:** | Employee, two children |
| **Starting Salary:** | $65,162 |
| **Single AMI:** | 90% |
| **Family AMI:** | 70% |

| | |
|---|---|
| **Career(s):** | Grocery Store Manager, Barista |
| **Family:** | Dual earners, no children |
| **Starting Salary:** | $66,000 |
| **Single AMI:** | 36% - 56% |
| **Family AMI:** | 80% |

Incomes via City of Redmond, LWSD, LWIT, indeed.com, glassdoor.com

# Redmond Affordable Housing Rent & Income Limits

**Income Limits (2018)**

| Family Size | 40% AMI | 50% AMI | 60% AMI | 70% AMI | 80% AMI | 90% AMI | 100% AMI |
|---|---|---|---|---|---|---|---|
| **1 Person** | $28,952 | $36,190 | $43,428 | $50,666 | $57,904 | $65,142 | $72,380 |
| **2 Persons** | $33,088 | $41,360 | $49,632 | $57,904 | $66,176 | $74,448 | $82,720 |
| **3 Persons** | $37,224 | $46,530 | $55,836 | $65,142 | $74,448 | $83,754 | $93,060 |
| **4 Persons** | $41,360 | $51,700 | $62,040 | $72,380 | $82,720 | $93,060 | $103,400 |

**Rent Limits (2018)**

| Unit Size | 40% AMI | 50% AMI | 60% AMI | 70% AMI | 80% AMI | 90% AMI | 100% AMI |
|---|---|---|---|---|---|---|---|
| **0 Bedroom** | $679 | $860 | $1,041 | $1,222 | $1,403 | $1,584 | $1,765 |
| **1 Bedroom** | $772 | $979 | $1,186 | $1,393 | $1,599 | $1,806 | $2,013 |
| **2 Bedrooms** | $836 | $1,068 | $1,301 | $1,534 | $1,766 | $1,998.85 | $2,232 |
| **3 Bedrooms** | $899 | $1,158 | $1,416 | $1,675 | $1,933 | $2,192 | $2,450 |

Rent levels assume the following family sizes:
Studio - 1 person
1 Bdrm - 2 persons
2 Bdrm - 3 persons
3 Bdrm - 4 persons

| | | 100% AMI |
|---|---|---|
| | Subtract: | No deduct |
| $45 | utilities for studios | $1,810 |
| $55 | utilities for 1-beds | $2,068 |
| $95 | utilities for 2-beds | $2,327 |
| $135 | utilities for 3-beds | $2,585 |

Per ARCH housing limits, Spring 2018

# Redmond Inclusionary Housing Units 2013 - 2017

| Year | Name of Project | Affordable Units | Total Units | |
|---|---|---|---|---|
| 2013 | Legacy Town Square | 16 | 177 | |
| 2013 | Valley Furniture | 18 | 208 | |
| 2014 | Vision 5 | 9 | 96 | |
| 2014 | Core 83 | 10 | 120 | |
| 2015 | Avalon/Overlake | 24 | 261 | +2 waivers from Capstone DA |
| 2015 | The Carter | 16 | 180 | |
| 2016 | 162TEN | 9 | 96 | |
| 2016 | Alexan Marymoor | 27 | 222 | |
| 2016 | Alexan Central Park | 18 | 193 | |
| 2016 | Redmond Triangle | 18 | 195 | |
| 2016 | Station House Lofts | 18 | 196 | |
| 2016 | Heron Flats | 9 | 95 | |
| 2016 | Ravello | 5 | 102 | |
| 2017 | Lincoln Esterra Park | 60 | 664 | |
| 2017 | Avalon II - Esterra Park | 29 | 323 | |
| 2017 | Redmond Town Center | 13 | 286 | |
| | **Total** | **299** | **3,414** | |

· *The number of inclusionary/affordable units is a little less than 10%, consistent with code, which allows the option for fewer affordable units with the low-income (50% AMI) option.*

· *Numbers shown here come from City of Redmond staff, as of January 2019. They reflect the rental housing market only.*

# Rent Reduction Needed At Current Rents Per AMI %

November 2018

| Apartment Type | Rent | AMI | Rent Reduced at 100% AMI | Rent Reduced at 80% AMI | Rent Reduced at 60% AMI |
|---|---|---|---|---|---|
| Studio | $1,750 | 104% | $68 | $430 | $792 |
| 1 Bedroom | $2,300 | 111% | $383 | $797 | $1,210 |
| 2 Bedroom | $2,600 | 112% | $460 | $925 | $1,390 |

**Required Allowances:**

| | Utilities | Rental Insurance | Total |
|---|---|---|---|
| **Studio** | $118 | $10 | $128 |
| **1 Bedroom** | $141 | $10 | $151 |
| **2 Bedroom** | $176 | $10 | $186 |

**Maximum Allowed Rent (100% AMI)**

| | Gross Rent | Net Rent (After Allowances) |
|---|---|---|
| **Studio** | $1,810 | $1,682 |
| **1 Bedroom** | $2,068 | $1,917 |
| **2 Bedroom** | $2,326 | $2,140 |

**Maximum Allowed Rent (80% AMI)**

| | Gross Rent | Net Rent (After Allowances) |
|---|---|---|
| **Studio** | $1,448 | $1,320 |
| **1 Bedroom** | $1,654 | $1,503 |
| **2 Bedroom** | $1,861 | $1,675 |

**Maximum Allowed Rent (60% AMI)**

| | Gross Rent | Net Rent (After Allowances) |
|---|---|---|
| **Studio** | $1,086 | $958 |
| **1 Bedroom** | $1,241 | $1,090 |
| **2 Bedroom** | $1,396 | $1,210 |

# Workforce Housing Jobs in Redmond

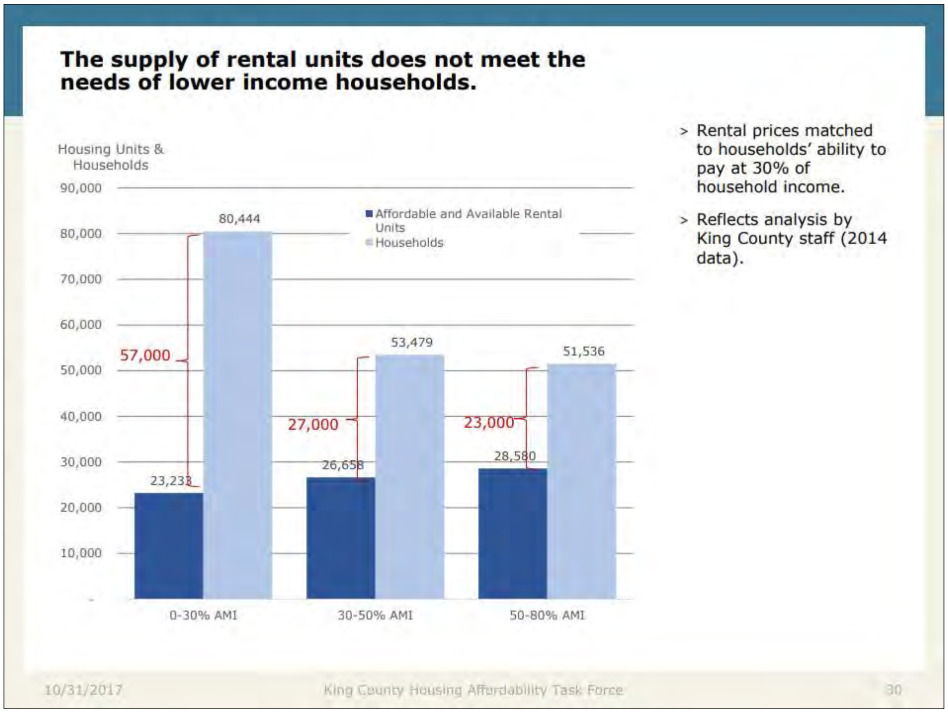
Single Person Households

| Job Title | Starting Salary | AMI |
|---|---|---|
| Police Officer* | $79,608 | 110 |
| Registered Nurse | $73,020 | 100 |
| Fire Fighter* | $72,348 | 100 |
| Ultrasound Technician | $69,917 | 97 |
| K-12 Teacher (MA) | $65,162 | 90 |
| Property Manager | $60,000 | 83 |
| Assistant Planner | $57,924 | 80 |
| Journeyman Electrician | $56,000 | 77 |
| K-12 Teacher (BA) | $55,699 | 77 |
| Associate Community College Professor | $55,000 | 76 |
| Maintenance Technician | $52,000 | 72 |
| Office Manager | $50,000 | 69 |
| Parks Maintenance Technician | $47,040 | 65 |
| Entry IT Contractor | $45,000 | 63 |
| EMS Paramedic* | $44,947 | 62 |
| Veterinary Technician | $42,000 | 58 |
| Grocery Store Manager | $40,000 | 56 |
| CNC Machinist | $38,000 | 53 |

*First responders

Incomes via City of Redmond, LWSD, LWIT, indeed.com, glassdoor.com

# How to Protect Older, Naturally Affordable Units




Simply put, there are just not enough existing naturally affordable housing units to meet the demand of lower and middle income households. Protecting what is available is extremely important, but it will not take care of the full need long term.

In order to stay on topic with one piece of the overall solution, this proposal is primarily focused on creating new affordable workforce housing. However, this goes hand in hand with preserving  the existing naturally affordable units that do exist. Ways to protect these existing units include:

- Creating incentives for apartment owners to sell to nonprofits.
- Working with third party initiatives like Microsoft.
- Creating a master list of possible sellers and build relationships to acquire when the opportunity exists.
- Cultivating long term working relationships with nonprofits like King County Housing Authority.

# Protect Existing Affordable Housing Stock

Preserving older apartment communities that are naturally affordable is an important piece of the affordable housing puzzle. This is something King County Housing Authority (KCHA) has done well and has preserved 6,000 units over the course of many years. These units tend to rent for $300-$500/month below market and they only raise rents when needed to cover maintenance and operations – the rent increases are uncoupled from market pressures. However, as KCHA has explained in the past, operations and maintenance costs are rising twice as fast as incomes. To protect these lower rents long term, we need to buffer the increases to those areas. For new units, LEED greatly reduces both over the long term.

Average new construction 1 bedroom, downtown Redmond: $1,900 - $2,300

Parkside Apartments, Built 1977
$1,395 1 Bedroom

Shadowbrook, Built 1986
$1,477 1 Bedroom

Summerwood Apartments, Built 1985
KCHA, subsidized housing

Redmond Hill Apartments, Built 1987
$1,388 1 Bedroom

The Colony at Bear Creek, Built 1990
$1,435 1 Bedroom

Parkway Apartments, Built 1971
KCHA, subsidized housing

Rental rates per Apartments.com, January 2019

# Creating New Workforce Housing

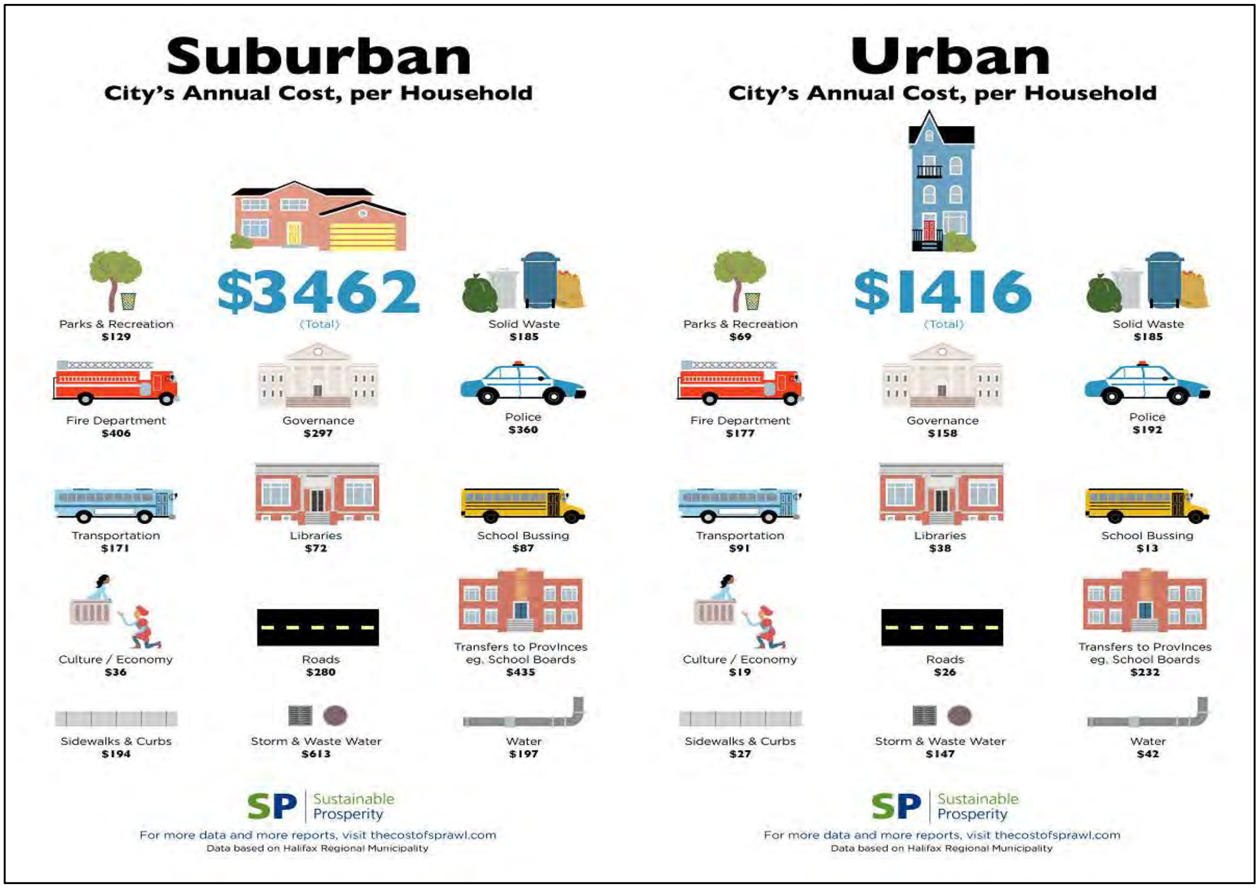

As there are simply not enough existing affordable housing units to even come close to meeting the need of all of our low- and middle-income families, creating new workforce housing communities must take the lion's share of the solution.

The key points to focus on are:

- Where: these communities must be located where overall family budgets are reduced, not simply moving funds from housing to other costs like transportation.
- Cost: Ultimately, the cost per unit of housing needs to be reduced in order to build even a fraction of the units needed, now and in the next twenty years.
- Financing: The cost to build this many units vastly outstrips the ability for nonprofits to win state and local funding, whose budgets are already maxed out. To scale workforce housing beyond its current pace, private development, both local and national, will need to be enticed to build in a meaningful way. In order to do so, the projects must be financeable.

# City Annual Cost Per Household (Location Matters)

Ten Minute Communities are more walkable and closer together than more traditional suburban neighborhoods and thus more people can be served by the same number of roads, sidewalks, and utility lines, and police/fire do not have to travel as far.



# City of Kirkland Housing Survey, 2017

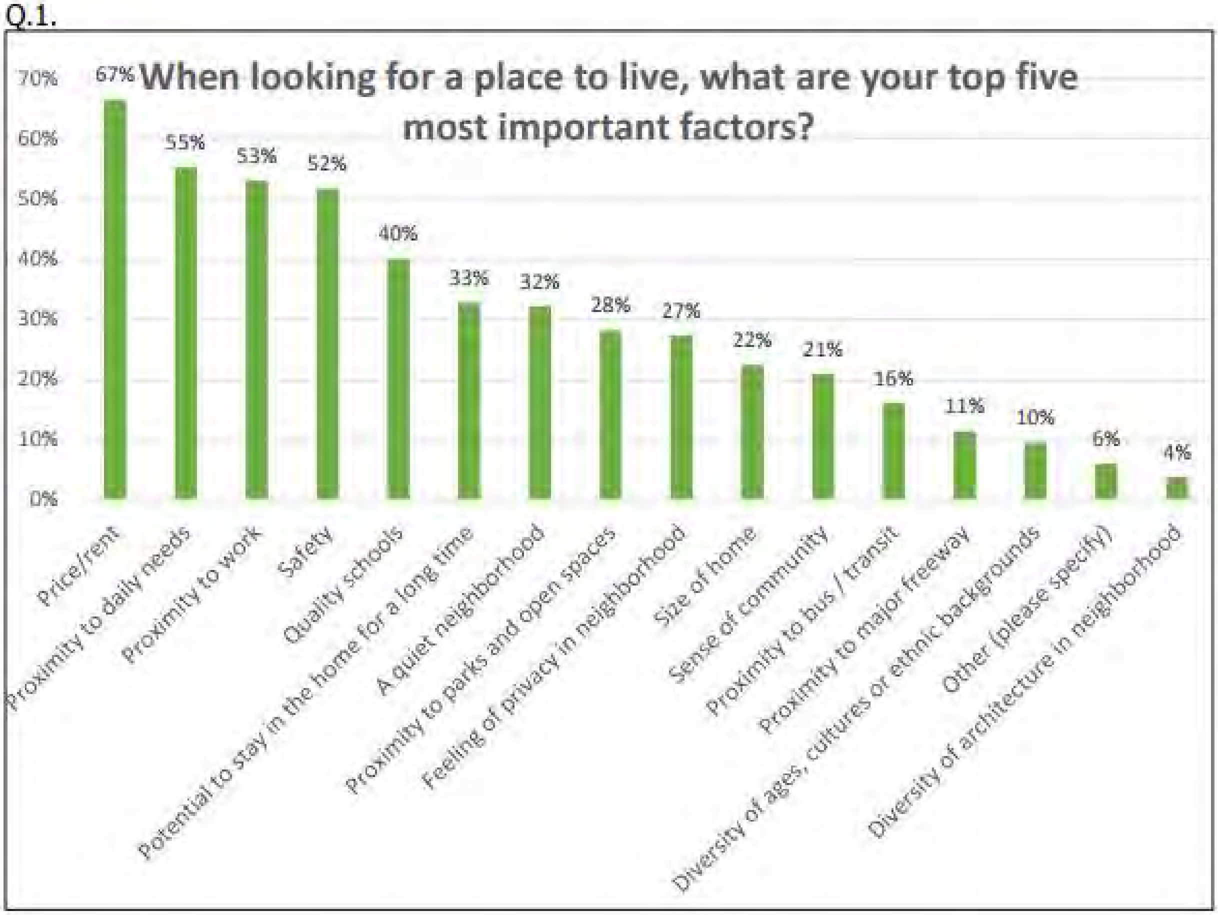
1400 Respondents

Residents say they most want:

- Affordable housing
- To live near daily needs
- To live near work

*Ten Minute Communities meets these needs preferred by many, once the price factor is met.*

Q.1.



# Housing + Transportation Index

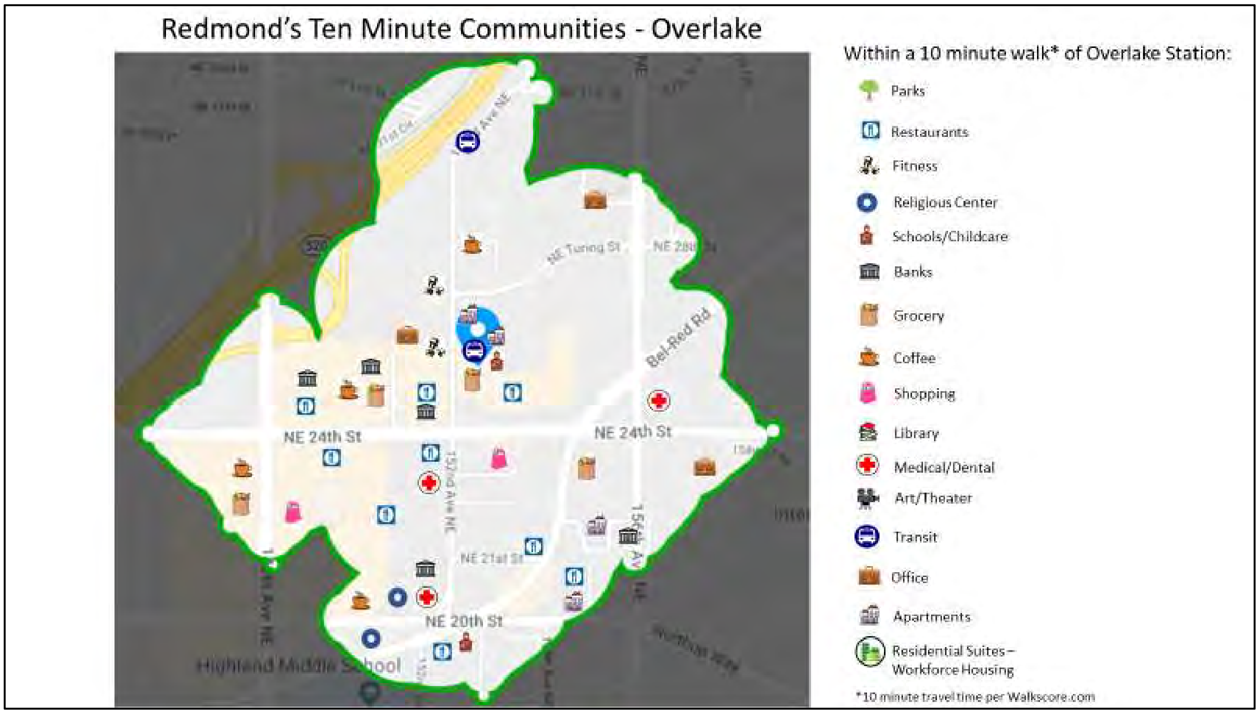
The Value of 10 Minute Communities to Affordability


- People who live in location-efficient neighborhoods have lower transporation costs.
- This allows more money for other things after paying for housing and transportation.
- Less traffic because even car owners walk or use transit frequently.
- The H+T Index combines housing and transporation costs and sets the benchmark at no more than 45% of household income.
- Workforce housing located in Ten Minute Communities creates an opportunity for middle income workers to actually reach that 45% goal. They are simply more affordable to workforce housing budgets.
- This creates a better quality of life and better household budgets for our local employees and gives them the opportunity to live in the community they work.

The Housing and Transportation (H+T®) Affordability Index provides a comprehensive view of affordability, one that includes the cost of housing and transportation at the neighborhood level.

The Index is part of a broader effort to explore urban sustainability through location efficiency. Learn more about the ideas, tools, development strategies and policies behind location efficiency at CNT's Location Efficiency Hub.

# Ten Minute Communities – Maps


**Monroe – Where Are The Jobs?**

Ten Minute Communities work when housing, services, AND jobs all reside together – otherwise residents must get in their cars to travel to work every day. As we learned from Snohomish County, their largest park and ride turned TOD community still had a lot of cars – people there were no services nearby. Even if you can get to work via transit, you still need to get to the grocery store, the doctor, the dentist, childcare, restaurants, the gym, the library, etc, etc, etc…

# Ten Minute Community Locations (Zoning Map)


# The Effect of Car Ownership on Workforce Budgets

60% AMI ($43,428/year):

| 60% AMI $3,619/mo | Standard % of budget | Standard breakdown (car) | Bike only* | Transit only* | Bike + transit* |
|---|---|---|---|---|---|
| **Housing** | 30% | $1,086 | $1,608 | $1,538 | $1,509 |
| **Transportation** | 18% | $651 | $129 | $199 | $228 |
| **Total H + T** | 48% | $1,737 | $1,737 | $1,737 | $1,737 |

80% AMI ($57,904/year):

| 80% AMI $4,825/mo | Standard % of budget | Standard breakdown (car) | Bike only* | Transit only* | Bike + transit* |
|---|---|---|---|---|---|
| **Housing** | 30% | $1,448 | $1,608 | $1,538 | $1,509 |
| **Transportation** | 18% | $869 | $129 | $199 | $228 |
| **Total H + T** | 48% | $2,317 | $2,317 | $2,317 | $2,317 |

100% AMI ($72,380/year):

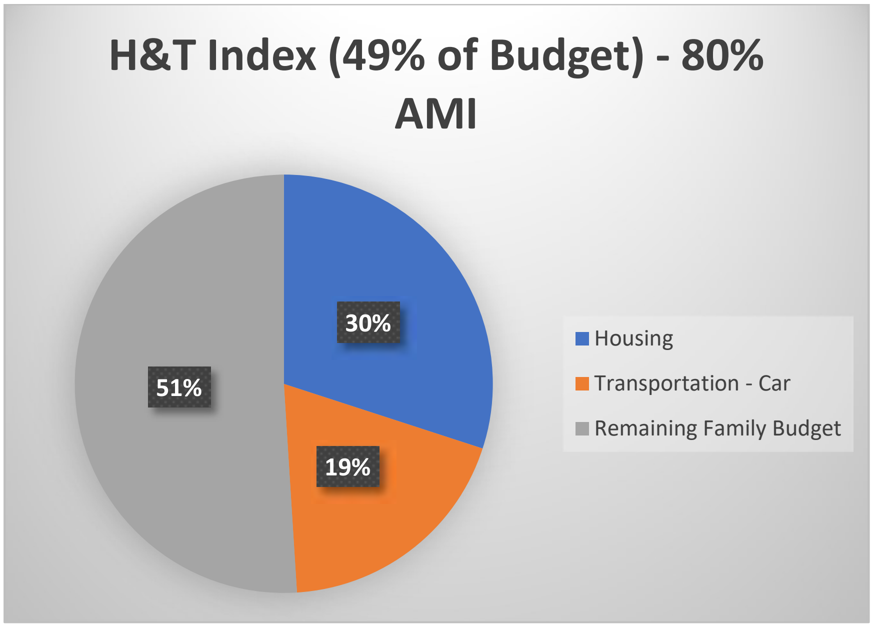
| 80% AMI $6,032/mo | Standard % of budget | Standard breakdown (car) | Bike only* | Transit only* | Bike + transit* |
|---|---|---|---|---|---|
| **Housing** | 30% | $1,810 | $2,767 | $2,697 | $2,688 |
| **Transportation** | 18% | $1,086 | $129 | $199 | $228 |
| **Total H + T** | 48% | $2,896 | $2,896 | $2,896 | $2,896 |

Per Imagine Housing, Tasks and Challenges of Affordable Housing Development (See Section 09 Nonprofit and Affordable Housing Initiatives):

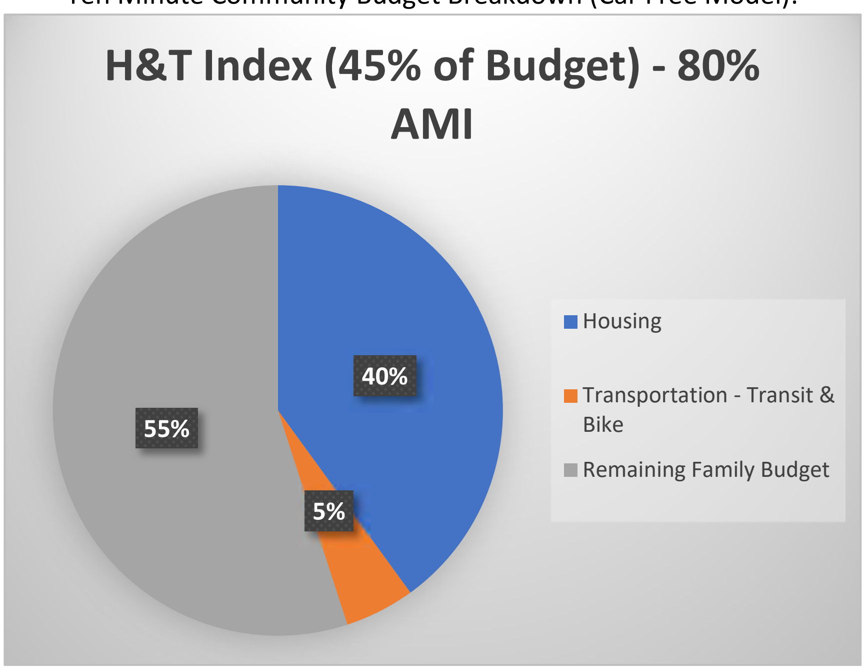
> If an affordable housing building has 130 units and the parking stall requirement is one stall to one unit, 130 parking stalls are required at a cost to the public funders of $1,300,000. If the parking stall requirement is decreased to 0.5 to one unit, 65 stalls are required at a cost to the funders of $650,000. This saves $650,000 in public funds, which funds and leverages other funds to create another ~6 units of affordable housing.
>
> By not granting higher waivers for parking requirements for affordable housing at TOD locations, the City is saying they prioritize cars over housing people.

# The Effect of Car Ownership on Workforce Budgets

Traditional Budget Breakdown (Car Ownership Model):




Ten Minute Community Budget Breakdown (Car Free Model):



# The True Cost of Car Ownership: AAA Data, 2017

*Parking is not affordable. Cars are not affordable.*

*It's a luxury. And if it's not, it's a burden.*

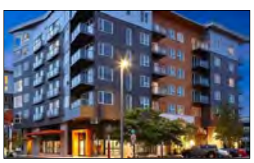
10 Minute
COMMUNITY
EVERYTHING YOU NEED - A WALK AWAY.

# What Are Ten Minute Communities?

Ten Minute Communities are green and walkable, within a ten minute walk of:

Superior Transit* - Putting a dent in jammed freeways and streets

Jobs – Near housing, transit, and services



Workforce Housing – Choices for our teachers, firefighters, service providers to live close to where they work

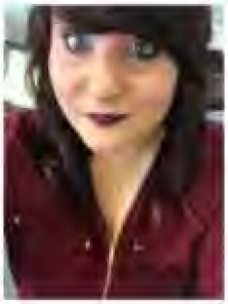
Services – Walkable to regular daily needs: grocery, doctor, childcare, parks, restaurants…

Community – Provides wonderful choices for all of our residents to enjoy walkable, sustainable downtowns filled with events, retail, and parks

*Redmond has four light rail stations coming to: Overlake (2023, 2023), Downtown (2024), and SE Redmond (2024)

# Workforce Housing in Action: Resident Testimonials

Affordable workforce housing in Ten Minute Communities gives people options.



Last year I was living in Lake Stevens which is normally a 40-minute drive from Redmond. I was waking up at 5:30am to get ready for work and to get to my office by 9:00am. My morning commute was around 2-2 ½ hours. My commute home could sometimes take up to 4 hours. I would spend around $50 a week on gas having to commute back and forth. Living at the community in Redmond has given me so much more time before and after work. I can save $200 a month and put towards things I may need or pay off some debt.

-Kelly [redacted]

I lived in Monroe and was commuting to Redmond for work. I already had to wake up early to get to work. To avoid traffic, I would have to wake up even earlier and still got stuck. I really enjoy my sleep and felt like I was getting none. The area around the community is perfect! Everything is close by and I don't have to drive my car to get many places. The sense of community at [redacted] is awesome, I have made so many new friends. Other than not having the long commute to work the price for the apartments is perfect and doesn't break the bank.

-Paige [redacted]

We moved to Kirkland to be closer to our work and not have a long commute. Having the transportation hub only a couple blocks away is perfect. Claire takes the bus to and from work which really cuts down her commute time. We are within walking distance of grocery stores, restaurants, and the water. We have been able to pay off a lot of debt by saving money with the lower rental rates at [redacted]

-Matt & Claire [redacted]

# The Financial Problem of Workforce Housing Creation

Negative Returns – The Numbers Just Don't Work.

*To fund workforce housing, we must reduce the cost per unit.*

<u>Example: $35,000,000 – 100 Unit Project</u>

**Current Inclusionary Housing Code no MFTE(90% market rents/10% affordable rents)**

Profit on exit: $4,101,053

Return on equity: 9.2%

**Workforce Housing Communities, Baseline – no changes from current code with MFTE (50% market rents/50% affordable rents at 60% and 80% AMI)**

Profit on exit: ($5,975,421)

Return on equity: (-14%)

**Workforce Housing Communities, difference from 90/10 inclusionary – no changes from current code (50% market rents/50% affordable rents at 60% and 80% AMI)**

Profit on exit-difference: ($10,076,474)

Return on equity-difference: (23.2%)

**Full proformas follow**

## Goal: To achieve long term affordabiity - reduce the per unit cost of housing

| | | | | | |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | **Current Housing code 90/10** | | | |
| 4 | | | | | |
| 5 | | 10 | **80% AMI** | **Workforce Housing Units** | |
| 6 | | | | | |
| 7 | | 90 | **Market Rate Units** | | |
| 8 | **RENT** | | | | |
| 9 | | | | | |
| 10 | | Type | Qty | Ave SF | Rent* |
| 11 | Studio | Market Rate | 22 | 500 | $1,850 |
| 12 | | Workforce Rate | 3 | 500 | $1,320 |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | 1BR | Market Rate | 46 | 750 | $2,200 |
| 17 | | Workforce Rate | 4 | 750 | $1,503 |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| 21 | 2BR | Market Rate | 22 | 1,100 | $2,500 |
| 22 | | Workforce Rate | 3 | 1,100 | $1,675 |
| 23 | | | | | |
| 24 | | | | | |
| 25 | | | | | |
| 26 | Total | | **100** | 742 | $2,119 |
| 27 | | | | | |
| 28 | **Other income** | $150 | Per unit | (including parking) | |
| 29 | **Expenses** | $7,000 | Per unit | | |
| 30 | | | | | |
| 31 | **COST** | | Per unit | | |
| 32 | | | Cost | | |
| 33 | Land | $5,000,000 | $50,000 | | |
| 34 | Muni Fees | 1,500,000 | 15,000 | | |
| 35 | | | | | |
| 36 | | | | | |
| 37 | | | | | |
| 38 | | | | | |
| 39 | Soft + Financing | 6,000,000 | 60,000 | | |
| 40 | Hard + Contingency | 22,500,000 | 225,000 | | |
| 41 | | | | | |
| 42 | Total | $35,000,000 | $350,000 | Per unit costs | |
| 43 | | | | | |
| 44 | Debt | $20,125,000 | 57.5% | | |
| 45 | Equity | $14,875,000 | 42.5% | | |
| 46 | Total | $35,000,000 | 100% | | |
| 47 | | | | | |
| 48 | | | | | |
| 49 | **CASH FLOW** | | | | |
| 50 | | | | | |
| 51 | | **Annual** | | | |
| 52 | Rental Income | $2,542,764 | | | |
| 53 | Other Income | 180,000 | | | |
| 54 | Vacancy | (136,138) | 5% vacancy | | |
| 55 | Effective Gross Incom | **2,586,626** | | | |
| 56 | Expenses | (700,000) | | | |
| 57 | | | | | |
| 58 | Net Operating Income | **$1,886,626** | | | |
| 59 | | | | | |
| 60 | **VALUE** | | | | |
| 61 | | | | | |
| 62 | Net Operating Income | $1,886,626 | | | |
| 63 | Cap Rate | 4.83% | | | |
| 64 | Gross Value | $39,101,053 | | | |
| 65 | | | | | |
| 66 | **GROSS PROFIT** | | | | |
| 67 | | | | | |
| 68 | Return on Cost | 5.4% | ****Current returns are sub par.** | | |
| 69 | | | **Minimum returns should be 5.75%** | | |
| 70 | | | **to "north" of 6% for risk capital** | | |
| 71 | Profit on Exit | $4,101,053 | | | |
| 72 | Return on Equity | 9.2% | **Return on Equity should be 10-15%** | | |
| 73 | | | **annual returns to attract risk capital** | | |
| 74 | *maximum rent after all allowances, per ARCH | | | | |
| 75 | **Per institutional investors, local investors and lenders-reason for current | | | | |
| 76 | permit slow down | | | | |
| 77 | Costs based on beginning of 2018 | | | | |
| 78 | Gifted land is not considered in proformas | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 3 | | **Workforce Housing Option 70/30** | | | | | | | |
| 4 | 3 | **60% AMI** | **Workforce Housing Units** | | | | 12 | | |
| 5 | 18 | **80% AMI** | **Workforce Housing Units** | | | | | | |
| 6 | 16 | **100% AMI** | **Workforce Housing Units** | | | | | | |
| 7 | 85 | **Market Rate Units** | | | | **Per** | **Per** | **All** | **All** |
| 8 | **RENT** | | | | | **Unit** | **Unit** | **Units** | **Units** |
| 9 | | | | | | **Monthly** | **Annual** | **Annual** | **Annual** |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | **Income** |
| 11 | Studio | 60% AMI | 1 | 500 | $958 | $892 | $10,704 | $10,704 | $11,496 |
| 12 | | 80% AMI | 7 | 500 | $1,320 | $530 | $6,360 | $44,520 | $110,880 |
| 13 | | 100% AMI | 4 | 500 | $1,682 | $168 | $2,016 | $8,064 | $80,736 |
| 14 | | Market Rate | 28 | 500 | $1,850 | | | | $621,600 |
| 16 | 1BR | 60% AMI | 1 | 750 | $1,090 | $1,110 | $13,320 | $13,320 | $13,080 |
| 17 | | 80% AMI | 7 | 750 | $1,503 | $697 | $8,364 | $58,548 | $126,252 |
| 18 | | 100% AMI | 9 | 750 | $1,917 | $283 | $3,396 | $30,564 | $207,036 |
| 19 | | Market Rate | 43 | 750 | $2,200 | | | | $1,135,200 |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 |
| 22 | | 80% AMI | 4 | 1,100 | $1,675 | $825 | $9,900 | $39,600 | $80,400 |
| 23 | | 100% AMI | 3 | 1,100 | $2,141 | $359 | $4,308 | $12,924 | $77,076 |
| 24 | | Market Rate | 14 | 1,100 | $2,500 | | | | $420,000 |
| 25 | | Annual Rent Savings | | | | | | $233,724 | |
| 26 | Total | | **122** | 605 | $1,980 | | | $526.41 | **Average monthly savings** |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | |
| 32 | | | Cost | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.1% | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.2% | | | | | |
| 35 | Fees reduced-1% cost | (391,250) | (3,207) | -1.1% | | | | | |
| 36 | Parking to TMP need | (814,000) | (6,672) | -2.3% | $55,000 per stall for lowest level stall costs | | | | |
| 37 | Wise standard modifications*4 | (374,625) | (3,071) | -1.1% | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.4% | | | | | |
| 39 | Soft + Financing*1 | 7,320,000 | 60,000 | 20.6% | | | | | |
| 40 | LEED additional 5% *5 | 1,248,750 | 10,236 | 3.5% | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 70.4% | | | | | |
| 42 | Total | $35,476,095 | $290,788 | 100.0% | Significant per unit reduced costs | | | | |
| 44 | Debt | $19,511,852 | 55% | | | | | | |
| 45 | Equity | $15,964,243 | 45% | | | | | | |
| 46 | Total | $35,476,095 | 100% | | | | | | |
| 49 | **CASH FLOW** | | | | | | | | |
| 51 | | **Annual** | | | | | | | |
| 52 | Rental Income | $2,898,276 | | | | | | | |
| 53 | Other Income | 213,012 | 97% other income for smaller units-same building size | | | | | | |
| 54 | Vacancy | (140,008) | 4.5% vacancy | | | | | | |
| 55 | Effective Gross Income | **2,971,280** | | | | | | | |
| 56 | Expenses | (828,380) | 97% costs for smaller units-same property size | | | | | | |
| 58 | Net Operating Income | **$2,142,900** | | | | | | | |
| 60 | **VALUE** | | | | | | | | |
| 62 | Net Operating Income | $2,142,900 | | | | | | | |
| 63 | Cap Rate | 5.25% | Assumes limited rent growth | | | | | | |
| 64 | Gross Value | $40,817,144 | for workforce housing units | | | | | | |
| 66 | **GROSS PROFIT** | | | | | | | | |
| 68 | Return on Cost | 6.0% | | | | | | | |
| 71 | Profit on Exit | $5,341,049 | | | | | | | |
| 72 | Return on Equity | 11.2% | | | | | | | |
| 74 | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | | | | | | | |
| 75 | *[2] Est. present value | | | | | | | | |
| 76 | *[3] the savings per unit creates ability to create lower rents | | | | | | | | |
| 77 | * Parking .4 less than market rate at .9 =.5 based on need | | | | | | | | |
| 78 | (savings per unit is $10,000 all units or $20,000 for WFH) | | | | | | | | |
| | *4 Faster permitting, modify to best standards-1.5% of hard costs | | | | | | | | |
| | *5 Protects long term operational increases | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 3 | | **Workforce Housing Option 50/50** | | | | | | | |
| 4 | 5 | **60% AMI** | **Workforce Housing Units** | | | | 12 | | |
| 5 | 23 | **80% AMI** | **Workforce Housing Units** | | | | | | |
| 6 | 33 | **100% AMI** | **Workforce Housing Units** | | | | | | |
| 7 | 61 | **Market Rate Units** | | | | **Per** | **Per** | **All** | **All** |
| 8 | **RENT** | | | | | **Unit** | **Unit** | **Units** | **Units** |
| 9 | | | | | | **Monthly** | **Annual** | **Annual** | **Annual** |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | **Income** |
| 11 | Studio | 60% AMI | 2 | 500 | $958 | $892 | $10,704 | $21,408 | $22,992 |
| 12 | | 80% AMI | 9 | 500 | $1,320 | $530 | $6,360 | $57,240 | $142,560 |
| 13 | | 100% AMI | 8 | 500 | $1,682 | $168 | $2,016 | $16,128 | $161,472 |
| 14 | | Market Rate | 20 | 500 | $1,850 | $444,000 | | | $444,000 |
| 16 | 1BR | 60% AMI | 2 | 750 | $1,090 | $1,110 | $13,320 | $26,640 | $26,160 |
| 17 | | 80% AMI | 12 | 750 | $1,503 | $697 | $8,364 | $100,368 | $216,432 |
| 18 | | 100% AMI | 17 | 750 | $1,917 | $283 | $3,396 | $57,732 | $391,068 |
| 19 | | Market Rate | 29 | 750 | $2,200 | $765,600 | | | $765,600 |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 |
| 22 | | 80% AMI | 2 | 1,100 | $1,675 | $825 | $9,900 | $19,800 | $40,200 |
| 23 | | 100% AMI | 8 | 1,100 | $2,141 | $359 | $4,308 | $34,464 | $205,536 |
| 24 | | Market Rate | 12 | 1,100 | $2,500 | $360,000 | | | $360,000 |
| 25 | | Annual Rent Savings | | | | | | $349,260 | |
| 26 | Total | | **122** | 628 | $1,906 | | | $477.13 | **Average monthly savings** |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | |
| 32 | | | Cost | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.7% | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.4% | | | | | |
| 35 | Fees reduced-3% cost | (1,173,750) | (9,621) | -3.4% | | | | | |
| 36 | Parking to TMP need* | (1,342,000) | (11,000) | -3.9% | $55,000 per stall for lowest level stall costs | | | | |
| 37 | Wise standard modifications*4 | (499,500) | (4,094) | -1.5% | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.7% | | | | | |
| 39 | Soft + Financing*[1] | 7,320,000 | 60,000 | 21.5% | | | | | |
| 40 | LEED additional 5% | 1,248,750 | 10,236 | 3.7% | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 73.4% | | | | | |
| 42 | Total | $34,040,720 | $279,022 | 100.0% | Significant per unit reduced costs | | | | |
| 44 | Debt | $18,722,396 | 55% | | | | | | |
| 45 | Equity | $15,318,324 | 45% | | | | | | |
| 46 | Total | $34,040,720 | 100% | | | | | | |
| 49 | **CASH FLOW** | | | | | | | | |
| 51 | | **Annual** | | | | | | | |
| 52 | Rental Income | $2,790,540 | | | | | | | |
| 53 | Other Income | 208,620 | 95% other income for smaller units-same building size | | | | | | |
| 54 | Vacancy | (119,966) | 4% vacancy | | | | | | |
| 55 | Effective Gross Income | **2,879,194** | | | | | | | |
| 56 | Expenses | (811,300) | 95% costs for smaller units-same property size | | | | | | |
| 58 | Net Operating Income | **$2,067,894** | | | | | | | |
| 60 | **VALUE** | | | | | | | | |
| 62 | Net Operating Income | $2,067,894 | | | | | | | |
| 63 | Cap Rate | 5.35% | Assumes limited rent growth | | | | | | |
| 64 | Gross Value | $38,652,217 | for workforce housing units | | | | | | |
| 66 | **GROSS PROFIT** | | | | | | | | |
| 68 | Return on Cost | 6.1% | | | | | | | |
| 71 | Profit on Exit | $4,611,497 | | | | | | | |
| 72 | Return on Equity | 10.0% | | | | | | | |
| 74 | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | | | | | | | |
| 75 | *[2] Est. present value | | | | | | | | |
| 76 | *[3] the savings per unit creates ability to create lower rents | | | | | | | | |
| 77 | * Parking .4 less than market rate at .9 =.5 based on need | | | | | | | | |
| 78 | (savings per unit is $10,000 all units or $20,000 for WFH) | | | | | | | | |
| | *4 Faster permitting, modify to best standards-2% of hard costs | | | | | | | | |
| | *5 Protects long term operational increases | | | | | | | | |

01 Base

Base

## 100% Market Rate

100 Market Rate Units
0 Workforce Housing Units

**RENT**

**Base Rent**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | Market Rate | 25 | 500 | $1,850 |
| | Workforce Rate | | | |
| 1BR | Market Rate | 50 | 750 | $2,200 |
| | Workforce Rate | | | |
| 2BR | Market Rate | 25 | 1,100 | $2,500 |
| | Workforce Rate | | | |
| Total | | 100 | 775 | $2,188 |

| | | |
|---|---|---|
| **Other income** | $150 | Per unit (including parking) |
| **Expenses** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni Fees | 1,500,000 | 15,000 |
| Soft + Financing | 6,000,000 | 60,000 |
| Hard + Contingency | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | |
|---|---|---|
| Debt | $21,000,000 | 60% |
| Equity | $14,000,000 | 40% |
| Total | $35,000,000 | 100% |

**CASH FLOW**

| | Annual |
|---|---|
| Rental Income | $2,625,000 |
| Other Income | 180,000 |
| Vacancy | (140,250) |
| Effective Gross Income | **2,664,750** |
| Expenses | (700,000) |
| Net Operating Income | **$1,964,750** |

**VALUE**

| | |
|---|---|
| Net Operating Income | $1,964,750 |
| Cap Rate | 4.75% |
| Gross Value | $41,363,158 |

**RETURNS**

| | |
|---|---|
| Return on Cost | 5.6% |
| Profit on Exit | $6,363,158 |
| Return on Equity | 15% |
| Annual return / 3 years | |

## Workforce Housing Option 1

90 Market Rate Units
10 Workforce Housing Units

**RENT**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | Market Rate | 22 | 500 | $1,850 |
| | Workforce Rate | 3 | 500 | $1,320 |
| 1BR | Market Rate | 46 | 750 | $2,200 |
| | Workforce Rate | 4 | 750 | $1,503 |
| 2BR | Market Rate | 22 | 1,100 | $2,500 |
| | Workforce Rate | 3 | 1,100 | $1,675 |
| Total | | 100 | 742 | $2,119 |

| | | |
|---|---|---|
| **Other income** | $150 | Per unit (including parking) |
| **Expenses** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni Fees | 1,500,000 | 15,000 |
| Soft + Financing | 6,000,000 | 60,000 |
| Hard + Contingency | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | | |
|---|---|---|---|
| Debt | $20,125,000 | 58% | Assumes limited rent growt |
| Equity | $14,875,000 | 43% | for workforce housing unit: |
| Total | $35,000,000 | 100% | |

**CASH FLOW**

| | Annual |
|---|---|
| Rental Income | $2,542,764 |
| Other Income | 180,000 |
| Vacancy | (136,138) |
| Effective Gross Inco | **2,586,626** |
| Expenses | (700,000) |
| Net Operating Incor | **$1,886,626** |

**VALUE**

| | | |
|---|---|---|
| Net Operating Incor | $1,886,626 | |
| Cap Rate | 4.83% | Assumes limited rent growth |
| Gross Value | $39,101,053 | for workforce housing units |

**GROSS PROFIT**

| | |
|---|---|
| Return on Cost | 5.4% |
| Profit on Exit | $4,101,053 |
| Return on Equity | 9% |

*maximum rent after all allowances, per ARCH

01 Base

## Workforce Housing Option 2

80 Market Rate Units
20 Workforce Housing Units

**RENT**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | Market Rate | 19 | 500 | $1,850 |
| | Workforce Rate | 6 | 500 | $1,320 |
| 1BR | Market Rate | 42 | 750 | $2,200 |
| | Workforce Rate | 8 | 750 | $1,503 |
| 2BR | Market Rate | 19 | 1,100 | $2,500 |
| | Workforce Rate | 6 | 1,100 | $1,675 |
| Total | | 100 | 709 | $2,050 |

| | | |
|---|---|---|
| **Other income** | $150 | Per unit (including parking) |
| **Expenses** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni Fees | 1,500,000 | 15,000 |
| Soft + Financing | 6,000,000 | 60,000 |
| Hard + Contingen | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | | |
|---|---|---|---|
| Debt | $19,250,000 | 55% | Assumes limited rent growth |
| Equity | $15,750,000 | 45% | for workforce housing units |
| Total | $35,000,000 | 100% | |

**CASH FLOW**

| | Annual |
|---|---|
| Rental Income | $2,460,528 |
| Other Income | 180,000 |
| Vacancy | (132,026) |
| Effective Gross In | **2,508,502** |
| Expenses | (700,000) |
| Net Operating Inc | **$1,808,502** |

**VALUE**

| | | |
|---|---|---|
| Net Operating Inc | $1,808,502 | |
| Cap Rate | 5.00% | Assumes limited rent growth |
| Gross Value | $36,170,032 | for workforce housing units |

**GROSS PROFIT**

| | |
|---|---|
| Return on Cost | 5.2% |
| Profit on Exit | $1,170,032 |
| Return on Equity | 2% |

## Workforce Housing Option 3

60% AMI Workforce Housing Units
80% AMI Workforce Housing Units
100% AMI Workforce Housing Units

**RENT**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | 60% AMI | 4 | 500 | $958 |
| | 80% AMI | 6 | 500 | $1,320 |
| | 100% AMI | 3 | 500 | $1,682 |
| | Market Rate | 12 | 500 | $1,850 |
| 1BR | 60% AMI | 7 | 750 | $1,090 |
| | 80% AMI | 12 | 750 | $1,503 |
| | 100% AMI | 6 | 750 | $1,917 |
| | Market Rate | 25 | 750 | $2,200 |
| 2BR | 60% AMI | 4 | 1,100 | $1,210 |
| | 80% AMI | 6 | 1,100 | $1,675 |
| | 100% AMI | 3 | 1,100 | $2,141 |
| | Market Rate | 12 | 1,100 | $2,500 |
| Total | | 100 | 643 | $1,825 |

| | | |
|---|---|---|
| **Other i** | $150 | Per unit (including parking) |
| **Expens** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni F | 1,500,000 | 15,000 |
| Soft + I | 6,000,000 | 60,000 |
| Hard + | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | | |
|---|---|---|---|
| Debt | $19,250,000 | 55% | Assumes limited rent growth |
| Equity | $15,750,000 | 45% | for workforce housing units |
| Total | $35,000,000 | 100% | |

**CASH FLOW**

| | Annual |
|---|---|
| Rental | $2,189,748 |
| Other I | 180,000 |
| Vacanc | (118,487) |
| Effectiv | **2,251,261** |
| Expens | (700,000) |
| Net Op | **$1,551,261** |

**VALUE**

| | | |
|---|---|---|
| Net Op | $1,551,261 | |
| Cap Ra | 5.25% | Assumes limited rent growth |
| Gross \ | $29,547,821 | for workforce housing units |

**GROSS PROFIT**

| | |
|---|---|
| Return | 4.4% |
| Profit o | ($5,452,179) |
| Return | -12% |

## Workforce Housing Option 4

60% AMI Workforce Housing Units
80% AMI Workforce Housing Units
100% AMI Workforce Housing Units

**RENT**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | 60% AMI | 2 | 500 | $958 |
| | 80% AMI | 6 | 500 | $1,320 |
| | 100% AMI | 5 | 500 | $1,682 |
| | Market Rate | 12 | 500 | $1,850 |
| 1BR | 60% AMI | 3 | 750 | $1,090 |
| | 80% AMI | 12 | 750 | $1,503 |
| | 100% AMI | 10 | 750 | $1,917 |
| | Market Rate | 25 | 750 | $2,200 |
| 2BR | 60% AMI | 2 | 1,100 | $1,210 |
| | 80% AMI | 6 | 1,100 | $1,675 |
| | 100% AMI | 5 | 1,100 | $2,141 |
| | Market Rate | 12 | 1,100 | $2,500 |
| Total | | 100 | 643 | $1,891 |

| | | |
|---|---|---|
| **Other income** | $150 | Per unit (including parking) |
| **Expenses** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni Fees | 1,500,000 | 15,000 |
| Soft + Financing | 6,000,000 | 60,000 |
| Hard + Continge | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | | |
|---|---|---|---|
| Debt | $19,250,000 | 55% | Assumes limited rent grow |
| Equity | $15,750,000 | 45% | for workforce housing unit |
| Total | $35,000,000 | 100% | |

**CASH FLOW**

| | Annual |
|---|---|
| Rental Income | $2,269,164 |
| Other Income | 180,000 |
| Vacancy | (122,458) |
| Effective Gross I | **2,326,706** |
| Expenses | (700,000) |
| Net Operating In | **$1,626,706** |

**VALUE**

| | | |
|---|---|---|
| Net Operating In | $1,626,706 | |
| Cap Rate | 5.25% | Assumes limited rent growth |
| Gross Value | $30,984,872 | for workforce housing units |

**GROSS PROFIT**

| | |
|---|---|
| Return on Cost | 4.6% |
| Profit on Exit | ($4,015,128) |
| Return on Equity | -8% |

## Workforce Housing Option 5

60% AMI Workforce Housing Units
80% AMI Workforce Housing Units
100% AMI Workforce Housing Units

**RENT**

| | Type | Qty | Ave SF | Rent* |
|---|---|---|---|---|
| Studio | 60% AMI | 2 | 500 | $958 |
| | 80% AMI | 4 | 500 | $1,320 |
| | 100% AMI | 7 | 500 | $1,682 |
| | Market Rate | 12 | 500 | $1,850 |
| 1BR | 60% AMI | 2 | 750 | $1,090 |
| | 80% AMI | 10 | 750 | $1,503 |
| | 100% AMI | 14 | 750 | $1,917 |
| | Market Rate | 25 | 750 | $2,200 |
| 2BR | 60% AMI | 1 | 1,100 | $1,210 |
| | 80% AMI | 4 | 1,100 | $1,675 |
| | 100% AMI | 7 | 1,100 | $2,141 |
| | Market Rate | 12 | 1,100 | $2,500 |
| Total | | 100 | 640 | $1,931 |

| | | |
|---|---|---|
| **Other income** | $150 | Per unit (including parking) |
| **Expenses** | $7,000 | Per unit |

**COST**

| | | per unit |
|---|---|---|
| Land | $5,000,000 | $50,000 |
| Muni Fees | 1,500,000 | 15,000 |
| Soft + Financing | 6,000,000 | 60,000 |
| Hard + Contingency | 22,500,000 | 225,000 |
| Total | $35,000,000 | $350,000 |

| | | | |
|---|---|---|---|
| Debt | $19,250,000 | 55% | Assumes limited rent growth |
| Equity | $15,750,000 | 45% | for workforce housing units |
| Total | $35,000,000 | 100% | |

**CASH FLOW**

| | Annual |
|---|---|
| Rental Income | $2,317,380 |
| Other Income | 180,000 |
| Vacancy | (124,869) |
| Effective Gross Inco | **2,372,511** |
| Expenses | (700,000) |
| Net Operating Incor | **$1,672,511** |

**VALUE**

| | | |
|---|---|---|
| Net Operating Incor | $1,672,511 | |
| Cap Rate | 5.25% | Assumes limited rent growth |
| Gross Value | $31,857,352 | for workforce housing units |

**GROSS PROFIT**

| | |
|---|---|
| Return on Cost | 4.8% |
| Profit on Exit | ($3,142,648) |
| Return on Equity | -7% |

*Land & Soft/Financing fixed. Muni & hard costs up by 50% for additional 10 units.

MFTE Cost reduction only analysis for current code

**1/2 units at 60% and 80% AMI with MFTE**

## Workforce Housing Option 50/50

| | | | |
|---|---|---|---|
| 24 | 60% AMI | Workforce Housing Units | 12 |
| 26 | 80% AMI | Workforce Housing Units | |
| 0 | 100% AMI | Workforce Housing Units | |
| 50 | Market Rate Units | | |

| RENT | Type | Qty | Ave SF | Rent* | Per Unit Monthly Savings | Per Unit Annual Savings | All Units Annual Savings | All Units Annual Income |
|---|---|---|---|---|---|---|---|---|
| Studio | 60% AMI | 9 | 500 | $958 | $892 | $10,704 | $96,336 | $103,464 |
| | 80% AMI | 10 | 500 | $1,320 | $530 | $6,360 | $63,600 | $158,400 |
| | 100% AMI | 0 | 500 | $1,682 | $168 | $2,016 | $0 | $0 |
| | Market Rate | 20 | 500 | $1,850 | $444,000 | | | $444,000 |
| 1BR | 60% AMI | 12 | 750 | $1,090 | $1,110 | $13,320 | $159,840 | $156,960 |
| | 80% AMI | 13 | 750 | $1,503 | $697 | $8,364 | $108,732 | $234,468 |
| | 100% AMI | 0 | 750 | $1,917 | $283 | $3,396 | $0 | $0 |
| | Market Rate | 22 | 750 | $2,200 | $580,800 | | | $580,800 |
| 2BR | 60% AMI | 3 | 1,100 | $1,210 | $1,290 | $15,480 | $46,440 | $43,560 |
| | 80% AMI | 3 | 1,100 | $1,675 | $825 | $9,900 | $29,700 | $60,300 |
| | 100% AMI | 0 | 1,100 | $2,141 | $359 | $4,308 | $0 | $0 |
| | Market Rate | 8 | 1,100 | $2,500 | $240,000 | | | $240,000 |
| | Annual Rent Savings | | | | | | $504,648 | |
| Total | | 100 | 614 | $1,685 | | | $841.08 | Average monthly saving |

| | | | |
|---|---|---|---|
| **Other income** | $150 | Per unit | (including parking) |
| **Expenses** | $7,000 | Per unit | |

| COST*3 | | Per unit Cost | |
|---|---|---|---|
| Land | $5,000,000 | 50,000 | 15.8% |
| Muni Fees | 1,500,000 | 15,000 | 4.7% |
| Fees reduced-3% cost | 0 | 0 | 0.0% |
| Parking to TMP need* | 0 | 0 | 0.0% |
| ise standard modifications*4 | 0 | 0 | 0.0% |
| MFTE*2 Credit over 12 yrs | (3,317,780) | (33,178) | -10.5% |
| Soft + Financing*[1] | 6,000,000 | 60,000 | 18.9% |
| LEED additional 5% | 0 | 0 | 0.0% |
| Hard + Contingency | 22,500,000 | 225,000 | 71.0% |
| Total | $31,682,220 | $316,822 | |
| Debt | $17,425,221 | 55% | |
| Equity | $14,256,999 | 45% | |
| Total | $31,682,220 | 100% | |

| CASH FLOW | Annual | |
|---|---|---|
| Rental Income | $2,021,952 | |
| Other Income | 180,000 | |
| Vacancy | (88,078) | 4% vacancy |
| Effective Gross Income | **2,113,874** | |
| Expenses | (700,000) | |
| Net Operating Income | **$1,413,874** | |

| VALUE | | |
|---|---|---|
| Net Operating Income | $1,413,874 | |
| Cap Rate | 5.50% | Assumes limited rent growth |
| Gross Value | $25,706,799 | for workforce housing units |

| GROSS PROFIT | |
|---|---|
| Return on Cost | 4.5% |
| Profit on Exit | ($5,975,421) |
| Return on Equity | -14.0% |

*2MFTE 12 yr Cash Flow converted to current value

**1/2 units at 60%, 80% & 100% AMI with MFTE**

## Workforce Housing Option 50/50

| | | | |
|---|---|---|---|
| 5 | 60% AMI | Workforce Housing Units | 12 |
| 25 | 80% AMI | Workforce Housing Units | |
| 20 | 100% AMI | Workforce Housing Units | |
| 50 | Market Rate Units | | |

| RENT | Type | Qty | Ave SF | Rent* | Per Unit Monthly Savings | Per Unit Annual Savings | All Units Annual Savings | All Units Annual Income |
|---|---|---|---|---|---|---|---|---|
| Studio | 60% AMI | 2 | 500 | $958 | $892 | $10,704 | $21,408 | $22,992 |
| | 80% AMI | 9 | 500 | $1,320 | $530 | $6,360 | $57,240 | $142,560 |
| | 100% AMI | 6 | 500 | $1,682 | $168 | $2,016 | $12,096 | $121,104 |
| | Market Rate | 20 | 500 | $1,850 | $444,000 | | | $444,000 |
| 1BR | 60% AMI | 2 | 750 | $1,090 | $1,110 | $13,320 | $26,640 | $26,160 |
| | 80% AMI | 12 | 750 | $1,503 | $697 | $8,364 | $100,368 | $216,432 |
| | 100% AMI | 12 | 750 | $1,917 | $283 | $3,396 | $40,752 | $276,048 |
| | Market Rate | 22 | 750 | $2,200 | $580,800 | | | $580,800 |
| 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 |
| | 80% AMI | 4 | 1,100 | $1,675 | $825 | $9,900 | $39,600 | $80,400 |
| | 100% AMI | 2 | 1,100 | $2,141 | $359 | $4,308 | $8,616 | $51,384 |
| | Market Rate | 8 | 1,100 | $2,500 | $240,000 | | | $240,000 |
| | Annual Rent Savings | | | | | | $322,200 | |
| Total | | 100 | 622 | $1,847 | | | $537.00 | Average monthly savin |

| | | | |
|---|---|---|---|
| **Other income** | $150 | Per unit | (including parking) |
| **Expenses** | $7,000 | Per unit | |

| COST*3 | | Per unit Cost | |
|---|---|---|---|
| Land | $5,000,000 | 50,000 | 15.8% |
| Muni Fees | 1,500,000 | 15,000 | 4.7% |
| Fees reduced-3% cost | 0 | 0 | 0.0% |
| Parking to TMP need* | 0 | 0 | 0.0% |
| Wise standard modifications*4 | 0 | 0 | 0.0% |
| MFTE*2 Credit over 12 yrs | (3,317,780) | (33,178) | -10.5% |
| Soft + Financing*[1] | 6,000,000 | 60,000 | 18.9% |
| LEED additional 5% | 0 | 0 | 0.0% |
| Hard + Contingency | 22,500,000 | 225,000 | 71.0% |
| Total | $31,682,220 | $316,822 | |
| Debt | $17,425,221 | 55% | |
| Equity | $14,256,999 | 45% | |
| Total | $31,682,220 | 100% | |

| CASH FLOW | Annual | |
|---|---|---|
| Rental Income | $2,216,400 | |
| Other Income | 180,000 | |
| Vacancy | (95,856) | 4% vacancy |
| Effective Gross Income | **2,300,544** | |
| Expenses | (700,000) | |
| Net Operating Income | **$1,600,544** | |

| VALUE | | |
|---|---|---|
| Net Operating Income | $1,600,544 | |
| Cap Rate | 5.35% | Assumes limited rent growth |
| Gross Value | $29,916,710 | for workforce housing units |

| GROSS PROFIT | |
|---|---|
| Return on Cost | 5.1% |
| Profit on Exit | ($1,765,510) |
| Return on Equity | -4.1% |

*2MFTE 12 yr Cash Flow converted to current value

**1/5 units at 80% AMI with MFTE current code**

## Workforce Housing Option 80/20

| | | | |
|---|---|---|---|
| 0 | 60% AMI | Workforce Housing Units | 12 |
| 20 | 80% AMI | Workforce Housing Units | |
| 0 | 100% AMI | Workforce Housing Units | |
| 80 | Market Rate Units | | |

| RENT | Type | Qty | Ave SF | Rent* | Per Unit Monthly Savings | Per Unit Annual Savings | All Units Annual Savings | All Units Annual Income |
|---|---|---|---|---|---|---|---|---|
| Studio | 60% AMI | 0 | 500 | $958 | $892 | $10,704 | $0 | $0 |
| | 80% AMI | 9 | 500 | $1,320 | $530 | $6,360 | $57,240 | $142,560 |
| | 100% AMI | 0 | 500 | $1,682 | $168 | $2,016 | $0 | $0 |
| | Market Rate | 32 | 500 | $1,850 | $710,400 | | | $710,400 |
| 1BR | 60% AMI | 0 | 750 | $1,090 | $1,110 | $13,320 | $0 | $0 |
| | 80% AMI | 8 | 750 | $1,503 | $697 | $8,364 | $66,912 | $144,288 |
| | 100% AMI | 0 | 750 | $1,917 | $283 | $3,396 | $0 | $0 |
| | Market Rate | 34 | 750 | $2,200 | $897,600 | | | $897,600 |
| 2BR | 60% AMI | 0 | 1,100 | $1,210 | $1,290 | $15,480 | $0 | $0 |
| | 80% AMI | 3 | 1,100 | $1,675 | $825 | $9,900 | $29,700 | $60,300 |
| | 100% AMI | 0 | 1,100 | $2,141 | $359 | $4,308 | $0 | $0 |
| | Market Rate | 14 | 1,100 | $2,500 | $420,000 | | | $420,000 |
| | Annual Rent Savings | | | | | | $153,852 | |
| Total | | 100 | 553 | $1,979 | | | $641.05 | Average monthly savings |

| | | | |
|---|---|---|---|
| **Other income** | $150 | Per unit | (including parking) |
| **Expenses** | $7,000 | Per unit | |

| COST*3 | | Per unit Cost | |
|---|---|---|---|
| Land | $5,000,000 | 50,000 | 15.8% |
| Muni Fees | 1,500,000 | 15,000 | 4.7% |
| Fees reduced-3% cost | 0 | 0 | 0.0% |
| Parking to TMP need* | 0 | 0 | 0.0% |
| Wise standard modifications*4 | 0 | 0 | 0.0% |
| MFTE*2 Credit over 12 yrs | (3,317,780) | (33,178) | -10.5% |
| Soft + Financing*[1] | 6,000,000 | 60,000 | 18.9% |
| LEED additional 5% | 0 | 0 | 0.0% |
| Hard + Contingency | 22,500,000 | 225,000 | 71.0% |
| Total | $31,682,220 | $316,822 | |
| Debt | $17,425,221 | 55% | |
| Equity | $14,256,999 | 45% | |
| Total | $31,682,220 | 100% | |

| CASH FLOW | Annual | |
|---|---|---|
| Rental Income | $2,375,148 | |
| Other Income | 180,000 | |
| Vacancy | (102,206) | 4% vacancy |
| Effective Gross Income | **2,452,942** | |
| Expenses | (700,000) | |
| Net Operating Income | **$1,752,942** | |

| VALUE | | |
|---|---|---|
| Net Operating Income | $1,752,942 | |
| Cap Rate | 5.15% | Assumes limited rent growth |
| Gross Value | $34,037,710 | for workforce housing units |

| GROSS PROFIT | |
|---|---|
| Return on Cost | 5.5% |
| Profit on Exit | $2,355,490 |
| Return on Equity | 5.5% |

*2MFTE 12 yr Cash Flow converted to current value

# The Financial Problem of Workforce Housing Creation

Negative Returns – The Numbers Just Don't Work.

*To fund workforce housing, we must reduce the cost per unit.*

<u>Example: $35,000,000 – 100 Unit Project</u>

**Current Inclusionary Housing Code no MFTE(90% market rents/10% affordable rents)**

Profit on exit: $4,101,053

Return on equity: 9.2%

**Workforce Housing Communities, Baseline – no changes from current code with MFTE (50% market rents/50% affordable rents at 60% and 80% AMI)**

Profit on exit: ($5,975,421)

Return on equity: (-14%)

**Workforce Housing Communities, difference from 90/10 inclusionary – no changes from current code (50% market rents/50% affordable rents at 60% and 80% AMI)**

Profit on exit-difference: ($10,076,474)

Return on equity-difference: (23.2%)

**Full proformas follow**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | Current Housing code 90/10 | | | | |
| 4 | | | | | | |
| 5 | | 10 | 80% AMI | Workforce Housing Units | | |
| 6 | | | | | | |
| 7 | | 90 | Market Rate Units | | | |
| 8 | RENT | | | | | |
| 9 | | | | | | |
| 10 | | Type | Qty | Ave SF | Rent* | |
| 11 | Studio | Market Rate | 22 | 500 | $1,850 | |
| 12 | | Workforce Rate | 3 | 500 | $1,320 | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | 1BR | Market Rate | 46 | 750 | $2,200 | |
| 17 | | Workforce Rate | 4 | 750 | $1,503 | |
| 18 | | | | | | |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | 2BR | Market Rate | 22 | 1,100 | $2,500 | |
| 22 | | Workforce Rate | 3 | 1,100 | $1,675 | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |
| 26 | Total | | 100 | 742 | $2,119 | |
| 27 | | | | | | |
| 28 | **Other income** | $150 | Per unit | (including parking) | | |
| 29 | **Expenses** | $7,000 | Per unit | | | |
| 30 | | | | | | |
| 31 | **COST** | | Per unit | | | |
| 32 | | | Cost | | | |
| 33 | Land | $5,000,000 | $50,000 | | | |
| 34 | Muni Fees | 1,500,000 | 15,000 | | | |
| 35 | | | | | | |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | Soft + Financing | 6,000,000 | 60,000 | | | |
| 40 | Hard + Contingency | 22,500,000 | 225,000 | | | |
| 41 | | | | | | |
| 42 | Total | $35,000,000 | $350,000 | Per unit costs | | |
| 43 | | | | | | |
| 44 | Debt | $20,125,000 | 57.5% | | | |
| 45 | Equity | $14,875,000 | 42.5% | | | |
| 46 | Total | $35,000,000 | 100% | | | |
| 47 | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | Goal: To achieve long term affordabiity - reduce the per unit cost of housing | | | | | | | | |
| 2 | | | | | | | | | | |
| 3 | | Workforce Housing Option 70/30 | | | | | | | | |
| 4 | 3 | 60% AMI | Workforce Housing Units | | | | 12 | | | |
| 5 | 18 | 80% AMI | Workforce Housing Units | | | | | | | |
| 6 | 16 | 100% AMI | Workforce Housing Units | | | | | | | |
| 7 | 85 | Market Rate Units | | | | Per | Per | All | All | |
| 8 | RENT | | | | | Unit | Unit | Units | Units | |
| 9 | | | | | | Monthly | Annual | Annual | Annual | |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | Income | |
| 11 | Studio | 60% AMI | 1 | 500 | $958 | $892 | $10,704 | $10,704 | $11,496 | |
| 12 | | 80% AMI | 7 | 500 | $1,320 | $530 | $6,360 | $44,520 | $110,880 | |
| 13 | | 100% AMI | 4 | 500 | $1,682 | $168 | $2,016 | $8,064 | $80,736 | |
| 14 | | Market Rate | 28 | 500 | $1,850 | | | | $621,600 | |
| 15 | | | | | | | | | | |
| 16 | 1BR | 60% AMI | 1 | 750 | $1,090 | $1,110 | $13,320 | $13,320 | $13,080 | |
| 17 | | 80% AMI | 7 | 750 | $1,503 | $697 | $8,364 | $58,548 | $126,252 | |
| 18 | | 100% AMI | 9 | 750 | $1,917 | $283 | $3,396 | $30,564 | $207,036 | |
| 19 | | Market Rate | 43 | 750 | $2,200 | | | | $1,135,200 | |
| 20 | | | | | | | | | | |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 | |
| 22 | | 80% AMI | 4 | 1,100 | $1,675 | $825 | $9,900 | $39,600 | $80,400 | |
| 23 | | 100% AMI | 3 | 1,100 | $2,141 | $359 | $4,308 | $12,924 | $77,076 | |
| 24 | | Market Rate | 14 | 1,100 | $2,500 | | | | $420,000 | |
| 25 | | Annual Rent Savings | | | | | | $233,724 | | |
| 26 | Total | | 122 | 605 | $1,980 | | | $526.41 | Average monthly savings | |
| 27 | | | | | | | | | | |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | | |
| 30 | | | | | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | | |
| 32 | | | Cost | | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.1% | | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.2% | | | | | | |
| 35 | Fees reduced-1% cost | (391,250) | (3,207) | -1.1% | | | | | | |
| 36 | Parking to TMP need | (814,000) | (6,672) | -2.3% | $55,000 per stall for lowest level stall costs | | | | | |
| 37 | Wise standard modifications*4 | (374,625) | (3,071) | -1.1% | | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.4% | | | | | | |
| 39 | Soft + Financing*1 | 7,320,000 | 60,000 | 20.6% | | | | | | |
| 40 | LEED additional 5% *5 | 1,248,750 | 10,236 | 3.5% | | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 70.4% | | | | | | |
| 42 | Total | $35,476,095 | $290,788 | 100.0% | Significant per unit reduced costs | | | | | |
| 43 | | | | | | | | | | |
| 44 | Debt | $19,511,852 | 55% | | | | | | | |
| 45 | Equity | $15,964,243 | 45% | | | | | | | |
| 46 | Total | $35,476,095 | 100% | | | | | | | |
| 47 | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |
| 3 | | Workforce Housing Option 50/50 | | | | | | | | |
| 4 | 5 | 60% AMI | Workforce Housing Units | | | | 12 | | | |
| 5 | 23 | 80% AMI | Workforce Housing Units | | | | | | | |
| 6 | 33 | 100% AMI | Workforce Housing Units | | | | | | | |
| 7 | 61 | Market Rate Units | | | | Per | Per | All | All | |
| 8 | RENT | | | | | Unit | Unit | Units | Units | |
| 9 | | | | | | Monthly | Annual | Annual | Annual | |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | Income | |
| 11 | Studio | 60% AMI | 2 | 500 | $958 | $892 | $10,704 | $21,408 | $22,992 | |
| 12 | | 80% AMI | 9 | 500 | $1,320 | $530 | $6,360 | $57,240 | $142,560 | |
| 13 | | 100% AMI | 8 | 500 | $1,682 | $168 | $2,016 | $16,128 | $161,472 | |
| 14 | | Market Rate | 20 | 500 | $1,850 | $444,000 | | | $444,000 | |
| 15 | | | | | | | | | | |
| 16 | 1BR | 60% AMI | 2 | 750 | $1,090 | $1,110 | $13,320 | $26,640 | $26,160 | |
| 17 | | 80% AMI | 12 | 750 | $1,503 | $697 | $8,364 | $100,368 | $216,432 | |
| 18 | | 100% AMI | 17 | 750 | $1,917 | $283 | $3,396 | $57,732 | $391,068 | |
| 19 | | Market Rate | 29 | 750 | $2,200 | $765,600 | | | $765,600 | |
| 20 | | | | | | | | | | |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 | |
| 22 | | 80% AMI | 2 | 1,100 | $1,675 | $825 | $9,900 | $19,800 | $40,200 | |
| 23 | | 100% AMI | 8 | 1,100 | $2,141 | $359 | $4,308 | $34,464 | $205,536 | |
| 24 | | Market Rate | 12 | 1,100 | $2,500 | $360,000 | | | $360,000 | |
| 25 | | Annual Rent Savings | | | | | | $349,260 | | |
| 26 | Total | | 122 | 628 | $1,906 | | | $477.13 | Average monthly savings | |
| 27 | | | | | | | | | | |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | | |
| 30 | | | | | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | | |
| 32 | | | Cost | | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.7% | | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.4% | | | | | | |
| 35 | Fees reduced-3% cost | (1,173,750) | (9,621) | -3.4% | | | | | | |
| 36 | Parking to TMP need* | (1,342,000) | (11,000) | -3.9% | $55,000 per stall for lowest level stall costs | | | | | |
| 37 | Wise standard modifications*4 | (499,500) | (4,094) | -1.5% | | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.7% | | | | | | |
| 39 | Soft + Financing*[1] | 7,320,000 | 60,000 | 21.5% | | | | | | |
| 40 | LEED additional 5% | 1,248,750 | 10,236 | 3.7% | | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 73.4% | | | | | | |
| 42 | Total | $34,040,720 | $279,022 | 100.0% | Significant per unit reduced costs | | | | | |
| 43 | | | | | | | | | | |
| 44 | Debt | $18,722,396 | 55% | | | | | | | |
| 45 | Equity | $15,318,324 | 45% | | | | | | | |
| 46 | Total | $34,040,720 | 100% | | | | | | | |
| 47 | | | | | | | | | | |

| | | Annual | | | Annual | | | Annual | |
|---|---|---|---|---|---|---|---|---|---|
| 48 | | | | | | | | | |
| 49 | **CASH FLOW** | | | **CASH FLOW** | | | **CASH FLOW** | | |
| 50 | | | | | | | | | |
| 51 | | **Annual** | | | **Annual** | | | **Annual** | |
| 52 | Rental Income | $2,542,764 | | Rental Income | $2,898,276 | | Rental Income | $2,790,540 | |
| 53 | Other Income | 180,000 | | Other Income | 213,012 | 97% other income for smaller units-same building size | Other Income | 208,620 | 95% other income for smaller units-same building size |
| 54 | Vacancy | (136,138) | 5% vacancy | Vacancy | (140,008) | 4.5% vacancy | Vacancy | (119,966) | 4% vacancy |
| 55 | Effective Gross Income | **2,586,626** | | Effective Gross Income | **2,971,280** | | Effective Gross Income | **2,879,194** | |
| 56 | Expenses | (700,000) | | Expenses | (828,380) | 97% costs for smaller units-same property size | Expenses | (811,300) | 95% costs for smaller units-same property size |
| 57 | | | | | | | | | |
| 58 | Net Operating Income | **$1,886,626** | | Net Operating Income | **$2,142,900** | | Net Operating Income | **$2,067,894** | |
| 59 | | | | | | | | | |
| 60 | **VALUE** | | | **VALUE** | | | **VALUE** | | |
| 61 | | | | | | | | | |
| 62 | Net Operating Income | $1,886,626 | | Net Operating Income | $2,142,900 | | Net Operating Income | $2,067,894 | |
| 63 | Cap Rate | 4.83% | | Cap Rate | 5.25% | Assumes limited rent growth | Cap Rate | 5.35% | Assumes limited rent growth |
| 64 | Gross Value | $39,101,053 | | Gross Value | $40,817,144 | for workforce housing units | Gross Value | $38,652,217 | for workforce housing units |
| 65 | | | | | | | | | |
| 66 | **GROSS PROFIT** | | | **GROSS PROFIT** | | | **GROSS PROFIT** | | |
| 67 | | | | | | | | | |
| 68 | Return on Cost | 5.4% | ****Current returns are sub par.** | Return on Cost | 6.0% | | Return on Cost | 6.1% | |
| 69 | | | **Minimum returns should be 5.75%** | | | | | | |
| 70 | | | **to "north" of 6% for risk capital** | | | | | | |
| 71 | Profit on Exit | $4,101,053 | | Profit on Exit | $5,341,049 | | Profit on Exit | $4,611,497 | |
| | | | | | | | | | |
| 72 | Return on Equity | 9.2% | **Return on Equity should be 10-15%** | Return on Equity | 11.2% | | Return on Equity | 10.0% | |
| 73 | | | **annual returns to attract risk capital** | | | | | | |
| 74 | *maximum rent after all allowances, per ARCH | | | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | |
| 75 | **Per institutional investors, local investors and lenders-reason for current | | | *[2] Est. present value | | | *[2] Est. present value | | |
| 76 | permit slow down | | | *[3] the savings per unit creates ability to create lower rents | | | *[3] the savings per unit creates ability to create lower rents | | |
| 77 | Costs based on beginning of 2018 | | | * Parking .4 less than market rate at .9 =.5 based on need | | | * Parking .4 less than market rate at .9 =.5 based on need | | |
| 78 | Gifted land is not considered in proformas | | | (savings per unit is $10,000 all units or $20,000 for WFH | | | (savings per unit is $10,000 all units or $20,000 for WFH | | |
| | | | | *4 Faster permitting, modify to best standards-1.5% of hard costs | | | *4 Faster permitting, modify to best standards-2% of hard costs | | |
| | | | | *5 Protects long term operational increases | | | *5 Protects long term operational increases | | |

**Action Plan value analysis**

| | 90/10 | 70/30 | 50/50 |
|---|---|---|---|
| # of affordable units 60-100% AMI's | 10 | 37 | 61 |

| **Per parcel of land-100 unit baseline project & per unit savings** | | | |
|---|---|---|---|
| Net Cost reduction per workforce housing unit - average savings all units is $59,212 for 70/30 communities and $70,978 for 50/50 communities-adjusted to benefit WFH units only. | **0** | **7,223,864** | **8,659,316** |
| Project savings divided by # of WFH units per parcel | | **195,240** | **141,956** |

| **Rent savings in current dollars over 12 and 40 years-One Project** | | | |
|---|---|---|---|
| Total value of rent reductions for 12 years | **0** | **2,804,688** | **4,191,120** |
| Total value of rent reductions for 12 years annual value | | **233,724** | **349,260** |
| Total value of rent reductions in current dollars for 40 years | | **9,348,960** | **13,970,400** |

| **City contribution and benefits review** | | | |
|---|---|---|---|
| Land | **0** | **0** | **0** |
| Muni Fees-net received per plan | **1,500,000** | **1,438,750** | **656,250** |
| Wise standard modifications 1% | **NA** | **-** | **-** |
| MFTE Credit over 12 yrs-approx 15% is City tax reduction | **0** | **(497,667)** | **(497,667)** |
| WSST tax from construction -15% City's share-estimated base line current cod | **337,500** | **337,500** | **337,500** |
| Increased sales tax from higher total project costs to go from 100 to 122 per property-approx 15% is city's share | **0** | **55,856** | **55,856** |
| Increased sales tax from workforce living in City spending their money here-Guess with final TBD - 12 yrs $40,000 x 22 added households | | **158,400** | **158,400** |
| costs, fewer cars, less traffic, less road maintenance and a lot more. Creating a better City. | **NA** | **Priceless** | **Priceless** |
| Ten Minute Community focus-more light rail customers, no added parking required for TMC residents | | **Per City Vision** | **Per City Vision** |
| Total net impact and other fees over 12 years-per proforma | **1,837,500** | **-** **1,492,839** | **-** **710,339** |
| City's total project contribution before LEED, TMC benefits-12 yrs | **0** | **344,661** | **1,127,161** |
| City's project contribution before LEED, TMC benefits-12 yrs per year | | **28,722** | **93,930** |
| City's project contribution before LEED, TMC benefits-40 yrs per year | | **8,617** | **28,179** |

* Estimate savings are generalized but sufficiently accurate for review purposes. Once directed to a specific goal, final analysis can be done including benefits to reduced traffic, lower road maintenance, LEED, et al that is not accounted for in the estimates.

Local businesses, City and educational institutions can attract and retain employees over time that increases the local tax base.

# Rental and Income Guidelines for
# Units Affordable at 80% of Median Income
## 2018

### Maximum Rent Levels

The Maximum Household Expense includes all utilities. If tenants pay any of the following utilities (gas and/or electric, water/sewer/garbage, renter's insurance & parking), maximum rents must be reduced by the appropriate utility allowance.

| | | Allowances | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Unit Size | Maximum Household Expense | Gas / Electric | Water & Sewer* | Garbage* | Renter's Insurance (if required) | All other mandatory fees, if any | One Parking Stall | Maximum Rent after all allowances |
| Studio | $1,448 | $48 | $55 | $15 | $10 | | Included | $1,320 |
| 1-bdrm | $1,654 | $72 | $55 | $15 | $10 | | Included | $1,503 |
| 2-bdrm | $1,861 | $96 | $66 | $15 | $10 | | Included | $1,675 |
| 3-bdrm | $2,068 | $120 | $85 | $15 | $10 | | Included | $1,838 |
| 4-bdrm | $2,233 | $143 | $103 | $15 | $10 | | Included | $1,962 |
| 5-bdrm | $2,399 | $167 | $103 | $15 | $10 | | Included | $2,103 |

* Based on King County Housing Authority standards

**EXAMPLES:**

*Scenario 1:*
Tenants have to pay directly to PSE for their own gas/electric usage, but w/s/g is included in their monthly rent. Renter's insurance is required. The maximum rent of a 2-bedroom would be:

$1,756

*Scenario 2:*
Tenants pay directly to PSE for their own gas/electric usage, and also pay (either the landlord or a third party) separately for water, sewer and garbage. Renter's insurance is required. The maximum rent of a 2-bedroom would be:

$1,675

### Maximum Income Levels

**Initial Occupancy at 80%**

| Hshld Size | Studio | 1-bdrm | 2-bdrm | 3-bdrm | 4-bdrm | 5-bdrm |
|---|---|---|---|---|---|---|
| 1 | $57,904 | $66,176 | $74,448 | ---- | ---- | ---- |
| 2 | $66,176 | $66,176 | $74,448 | $82,720 | ---- | ---- |
| 3 | ---- | ---- | $74,448 | $82,720 | $89,338 | ---- |
| 4 | ---- | ---- | $82,720 | $82,720 | $89,338 | $95,955 |
| 5 | ---- | ---- | $89,338 | $89,338 | $89,338 | $95,955 |
| 6 | ---- | ---- | ---- | $95,955 | $95,955 | $95,955 |
| 7 | ---- | ---- | ---- | ---- | $102,573 | $102,573 |
| 8 | ---- | ---- | ---- | ---- | $109,190 | $109,190 |

**Annual Recertification at 100%**

| Hshld Size | Studio | 1-bdrm | 2-bdrm | 3-bdrm | 4-bdrm | 5-bdrm |
|---|---|---|---|---|---|---|
| 1 | $72,380 | $82,720 | $93,060 | ---- | ---- | ---- |
| 2 | $82,720 | $82,720 | $93,060 | $103,400 | ---- | ---- |
| 3 | ---- | ---- | $93,060 | $103,400 | $111,672 | ---- |
| 4 | ---- | ---- | $103,400 | $103,400 | $111,672 | $119,944 |
| 5 | ---- | ---- | $111,672 | $111,672 | $111,672 | $119,944 |
| 6 | ---- | ---- | ---- | $119,944 | $119,944 | $119,944 |
| 7 | ---- | ---- | ---- | ---- | $128,216 | $128,216 |
| 8 | ---- | ---- | ---- | ---- | $136,488 | $136,488 |

Notes:

| | Median Income |
|---|---|
| 1. Based on King County/Seattle MSA Median Income: | $103,400 |

2. Rent levels assume the following family sizes:
Studio-1 person; 1 Bdrm-2 persons; 2 Bdrm-3 persons; 3 Bdrm-4 persons 4 Bedroom = 5 persons; 5 Bedroom = 6 persons

# Workforce Housing Incentive Overlay: Financial Results

What It Takes to Make It Work

*To fund workforce housing, we must reduce the cost per unit.*

Example: $35,000,000 – 100 Unit Project

**Current Inclusionary Housing Code (90% market rents/10% affordable rents)**

Profit on exit: $4,101,053

Return on equity: 9.2%

**Workforce Housing Incentive Code, Incentive Overlay Code (50% market rents/50% affordable rents)**

Profit on exit: $4,611,497

Return on equity: 10.0%

**Workforce Housing Incentive Code, difference from 90/10 inclusionary – incentive on exit (50% market/50% affordable)**

Additional profit on exit: $510,444

Additional return on equity: 0.8%

**Workforce Housing Incentive Code, Incentive Overlay Code (70% market rents/30% affordable rents)**

Profit on exit: $5,341,049

Return on equity: 11.2%

**Workforce Housing Incentive Code, difference from 90/10 inclusionary – incentive on exit (70% market rents/30% affordable rents)**

Additional profit on exit: $1,239,996

Additional return on equity: 2%

**Full proformas follow**

## Goal: To achieve long term affordabiity - reduce the per unit cost of housing

| | | | | | |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | **Current Housing code 90/10** | | | |
| 4 | | | | | |
| 5 | | 10 | **80% AMI** | **Workforce Housing Units** | |
| 6 | | | | | |
| 7 | | 90 | **Market Rate Units** | | |
| 8 | **RENT** | | | | |
| 9 | | | | | |
| 10 | | Type | Qty | Ave SF | Rent* |
| 11 | Studio | Market Rate | 22 | 500 | $1,850 |
| 12 | | Workforce Rate | 3 | 500 | $1,320 |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | 1BR | Market Rate | 46 | 750 | $2,200 |
| 17 | | Workforce Rate | 4 | 750 | $1,503 |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| 21 | 2BR | Market Rate | 22 | 1,100 | $2,500 |
| 22 | | Workforce Rate | 3 | 1,100 | $1,675 |
| 23 | | | | | |
| 24 | | | | | |
| 25 | | | | | |
| 26 | Total | | **100** | 742 | $2,119 |
| 27 | | | | | |
| 28 | **Other income** | $150 | Per unit | (including parking) | |
| 29 | **Expenses** | $7,000 | Per unit | | |
| 30 | | | | | |
| 31 | **COST** | | Per unit | | |
| 32 | | | Cost | | |
| 33 | Land | $5,000,000 | $50,000 | | |
| 34 | Muni Fees | 1,500,000 | 15,000 | | |
| 35 | | | | | |
| 36 | | | | | |
| 37 | | | | | |
| 38 | | | | | |
| 39 | Soft + Financing | 6,000,000 | 60,000 | | |
| 40 | Hard + Contingency | 22,500,000 | 225,000 | | |
| 41 | | | | | |
| 42 | Total | $35,000,000 | $350,000 | Per unit costs | |
| 43 | | | | | |
| 44 | Debt | $20,125,000 | 57.5% | | |
| 45 | Equity | $14,875,000 | 42.5% | | |
| 46 | Total | $35,000,000 | 100% | | |
| 47 | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 3 | | **Workforce Housing Option 70/30** | | | | | | | |
| 4 | 3 | **60% AMI** | **Workforce Housing Units** | | | | 12 | | |
| 5 | 18 | **80% AMI** | **Workforce Housing Units** | | | | | | |
| 6 | 16 | **100% AMI** | **Workforce Housing Units** | | | | | | |
| 7 | 85 | **Market Rate Units** | | | | **Per** | **Per** | **All** | **All** |
| 8 | **RENT** | | | | | **Unit** | **Unit** | **Units** | **Units** |
| 9 | | | | | | **Monthly** | **Annual** | **Annual** | **Annual** |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | **Income** |
| 11 | Studio | 60% AMI | 1 | 500 | $958 | $892 | $10,704 | $10,704 | $11,496 |
| 12 | | 80% AMI | 7 | 500 | $1,320 | $530 | $6,360 | $44,520 | $110,880 |
| 13 | | 100% AMI | 4 | 500 | $1,682 | $168 | $2,016 | $8,064 | $80,736 |
| 14 | | Market Rate | 28 | 500 | $1,850 | | | | $621,600 |
| 16 | 1BR | 60% AMI | 1 | 750 | $1,090 | $1,110 | $13,320 | $13,320 | $13,080 |
| 17 | | 80% AMI | 7 | 750 | $1,503 | $697 | $8,364 | $58,548 | $126,252 |
| 18 | | 100% AMI | 9 | 750 | $1,917 | $283 | $3,396 | $30,564 | $207,036 |
| 19 | | Market Rate | 43 | 750 | $2,200 | | | | $1,135,200 |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 |
| 22 | | 80% AMI | 4 | 1,100 | $1,675 | $825 | $9,900 | $39,600 | $80,400 |
| 23 | | 100% AMI | 3 | 1,100 | $2,141 | $359 | $4,308 | $12,924 | $77,076 |
| 24 | | Market Rate | 14 | 1,100 | $2,500 | | | | $420,000 |
| 25 | | Annual Rent Savings | | | | | | $233,724 | |
| 26 | Total | | **122** | 605 | $1,980 | | | $526.41 | **Average monthly savings** |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | |
| 32 | | | Cost | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.1% | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.2% | | | | | |
| 35 | Fees reduced-1% cost | (391,250) | (3,207) | -1.1% | | | | | |
| 36 | Parking to TMP need | (814,000) | (6,672) | -2.3% | $55,000 per stall for lowest level stall costs | | | | |
| 37 | Wise standard modifications*4 | (374,625) | (3,071) | -1.1% | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.4% | | | | | |
| 39 | Soft + Financing*1 | 7,320,000 | 60,000 | 20.6% | | | | | |
| 40 | LEED additional 5% *5 | 1,248,750 | 10,236 | 3.5% | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 70.4% | | | | | |
| 42 | Total | $35,476,095 | $290,788 | 100.0% | Significant per unit reduced costs | | | | |
| 44 | Debt | $19,511,852 | 55% | | | | | | |
| 45 | Equity | $15,964,243 | 45% | | | | | | |
| 46 | Total | $35,476,095 | 100% | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 3 | | **Workforce Housing Option 50/50** | | | | | | | |
| 4 | 5 | **60% AMI** | **Workforce Housing Units** | | | | 12 | | |
| 5 | 23 | **80% AMI** | **Workforce Housing Units** | | | | | | |
| 6 | 33 | **100% AMI** | **Workforce Housing Units** | | | | | | |
| 7 | 61 | **Market Rate Units** | | | | **Per** | **Per** | **All** | **All** |
| 8 | **RENT** | | | | | **Unit** | **Unit** | **Units** | **Units** |
| 9 | | | | | | **Monthly** | **Annual** | **Annual** | **Annual** |
| 10 | | Type | Qty | Ave SF | Rent* | Savings | Savings | Savings | **Income** |
| 11 | Studio | 60% AMI | 2 | 500 | $958 | $892 | $10,704 | $21,408 | $22,992 |
| 12 | | 80% AMI | 9 | 500 | $1,320 | $530 | $6,360 | $57,240 | $142,560 |
| 13 | | 100% AMI | 8 | 500 | $1,682 | $168 | $2,016 | $16,128 | $161,472 |
| 14 | | Market Rate | 20 | 500 | $1,850 | $444,000 | | | $444,000 |
| 16 | 1BR | 60% AMI | 2 | 750 | $1,090 | $1,110 | $13,320 | $26,640 | $26,160 |
| 17 | | 80% AMI | 12 | 750 | $1,503 | $697 | $8,364 | $100,368 | $216,432 |
| 18 | | 100% AMI | 17 | 750 | $1,917 | $283 | $3,396 | $57,732 | $391,068 |
| 19 | | Market Rate | 29 | 750 | $2,200 | $765,600 | | | $765,600 |
| 21 | 2BR | 60% AMI | 1 | 1,100 | $1,210 | $1,290 | $15,480 | $15,480 | $14,520 |
| 22 | | 80% AMI | 2 | 1,100 | $1,675 | $825 | $9,900 | $19,800 | $40,200 |
| 23 | | 100% AMI | 8 | 1,100 | $2,141 | $359 | $4,308 | $34,464 | $205,536 |
| 24 | | Market Rate | 12 | 1,100 | $2,500 | $360,000 | | | $360,000 |
| 25 | | Annual Rent Savings | | | | | | $349,260 | |
| 26 | Total | | **122** | 628 | $1,906 | | | $477.13 | **Average monthly savings** |
| 28 | **Other income** | $150 | Per unit | (including parking) | | | | | |
| 29 | **Expenses** | $7,000 | Per unit | | | | | | |
| 31 | **COST*3** | | Per unit | | | | | | |
| 32 | | | Cost | | | | | | |
| 33 | Land | $5,000,000 | 40,984 | 14.7% | | | | | |
| 34 | Muni Fees | 1,830,000 | 15,000 | 5.4% | | | | | |
| 35 | Fees reduced-3% cost | (1,173,750) | (9,621) | -3.4% | | | | | |
| 36 | Parking to TMP need* | (1,342,000) | (11,000) | -3.9% | $55,000 per stall for lowest level stall costs | | | | |
| 37 | Wise standard modifications*4 | (499,500) | (4,094) | -1.5% | | | | | |
| 38 | MFTE*2 Credit over 12 | (3,317,780) | (27,195) | -9.7% | | | | | |
| 39 | Soft + Financing*[1] | 7,320,000 | 60,000 | 21.5% | | | | | |
| 40 | LEED additional 5% | 1,248,750 | 10,236 | 3.7% | | | | | |
| 41 | Hard + Contingency | 24,975,000 | 225,000 | 73.4% | | | | | |
| 42 | Total | $34,040,720 | $279,022 | 100.0% | Significant per unit reduced costs | | | | |
| 44 | Debt | $18,722,396 | 55% | | | | | | |
| 45 | Equity | $15,318,324 | 45% | | | | | | |
| 46 | Total | $34,040,720 | 100% | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 48 | | | | | | | | | |
| 49 | CASH FLOW | | | CASH FLOW | | | CASH FLOW | | |
| 50 | | | | | | | | | |
| 51 | | Annual | | | Annual | | | Annual | |
| 52 | Rental Income | $2,542,764 | | Rental Income | $2,898,276 | | Rental Income | $2,790,540 | |
| 53 | Other Income | 180,000 | | Other Income | 213,012 | 97% other income for smaller units-same building size | Other Income | 208,620 | 95% other income for smaller units-same building size |
| 54 | Vacancy | (136,138) | 5% vacancy | Vacancy | (140,008) | 4.5% vacancy | Vacancy | (119,966) | 4% vacancy |
| 55 | Effective Gross Income | 2,586,626 | | Effective Gross Income | 2,971,280 | | Effective Gross Income | 2,879,194 | |
| 56 | Expenses | (700,000) | | Expenses | (828,380) | 97% costs for smaller units-same property size | Expenses | (811,300) | 95% costs for smaller units-same property size |
| 57 | | | | | | | | | |
| 58 | Net Operating Income | $1,886,626 | | Net Operating Income | $2,142,900 | | Net Operating Income | $2,067,894 | |
| 59 | | | | | | | | | |
| 60 | VALUE | | | VALUE | | | VALUE | | |
| 61 | | | | | | | | | |
| 62 | Net Operating Income | $1,886,626 | | Net Operating Income | $2,142,900 | | Net Operating Income | $2,067,894 | |
| 63 | Cap Rate | 4.83% | | Cap Rate | 5.25% | Assumes limited rent growth | Cap Rate | 5.35% | Assumes limited rent growth |
| 64 | Gross Value | $39,101,053 | | Gross Value | $40,817,144 | for workforce housing units | Gross Value | $38,652,217 | for workforce housing units |
| 65 | | | | | | | | | |
| 66 | GROSS PROFIT | | | GROSS PROFIT | | | GROSS PROFIT | | |
| 67 | | | | | | | | | |
| 68 | Return on Cost | 5.4% | **Current returns are sub par. | Return on Cost | 6.0% | | Return on Cost | 6.1% | |
| 69 | | | Minimum returns should be 5.75% | | | | | | |
| 70 | | | to "north" of 6% for risk capital | | | | | | |
| 71 | Profit on Exit | $4,101,053 | | Profit on Exit | $5,341,049 | | Profit on Exit | $4,611,497 | |
| | | | | | | | | | |
| 72 | Return on Equity | 9.2% | Return on Equity should be 10-15% | Return on Equity | 11.2% | | Return on Equity | 10.0% | |
| 73 | | | annual returns to attract risk capital | | | | | | |
| 74 | *maximum rent after all allowances, per ARCH | | | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | | *[1] Fannie Mae / Freddie Mac potential for better financing for WFH especially LEED Platinum | | |
| 75 | **Per institutional investors, local investors and lenders-reason for current | | | *[2] Est. present value | | | *[2] Est. present value | | |
| 76 | permit slow down | | | *[3] the savings per unit creates ability to create lower rents | | | *[3] the savings per unit creates ability to create lower rents | | |
| 77 | Costs based on beginning of 2018 | | | * Parking .4 less than market rate at .9 =.5 based on need | | | * Parking .4 less than market rate at .9 =.5 based on need | | |
| 78 | Gifted land is not considered in proformas | | | (savings per unit is $10,000 all units or $20,000 for WFH | | | (savings per unit is $10,000 all units or $20,000 for WFH | | |
| | | | | *4 Faster permitting, modify to best standards-1.5% of hard costs | | | *4 Faster permitting, modify to best standards-2% of hard costs | | |
| | | | | *5 Protects long term operational increases | | | *5 Protects long term operational increases | | |

# 100 Unit Sample Project

Outcomes

**Standard Inclusionary Housing, standard code (90/10):**

| Unit Size | Unit Type | Quantity |
|---|---|---|
| Studio | Workforce (80% AMI) | 3 |
| | Market Rate | 22 |
| 1BR | Workforce (80% AMI) | 4 |
| | Market Rate | 46 |
| 2BR | Workforce (80% AMI) | 3 |
| | Market Rate | 22 |
| Total | Workforce (80% AMI) | 50 |
| | Market Rate | 50 |

**Proposed Workforce Housing, overlay incentive code (70/30):**

| Unit Size | Unit Type | Quantity |
|---|---|---|
| Studio | 60% AMI | 1 |
| | 80% AMI | 7 |
| | 100% AMI | 4 |
| | Market Rate | 28 |
| 1BR | 60% AMI | 1 |
| | 80% AMI | 7 |
| | 100% AMI | 9 |
| | Market Rate | 43 |
| 2BR | 60% AMI | 1 |
| | 80% AMI | 4 |
| | 100% AMI | 3 |
| | Market Rate | 14 |
| Total | Workforce Housing | 61 |
| | Market Rate | 61 |

# 100 Unit Sample Project

Outcomes

**Standard Inclusionary Housing, standard code (90/10):**

| Unit Size | Unit Type | Quantity |
|---|---|---|
| Studio | Workforce (80% AMI) | 3 |
| | Market Rate | 22 |
| 1BR | Workforce (80% AMI) | 4 |
| | Market Rate | 46 |
| 2BR | Workforce (80% AMI) | 3 |
| | Market Rate | 22 |
| Total | Workforce (80% AMI) | 50 |
| | Market Rate | 50 |

**Proposed Workforce Housing, overlay incentive code (50/50):**

| Unit Size | Unit Type | Quantity |
|---|---|---|
| Studio | 60% AMI | 2 |
| | 80% AMI | 9 |
| | 100% AMI | 8 |
| | Market Rate | 20 |
| 1BR | 60% AMI | 2 |
| | 80% AMI | 12 |
| | 100% AMI | 17 |
| | Market Rate | 29 |
| 2BR | 60% AMI | 1 |
| | 80% AMI | 2 |
| | 100% AMI | 8 |
| | Market Rate | 12 |
| Total | Workforce Housing | 61 |
| | Market Rate | 61 |

# Overlay Code, Action 1: Make Units 10% Smaller to Create Additional 10% Units Per Piece of Land

| | |
|---|---|
| Today: average land cost per unit | $50,000 |
| Smaller unit: average land cost per unit | $45,455 |
| Savings per unit | $4,545 |
| Total savings 110 units per $4,545 per unit | $499,950 |
| Additional value created by 10 additional units (on a $35,000,000 project) | $3,454,550 |

- Here, the idea is to make units nice but smaller, which allows for an additional 10% units to be created on the same piece of property.

- The property size is the same, so parking and fee requirements are less than the base proposal, per the proformas (as shown in previous section).

# Overlay Code, Action 2: 1-3.4% Savings on Fees (Impact Fees, Permit Costs, Capital Charges)

1. Impact fees – *adjust to reflect actual costs within Ten Minute Communities – be fair.*
2. Permit costs – *provide a credit.*
3. Capital fee charges – *King County sewer capacity charge is cut in half for affordable units.*
4. Right sized utilities and systems – *such as water meter sizing that reduces fees.*

### Action Plan Value Analysis

| | | | | | | |
|---|---|---|---|---|---|---|
| 4 | | 90/10 | | 70/30 | | 50/50 |
| 5 | # of affordable units 60-100% AMI's | 10 | | 37 | | 61 |
| 6 | | | | | | |
| 7 | **Per parcel of land-100 unit baseline project & per unit savings** | | | | | |
| 8 | | | | | | |
| 9 | Net Cost reduction per workforce housing unit - average savings all units is $59,212 for 70/30 communities and $70,978 for 50/50 communities-adjusted to benefit WFH units only. | **0** | | **7,223,864** | | **8,659,316** |
| 10 | Project savings divided by # of WFH units per parcel | | | **195,240** | | **141,956** |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | **Rent savings in current dollars over 12 and 40 years-One Project** | | | | | |
| 15 | | | | | | |
| 16 | Total value of rent reductions for 12 years | **0** | | **2,804,688** | | **4,191,120** |
| 17 | Total value of rent reductions for 12 years annual value | | | **233,724** | | **349,260** |
| 18 | Total value of rent reductions in current dollars for 40 years | | | **9,348,960** | | **13,970,400** |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | **City contribution and benefits review** | | | | | |
| 24 | | | | | | |
| 25 | Land | **0** | | **0** | | **0** |
| 26 | Muni Fees-net received per plan | **1,500,000** | | **1,438,750** | | **656,250** |
| 27 | Wise standard modifications 1% | **NA** | | **-** | | **-** |
| 28 | MFTE Credit over 12 yrs-approx 15% is City tax reduction | **0** | | **(497,667)** | | **(497,667)** |
| 29 | WSST tax from construction -15% City's share-estimated base lin | **337,500** | | **337,500** | | **337,500** |
| 30 | Increased sales tax from higher total project costs to go from 100 to 122 per property-approx 15% is city's share | **0** | | **55,856** | | **55,856** |
| 31 | money here-Guess with final TBD - 12 yrs $40,000 x 22 added households | | | **158,400** | | **158,400** |
| 32 | operating costs, fewer cars, less traffic, less road maintenance and a lot more. Creating a better City. | **NA** | | **Priceless** | | **Priceless** |
| 33 | Ten Minute Community focus-more light rail customers, no added parking required for TMC residents | | | **Per City Vision** | | **Per City Vision** |
| 34 | Total net impact and other fees over 12 years-per proforma | **1,837,500** | - | **1,492,839** | - | **710,339** |
| 35 | City's total project contribution before LEED, TMC benefits-12 yrs | **0** | | **344,661** | | **1,127,161** |
| 36 | City's project contribution before LEED, TMC benefits-12 yrs per year | | | **28,722** | | **93,930** |
| 37 | City's project contribution before LEED, TMC benefits-40 yrs per year | | | **8,617** | | **28,179** |

*Estimated savings are generalized but sufficiently accurate for review purposes. Once directed to a specific goal, final analysis can be done including benefits to reduced traffic, lower road maintenance, LEED, etc that are not accounted for in these estimates. Local businesses, City, and educational institutions can attract and retain employees over time, which then increase the local tax base.

# Overlay Code, Action 3: Customize Parking Ratios to Actual Need

- Per King County Housing Authority, their property next to Crossroads has a 0.6 parking ratio – an average of all size units. At Overlake Village, they have 200 vacant resident parking stalls. Current standards simply require an overbuild of parking.

- Imagine Housing has had parking ratios approved at: 0.37 and 0.73 in Kirkland, per recommendations by ARCH. See Parking Supplements section. As referenced in their documentation in the Nonprofit and Affordable Housing Initiatives section of this packet, there is such a demand for affordable housing that they can "set" their vehicle ownership based on number of spaces available. For example, the South Kirkland Park and Ride TOD has 58 apartments and their initial lease up saw 600 applications. With such demand, it is no wonder that there are more than enough people without cars to rent many of the units.

- The Arete community in Kirkland had an extensive parking and traffic study done by third parties one year after occupancy, and with a buffer, the City of Kirkland approved a 0.45 parking ratio for residential suites (affordable units) and 0.90 for the conventional apartments (studios – 3 bedrooms). See Parking Supplements section.

- Residential suites in Redmond have a verified 0.28 – 0.35 parking ratio, in communities where 80% of residents earn incomes under 80% of area median income (AMI).

- The City of Redmond has approved 0.9 parking stalls again and again in its Ten-Minute Communities (Downtown, Overlake, and Southeast); this proposal simply requests that this become a new standard for workforce housing communities.

- The key to making parking work is strict TMPs (Transportation Management Programs) that require all residents to park on site – no matter what. See Vision 5 example in Parking supplements section.

- 0.5 parking ratio for workforce housing units / 0.9 parking ratio for market rate units.

# Overlay Code, Action 4: Construction Costs Reduced By 1 - 1.5% Through Adjustments to City Standards/Processes

<u>Ways the city can directly impact the cost of each workforce housing unit:</u>

- Speed of permit issuance - this is worth a ¼ of this goal (permits to build in 6-8 months).

- Right sized utilities and systems - establish standards that match urban environments.

- Standards that better reflect sustainability in all areas by reducing material costs.

- Process for modifications that allow for more flexibility to match actual circumstances.

- Dedicated City coordinator - to facilitate superior solutions including Living Streets, LEED, etc.

- Programmatic SEPAs - establish what is allowed in state law, saves the City money too (part of King County Housing Task Force proposal).

- Area transportation concurrency - provide one annual concurrency for each Ten Minute Community area (Downtown, Overlake, Southeast).

# Overlay Code, Action 5: Extend MFTE to 20 Years from Current 12 Year Standard (State Level Process)

- The current MFTE code at the state level does not allow for an extension beyond 12 years, which makes its usefulness limited as it only reduces costs for that time period and the development is limited to the reduced income for the life of the project of 50+ years (in Redmond), which makes it non financeable as a tool on its own.

- MFTEs as they are currently used in Redmond only work for nonprofits using tax funded resources (or very rarely in tandem with other incentives for private development, and only as tied to other benefits).

- Per the graphic below, the King County Affordable Housing Task force includes a strategy to "Maximize and expand use of Multi-Family Tax Exemption."

- Our proposal is to support King County in levying the state to expand MFTE allowable use to 20 years, to help encourage institutional financing, such as pension and retirement funds, to invest in workforce housing projects.

| STRATEGY B: Decrease costs to build and operate housing affordable to low-income households | | | | |
|---|---|---|---|---|
| i. Maximize and expand use of Multi-Family Tax Exemption | ✓ | ✓ | | |
| ii. Reduce sewer fees for affordable housing | ✓ | | | |
| iii. Reduce utility, impact and other fees for affordable housing and Accessory Dwelling Units (ADUs) | | ✓ | | |
| iv. Streamline permitting process for affordable housing development and ADUs | ✓ | ✓ | | |
| v. Support condominium liability reform | ✓ | ✓ | ✓ | |
| vi. Exempt affordable housing from sales tax | | | | ✓ |

# City Council Leadership Actions

1. Resolution to support Statement of Mayors initiative to improve housing affordability with a focus for **Workforce Housing**.

2. Direct the administration to implement a **Workforce Housing** incentive overlay code in the **Ten Minute Communities** (Downtown, Overlake, Southeast) to create the Blended Communities as outlined.

3. Lead the way by creating a holistic plan and a timely schedule that is reviewed by the Council and Public in a transparent and open format on a regular basis.

# Ten Minute Communities Incentive Overlay Code: Results

**<u>Preferred Option:</u>**

**50% of units are Workforce Housing:**

6.1x increase over current code

**<u>Alternate Option:</u>**

**30% of units are Workforce Housing:**

3.7x increase over current code

*Making Workforce housing for many*

# Workforce Housing: Path to Success

Blended Communities: Market Rate and Workforce Housing Together

**Optional* Workforce Housing Incentive Code Overlay**

**Current Inclusionary Code:** 90% market rate / 10% affordable housing rents

**Preferred Option:** 50% market rate / 50% workforce housing rents

**Alternate Option:** 70% market rate / 30% workforce housing rents

**Action Items**:**

1) Make units 10% smaller to create additional 10% units per piece of land
2) 3% Savings on Fees (Impact Fees, Permit Costs, Capital Charges)
3) Customize Parking Ratios to Actual Need
4) Construction Costs Reduced By 1% Through Adjustments to City Standards/Processes
5) Extend MFTE to 20 Years from Current 12 Year Standard (State Level Process)
6) Additional Half Floor with LEED Gold Designation

**Results:**

**Preferred Option:** 6x increase over current code

**Alternate Option:** 3.7x increase over current code

*This would be an optional overlay code while leaving 90/10 inclusionary zoning code in place as currently written

**Numbers correlate with order shown in proforma

# Proposed Next Steps

- **April/May 2019:** Report from staff and One Redmond to City Council
- **June/July 2019:** Approval of specific plan
- **July – September 2019:** Public process
- **September 2019:** Reach out to investment community for first projects

**Market Acquisition Cost Projection ($100M Loan)**

| | | | |
|---|---|---|---|
| Units | | 560 | |
| Cost/Unit | | $400,000 | |
| Total Cost | | $224,000,000 | |
| Market Rent | | $1,975 | |
| Ave. Current Rent at time of Acquisition | | $1,835 | |
| Ave. Current Rent % of AMI | | 80% | |
| **Rental Income** | | | |
| Market Rent | | $13,272,000 | |
| Loss to Lease | -7.09% | -$940,800 | |
| Current Rent Revenue | | $12,331,200 | |
| Vacancy | 4.50% | -$554,904 | |
| Net Rental Income | | $11,776,296 | |
| Revenue from moving rents up to market | | $940,800 | |
| Adjusted (Market Potential) Rental Revenue | | $12,717,096 | |
| **Other Income** | | | |
| Storage | 0.50% | $58,881 | |
| Utility Chargeback | $50 | $336,000 | |
| Late Fees | 0.50% | $58,881 | |
| Application Fee | 0.50% | $58,881 | |
| Other | 1.00% | $117,763 | |
| | | $630,407 | |
| **Total Revenue** | | | $13,347,503 |
| **Expenses** | Per Unit/Yr | | |
| Repairs & Maintenance | $850 | $476,000 | |
| Pool/Recreation Expense | $50 | $28,000 | |
| Utilities | $1,625 | $910,000 | |
| Advertising | $35 | $19,600 | |
| Cleaning & Supplies | $200 | $112,000 | |
| Salaries & Wages | $2,175 | $1,218,000 | |
| Insurance | $160 | $89,600 | |
| Property Management | 3.00% | $400,425 | |
| Asset Management | $275 | $154,000 | |
| Real Estate Tax | $1,500 | $840,000 | |
| Administrative | $260 | $145,600 | |
| Legal & Accounting | $75 | $42,000 | |
| **Total** | $7,205 | | $4,435,225 |
| Net Operating Income | | | $8,912,278 |
| Replacement Reserves (Per Unit/Year) | $250 | | -$140,000 |
| Cash Flow | | | $8,772,278 |
| **Acquisition Cap Rate** | **4%** | **$224,000,000** | **$400,000** |

**Adjusted Cash Flow Analysis**

| | |
|---|---|
| Market projected Cash Flow | $8,772,278 |
| Add-in: Real Estate Taxes not paid by KCHA | $840,000 |
| Less: Revenue related to moving existing rents to market | -$940,800 |
| Adjusted Cash Flow | $8,671,478 |

| | |
|---|---|
| Purchase Price | $224,000,000 |

| Financing Structure | Amort (Years) | Interest Rate | Loan | Payment |
|---|---|---|---|---|
| Senior Loan | 30 | 4.00% | $123,467,328 | $7,140,128 |
| Mezzanine (Gap) Loan | 30 | 1.00% | $100,532,672 | $1,005,327 |
| | | | $224,000,000 | $8,145,455 |

**Cash Flow Summary**

| | |
|---|---|
| Adjusted Cash Flow | $8,671,478 |
| Less: Senior Loan Payment | -$7,140,128 |
| Less: Mezzanine Loan Payment | -$1,005,327 |
| Cash Flow after Debt Service | $526,024 |
| Less: Funds reinvested into prop. improvements | -$526,024 |
| Residual Cash Flow | $0 |

**Summary**

| | |
|---|---|
| Total Units | 560 |
| Initial Loan | $100,532,672 |
| Investment (NPV of Mezzanine Loan) | $61,817,343 |
| Rent Savings over term of Mezzanine Loan | $295,114,418 |
| Households served over term of Loan | 3,920 |
| Persons housed over term of Loan | 11,760 |
| Children housed over term of Loan | 5,880 |

**4% LIHTC Deal**

Legal Structure

- An LP owner (99.99% owner) involved for 15 years;
  - This entity purchases the tax credits at market pricing from Imagine Housing
  - Takes depreciation, tax benefits, and a % of below-the-line cash flow
  - Receives benefits for 10 years w/present value of 30% of the program's eligible costs of the building
- A GP owner (0.01% owner) indefinite owner
  - WSHFC restricted use period based on scoring criteria (22 additional years may be added to the required 15 years)
- No other owner or equity partner is allowed
  - Makes gathering enough sources difficult since no other equity investors are allowed
  - Besides the perm debt lender, only soft debt sources are allowed (have to be somewhat forgivable sources)
  - We set up a Social Impact Investment Fund for high net-worth individuals to invest a minimum of $25K to fund our Block 6B project. The funds go to Imagine Housing which then lends the funds to the project. Imagine guarantees the notes with the developer fee earned from the project and the notes are considered soft debt.

Financial

- ~30% of sources from sale of tax credits (changes based on pricing in market), ~40% from perm debt, ~20% rom soft debt, and ~10% from deferred developer fee
- LIHTC program restricts developer fee and total development cost
- Must use tax-exempt bonds if you want 4% credits
- To make it work, you need creative financing such as discount on the land, flexible soft debt, and owners willing to be restricted for 15-50 years
- We also need enough predevelopment funds to get through the funding application processes (earnest money, consultant fees, permit fees, application fees, LIHTC reservation fees, staff hours, etc.). We have to get this through grant type programs from Enterprise and large banks such as Chase.

Unit Program

  - Must choose one of the following: 40% at 60% AMI, 20% at 50% AMI, or income averaging serving up to 80% AMI as long as the average serves 60% AMI
  - Additional points given for selecting lower-income set-asides (e.g., 30% at 60% AMI + 70% at 50% AMI)

LIHTC Program

- Must score at least 40 points, more each year based on competing applicants
  - Preference given to developers who have successful previous experience in the program
- Other points categories:
  - Within ½ mile of high capacity transit
  - Additional set-asides for disabled, homeless, large households
  - % of other sources leveraged including other public sources
  - Cost efficiency
  - Located near some number of resources

- Targeted by a local jurisdiction
- High opportunity area
- Non-Profit Sponsor
- Adding certain amenities not on site previously
- Solar add
- Net-Zero Energy
- Innovation in design, services, or funding (e.g., modular/net-zero, smart appliances, partnering with a non-profit)
- Combining 9% LIHTC w/4% LIHTC

General Comments

4% LIHTC ground up projects are not occurring on the Eastside for three reasons:

1. Affordable rents are too low for the increasing cost of construction
2. Traditional gap sources (Commerce, King county, ARCH) are competitive and rare and when they are awarded, they require even lower AMI's than the LIHTC program and they restrict utility allowances; these sources require State prevailing wages
3. Cost of land per door is too high to match the economics of a 4% deal

**Questions**

1. What are your discussions with City of Redmond, Jim Stanton, and Microsoft about?

2. What is Microsoft's plan if any for financing or building workforce and/or affordable housing in Redmond?

3. In these discussions, is Imagine Housing being talked about as a potential financial beneficiary of any plan?

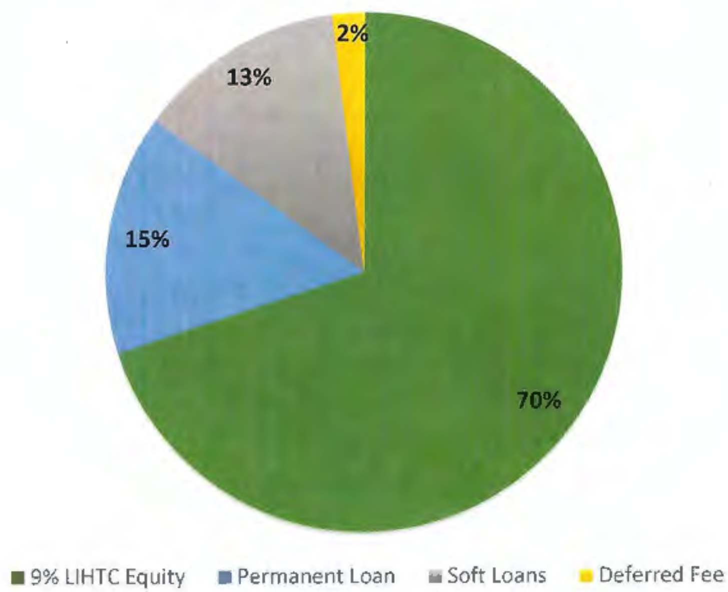
4. What can we do to best position ourselves in these conversations?

# General Models of 4% and 9% Low Income Housing Tax Credit Deal Structures

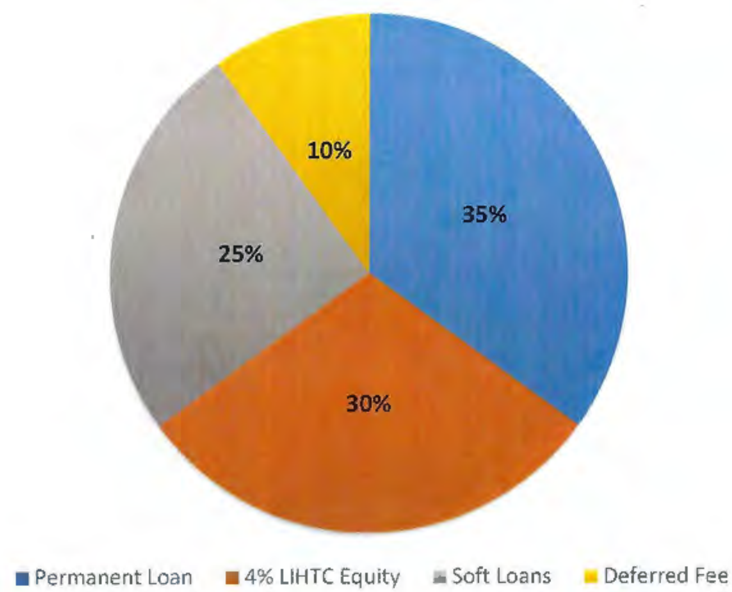
Percentages will change based on numerous factors

2017 Version

## 9% LIHTC Finance Structure



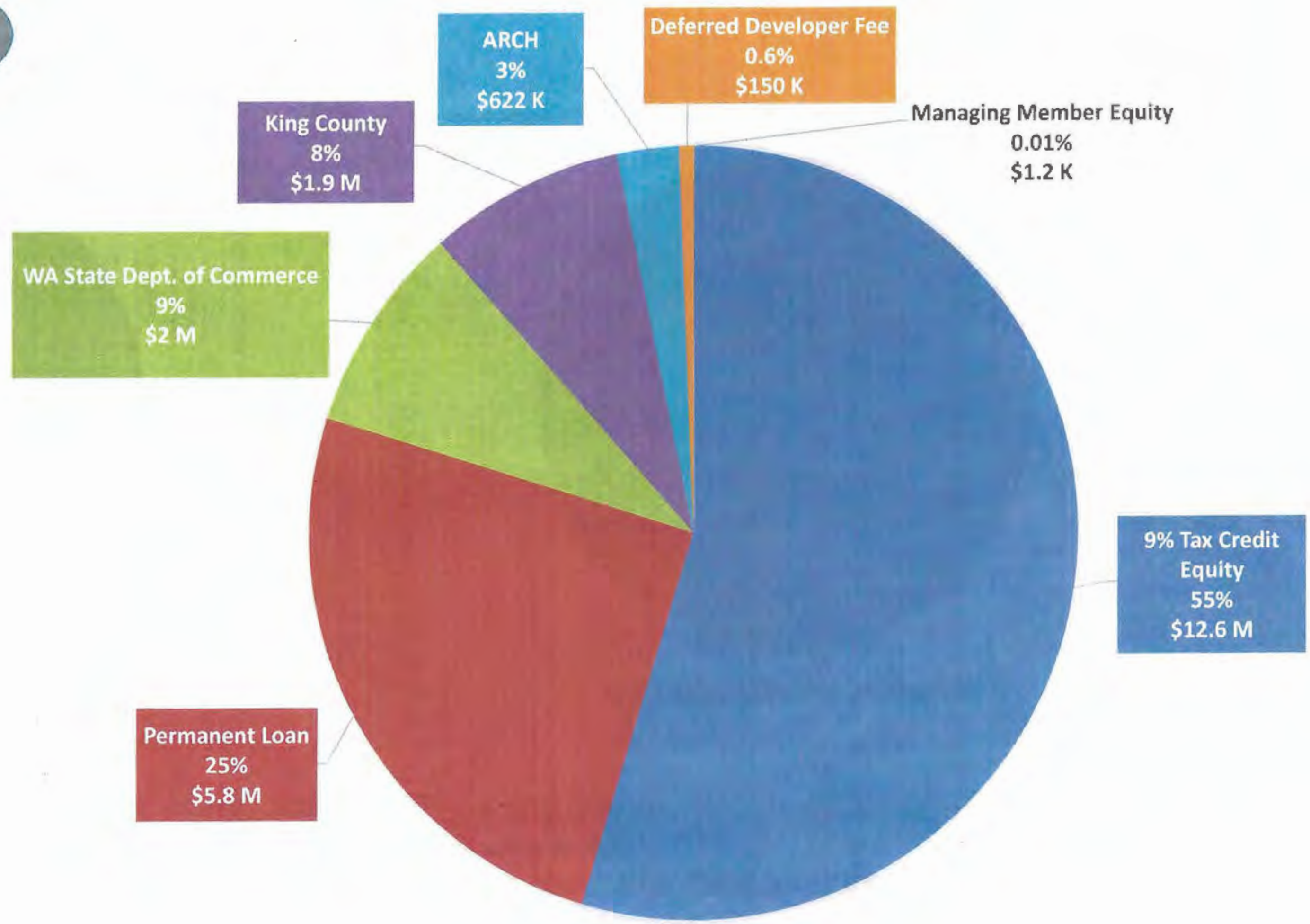

## 4% LIHTC Finance Structure



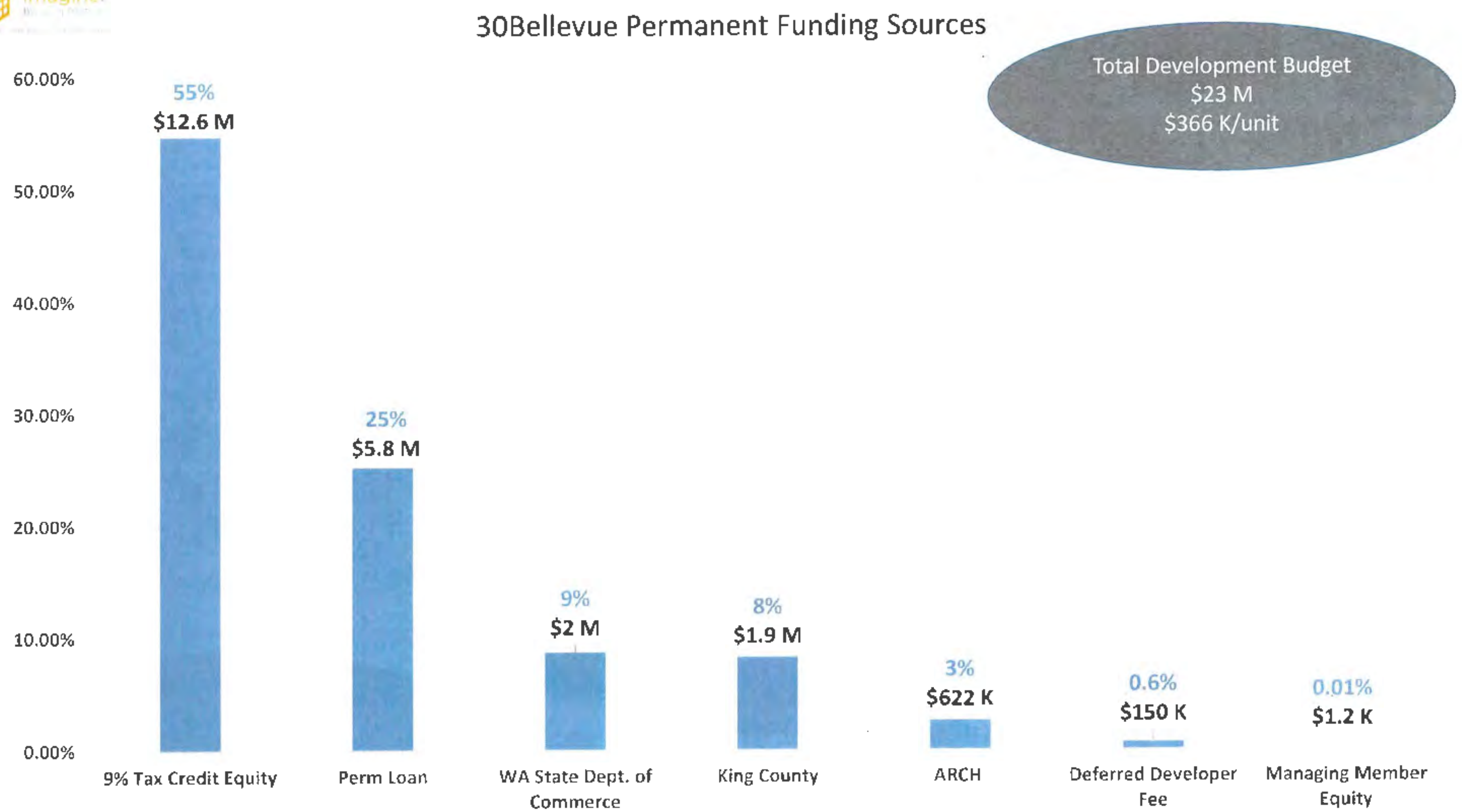

ImagineHousing
www.imaginehousing.org

Total Development Budget
$23 M
$366 K/unit

## 30Bellevue Permanent Funding Sources (9% Project)



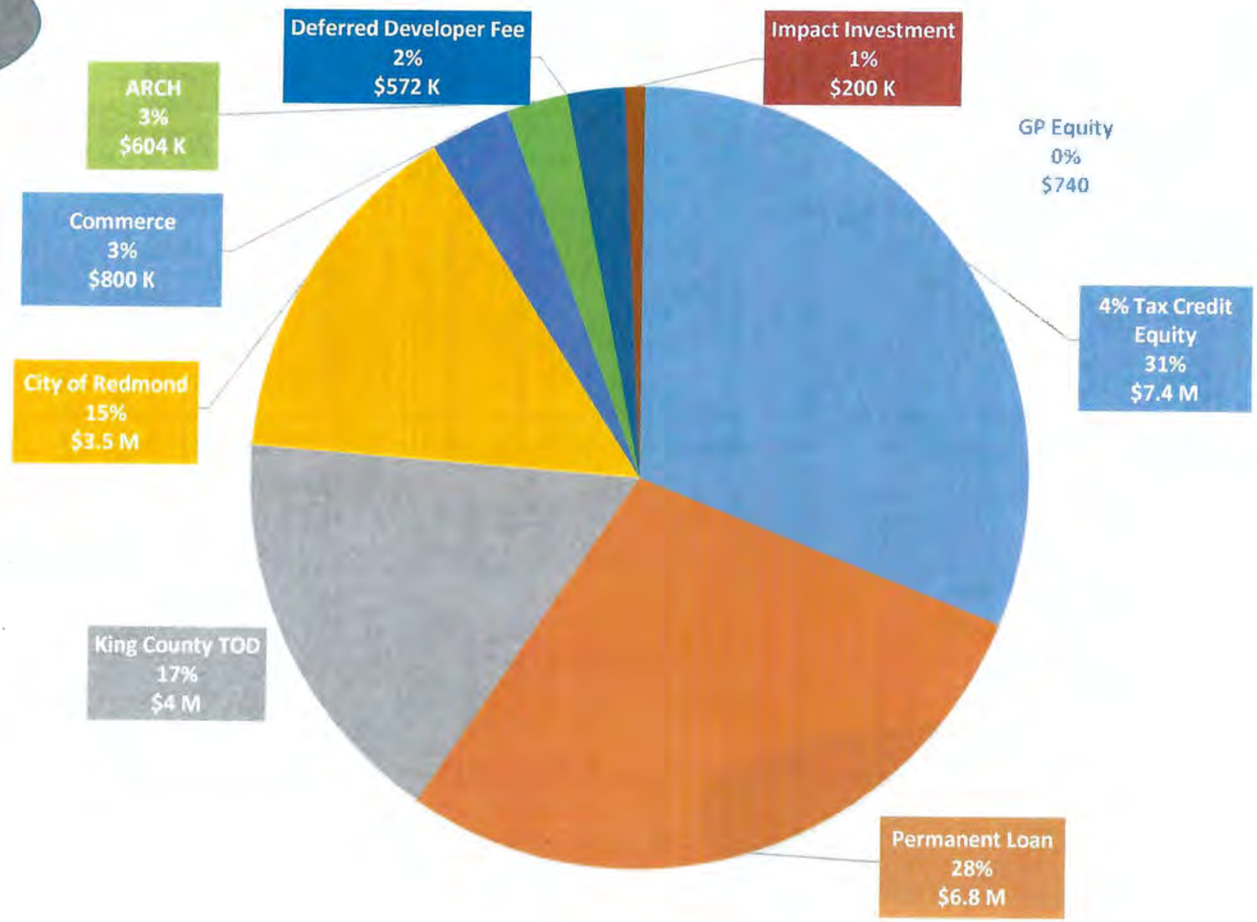

ImagineHousing


30Bellevue Permanent Funding Sources
Total Development Budget
$23 M
$366 K/unit
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
55%
$12.6 M
25%
$5.8 M
9%
$2 M
8%
$1.9 M
3%
$622 K
0.6%
$150 K
0.01%
$1.2 K
9% Tax Credit Equity
Perm Loan
WA State Dept. of Commerce
King County
ARCH
Deferred Developer Fee
Managing Member Equity

2017 Estimate

Total Development Budget
$23.8 M
$305 K/unit

## Esterra Park Block 6B Permanent Funding Sources (4% Project)



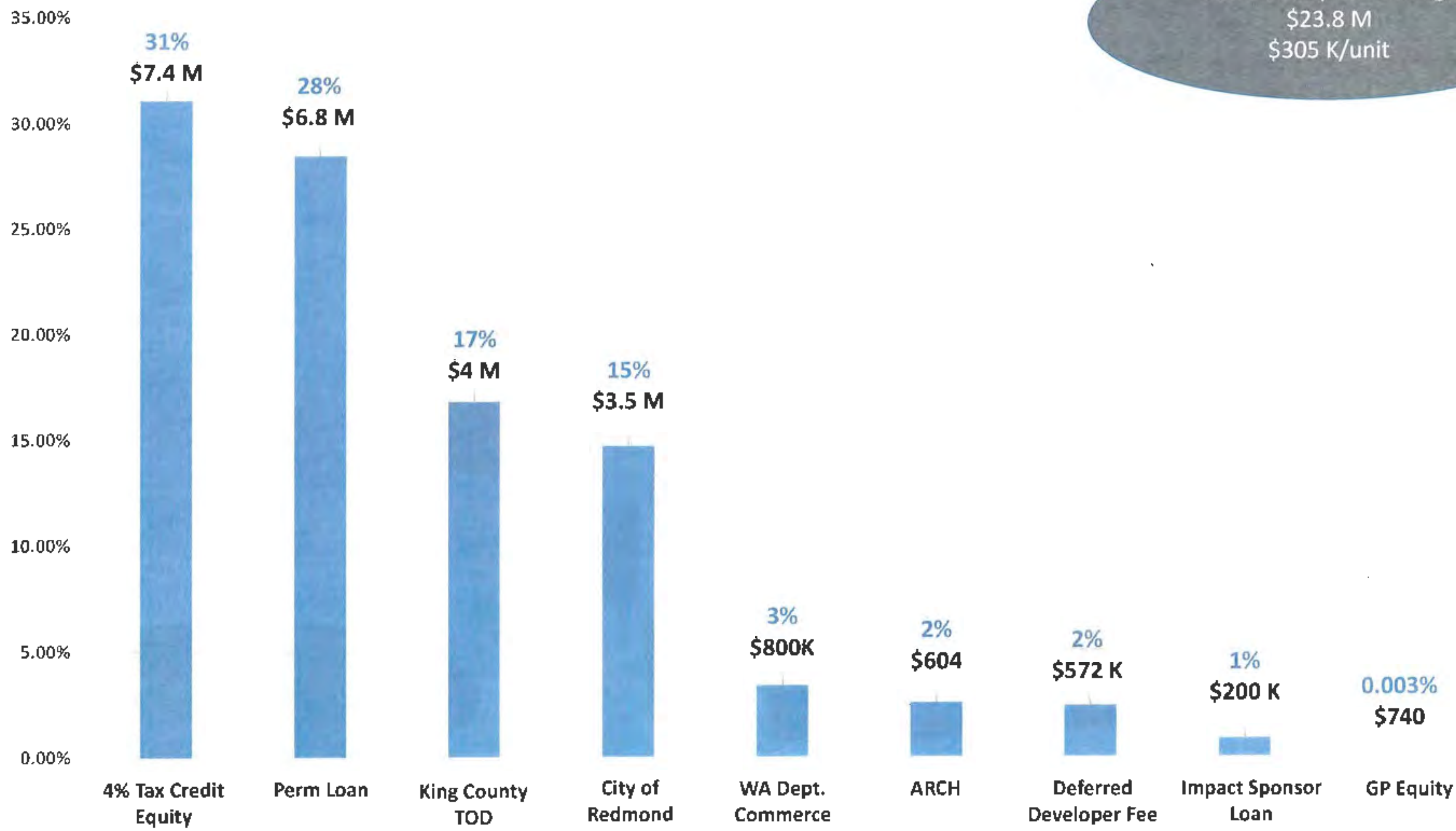


ImagineHousing
10604 NE 38th Place, Suite 215, Kirkland, WA 98033
(425) 576-5190 | www.imaginehousing.org

Esterra Park Block 6B Permanent Funding Sources (4% Project)

2017 Estimate

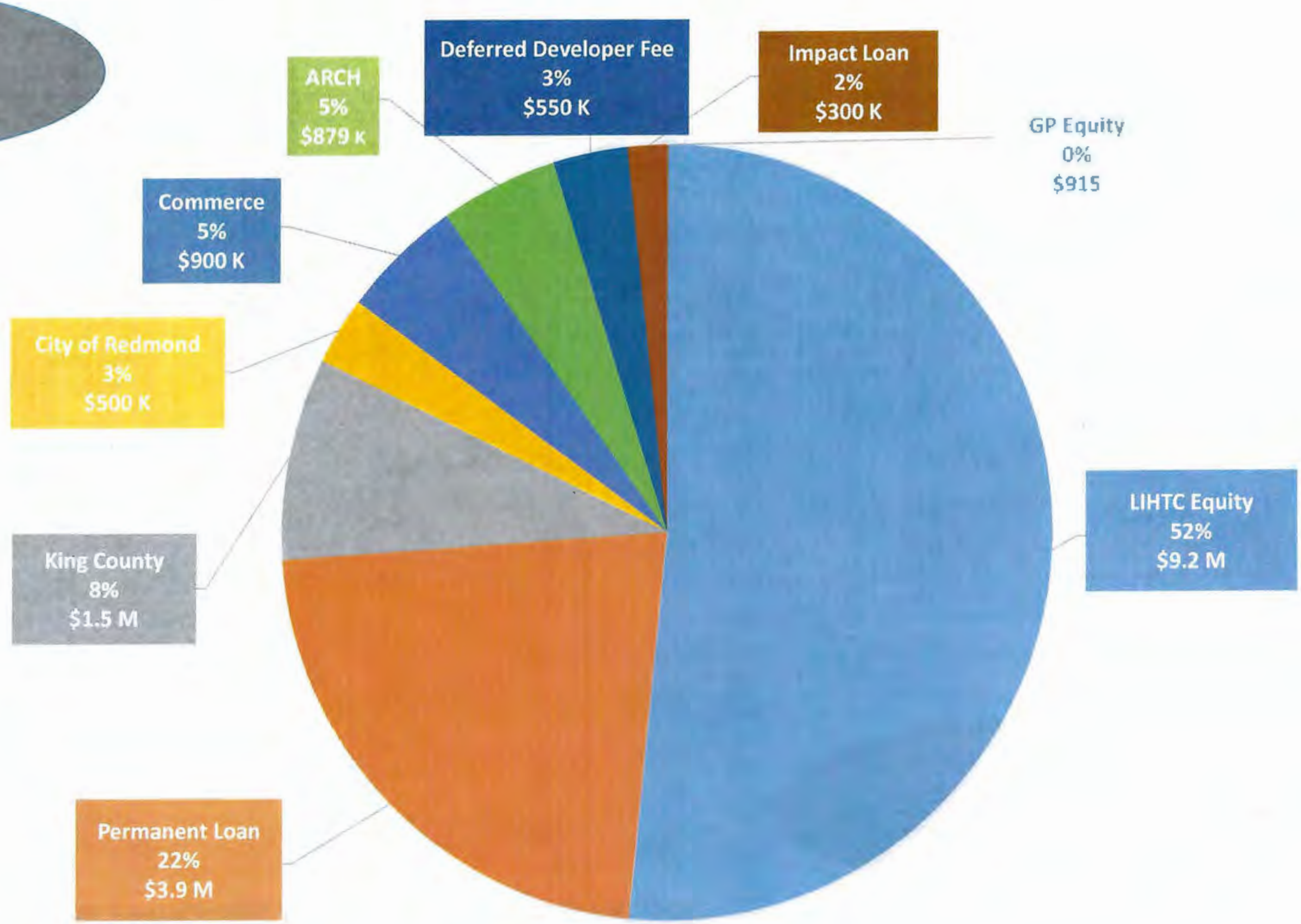
Total Development Budget
$23.8 M
$305 K/unit



2017 Estimate

Total Development Budget
$17.7 M
$341 K/unit

## Esterra Park Block 6B Permanent Funding Sources (9% Project)

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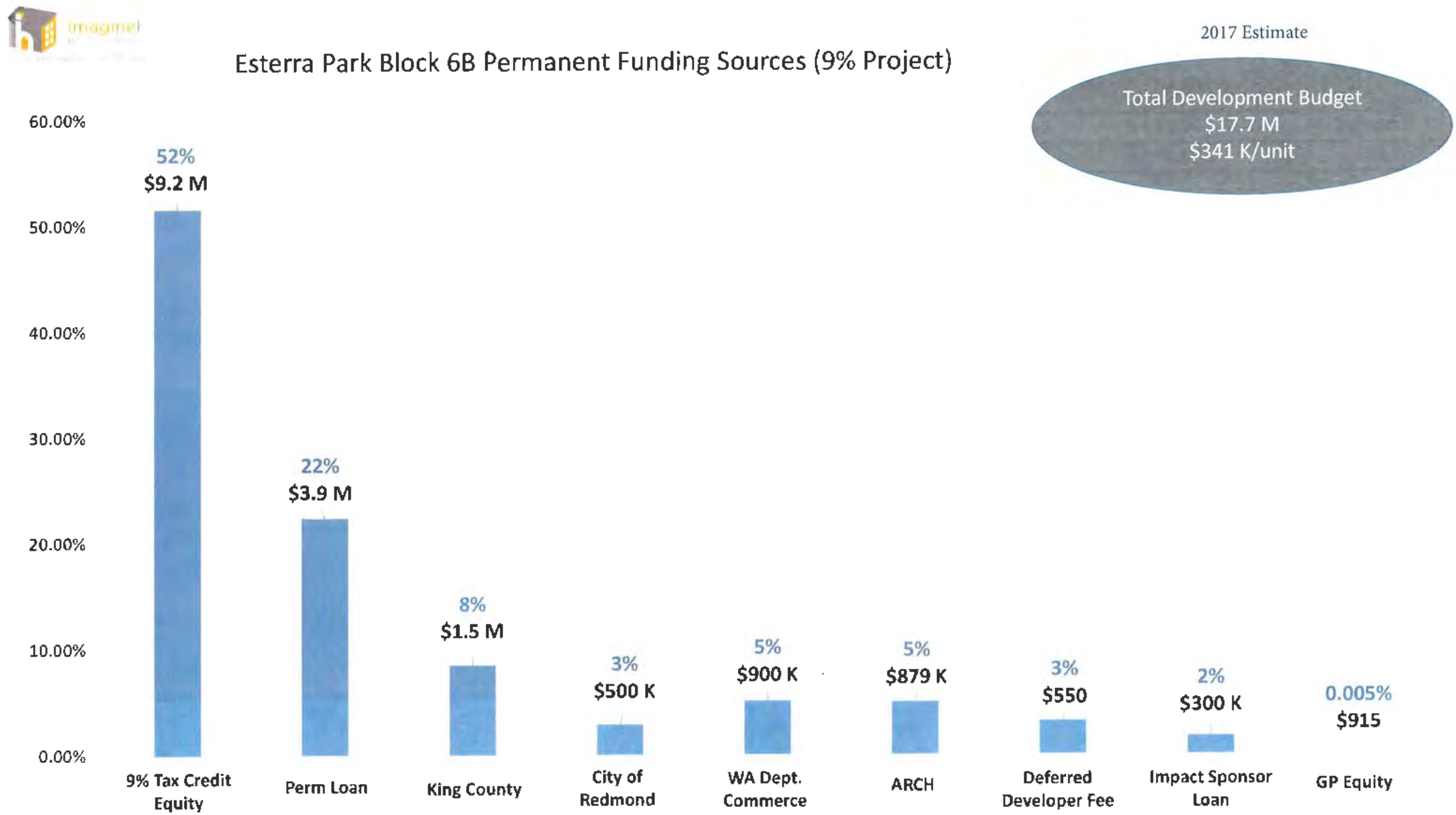


Esterra Park Block 6B Permanent Funding Sources (9% Project)
2017 Estimate
Total Development Budget
$17.7 M
$341 K/unit
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
52%
$9.2 M
22%
$3.9 M
8%
$1.5 M
3%
$500 K
5%
$900 K
5%
$879 K
3%
$550
2%
$300 K
0.005%
$915
9% Tax Credit Equity
Perm Loan
King County
City of Redmond
WA Dept. Commerce
ARCH
Deferred Developer Fee
Impact Sponsor Loan
GP Equity

# Sources Per Unit Comparison by Project

2017 Estimates

| Project sources per unit | Athene | 30Bellevue | Esterra Park Block 6B 9% | Esterra Park Block 6B 4% | Seattle 4% Project |
|---|---|---|---|---|---|
| # of units | 91 | 63 | 52 | 78 | 115 |
| 4% or 9% LIHTC | 9% | 9% | 9% | 4% | 4% |
| LIHTC/GP Equity | $178,552 | $200,056 | $176,102 | $94,983 | $88,043 |
| (ARCH or City) | $9,615 | $9,873 | $26,525 | $52,623 | $106,261 |
| King County | $29,121 | $30,159 | $28,846 | $51,282 | $0 |
| WA State Commerce | $31,319 | $31,746 | $17,308 | $10,256 | $8,696 |
| Permanent Private Loan | $23,242 | $92,063 | $76,351 | $86,935 | $70,435 |
| Impact Investment / Sponsor Loan | | | $5,769 | $2,564 | |
| Deferred Developer Fee | $2,374 | $2,381 | $10,668 | $7,335 | $9,294 |
| Total Permanent Sources Per Unit | $274,222 | $366,279 | $341,570 | $305,978 | $282,729 |
| Total Project Development costs/sources | 24,954,243 | 23,075,550 | 17,761,618 | 23,866,272 | 32,513,801 |
| | | | | | |
| *Construction start* | *2016* | *2017* | *2018* | *2018* | *2017* |
| *Land cost per unit* | *$30,220* | *$37,000* | *$43,730* | *$43,730* | *$5,004* |

ImagineHousing

## Source Categories as Percentage of Total Sources per Project

2017 Estimates

| Sources (percentage of total) | Athene | 30Bellevue | Esterra Park Block 6B 9% | Esterra Park Block 6B 4% | Seattle 4% Project |
|---|---|---|---|---|---|
| LIHTC Equity | 65% | 55% | 52% | 31% | 31% |
| Hard (Private Debt) | 8% | 25% | 22% | 28% | 25% |
| Soft (Public Loans) | 26% | 20% | 21% | 37% | 41% |
| Soft (Developer Fee and Sponsor Loans) | 1% | 1% | 5% | 3% | 3% |
| Total | 100% | 100% | 100% | 100% | 100% |

ImagineHousing

# Unit and Income Mix Comparison by Project

2017 Estimates

| Project unit mix | Athene | 30Bellevue | Esterra Park Block 6B 9% | Esterra Park Block 6B 4% | Seattle 4% Project |
|---|---|---|---|---|---|
| # Studio | 27 | 19 | 12 | 30 | 25 |
| # 1Bedroom | 59 | 19 | 22 | 36 | 75 |
| # 2 Bedroom | 5 | 15 | 13 | 12 | 15 |
| # 3 Bedroom | 0 | 10 | 5 | | |
| Total Units | 91 | 63 | 52 | 78 | 115 |

| Project income mix | Athene | 30Bellevue | Esterra Park Block 6B 9% | Esterra Park Block 6B 4% | Seattle 4% Project |
|---|---|---|---|---|---|
| # units <30% AMI | 46 | 31 | 23 | 12 | 18 |
| # units <40% AMI | 23 | 16 | 12 | | |
| # units <50% AMI | | | | 21 | 10 |
| # units <60% AMI | 22 | 15 | 11 | 45 | 87 |
| # units unrestricted income | | 1 | 6 | | |
| Total Units | 91 | 63 | 52 | 78 | 115 |

ImagineHousing

# Eastside Workforce Housing Preservation Project

Over the past decade, King County has lost an average of 3,600 units per year of housing affordable to a lower wage workforce earning less than 80% of area median income due to demolition and rising rents.[1] Nowhere is this loss more acute than on the Eastside. Loss of this housing is forcing lower wage households to live further and further from their place of work, causing dislocation of the existing workforce, increasing commute times and exacerbating already congested traffic patterns.

The King County Housing Authority (KCHA) is seeking to scale up current efforts which have successfully stabilized rents and preserved affordability for 6,000 workforce housing units in King County. The Authority is seeking to purchase an additional 10,000 units of housing proximate to job centers and mass transit routes. This will preserve a baseline inventory of rental housing in the region that is decoupled from market pressures and that will remain affordable to workers earning 80% or less of area median income.

Purchase of existing Class B multifamily housing is the fastest and most economic approach to providing this workforce inventory. Acquisition is considerably cheaper than new construction in the current construction environment, can scale up beyond the availability of appropriately located and correctly zoned new construction sites, and eliminates the lead time and risks involved in new development.

After KCHA purchases a property, rents are generally only increased as costs rise, making these properties increasingly affordable over time. Properties KCHA acquired in the 1990s on the Eastside now rent for anywhere from $300 to $500 per month below comparable housing in the surrounding market. Over the life of the proposed financing outlined below, a $200 million fully repayable loan would leverage nearly $600 million in reduced rents.

The King County Housing Authority has twenty five years of experience in undertaking these acquisitions. The Authority is a Local Municipal Corporation established under Washington State law. KCHA has a AA issuer credit rating from Standards and Poor's, statutory authority to issue tax exempt debt, a strong balance sheet and ready access to public and private capital markets. Workforce housing acquired by the Authority is managed by outside fee managers under asset management supervision by KCHA.

In order to expand its preservation activities, KCHA is seeking mezzanine financing that would cover the equity gap that typically exists in these purchases. This gap reflects the portion of the purchase price that cannot be financed through the primary loan at a 1.1 debt coverage ratio that amortizes completely over 30 years. This gap is conventionally financed through equity participation by investors whose profit expectations are met by aggressively increasing rents and through the sale of the property at a profit within a medium term timeframe. As KCHA only raises rents as operating costs increase and intends to hold these properties in perpetuity, equity participation by outside investors is not a viable financing tool.

KCHA is proposing use of a 30-year, interest-only, 1% mezzanine loan product that would finance approximately 45% of the purchase price of targeted properties. Enclosed are a series of spreadsheets that provide a detailed review of assumptions regarding acquisition pricing, revenues, expenses, cash flow, repair needs and debt servicing for a typical acquisition under this financing scenario. As requested, we have looked at three scenarios, scaled at a

[1] King County Regional Affordable Housing Taskforce Five-Year Action Plan (2018).

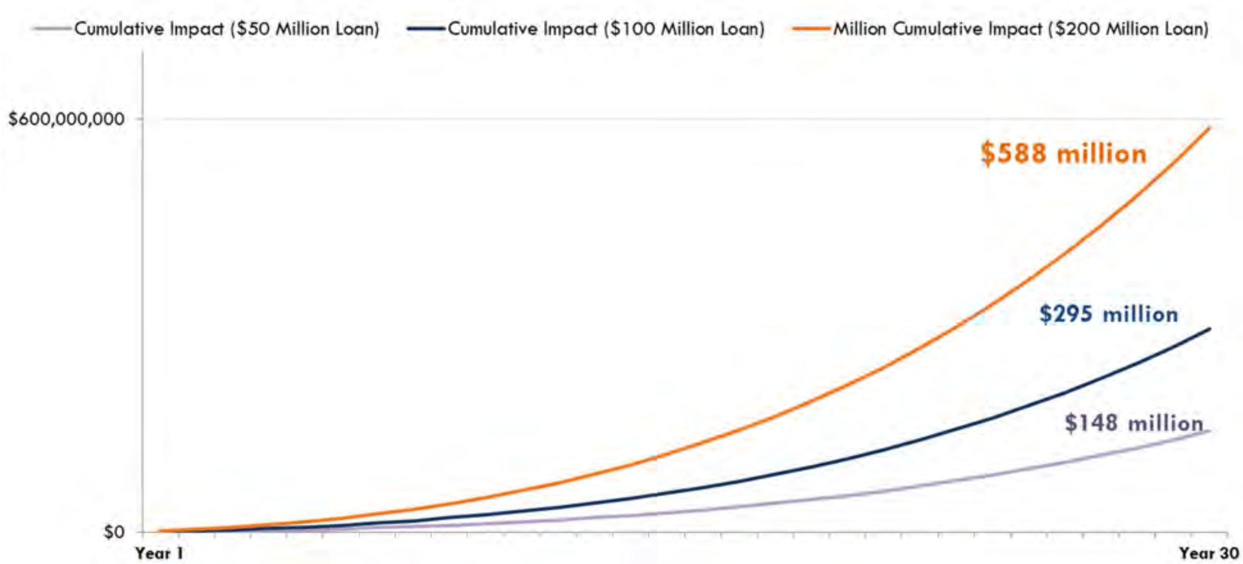
$50 million, $100 million and $200 million mezzanine loan product. In each case, we have also calculated the associated 'investment cost' of each loan, which is equal to the net present value (NPV) of the 'opportunity loss' over 30 years of investing these funds at 1% interest rather that an assumed corporate rate of 5%.

A $50.3 million mezzanine loan would result in a $30.9 30-year investment cost and would preserve 280 units. A $100.5 million mezzanine loan would result in a $61.8 million investment cost and would support the acquisition of 560 units; a $200 million mezzanine financing loan would almost double this impact and would be sufficient to acquire more than 1,110 units. In each scenario, the full amount of the original mezzanine financing would be refinanced and repaid in full at the end of the loan term using the cash flow freed up from the fully amortized primary loan to refinance the debt. The mezzanine financing would also be secured by a subordinate deed of trust.

In each scenario we have factored in a timeframe for acquisitions. We believe that 600 units can be realistically acquired within a year's time. In the case of a $200 million mezzanine loan, this will involve a two-year acquisition pipeline. KCHA tracks the multifamily inventory closely and believes there is sufficient inventory suitable and available to meet these timeframes.

We have also included an analysis of the relative affordability of this inventory compared to surrounding market rents over the term of the financing. Historic trend data show market rents on the Eastside going up at the rate of 5% annually. Operating costs for KCHA's existing workforce housing inventory have increased by 3% annually. Over a 30-year period we project that the total reduction in rents charged under a preservation scenario would be $588 million for a 1,115 unit inventory. In other words, a $200 million fully repayable mezzanine loan would leverage $588 million in rent reductions for lower wage worker households. These below-market benefits would continue after the repayment of the initial mezzanine loans through a conventional refinancing in year 30. After conventional financing leveraged through this approach is factored in, the investment cost of this approach is over 6:1.

**FIGURE 1:** OVER 30 YEARS, A FULLY REPAYABLE $200 MILLION MEZZANINE LOAN COULD PROVIDE NEARLY $600 MILLION IN REDUCED HOUSING COSTS FOR THE LOCAL WORKFORCE




While KCHA experiences lower turnover in our apartment communities due to the comparative level of affordability with the surrounding community, turnover does occur and creates ongoing opportunities to serve new entrants into the local job market. Given average turn-over rates, we project that over the term of a $50 million mezzanine loan we can provide housing to more than 1,960 households with an estimated 5,880 household members, of which half are typically children. Increasing the loan to $100 million more than doubles the number of persons served; a $200 million mezzanine loan would result in more than 23,400 persons being housed.

Based on these numbers, the projected utility to the local workforce is significant. Employment patterns among current residents in KCHA's Eastside workforce housing indicate sizeable groups employed in service sectors (47%), skilled trades (17%), health care (15%), education (14%), and technology (4%). Assuming 1.5 jobs per household, a $200 million fully repayable mezzanine loan that provides housing to more than 7,800 households would support employees filling over 11,000 full and part-time low-to-moderate wage jobs. KCHA's workforce housing ensures that there is a skilled local workforce for landscaping, construction, transportation, and other sectors directly connected to Microsoft's enterprises. Moreover, KCHA workforce housing also supports residents working in education, health care, retail, and other critical community amenities that make the Eastside a prime location for attracting and retaining top talent from around the globe.

We have not yet completed an analysis of tax approaches that could be utilized to reduce the "opportunity loss" and actual investment costs for corporate participants in this program. In addition to the tax exempt nature of the mezzanine debt issued by KCHA, several other potential tax approaches are being explored. These include a corporation providing mezzanine financing through a donation to a charitable foundation that would then provide the funding as a program related investment. We are also exploring a concept similar to a 'conservation easement' wherein a covenant is placed on an asset and in consideration for the restriction that provides a long-term or perpetual public benefit, a private party can receive a tax benefit associated with the conservation easement covenant. Research on these approaches by our tax attorneys is currently underway.

Corporations in our community have made significant long term investments in physical plants on the Eastside. This proposed investment is an important complementary approach to assuring the long term viability of the region as a good place to do business.

# Ensuring a healthy community: the need for affordable housing

Jan 16, 2019 | Microsoft Corporate Blogs

*By Brad Smith, President, and Amy Hood, Chief Financial Officer*

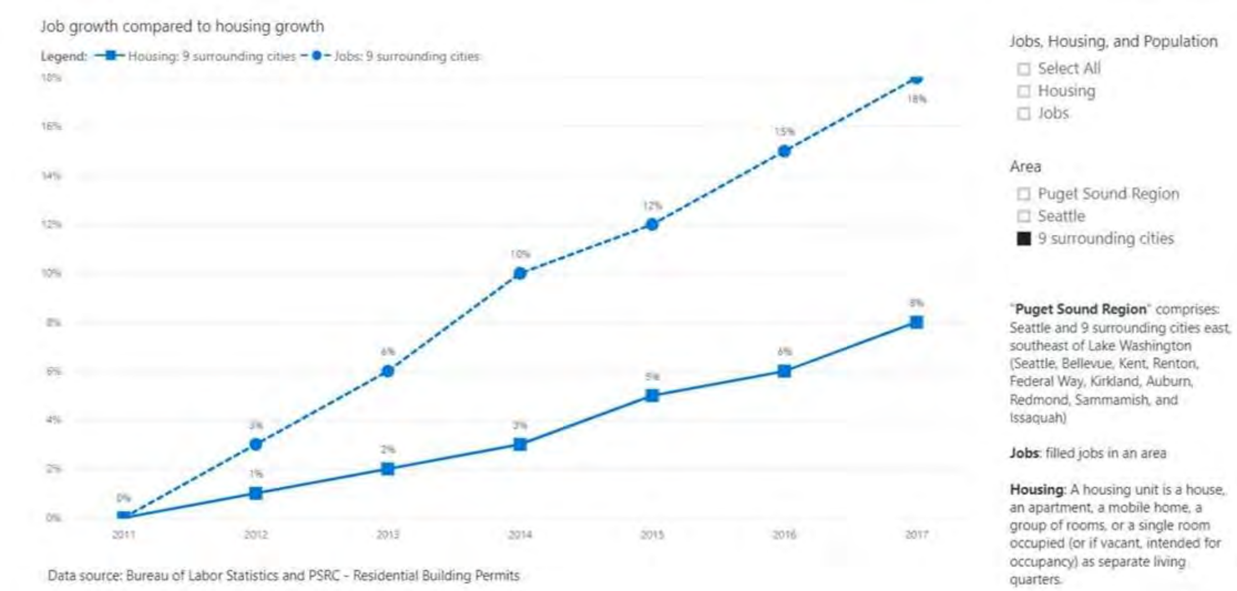
In 1979, Microsoft made the Puget Sound region our home when the company's first 30 employees moved into an office building next to The Burgermaster in Bellevue. Over the decades, we've grown from a small start-up to become one of the world's leading technology companies. And along the way, the entire region's economy has diversified and expanded, bringing new jobs, people and prosperity. It's an amazing place to call home and it's a community that has always helped nurture Microsoft's success.

But the Puget Sound area's growth has also created new challenges. In recent years, our region hasn't built enough housing for the people who live here. Since 2011, jobs in the region have grown 21 percent, while growth in housing construction has lagged at 13 percent. This gap in available housing has caused housing prices to surge 96 percent in the past eight years, making the Greater Seattle area the sixth most expensive region in the United States.

Median income in the region hasn't kept pace with rising housing costs, increasingly making it impossible for lower- and middle-income workers to afford to live close to where they

work. Teachers, nurses, first responders and many in key roles at nonprofits, businesses and tech companies now begin and end their workdays with long commutes. And people who are homeless face problems that are even more daunting.
We’ve been working the past eight months to learn more about how best to help address this problem. We’ve put one of our world-class data science teams to work, and it has partnered with Zillow to access more data on the region. We’ve also worked with the Boston Consulting Group and Challenge Seattle to learn more about best practices – not just across the country, but around the world.

You can take a look at our data [here](). As you can see, the gap between job growth and housing growth has been even greater in the suburban cities around Seattle than in Seattle itself.




This is a big problem. And it’s a problem that is continuing to get worse.
It requires a multifaceted and sustained effort by the entire region to solve. At Microsoft, we’re committed to doing our part to help kick-start new solutions to this crisis.
Today, we are committing $500 million as a company to advance affordable housing solutions. We’ll put this money to work with loans and grants to accelerate the construction of more affordable housing across the region. We will invest:

- $225 million at lower than market rate returns to inject capital to subsidize the preservation and construction of middle-income housing. These investments initially will be made in six cities east of Seattle and Lake Washington: Bellevue, Kirkland, Redmond, Issaquah, Renton and Sammamish.

- $250 million at market rate returns to support low-income housing across the entire King County region. We believe that additional capital at market lending rates can help accelerate the construction of low-income housing across the region.
- $25 million in philanthropic grants to address homelessness in the greater Seattle region. We are announcing today the first $10 million of these grants. This will include a $5 million philanthropic grant to the newly announced Home Base program created by the Seattle Mariners, the United Way of King County and the King County Bar Association. This program helps keep people facing eviction in their homes through legal aid, access to flexible funds and case management. We are also committing $5 million to support a new joint agency on homelessness being formed by the city of Seattle and King County.

Our goal is to move as quickly as possible with targeted investments that will have an outsized impact. For example, we've learned from efforts we've studied elsewhere that one effective approach is to provide short-term loans to enable those who want to build affordable housing the time needed to navigate the process of acquiring land from the public sector and raise longer-term construction financing. With these and similar investments, it's possible to lend money, accelerate progress, be repaid and then lend this money again. While this is just one of the many ways that we'll seek to put money to good use, it illustrates our financial commitment can have a multiplier effect.

At the same time, it will take much more to solve the problem. Even more capital will be required. And more critical still is the need for public policy changes to make it easier and more attractive to build affordable housing.

The mayors of nine of the largest suburban cities outside Seattle – Bellevue, Kirkland, Redmond, Issaquah, Renton, Sammamish, Auburn, Kent and Federal Way – are pledging to take vital and concrete steps to address the issue. This is every bit as important as Microsoft's financial commitment. These steps include changes in zoning to increase the pipeline of housing in selected areas, providing desirable public land near transit locations, addressing permitting processes and fees and creating new tax incentives for construction.

We believe the state government has an important role to play as well. In the state legislative session that began this week, we'll encourage the legislature to support the private sector by making additional housing investments and through policy changes to preserve and develop affordable housing. These recommendations include a $200 million appropriation to the Housing Trust Fund to expand support for very-low-income individuals and families, which would almost double the investment from the last budget cycle. In addition, we will support condominium liability reforms, extending the Multifamily Tax Exemption (MFTE), and new incentives for local communities to enact more efficient land use polices.

If we're going to make progress, we'll all need to work together as a community. We recognize that Microsoft is in a unique position to put the size of its balance sheet behind this effort. But we believe that every individual and every business, large and small, has a responsibility to contribute. This includes new initiatives to share data on where jobs are being created and the home locations and commuting distances for employees. It also includes new work to develop the detailed public policy changes that will be needed to provide more affordable housing.

Ultimately, a healthy business needs to be part of a healthy community. And a healthy community must have housing that is within the economic reach of every part of the community, including the many dedicated people that provide the vital services on which we all rely.

Our announcement today is an important start, but it's just the beginning. It will take years of dedicated work for the region to put this problem behind it. We'll all need to learn and work together to ensure that everyone in our community has not just a roof over their head, but a place they can call their home.
Tags: affordable housing, Brad Smith, Puget Sound region

# Our History

"The Housing Trust is a certifiable Silicon Valley Solution: a public-private effort to patch resources together in creative ways."

The San Jose Mercury News


## Housing Trust History

In the 1990's, the high-tech boom morphed into the dot-com revolution, causing the average home price in Santa Clara County to skyrocket and leaving many would-be homebuyers out of the market. At the time, seven out of ten residents could not afford to buy a home in the county in which they resided; rental prices had jumped 23 percent in a two-year period; and the vacancy rate dropped dramatically to two percent. Individuals and families were not the only group impacted by this high-cost housing crisis. Businesses also complained of problems recruiting and retaining top talent.

## The First $20,000,000 Raised

By 2000, the Housing Trust was born. Led by the Santa Clara County Board of Supervisors and what is now the Silicon Valley Leadership Group, affordable housing activists, local businesses, and foundations organized to create something groundbreaking: a non-profit Housing Trust. Supported by voluntary contributions, the Housing Trust devoted itself to addressing the full range of affordable housing needs from increasing homeownership and preventing homelessness, to increasing the supply of rental and permanent housing.

The call went out to raise $20 million and leverage $200 million in two years to assist 2,000 families; and Silicon Valley responded. The Santa Clara County Board of Supervisors was the first to invest in the Housing Trust with a generous $2 million grant, which was coupled with a $1 million grant from Intel and a combined $1 million investment from high-tech giants Adobe, Cisco Systems, Applied Materials, Solectron, and homebuilder KB Homes.

Within 18 months of launching the campaign, all cities and towns in Santa Clara County followed suit to contribute to the Housing Trust. Within two years the $20 million goal was exceeded.

## An Enduring Public-Private Partnership

More than fifteen years after our founding, scores of Silicon Valley employers, employer foundations, state and federal housing agencies and private citizens have voluntarily sustained a shared goal to make Silicon Valley a more affordable place to live. We created TECH Fund, an investment vehicle to allow philanthropic organizations and private sector entities to easily invest in critical housing solutions. And thanks to our early efforts, and the continuing leadership of our donors and partners, we have invested over $171 million to create more than 16,100 homes for Silicon Valley's workforce, families, seniors and special needs individuals.

Housing Trust Silicon Valley is now among the largest housing trusts in the nation to finance affordable housing and assist first-time homebuyers. As a Certified CDFI (Community Development Financial Institution), we are nationally recognized for providing the resources and leadership needed to make housing more affordable for those who want to live in Silicon Valley.

## Bringing the Homeless Home

Fiscal Year 2017: 606 people assisted/$942,540 grants for those experiencing homelessness

## Helping Homebuyers

Fiscal Year 2017: 1,518 homebuyers educated/300 pre-purchase counseling sessions

## Increasing Supply

Fiscal Year 2017: $33.7 million in loans committed/1,069 homes financed/222 homes for homeless and special needs clients/385 homes for seniors/369 homes for families

*"The Housing Trust is leading the effort to create a strong affordable housing market in the greater Bay Area as one of the region's highest-volume nonprofit housing lenders. Serving the homeless to renters to first-time homebuyers, we assist a wide range of residents with programs across the entire spectrum of housing issues."*


## Homeownership Assistance

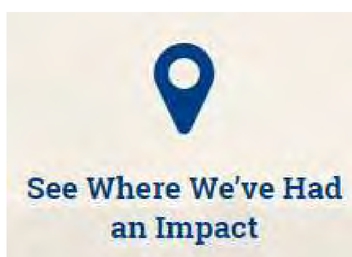
The Housing Trust provides loans to low and moderate income homebuyers in Silicon Valley in the form of low-interest second mortgages and down payment assistance.


## Multifamily Development Loans

The Housing Trust provides loans to developers constructing or rehabilitating affordable multifamily rental housing for seniors, working families, the homeless, and people with special needs.


## Homelessness Prevention & Assistance

The Finally Home Grant Program provides assistance to individuals and families moving from homelessness or unsuitable housing into permanent sustainable housing.




## See Where We've Had an Impact

Housing Trust has facilitated over 26,000 affordable housing opportunities. See a map of all the places around Silicon Valley where we've made a difference.

# STATEMENT OF MAYORS

January 2019

We are some of the largest city mayors in King County representing communities outside Seattle and we believe that healthy, vibrant communities are ones that offer affordable housing options for families and individuals all along the income spectrum.

In recent years, the speed of economic and population growth in our region has outpaced the growth in housing supply, creating a shortage of affordable housing—pricing out too many households and threatening the fabric of our community.

We will continue our work to address homelessness and low-income housing and we will also work to address the growing crisis of the lack of affordability of middle-income housing in the area.

Too many of our teachers can no longer afford to live near the schools where they teach. Too many nurses, teachers, police and other first responders are moving out of the communities they serve to find homes they can reasonably afford. Homelessness continues to rise, and our local workforce is commuting from farther and farther away – worsening congestion and eroding our sense of community.

To address this problem, we intend to do our part to break down barriers and provide incentives to substantially increase the supply of quality housing for all households in our community.

We will consider opportunities to advance housing affordability in the region, including but not limited to:

1. Making available at no cost, at deep discount, or for long-term lease, under-utilized publicly-owned properties,
2. Updating zoning and land use regulations to increase density near current and planned public transit,
3. Reducing or waiving parking requirements in transit corridors to help reduce overall development costs,
4. Reducing or waiving impact and other development-related fees,
5. Streamlining and accelerating the permitting process for low- and middle-income housing projects to improve developer certainty,
6. Providing tax exemptions and credits to incent low- and middle-income housing development, and
7. Updating building codes to promote more housing growth and innovative, low-cost development.

We believe that these efforts, combined with the support of the greater community, will make our region more affordable for all households and will advance quality of life throughout the region.

Mayor Nancy Backus, City of Auburn
Mayor John Chelminiak, City of Bellevue
Mayor Jim Ferrell, City of Federal Way
Mayor Mary Lou Pauly, City of Issaquah
Mayor Dana Ralph, City of Kent
Mayor Penny Sweet, City of Kirkland
Mayor John Marchione, City of Redmond
Mayor Denis Law, City of Renton
Mayor Christie Malchow, City of Sammamish

REGIONAL
AFFORDABLE HOUSING
TASK FORCE

# Summary of Final Report and Recommendations
## for King County, WA

December 2018

# FIVE YEAR ACTION PLAN

The Task Force recommended a Five-Year Action Plan as a way to spur the region into action quickly.  The Action Plan includes seven goals and each goal has a number of strategies to achieve the goal. The Action Plan also identifies specific actions that can be taken in the near term to implement the strategies. While encouraging quick action, the Plan also establishes the structure for ongoing collaboration to carry the work forward past the five-year action plan.

The region should adopt strategies to ensure an adequate housing supply countywide to meet the needs of low-income individuals and families who are cost-burdened. This includes constructing new housing, preserving the quality and affordability of existing housing, and providing subsidies when needed. Public resources should be prioritized for serving households earning 50 percent AMI and below, while also leveraging private investments to support affordability from 50 percent to 80 percent AMI. However, private market participation alone will be insufficient to address the full need at 80 percent AMI and below.[1]  These recommendations are not mandates. They are not intended to place limits on local actions or override local control.


1   With significant public support (reduced land costs and fees and significant density), some markets may be able to incorporate lower affordability into private market developments.

REGIONAL
AFFORDABLE HOUSING
TASK FORCE

# FIVE YEAR ACTION PLAN

## OVERARCHING GOAL:

**Strive to eliminate cost burden for households earning 80 percent Area Median Income and below, with a priority for serving households at or below 50 percent Area Median Income.**

## 1 Create and support an ongoing structure for regional collaboration

| **STRATEGY A:** Create an Affordable Housing Committee of the Growth Management Planning Council (GMPC) | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Maintain a website and prepare an annual report to collect data and report on progress toward implementing the Action Plan | | | ✓ | |
| ii. Review and make recommendations to other governing bodies regarding funding/pursuing new and innovative financing strategies, land use policies and State legislative agenda items | | | ✓ | |
| iii. Make recommendations to the GMPC for Countywide Planning Policies updates and to the PSRC's Growth Management Policy Board | | | ✓ | |
| iv. Coordinate support for increased federal funding | | | ✓ | |
| v. Provide technical support to cities and the County and support new and existing sub-regional collaborations | | | ✓ | |
| vi. Review and evaluate the Committee and recommend alternative governance structures if needed to implement the Action Plan | | | ✓ | |
| **STRATEGY B: Support the creation and operation of sub-regional collaborations to increase and preserve affordable housing** | | | | |
| i. Support the creation of sub-regional collaborations in all parts of King County | ✓ | ✓ | ✓ | |
| ii. Fund operations of sub-regional collaborations | ✓ | ✓ | | |
| iii. Encourage the growth and success of existing sub-regional collaborations | ✓ | ✓ | ✓ | |

# 2 Increase construction and preservation of affordable homes for households earning less than 50% area median income

| STRATEGY A: The Affordable Housing Committee will work with cities and the County to identify and prioritize new resources to build or preserve 44,000 units in the next five years and track progress toward the goal | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Identify revenue sources sufficient to support the local share of funding 44,000 units over five years | ✓ | ✓ | ✓ | |
| ii. Collectively advocate to maintain and increase Federal resources directed toward affordable housing in King County | ✓ | ✓ | ✓ | |
| iii. Collectively advocate for increased State resources to support affordable housing in King County | ✓ | ✓ | ✓ | ✓ |
| iv. Explore unused authority to raise revenue to support the goal of building or preserving 44,000 units over five years | ✓ | ✓ | ✓ | |
| v. Work with business and philanthropy to increase and effectively leverage private investments in affordable housing | ✓ | ✓ | ✓ | |
| vi. Pursue strategies to reduce the cost of developing affordable units | ✓ | ✓ | | |
| vii. Monitor County and city progress toward raising funds necessary to produce 44,000 units in the next five years | | | ✓ | |
| **STRATEGY B: Make available at no cost, at deep discount, or for long term lease, under-utilized property from State, County, cities, and non-profit/faith communities** | | | | |
| i. Expand coordination to identify, acquire and develop property for affordable housing | ✓ | ✓ | | ✓ |
| ii. Track and report progress on REDI fund and Home & Hope | | | ✓ | |
| iii. Identify one or more parcels in their boundaries to prioritize for affordable housing (for-profit or non-profit, new or preserved) | ✓ | ✓ | | |
| iv. Develop policies for the sale of County-owned property at reduced or no cost when used for affordable housing, which may be used as a model ordinance by cities | ✓ | | | |
| **STRATEGY C: Develop a short-term acquisition loan fund to enable rapid response to preserve affordable housing developments when they are put on the market for sale** | | | | |
| i. Identify entity to inventory all large (50+ unit) privately owned affordable multifamily properties at risk of redevelopment or rapid rent escalation | ✓ | ✓ | ✓ | |
| ii. Measure and monitor progress in preserving privately owned affordable housing through nonprofit acquisition or other means | | | ✓ | |

# 3 Prioritize affordability accessible within a half mile walkshed of existing and planned frequent transit service, with a particular priority for high-capacity transit stations

| STRATEGY A: Implement comprehensive inclusionary/incentive housing policies in all existing and planned frequent transit service to achieve the deepest affordability possible through land use incentives to be identified by local jurisdictions | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Provide technical assistance in designing inclusionary/incentive housing programs | ✓ | | ✓ | |
| ii. Provide website of example ordinances | ✓ | | ✓ | |
| iii. Propose and apply for state planning dollars | ✓ | ✓ | | ✓ |
| iv. Evaluate and update zoning in transit areas in advance of transit infrastructure investments | ✓ | ✓ | | |
| v. Evaluate the impact of development fees in transit areas and implement reductions if positive impact found | ✓ | ✓ | | |
| vi. Regularly measure implementation against goal | ✓ | | ✓ | |
| **STRATEGY B: Maximize resources available for Transit Oriented Development (TOD) in the near term** | | | | |
| i. Consider bonding against future Lodging Tax revenues for TOD and use a portion of the funds to incentivize cities to support more affordable housing | ✓ | | | |
| ii. Evaluate potential for the current Transfer of Development Rights program, which preserves rural and resource lands, to incentivize affordability outcomes if a receiving site is within a transit walkshed, among other places | ✓ | | | |
| **STRATEGY C: Create and implement regional land acquisition and development strategy** | | | | |
| i. Identify priority "pipeline" of property for acquisition and development | ✓ | ✓ | | |
| ii. Adopt and implement property value discount legislation/guidance as needed, including updated valuation guidance | ✓ | | | |
| iii. Fund land acquisition, aligned with Goal 2, Strategy B | ✓ | ✓ | | ✓ |
| iii. Adopt increased zoning to maximize affordable housing on acquired parcels | ✓ | ✓ | | |
| iv. Identify entity to purchase and hold land prior to construction | ✓ | ✓ | ✓ | |
| v. Fund capital construction and preservation | ✓ | ✓ | | ✓ |

# 4 Preserve access to affordable homes for renters by supporting tenant protections to increase housing stability and reduce risk of homelessness

| **STRATEGY A:** Propose and support legislation and statewide policies related to tenant protection to ease implementation and provide consistency for landlords | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Support the development and adoption of statewide legislation and policy related to tenant protections | ✓ | ✓ | ✓ | ✓ |
| ii. Review proposed statewide policies and legislation | ✓ | | ✓ | |
| iii. Develop tools landlords can use to help low-income renters, such as a fund landlords can access to make repairs so costs are not passed on to low-income renters | ✓ | | ✓ | |
| **STRATEGY B:** Strive to more widely adopt model, expanded tenant protection ordinances countywide and provide implementation support | | | | |
| i. Provide model ordinances | ✓ | ✓ | ✓ | |
| ii. Pursue a signed ILA for enforcement support | ✓ | ✓ | ✓ | |
| iii. Identify resources to conduct work | ✓ | | ✓ | |
| iv. Increase education for tenants and property owners regarding their respective rights and responsibilities | ✓ | | ✓ | |
| v. Adopt ordinances as appropriate | ✓ | ✓ | | |
| **STRATEGY C:** Expand supports for low-income renters and people with disabilities | | | | |
| i. Utilize funds from the Veterans, Seniors and Human Services Levy for shallow rent subsidies to help keep people in their homes | ✓ | | | |
| ii. Increase funding for emergency rental assistance | ✓ | ✓ | | |
| iii. Increase deep rental subsidies (in addition to shallow) | ✓ | ✓ | | |
| iv. Fund services to address barriers to housing | ✓ | ✓ | | |
| v. Expand civil legal aid support | ✓ | ✓ | | |
| vi. Expand education of tenant and property owner rights and responsibilities | ✓ | ✓ | | |
| vii. Increase funding for services that help people with disabilities stay in their homes and/or age in place | ✓ | ✓ | | |

# Protect existing communities of color and low-income communities from displacement in gentrifying communities.

5

| STRATEGY A: Authentically engage communities of color and low-income communities in affordable housing development and policy decisions | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Provide capacity grants to small organizations representing communities of color or low-income communities to support their engagement in affordable housing development | ✓ | | | |
| ii. Contract for a toolkit/checklist on community engagement in planning discussions | ✓ | | | |
| iii. Utilize the toolkit and intentionally include and solicit engagement from members of communities of color or low-income households in policy decision-making and committees | ✓ | ✓ | | |
| **STRATEGY B: Increase investments in communities of color and low-income communities by developing programs and policies that serve individuals and families at risk of displacement** | | | | |
| i. Use Seattle's Equitable Development Initiative as a model for how government can invest in under-represented communities to promote community-driven development | ✓ | ✓ | | |
| ii. Build upon the work of the Communities of Opportunity initiative | ✓ | ✓ | | |
| iii. Include cities, investors, and community-based organizations in development of certification process and matching dollars for socially responsible, equitable Opportunity Zone investments that prevent displacement | ✓ | ✓ | ✓ | |
| iv. Expand requirements to affirmatively market housing programs and enhance work to align affordable housing strategies with federal requirements to Affirmatively Further Fair Housing | ✓ | ✓ | | |
| v. Encourage homeownership opportunities as a way to prevent displacement within communities of color while also promoting the growth of intergenerational wealth | ✓ | ✓ | | |
| vi. Where appropriate, acquire and preserve manufactured housing communities to prevent displacement | ✓ | ✓ | | |

# 6 Promote greater housing growth and diversity to achieve a variety of housing types at a range of affordability and improve jobs/housing connections throughout King County

| STRATEGY A: Update zoning and land use regulations (including in single-family low-rise zones) to increase and diversify housing choices | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Provide model ordinances | ✓ | | ✓ | |
| ii. Incentivize cities adopting and implementing strategies that will result in the highest impact towards addressing the affordable housing gap, specifically at the lowest income levels | ✓ | | | |
| iii. Review and update zoning and land use code to increase density | ✓ | ✓ | | |
| iv. Explore opportunities to pilot innovative housing in industrial zones, with a focus on TOD and industrial buffer zones | ✓ | ✓ | | |
| v. Update building codes to promote more housing growth and innovative, low-cost development | ✓ | ✓ | | |
| vi. As part of any updated zoning, to evaluate feasibility of incorporating affordable housing provisions | ✓ | ✓ | | |
| vii. Promote units that accommodate large households and/or multiple bedrooms | ✓ | ✓ | | |
| **STRATEGY B: Decrease costs to build and operate housing affordable to low-income households** | | | | |
| i. Maximize and expand use of Multi-Family Tax Exemption | ✓ | ✓ | | |
| ii. Reduce sewer fees for affordable housing | ✓ | | | |
| iii. Reduce utility, impact and other fees for affordable housing and Accessory Dwelling Units (ADUs) | | ✓ | | |
| iv. Streamline permitting process for affordable housing development and ADUs | ✓ | ✓ | | |
| v. Support condominium liability reform | ✓ | ✓ | ✓ | |
| vi. Exempt affordable housing from sales tax | | | | ✓ |
| vii. Explore incentives similar to the Multi-Family Tax Exemption for the development of ADUs for low-income households | ✓ | | ✓ | |

(Continued on next page).

| | | | | |
|---|---|---|---|---|
| **STRATEGY C: Incentivize growth and affordability goals by expanding tools for investments in local infrastructure** | | | | |
| i. Advocate for a strong, equitable financing tool that captures value from development to fund infrastructure and affordable housing investments (aka: value-capture or tax-increment financing tools) | ✓ | ✓ | | ✓ |
| ii. Advocate for state public works trust fund investments | ✓ | ✓ | | ✓ |
| **STRATEGY D: Expand and preserve homeownership opportunities for low-income households** | | | | |
| i. Increase educational efforts to ensure maximum use of property tax relief programs to help sustain homeownership for low-income individuals | ✓ | ✓ | | |
| ii. Support alternative homeownership models that lower barriers to ownership and provide long-term affordability | ✓ | ✓ | | |
| iii. Expand targeted foreclosure prevention | ✓ | ✓ | | |
| iv. Where appropriate, preserve existing manufactured housing communities through use-specific zoning or transfer of development rights | ✓ | ✓ | | |
| v. Encourage programs to help homeowners (esp. low-income) access financing, technical support or other tools needed to participate in and benefit from infill development opportunities | ✓ | ✓ | | |

## 7 Better engage local communities and other partners in addressing the urgent need for and benefits of affordable housing

| | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| **STRATEGY A: Support engagement of local communities and residents in planning efforts to achieve more affordable housing** | | | | |
| i. Develop toolkits and strategies to better engage neighborhoods and residents in affordable housing development | ✓ | | ✓ | |
| ii. Use existing data and tools to greatest extent possible, i.e. PSRC Vision 2050 work | ✓ | | ✓ | |
| iii. Use community engagement techniques that promote more equitable community engagement in zoning and siting decisions | ✓ | ✓ | | |
| **STRATEGY B: Expand engagement of non-governmental partners (philanthropy, employers, investors, private developers and faith communities) to support efforts to build and site more affordable housing** | | | | |
| i. Create stakeholder partnerships with business, philanthropy, non-profits, faith-based organizations, the health care sector, and others to encourage investments in affordable housing | ✓ | ✓ | ✓ | |
| ii. Encourage business, organized labor, and philanthropy to support public dialogue on affordable housing | ✓ | ✓ | ✓ | |

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# Tasks and Challenges of Affordable Housing Development

1) **Task:** Secure Land
   a. **Challenge:** Need a Patient Seller
      Most affordable housing developers don't have cash on hand to buy land or property, so we must apply for funding before we can purchase
      i. **Reason:** Long Public Funding Application Timelines
         We must have site control/purchase option by September of every year before applying for public funds, but that option needs to be open for about a year. Site control must be available from the time we apply for public funds (September), receive the award letter (~December), apply for tax credits (January), and receive confirmation of tax credits (~March) to when we close on all financing (~August). If we are not awarded funds/credits at any of these stages, we must start over again and likely the seller will move on.
         1. **Possible Solution/s:** Work with non-profit land owners such as churches; work with local jurisdictions who may be able to hold land for a year; work with corporations or high net worth individuals able to guaranty floating rate, short debt to acquire and temporarily hold the property while funding is secured; grow and nourish community connections with groups and individuals who may be able to donate land over the long term

   b. **Challenge:** Limited Acquisition Financing Options
      Need special financing for land purchase if the purchase option doesn't allow a year's time
      i. **Reason:** Time and Speculation
         Few lenders are willing to lend just on the land due to the public application process taking so long to secure funding for affordable housing. Different public and private funders lend on different terms for different activities. We only have a few reasonable, local lenders of acquisition funds for affordable housing: REDI- Regional Equitable Development Initiative Fund (County through Enterprise); LAP- Land Acquisition Program of our state housing finance organization, WSHFC; other Enterprise funds.
         1. **Possible Solution/s:** Public sector would need to figure out how to increase the available options or create new options. Public sector could invest in their own development by effectively utilizing the property they already own (Enterprise is working on this currently to the best of their capacity).

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2) **Task:** Secure Gap Financing
Public funders fill our gaps between rents and cost to build. Since our rents are much below market rents, we are lent less permanent loans than market rate developments yet our cost to build is nearly the same, and our total development cost tends to be a bit higher.

   a. **Challenge:** Public Funds Are More Limited Here
   Outside of Seattle, we do not have a Housing Levy or other taxpayer-supported source of capital to support projects. E.g., a Seattle LIHTC project may get ~$8M in City Housing Levy funds, whereas on the Eastside we get ~$1.5M/project in local funds leaving a $6.5M gap for us to find, otherwise we cannot build.

      i. **Reason:** No Jurisdictional Options to Collect Funds
      The Eastside does not have levies or bonds to collect funds for affordable housing. [I believe the Housing Development Consortium is trying to work on this now.]
         1. **Possible Solution/s:** Formation of an Eastside Housing Finance Program (ARCH's new lead, Lindsay Masters, is very familiar with Seattle's version). Non-profit developers are beginning to offer Social Impact Investment Fund opportunities to local accredited investors interested in making low-interest, micro loans (email me for additional information on our fund). Fee-In-Lieu fees from developers who opt out of local requirements to build-in affordable units can be dedicated to an affordable housing development nearby.

   b. **Challenge:** Combine 9% LIHTC and 4% LIHTC
   Combining these allows us to build one structure but use two types of affordable housing tax credits. We need to combine them to lower operating and supportive services costs, encourage local support due to increasing diversity of incomes, and make the project more financially sustainable long-term due to the ability to support a mortgage and/or other loans.
      i. **Reason:** Stay Competitive
      …and to make the project pencil at an efficient unit count (a 150 unit building is more efficient to operate than a 50 unit building). This is challenging because we then need to secure more types of gap funding to complete the project as each pot of funding is either for 9% or 4%. When combined, there are two legal entities in the same project.
         1. **Possible Solution/s:** Access to gap funding that is flexible between 9% and 4% such as ARCH, Fee-In-Lieu, and Social Impact Investment funds.

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3) **Task:** Build per the Rules
   a. **Challenge:** City Parking Requirements
      City rules often change quite slowly and aren't flexible in times of need such as when interest rates and/or materials/labor costs increase
      i. **Reason:** Parking Stall Count
         E.g., In Redmond today, one underground parking stall costs ~$50,000. One affordable unit costs ~$360,000 (changes based on density).

| 2018 Estimated Source per Cost | **% of Total Sources** | **Cost of 1 Affordable Housing Unit** | **Cost of 1 Underground Parking Stall** |
|---|---|---|---|
| Average Total Cost | | $360,000 | $50,000 |
| **4% Project** | | | |
| Public Funds | 20% | $72,000 | $10,000 |
| 4% LIHTC Funds | 30% | $108,000 | $15,000 |
| Private Funds | 50% | $180,000 | $25,000 |
| **9% Project** | | | |
| Public Funds | 20% | $72,000 | $10,000 |
| 9% LIHTC Funds | 50% | $180,000 | $25,000 |
| Private Funds | 30% | $108,000 | $15,000 |

The above table shows the cost of each parking stall to the public funders, $10,000. If an affordable housing building has 130 units and the parking stall requirement is one stall to one unit, 130 parking stalls are required at a cost to the public funders of $1,300,000. If the parking stall requirement is decreased to 0.5 to one unit, 65 stalls are required at a cost to the funders of $650,000. This saves $650,000 in public funds, which funds and leverages other funds to create another ~6 units of affordable housing.
By not granting higher waivers for parking requirements for affordable housing at TOD locations, the City is saying they prioritize cars over housing people.

1. **Possible Solution/s:** Allow higher waivers for affordable housing

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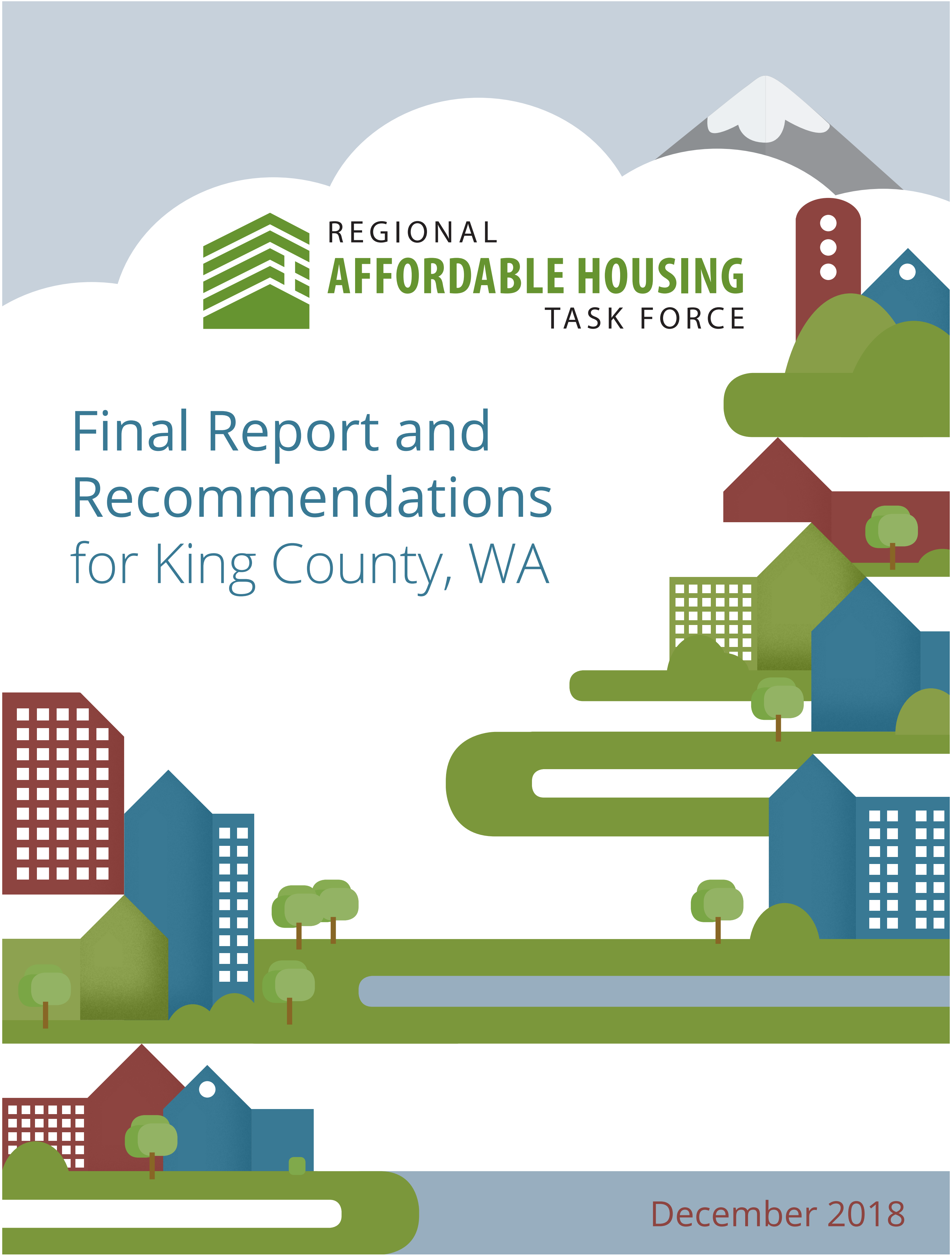
4) **Task:** Predevelopment Funds and Growth
    a. **Challenge:** Save Money for Revolving Funds for Predev and Growth
        i. **Reason:** Historic Limitations to Our Developer Fee
        ARCH (and for Seattle, Office of Housing) has historically restricted our developer fees to 5% whereas for-profit, 4% LIHTC, affordable projects may be able to achieve a 10-15% fee. Thus, we have not been able to become more sustainable over time and cannot fund our own predevelopment activities at necessary levels. We rely greatly on grants.
            1. **Possible Solution/s:** We hope to work with ARCH now on this point of contention. We try to apply for grants from Enterprise and large banks such as Chase to fund predev. If an organization is lucky enough to have diversity in its portfolio, other properties can be leveraged to fund predev.

## Challenges We Experience But Cannot Change Directly

- The Low Income Housing Tax Credit program is competitive
    - 4-5 projects/year receive 9% LIHTC in King County and ~7 in non-King County
    - For March 2018, 22 applicants requested $507 million 4% LIHTC, pot is ~$100 million
- Restricted affordable for 50 years
    - Difficult for owners to ever sell and expensive to maintain
        - However, this is the idea—trying to produce permanently affordable housing, which is why nonprofits are generally comfortable with the restriction
- No equity investor allowed except the tax credit investor (in deal for 15 years)
    - Makes gathering enough sources difficult since no other equity investors are allowed
    - Besides the perm debt lender, only soft debt sources are allowed (have to be somewhat forgivable sources)
- Numerous rules connected to all our funding sources that need to be navigated
    - Always potential to get in trouble after the project is complete
- Public sources require State Prevailing wages, sometimes Davis-Bacon wages
    - Usually theses are higher than rates market rate developers pay to build apartments
- Affordable rents are too low to support debt for the increasing cost of construction and land, which is why we depend on public gap financing instead of private equity
    - Although, as of this year, we are allowed to use income averaging and mix low-income with mid-income. However, then we cannot secure much of the traditional public gap funding and must try new methods such as Social Impact Investing, which is difficult due to being a new platform.
- Cost of land per door of new construction is generally too high to match the economics of a 4% deal

REGIONAL
**AFFORDABLE HOUSING**
TASK FORCE

# Final Report and Recommendations
## for King County, WA



December 2018

*Residents in every community in the county are facing an unprecedented challenge in finding and keeping a home they can afford. Affordable housing is a critical component of our region's infrastructure, and we must act together, across all levels of government and all sectors, to address this crisis and ensure the health and livability of our communities and the economic vitality of our region.*

# Meeting the Need
## *From our Co-Chairs*

*On any given day, King County residents are flooded with stories about bidding wars for houses, skyrocketing rents, and million-dollar apartments. A constant undercurrent to the news stream is that our county is becoming too expensive for regular, working people to afford and that we have reached a crisis point with no relief in sight. Too many of our neighbors are having to leave their communities and drive far from work and reliable transportation to find a home they can afford.*

*For the last 18 months, the members of the Regional Affordable Housing Task Force have immersed ourselves in affordable housing data and policy to fully understand the economic drivers of the affordable housing crisis, how it is affecting individuals and families, and what solutions are be available.*

*According to our estimates, we need 156,000 more affordable homes today and another 88,000 affordable homes by 2040 to ensure that no low-income or working households are cost burdened. That means we need to build, preserve or subsidize a total of 244,000 net new homes by 2040 if we are to ensure that all low-income families in King County have a safe and healthy home that costs less than 30 percent of their income.*

*The shortfall of affordable homes has been decades in the making and the problem will not be solved overnight. Jurisdictions across the county have been taking steps to encourage and increase affordable housing. Unfortunately, those efforts have not been enough to avoid our current crisis. We need a long-term strategy to engage jurisdictions, stakeholders, business, philanthropy and the community countywide so that we can scale up current efforts and find new strategies to meet the challenge we face.*

*We also have an urgent need to act now. We heard from low-income families in all parts of the county who are struggling to find and keep a home they can afford today. Providing affordable housing will not get less expensive in the future. To spur the County and cities to collective action, the Task Force developed a Five-Year Action Plan that includes seven goals, with strategies to achieve the goals, and actions to implement the strategies. We recognize that not all of these actions are appropriate for every community and none of these actions is required. Nonetheless, we have a shared goal that can only be reached if we all work together.*

**WE NEED TO BUILD, PRESERVE OR SUBSIDIZE A TOTAL OF 244,000 NET NEW AFFORDABLE HOMES BY 2040 IF WE ARE TO ENSURE THAT ALL FAMILIES IN KING COUNTY HAVE A SAFE AND HEALTHY HOME THAT COSTS LESS THAN 30% OF THEIR INCOME.**

**WE HEARD FROM LOW-INCOME FAMILIES IN ALL PARTS OF THE COUNTY WHO ARE STRUGGLING TO FIND AND KEEP A HOME THEY CAN AFFORD TODAY.**

*A coordinated, countywide effort to build affordable housing is not just about housing. It is also about building healthy and welcoming communities where all families and people, regardless of income, race, family size or need, are able to live near good schools, transit, jobs, and green spaces. King County is booming and finding ways to safely and affordably house our residents is a key component of ensuring our prosperity continues and is shared into the future.*

*We extend our sincerest gratitude to the members of the Task Force, and to city and County staff, as well as stakeholders for the hundreds of hours they contributed to the process.  Without their thoughtful engagement and steadfast commitment to making a meaningful change, we would not have been able to craft the Action Plan.*

*We started the Regional Affordable Housing Task Force with the assumption that our housing crisis is a regional problem requires a regional solution.  Our work over the last 18 months has demonstrated that the cities and the County can come together and that collaboration is the only way we will be able to address the affordable housing crisis.*

**Claudia Balducci**
King County Councilmember

**David Baker**
Mayor of Kenmore

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# LIST OF PARTICIPANTS

## Task Force Members

### Co-Chairs

**Claudia Balducci**, King County Councilmember

**David Baker**, Kenmore Mayor

### King County

**Dow Constantine**, Executive

**Rod Dembowski**, Councilmember

**Larry Gossett**, Councilmember

**Jeanne Kohl-Welles**, Councilmember

**Pete von Reichbauer**, Councilmember

**Adrienne Quinn/Leo Flor**, Director of the Department of Community and Human Services, Ex-Officio member

### City of Seattle

**Rob Johnson**, Councilmember

**Steve Walker**, Director of Office of Housing *(on behalf of Mayor Jenny Durkan)*

### Sound Cities Association

**Ken Hearing**, North Bend Mayor

**Ryan McIrvin**, Renton Councilmember

**John Stokes**, Bellevue Councilmember

## Lead Staff Group

**Krista Camenzind**, King County

**Isaac Horwith**, King County

**Calli Knight**, King County

**Alison Mendiola**, King County

**Brian Parry**, Sound Cities Association

**Kelly Rider**, King County

**Karen Wolf**, King County

KENMORE MEETING
November 2017

## Standing Advisory Panel

**Hamdi Abdulle**, African Community Housing & Development

**Patricia Akiyama**, Master Builders Association of King and Snohomish County

**Maria Barrientos**, Barrientos & Ryan LLC

**Colleen Echohawk**, Chief Seattle Club

**Merf Ehman**, Columbia Legal Services

**Mark Gropper**, Renton Housing Authority

**Marty Kooistra**, Housing Development Consortium

**MA Leonard**, Enterprise Community Partners

**Andrew Lofton**, Seattle Housing Authority

**Mónica Mendoza-Castrejón**, Community Member

**Steven Norman**, King County Housing Authority

**Villette Nolon**, Imagine Housing

**Racquel Russell**, Zillow

**Chris Szala**, Community House Mental Health/ Vashon Household

**Tony To**, Homesight

**Brett Waller**, Washington Multi-Family Association

**Bryce Yadon**, Futurewise

## Staff Working Group

**Emily Alvarado**, City of Seattle

**Alison Bennett**, City of Bellevue

**Alison Eisinger**, Seattle/King County Coalition on Homelessness

**Paul Hintz**, City of Renton

**Paul Inghram**, Puget Sound Regional Council

**Valerie Kendall**, King County

**Janet Lewine**, City of Bellevue

**David Miller**, City of North Bend

**Jack Pace**, City of Tukwila

**Alan Painter**, King County

**Mark Santos-Johnson**, City of Renton

**Joy Scott**, City of Auburn

**Mike Stanger**, A Regional Coalition for Housing

**Sarah Stiteler**, City of Redmond

**Arthur Sullivan**, A Regional Coalition for Housing

**Jeff Watson**, City of Federal Way

**Julie West**, King County

## Facilitated by:

**Kristina Gallant**, Community Attributes, Inc.

**Chris Mefford**, Community Attributes, Inc.

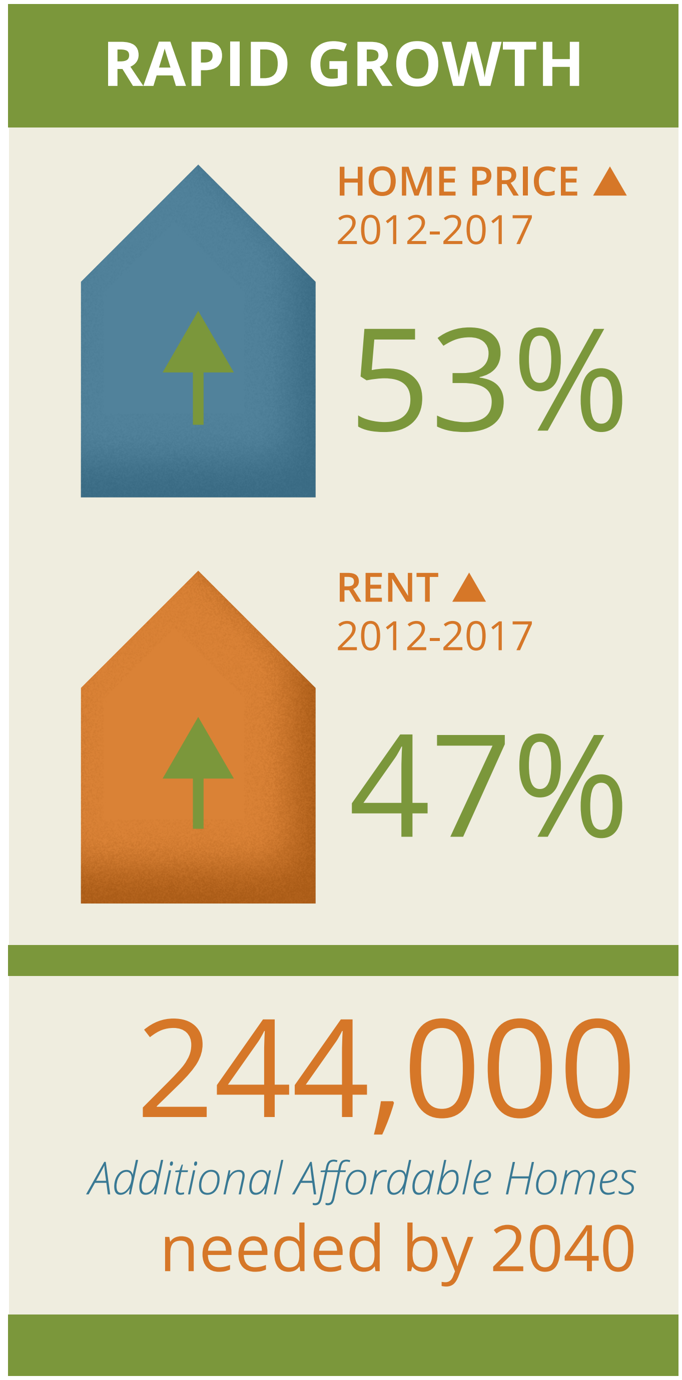
# EXECUTIVE SUMMARY

The Regional Affordable Housing Task Force was created in 2017 to bring together representatives from King County, the City of Seattle and other cities with the goal of developing a regional plan to address the affordable housing crisis in King County. The Task Force concluded its work in December 2018 with a final report and Five-Year Action Plan.

Current estimates show a need for 244,000 additional, affordable homes in King County by 2040 so that no household earning 80 percent of Area Median Income and below is cost burdened. This includes 156,000 homes for households currently cost-burdened and an additional 88,000 homes for growth of low-income households between now and 2040. When low-income families spend more than 30 percent of their income on housing, they are cost burdened and struggle to afford other basic necessities like food, transportation, health care, and child care.

The current housing crisis is driven, in part, by the fact that King County's population since the end of the Great Recession has grown faster than new homes have been built. Further, there are not enough homes close to jobs, services, and frequent transit. This situation has created a gap between supply and demand that has driven housing prices rapidly upward. In King County, median home sale prices increased 53 percent and average rents increased 43 percent from 2012 to 2017. Even before this current crisis, households at the bottom of the income spectrum struggled to find and maintain housing. Now, moderate-income households are also being priced out of King County.

The affordable housing crisis has not affected all households evenly. Low and moderate income households have been disproportionately affected, with 124,000 of these households cost burdened. Even as the overall number of homes has increased in the last ten years by 88,000,




the number of rental homes affordable to low and moderate income families has decreased by 36,000. Communities of color and renters are disproportionately likely to be severely cost burdened, paying more than half of their income toward housing costs. Of black households, 56 percent are severely cost burdened, while 35 percent of white households are severely cost burdened. And, renters are more likely than home owners to be severely cost burdened.

Recognizing the urgent need to act in the face of the affordable housing crisis, the Task Force adopted a Statement of Intent that prioritizes "recommendations that are actionable, sustainable, and regional in nature and that will make a meaningful difference toward meeting the projected need for households with incomes at 80 percent or less of Area Median Income by building, preserving, or subsidizing 244,000 net new healthy homes countywide by 2040."

Adopting a countywide approach, the Task Force developed a Five-Year Action Plan that identifies seven goals, with strategies to achieve the goals, and actions that can be taken in the near term to implement the strategies. The Task Force conversation has demonstrated that the cities and the County can work together to address the common challenge of ensuring all King County residents have a safe and healthy home they can afford. It has also demonstrated that one size does not fit all and cities will be free to select the strategies and actions that work best in their communities. However, the Action Plan does set a countywide goal of producing 44,000 homes affordable for people earning 50 percent of Area Median Income and below by 2024. An ongoing Affordable Housing Committee of the Growth Management Planning Council will be responsible for tracking progress toward that collective goal. The Affordable Housing Committee will implement the Task Force Five-Year Action Plan and serve as a place for coordination and cooperation among cities and the County.

# FIVE YEAR ACTION PLAN

## Goal Summary

**1** **Create and support an ongoing structure for regional collaboration**

**2** **Increase construction and preservation of affordable homes for households earning less than 50% area median income**

**3** **Prioritize affordability accessible within a half mile walkshed of existing and planned frequent transit service, with a particular priority for high-capacity transit stations**

**4** **Preserve access to affordable homes for renters by supporting tenant protections to increase housing stability and reduce risk of homelessness**

**5** **Protect existing communities of color and low-income communities from displacement in gentrifying communities.**

**6** **Promote greater housing growth and diversity to achieve a variety of housing types at a range of affordability and improve jobs/housing connections throughout King County**

**7** **Better engage local communities and other partners in addressing the urgent need for and benefits of affordable housing**

# CREATING A COUNTYWIDE CONVERSATION

In total, the Regional Affordable Housing Task Force met 14 times over 18 months and heard from dozens of affordable housing stakeholders, experts and staff, along with hundreds of community members.

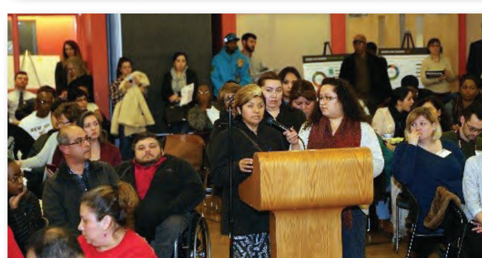
King County began the process leading to the formation of the Regional Affordable Housing Task Force in November 2016. The King County Council and Executive collaboratively established the Task Force and defined its purpose and composition in May 2017. (King County Motion 14754 and King County Motion 14873.)

The Task Force was designed to have balanced representation between County and city elected officials, with five County Council members and the County Executive participating, along with two representatives from the City of Seattle and four representatives from the Sound Cities Association. At its kickoff meeting in July 2017, the Task Force elected two co-chairs, one County representative (Councilmember Claudia Balducci) and one city representative (Kenmore Mayor David Baker).

The King County Regional Affordable Housing Task Force met nearly monthly for a year and a half to understand the scale of the regional affordable housing crisis, its different impacts on King County communities, and diverse strategies to address these impacts. The Task Force's goal was to develop a strategy to address housing affordability at a regional scale.

From the July 2017 kickoff to February 2018, the Task Force met six times to understand the scope and nature of the affordable housing crisis. Regional experts in housing gave presentations covering a comprehensive array of housing affordability-related topics, and the Standing Advisory Panel was assembled to provide expert perspectives on an ongoing basis. In addition to engaging the public at the July kickoff meeting, the January 2018 meeting served as a public forum for community members to give testimony about their experiences with and perspectives on housing affordability challenges. Topics covered by testimony included homelessness, displacement and equity, the cost of living, housing demand, fair housing,

**RENTON KICKOFF**
July 2017



**SOUTH SEATTLE**
January 2018

**SHORELINE**
September 2018

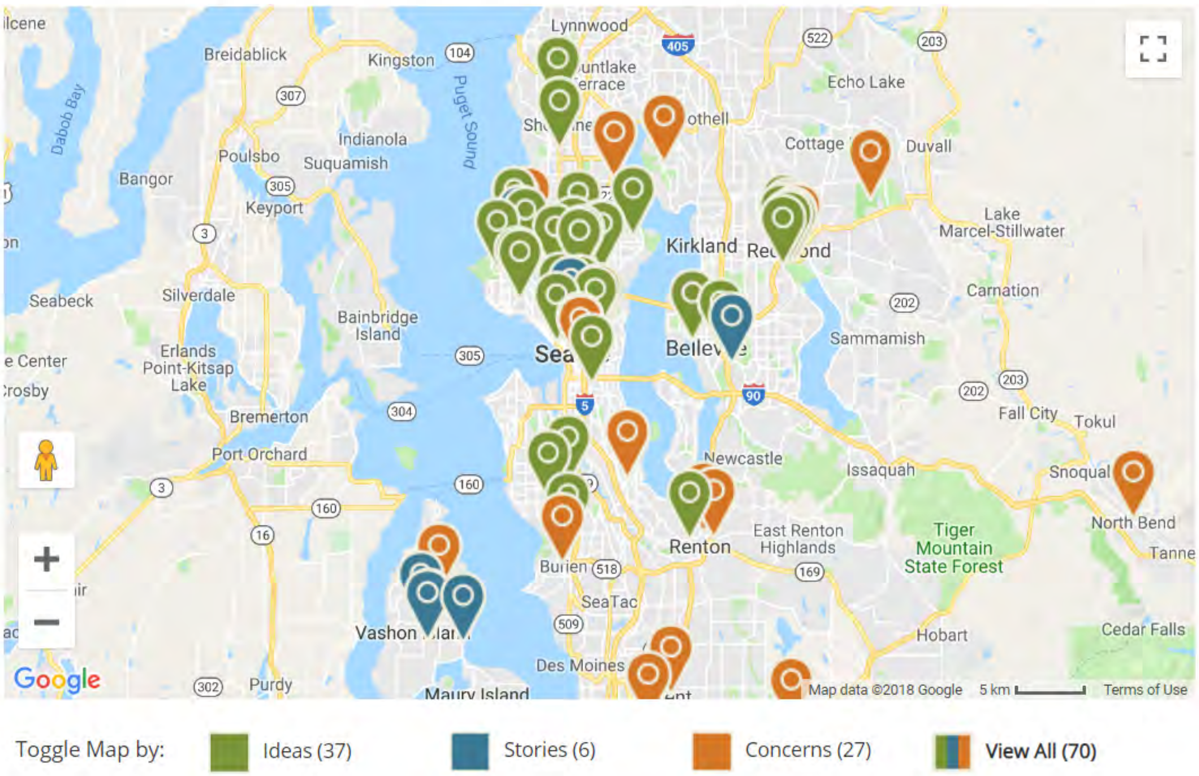
housing funding, community and social service organizations, regulations, and local success stories and opportunities. An online comment tool was also launched to gather continued public input; it gathered 78 comments. *(See Appendix C for Public Comment.)*

In February 2018, the Task Force began to identify potential solutions, and generated a list of draft policy recommendations in June 2018 in the form of a Five-Year Draft Action Plan. The Draft Action Plan was refined through the summer, and plans began for the Task Force's future governance. In September 2018, the Task Force held three community meetings in Shoreline, Bellevue, and Auburn to gather public feedback on the Draft Action Plan. The Task Force met in October and December to finalize and adopt the Five-Year Action Plan. *(See Appendix D for Task Force Schedule.)*

Throughout, the Standing Advisory Panel and a Staff Working Group, consisting of land use and housing experts from across the county, met regularly with King County lead staff to answer Task Force questions and make recommendations for the Task Force to consider.

## Map of Public Comment Tool Feedback

*(See Appendix D)*



# UNDERSTANDING THE CHALLENGE

**Current estimates show a need for 244,000 additional, affordable homes in King County by 2040** so that no household earning 80 percent of Area Median Income and below is cost burdened. This includes 156,000 homes for households currently cost-burdened and an additional 88,000 homes for growth in low-income households between now and 2040. When low-income families spend more than 30 percent of their income on housing, they are cost burdened and struggle to afford other basic necessities like food, transportation, health care, and child care.

## Regional Context

With nearly 2.2 million residents, King County is the largest county in Washington State. Nationally, it is the 13th largest by population and ninth largest by total employment. Two million of its residents live in one of the 39 cities in the county and the remaining 200,000 in the unincorporated area. Seattle, the largest city in the county, is home to 730,000 residents. Several nationally-known businesses are collectively the major economic drivers for the region: Amazon, Boeing Commercial Airplanes, Microsoft, Starbucks and the University of Washington.

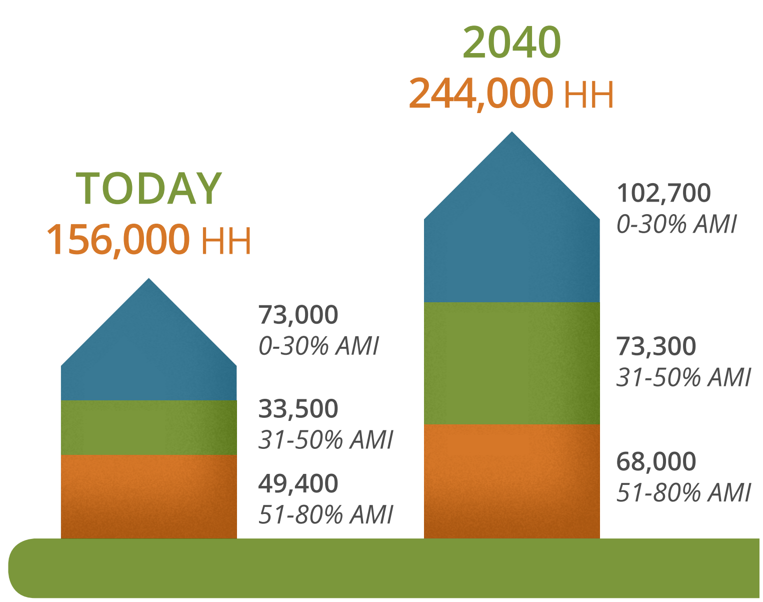
These large businesses, and along with smaller enterprises, have led King County out of the Great Recession and into a period of overall economic growth. As a result of this strong economy, the population has increased, attracting new employees for burgeoning businesses, and wages for higher-income households have increased. King County has experienced some of the fastest growing housing prices in the nation. From 2012 to 2017, median home sale prices increased 53 percent and average rents increased 43 percent.[1]

As the housing market has skyrocketed, many residents in King County have been left behind. Low-income households (those making 80 percent or less of Area Median Income), in particular, struggle to find and keep a home they can afford.

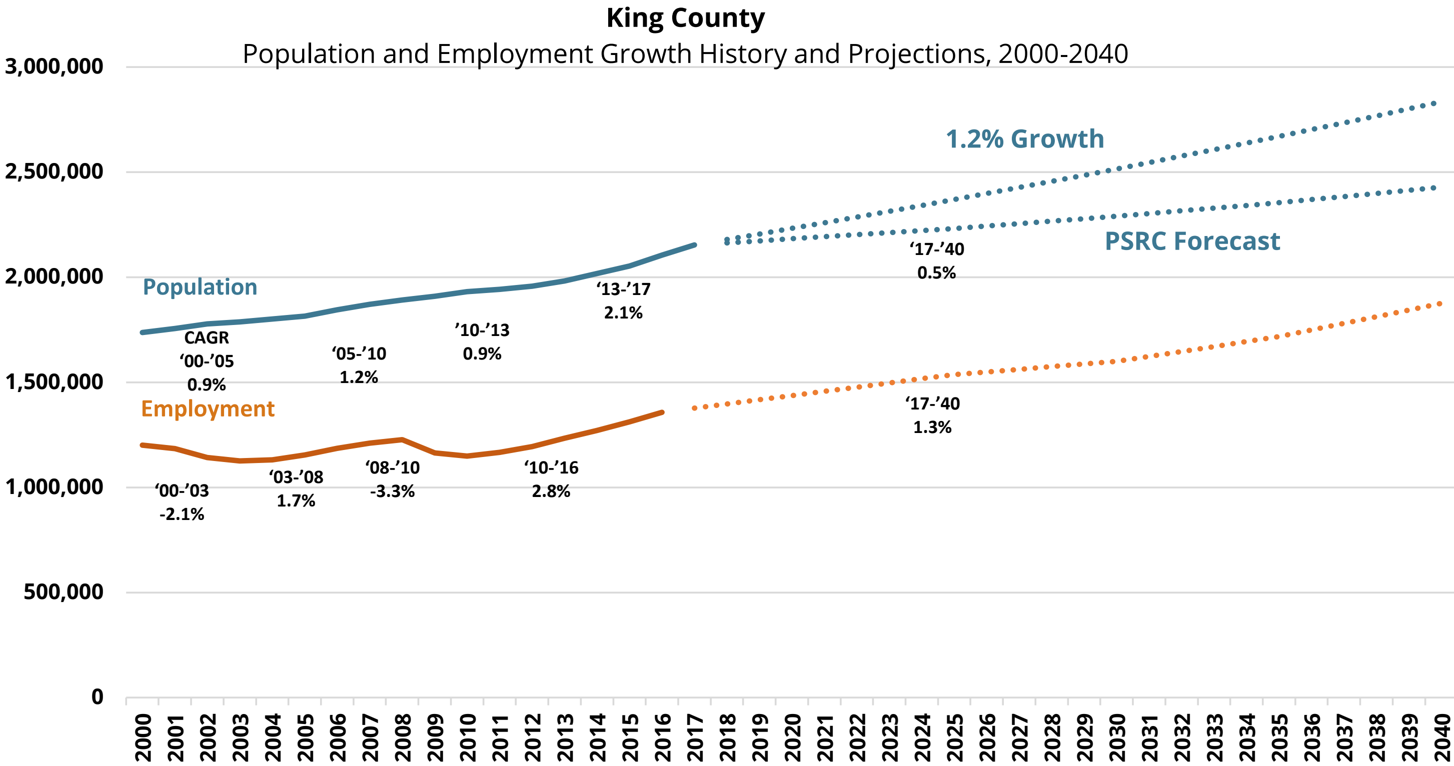
## Rising Prices

In 2018, the Federal Department of Housing and Urban Development (HUD) defined Area Median Income (AMI) for a family of four in King and Snohomish counties as earning an annual income of $103,400. A family of four earning 80 percent AMI has an annual income of $82,720 and could pay monthly housing costs of $2,068 without being cost burdened. The average rent in King County was $2,432 per month and the median home

## COST BURDENED HOUSEHOLDS




1 Regional Affordable Housing Task Force, 2017. Washington State Office of Financial Management, and Dupree + Scott




Sources: PSRC, 2015; Washington State ESD, 2017; Washington State OFM, 2017; Community Attributes 2017

purchase price was $614,000 as of October 2018.[2] *(See Appendix E for affordable housing prices for various households.)*

In October 2018, the median purchase price for a house was $706,000 in Seattle and $813,000 in East King County, making home ownership out of reach in these areas even for families earning 100 percent AMI.

### HUD 2017 Household Income Limits

| | 1 Person | 2 People | 4 People |
|---|---|---|---|
| **30% Area Median Income** | | | |
| Household Income | $22,500 | $25,700 | $32,100 |
| Corresponding Monthly Rent | $563 | $643 | $803 |
| **50% Area Median Income** | | | |
| Household Income | $34,450 | $42,800 | $53,500 |
| Corresponding Monthly Rent | $936 | $1,070 | $1,338 |
| **80% Area Median Income** | | | |
| Household Income | $56,200 | $64,200 | $80,250 |
| Corresponding Monthly Rent | $1,405 | $1,605 | $2,006 |
| Est. Corresponding Purchase Price | $260,400 | $297,400 | $371,800 |
| **125% Area Median Income** | | | |
| Household Income | $93,625 | $107,000 | $133,750 |
| Corresponding Monthly Rent | $2,341 | $2,675 | $3,344 |
| Est. Corresponding Purchase Price | $433,700 | $495,700 | $619,600 |

## Growing Need

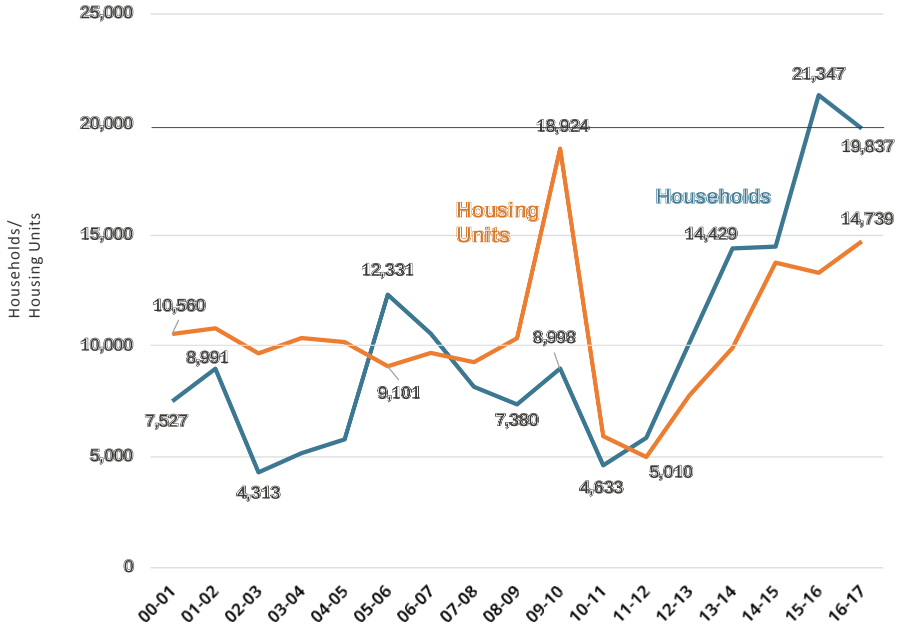
At its core, the housing crisis is driven by a supply and demand challenge that is two-fold. First, since 2012, King County's population has grown faster than new homes have been built, creating a growing gap between supply and demand. Between 2013 and 2017, King County's population grew by an average of 31,800 people or 13,000 households per year, assuming 2.45 people per household. Over that same time only 10,100 new housing units were added each year, on average.

Second, King County's population has not grown evenly across the income spectrum. Sixty percent of the new households in King County between 2006 and 2016 earned $125,000 or more

2 Zillow: https://www.zillow.com/king-county-wa/home-values/

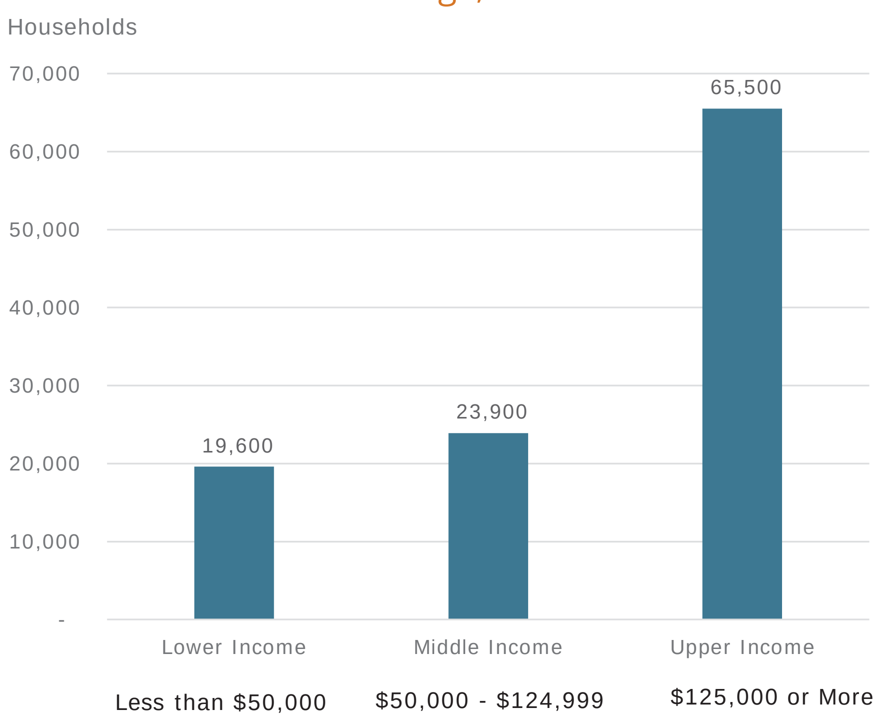
Northwest Multiple Listing Service: http://www.northwestmls.com/library/content/statistics/KCBreakouts.pdf

## ***Change*** in Annual Households & Housing Unit, 2000-2017




Sources: Washington State OFM, 2017

## ***Change*** in King County Households by Income Range, 2006-2016




Sources: US Census Bureau, ACS 1-Year Estimates; Community Attributes 2017

**STOCK OF RENTAL HOMES AFFORDABLE TO HOUSEHOLDS AT OR BELOW 80% AMI DECREASED BY 36,470 UNITS OVER 10 YEARS**

**SINCE 2010, ON AVERAGE, KING COUNTY HAS ADDED 31,800 PEOPLE PER YEAR, OR 13,000 HOUSEHOLDS AT 2.45 PERSONS PER HOUSEHOLD.**

**ONLY 10,100 NEW HOUSING UNITS PER YEAR ON AVERAGE HAVE BEEN ADDED DURING THE SAME TIME.**

per year, while 18 percent earned less than $50,000. Middle income earners constituted only 22 percent of new households.

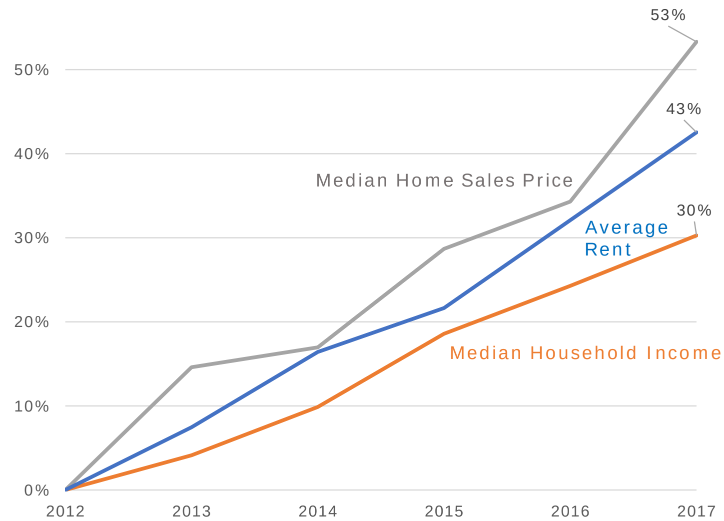
In response to demand for housing by high-earner households, housing developers have focused new projects to serve the upper end of the market and many of what were once existing affordable units have increased in price beyond what many middle- and low-income working families can afford.

Since 2012, both rent and home purchase prices have increased faster than income, placing intense pressure on middle- and low-income households throughout King County and forcing many to relocate far from where they work or to struggle with paying more than 30 percent or even 50 percent of their income on housing.

## Loss of Existing Affordability

Further, the stock of homes affordable to those earning 80 percent or less of AMI has decreased since 2007, and is on a trajectory to continue decreasing without concerted and purposeful intervention. According

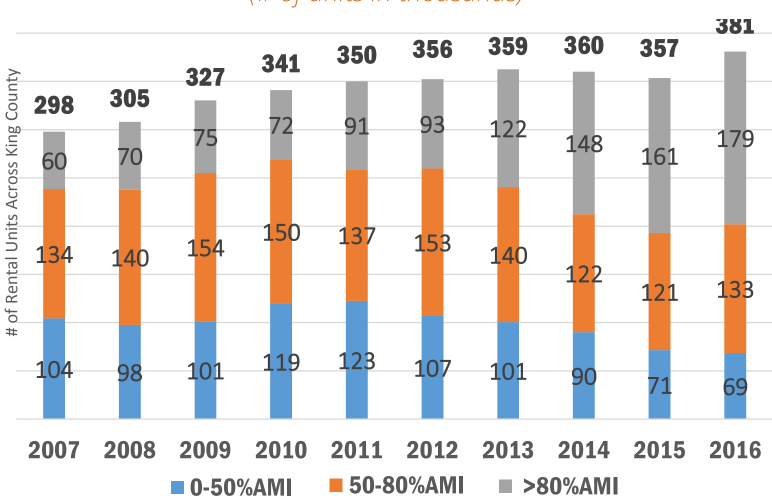
## 2012-2017 Cumulative % change in median home prices and household incomes




Sources: Zillow, OFM, Dupre+Scott, CAI 2017

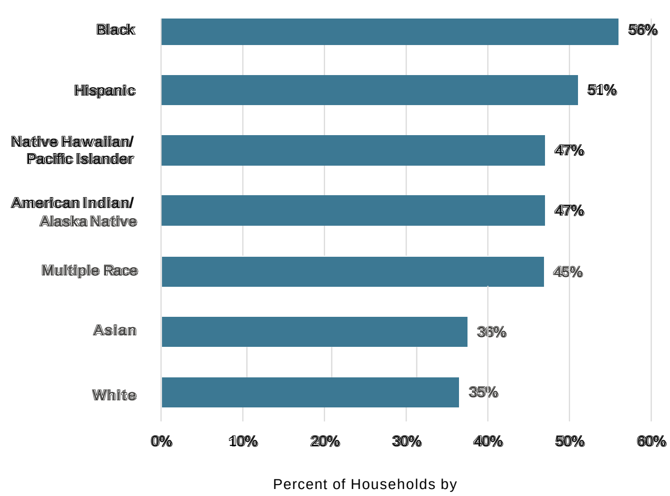
## Loss of Affordable Rental Housing 2007-2016

*(# of units in thousands)*




Sources: McKinsey, American Community Survey Public Use Microdata Sample

## RACE & HOUSING COSTS: Households Spending 30% or More of Income on Housing, 2015




Sources: King County Dept. of Community & Human Services 2017; Community Attributes

to a 2018 study by McKinsey Consulting, in 2007, 238,000 of the 298,000 rental homes in King County were affordable at this income. Between 2007 and 2017, the total number of rental units increased by 88,000, but the number of rental units affordable at 80 percent AMI and below decreased by 36,000 units. As affordable units have declined, units affordable above 80 percent AMI have come to occupy a substantially larger portion of the total rental stock. In 2007, there were 60,000 rental units affordable above 80 percent AMI, or 20 percent of the total. In 2016, there were 179,000 units above 80 percent AMI, or 47 percent of the total. This core shift in the rental market reflects the shift in income distribution in the county and the growing pressure on prices as more households compete for housing that is not keeping pace with demand.

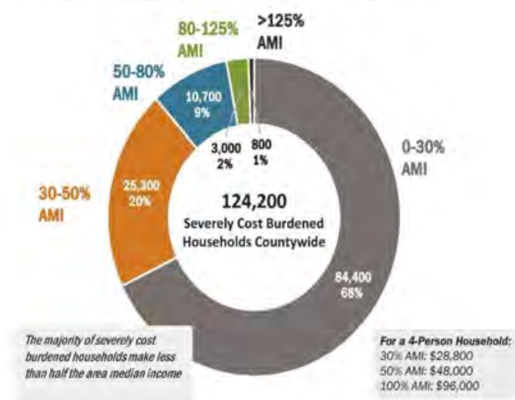
## Disparities in Need

The affordable housing challenge is not distributed evenly among residents based on income, race, age, or household size, nor is it evenly spread geographically. The disparities are most stark when looking at low-income King County residents who are severely cost burdened, or those paying more than half of their income on housing. Low-income households who are severely cost burdened struggle regularly to make housing payments and are at an extremely high risk of homelessness if a household crisis arises. Without the ability to save for a rainy day, one health care bill, car repair need, or employment gap could force a household into homelessness. While lack of affordable housing is not the only cause of homelessness, affordable housing and homelessness are inextricably linked. According to King County's 2018 Count Us In report, 98 percent of those surveyed during the annual point-in-time count said they would move into safe and affordable housing if it were offered, and approximately

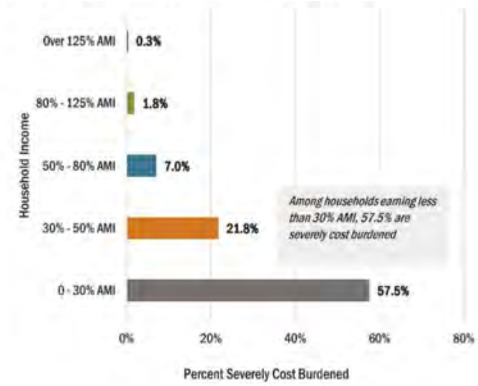
## Severe Cost Burden: By Income and Age

### More than 100,000 low-income households are severely cost burdened.

**Severe Cost Burden by Area Median Income (AMI)**



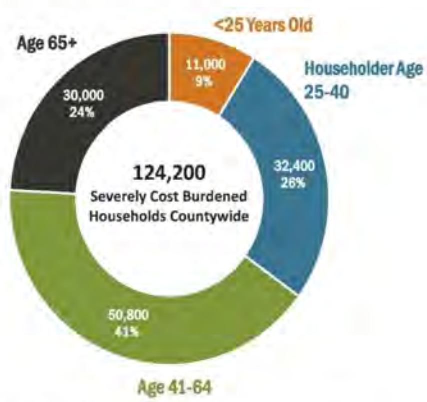

**Severe Cost Burden Within Income Levels**



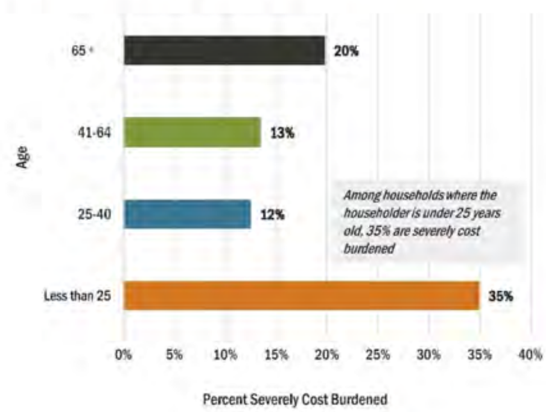

Data Sources: 2011-2015 ACS 5-year Public Use Microdata Samples (PUMS)

### The youngest and oldest residents are most likely to be severely cost burdened.

**Severe Cost Burden by Age**




**Severe Cost Burden Within Age Groups**




Data Sources: 2011-2015 ACS 5-year Public Use Microdata Samples (PUMS)

21 percent of survey respondents indicated that issues related to housing affordability were the primary conditions leading to their homelessness.

Census data show that more than 124,000 low-income households in King County are severely cost burdened. Of these, 88 percent, or 109,700 households, earn 50 percent or less of AMI, meaning the county's poorest residents struggle most with housing costs. Similarly, 88 percent of households that are severely cost burdened are earning 50 percent or less of AMI.

People of color are disproportionately over represented among households that are severely cost burdened. While 35 percent of white households are severely cost burdened, 56 percent of black households are severely cost burdened. Just over half of Hispanic households are severely cost burdened.

In terms of age, King County's youngest and oldest residents are most likely to be severely cost burdened. Among households where the head of household is under 25 years old, 35 percent are severely cost burdened. Among those households over 65 years old, 20 percent are severely cost burdened. For younger households, severe cost burden limits their ability to meet their basic needs, which means they will struggle to save to purchase a home, pay for higher education, or make other investments that will improve their economic prospects throughout their lives. For seniors, severe cost burden adds to the challenges of being able to age in place and to afford assistance and health care costs as needed.

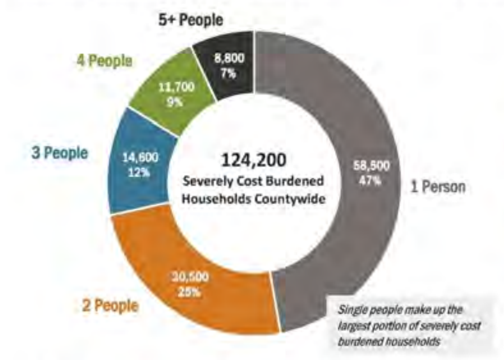
Large families can have difficulty with finding homes that have enough bedrooms to comfortably accommodate all of their members. In addition, 14 percent of households with five or more members are severely cost burdened.

Regardless of income, race, age or household size, renting rather than owning increases the chances of being severely cost burdened. Of renters, 22 percent are severely cost burdened, while 11 percent of homeowners are severely cost burdened. When households are severely

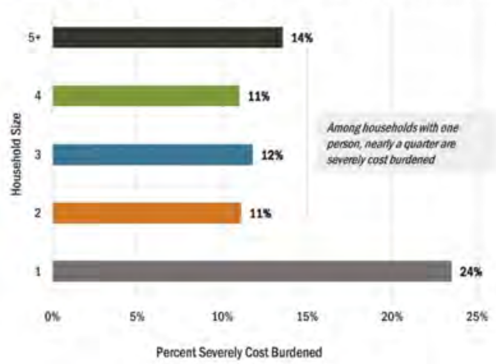
## Severe Cost Burden: By Household Size and Type

### One-person households are most likely to be severly cost burdened.

**Severe Cost Burden by Household Size**



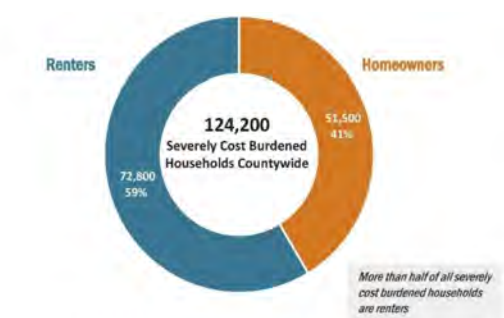

**% of All Households that are Severely Cost Burdened, by Houshold Size**



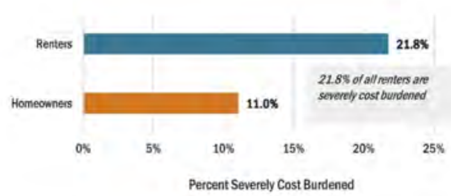

Data Sources: 2011-2015 ACS 5-year Public Use Microdata Samples (PUMS)

### Renters are twice as likely to be severely cost burdened compared to homeowners. Over 70,000 renters are severely cost burdened.

**Severe Cost Burden by Renters & Homeowners**




**% of Renters and Homeowners that are Severely Cost Burdened**




Data Sources: 2011-2015 ACS 5-year Public Use Microdata Samples (PUMS)

cost-burdened they are challenged to make their housing payments, which places them at risk for eviction. By Washington State law, missing a rent payment by just four days can result in an eviction filing. A recent report of Seattle eviction filings by the Housing Justice Project found that 45 percent of eviction filings were for missing just one month or less in rent payment. Once an eviction filing is on someone's background history, it increases the challenges of obtaining future housing. If an eviction filing is made but the tenant is not formally evicted, Washington State law (RCW 59.18.367) enables tenants to have these records removed from future screening reports used by potential landlords.[3]

Renters are also subject to price changes imposed by landlords that can force them to relocate with little notice.  Washington State law requires landlords to give 20 days' notice of a rent change, which is a very challenging timeframe for finding a new home if the new rent is too high, especially when the rental vacancy rate is less than 5 percent as it is in King County.

Some households are unable to find affordable housing when rents escalate and ultimately end up homeless. A study in the Journal of Public Affairs found that for every $100 increase in rent, homelessness increased 15 percent.[4]

## Geographic Differences

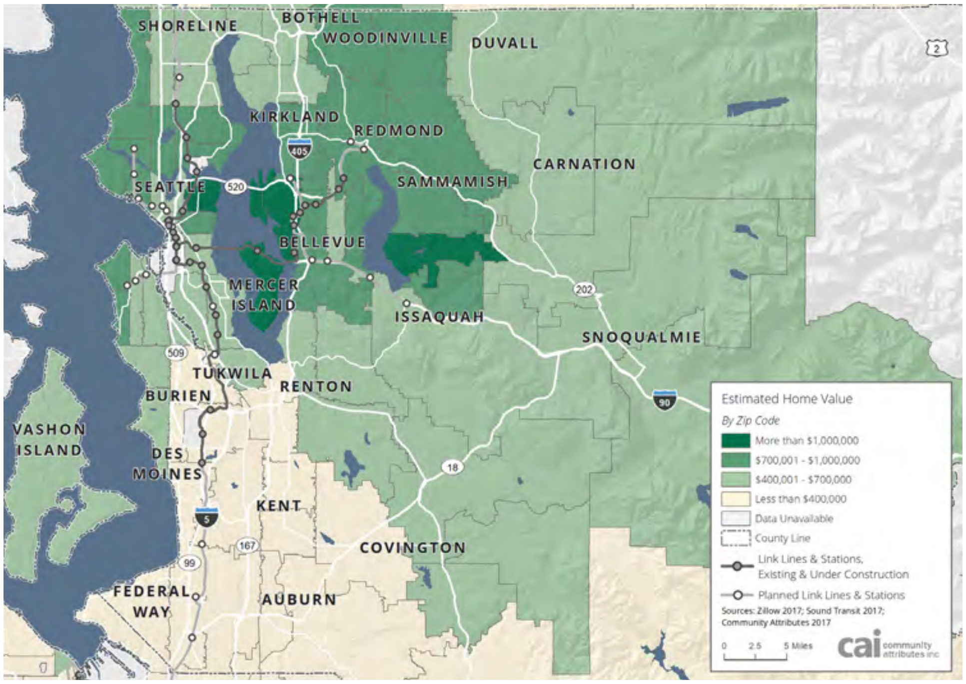
The disparities in the population and housing market play out on a sub-regional basis within King County.  Communities south of I-90, such as Auburn, Federal Way, Kent, Renton, South Seattle and Tukwila, have historically had lower housing prices than the cities north of I-90, including Bellevue, Issaquah, Kirkland, North Seattle, Redmond, and Sammamish.  Low-income households and communities of color tend to concentrate in the southern portion of the county as they seek lower housing costs and community connections. Because of this, while housing costs are lower, cost burden is typically higher in South King County communities.

Due to south King County's existing stock of more "naturally occurring" affordable housing, there has been an emphasis on preserving existing rather

3 https://www.kcba.org/Portals/0/pbs/pdf/HJP_LosingHome_%202018.pdf

4 https://onlinelibrary.wiley.com/doi/full/10.1111/j.1467-9906.2012.00643.x

## Estimated Home Value, 2017




than building new affordable developments. Nonetheless, housing prices and rents have trended upward in the last ten years as more people moved into the sub-region seeking more affordable housing. For example, in the City of Kent, rents increased by 33 percent from $1,522 per month in 2012 to $2,035 per month in 2017, and average home purchase prices increased by 71 percent from $204,000 in 2012 to $349,000 in 2017, according to Zillow.[5]

North Seattle and the suburban North/East section of the county have historically experienced higher housing prices, along with generally higher household incomes. In these areas, the housing prices have accelerated rapidly in recent years. The price of the average home purchase price in Seattle has increased by 63 percent from $381,500 in 2012 to $620,500 in 2017. Rents have increased simultaneously by 47 percent from $1,774 per month in 2012 to $2,605 in 2017.[6]

Small cities in the rural area, such as Carnation, Covington, Duvall, Maple Valley, North Bend, and Snoqualmie have experienced significant new home construction attracting growing numbers of households and skewing their housing markets to be more expensive. The population growth has also contributed to stresses on transportation and other infrastructure.

While the historic, relative differences among sub-regions have remained, the rapid increases in housing costs in all areas of King County have prompted a shifting of population. As prices have reached the point to make housing unattainable in high-cost areas north of I-90, middle- and low-income earning households have moved to south King County and to small cities in the rural eastern area of the county. As prices have increased in these relatively affordable areas, residents are increasingly displaced out of King County altogether and into Pierce County to the south and Snohomish County to the north.

### Displacement of Existing Communities and Households

One result of this outward migration in search of affordable housing has been the displacement of historic communities, particularly communities of color and cultural communities. The problem of displacement can be felt in all corners of the county, but it is especially acute in areas experiencing redevelopment, often related to the arrival or the planned arrival of light rail or other public amenities. For instance, the light rail line through South Seattle runs through historic low-income, communities of color. Rising demand to live in these communities has placed pressure on rental housing costs, increasing prices out of reach of existing communities. Additionally, some existing

5 https://www.zillow.com/kent-wa/home-values/

6 https://www.zillow.com/seattle-wa/home-values/

property owners choose to sell or redevelop, replacing modest, older housing with larger and more amenity-rich, multifamily developments. While new density is needed to meet the growing population and demand for transit access, without engagement of traditionally marginalized community members paired with public and non-profit intervention to build affordable and mixed income buildings, people have been and will be forced into new neighborhoods far from their community roots.

## Transit Access and Affordability

Another result of the current crisis and the "drive to qualify" is the continued pressure on the region's transportation system. Despite continued voter support for transit system expansion at the local, county, and regional level, the region and Seattle continue to place in the top 10 for traffic congestion, with one recent ranking placing Seattle 9th nationally and estimating the cost of traffic congestion at $5 billion annually.[7] Additional access to affordable homes near transit will be critical to reversing this trend and ensuring low-income households most dependent on transit are able to utilize and benefit from transit in their communities and across the region.

## Shared Ownership

There is broad consensus across the Task Force, stakeholders, and communities that the scope and scale of this challenge requires everyone in the region to participate. Broad engagement of businesses, philanthropy, neighborhoods and community members is necessary. And a new structure for government and stakeholder collaboration that monitors changing needs and progress and makes recommendations to ensure that King County's thriving economy and healthy communities provide safe, healthy, affordable homes for all existing and future residents is recommended by the Task Force.

7 Inrix: http://inrix.com/scorecard-city/?city=Seattle%3B%20WA&index=20. https://www.geekwire.com/2018/seattle-traffic-congestion-ninth-worst-u-s-eight-cities-top-10-vying-amazons-hq2/

# EXISTING EFFORTS

While the need for affordable housing has become increasingly critical since the end of the Great Recession, King County has long recognized the need for coordinated efforts to encourage the creation and preservation of affordable housing throughout the county.

Traditionally, the federal government led affordable housing efforts nationwide. While federal tax credits continue to make up the majority of affordable housing investments, the State and local governments have played ever increasing roles. This is particularly true for policies related to zoning and land use, which are under the purview of local governments. The Washington State Growth Management Act adopts a goal for comprehensive plans and local development regulations to "Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock."[8] This goal is to be pursued as part of local comprehensive plan Housing Elements, which are required to "make adequate provisions for existing and projected needs of all economic segments of the community."[9] Therefore, city and county governments have a major role in addressing the affordable housing needs of their communities.

Upon adoption of the Growth Management Act of 1990, King County established the Growth Management Policy Council (GMPC) as a venue where the County and cities can develop a collaborative framework of policies to guide jurisdictions as they update their comprehensive land use plans. The GMPC includes representatives from King County, Seattle, the Sound Cities Association, Bellevue, special purpose districts and the Port of Seattle. Since its inception, the GMPC has developed and adopted Countywide Planning Policies (CPPs), which include a chapter on housing with policies intended to help all jurisdictions "plan for and promote a range of affordable, accessible, and healthy housing choices for current and future residents." The policies focus on households earning 80 percent or less of AMI and provide special emphasis on low and very-low income households earning 50 percent or less of AMI. The housing chapter of the CPPs was last updated in 2012 and is due for another update in 2020 following adoption of VISION 2050 by the Puget Sound Regional Council.

In addition to this countywide planning approach, sub-regional planning collaboratives have also been active in King County. A Regional Coalition for Housing (ARCH) was created in 1992 to assist and empower cities in East King County to increase diversity and affordability of housing in their boundaries. It started with three city members and has grown to include 15 cities and King County. ARCH provides centralized technical support to member jurisdictions and administers the ARCH Housing Trust Fund, to which cities make annual contributions. Over 25 years, the ARCH Trust Fund has invested $60 million of local resources toward 80 housing developments that include over 4,000 units of affordable housing.

Efforts to create a formal collaborative in South King County are reaching fruition, and the new organization should begin operations in 2019. Currently, eight cities are expected to participate, along with King County.

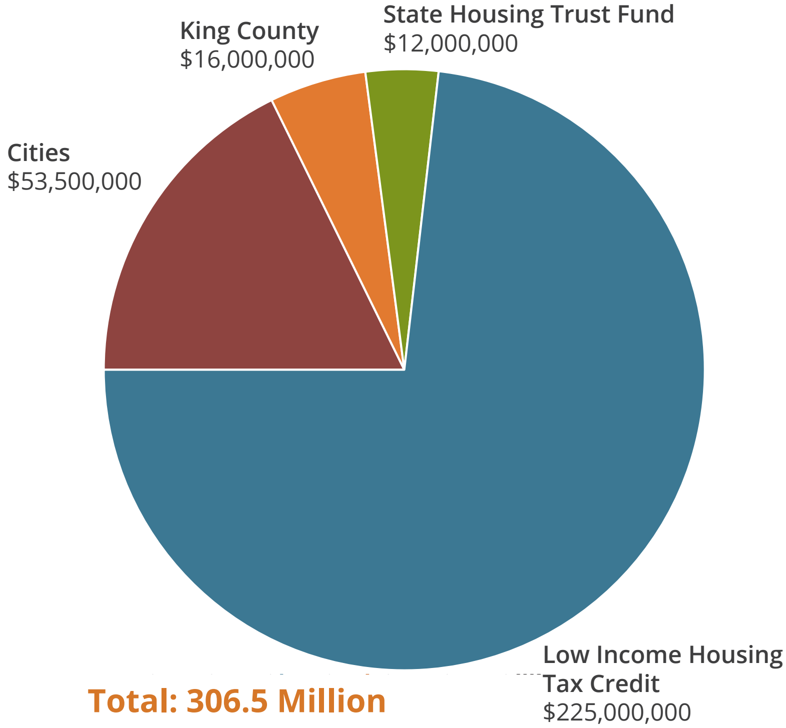
8 Revised Code of Washington 36.70A.020(4)

9 Revised Code of Washington 36.70A.070(2)

Individual cities have undertaken extensive planning efforts and land use code updates to respond to the pressures on housing in their jurisdictions and to respond to changing factors and new opportunities. Bellevue, Bothell, Issaquah, Kenmore, Kirkland, and Redmond have all adopted new housing strategy plans since their most recent comprehensive plan update. Sammamish is also working on a plan. Other cities have been preparing for the arrival of light rail. Shoreline, for instance, undertook a major upzone in areas surrounding the two stations that will come online in 2023. If fully realized, the new development will almost double the current size of the city and include significant affordable housing in market-rate developments.

Along with planning efforts, cities and the County have made significant investments in building new affordable housing. In the last five years, an average of $306.5 million in public dollars have been invested annually to build or preserve affordable housing in King County. The federal government has traditionally invested the largest portion of funds in providing affordable housing, primarily through the Low Income Housing Tax Credit. However, those resources have not kept pace with increasing need. In response, state and local governments and local voters have authorized new and expanded funding to increase the supply of affordable housing across King County. These investments have generated between 1,000 and 2,500 units per year. These estimates do not include funds for operations, maintenance, or rental support (such as Section 8 vouchers) that are critical components to ensure affordable housing providers can maintain buildings over time, often for a 50 year commitment. Additionally, funds for services support special need households by connecting them with employment, transportation, or health services. These funds are critical to helping some households obtain successful housing outcomes.

## Public Capital Funds for Affordable Housing
(Annual Average, 2012-2017)




**Total: 306.5 Million**

***See Appendix B, Attachment A on page 52.***

There are three housing authorities in King County - King County, Renton and Seattle - that collectively own over 18,000 units of affordable housing and provide rental assistance to more than 23,500 households. Together they provide homes for close to 95,000 low income King County residents every night.

While all of these efforts have helped thousands of people find and keep affordable homes over the past decades, they have not been sufficient in the face of the rapidly growing need for affordable housing in King County. Filling the affordable housing gap of 244,000 units over the next 20 years will require existing efforts to scale up and the region to create new strategies, collaborations and investments to dramatically increase the number of affordable homes available to those who need them.


*King County Councilmember Larry Gossett and family at the opening of Gossett Place in Seattle.*


*Raising the wall for one of nine Habitat for Humanity Blitz Build homes for veterans in Pacific.*

# STATEMENT OF INTENT

Residents in every community in the county are facing an unprecedented challenge in finding and keeping a home they can afford. Affordable housing is a critical component of our region's infrastructure, and we must act together, across all levels of government and all sectors, to address this crisis and ensure the health and livability of our communities and the economic vitality of our region.

The Regional Affordable Housing Task Force will make recommendations that are actionable, sustainable, and regional in nature and that will make a meaningful difference toward meeting the projected need for households with incomes at 80 percent or less of Area Median Income by building, preserving, or subsidizing 244,000 net new healthy homes countywide by 2040.

## *The Task Force will identify strategies which:*

- ✓ Support affordable homes in close proximity to jobs, transit and key services;
- ✓ Reduce the disproportional impacts of housing affordability challenges, including displacement, on communities of color, older adults, and others with fixed or limited-incomes;
- ✓ Address affordability and accessibility needs of large households, individuals with mobility or behavioral health challenges, and to allow people to age in place if they desire.

Further, the Task Force will prioritize strategies that can be implemented at the regional level or through jurisdictional collaboration by 2024.

**INFORMED BY DATA ANALYSIS AND STAKEHOLDER AND COMMUNITY CONVERSATIONS, THE TASK FORCE ADOPTED A STATEMENT OF INTENT TO HELP GUIDE ITS WORK IN DEVELOPING RECOMMENDATIONS.**

**THE STATEMENT OF INTENT RECOGNIZES THE 20-YEAR NEED, WHILE FOCUSING ON THE NEXT FIVE YEARS TO 2024 TO HELP ENSURE THAT RECOMMENDATIONS WOULD POSITION THE REGION TO ACT QUICKLY TO ADDRESS THE AFFORDABLE HOUSING CHALLENGE.**

# FIVE YEAR ACTION PLAN

The Task Force recommended a Five-Year Action Plan as a way to spur the region into action quickly.  The Action Plan includes seven goals and each goal has a number of strategies to achieve the goal. The Action Plan also identifies specific actions that can be taken in the near term to implement the strategies. While encouraging quick action, the Plan also establishes the structure for ongoing collaboration to carry the work forward past the five-year action plan.


The region should adopt strategies to ensure an adequate housing supply countywide to meet the needs of low-income individuals and families who are cost-burdened. This includes constructing new housing, preserving the quality and affordability of existing housing, and providing subsidies when needed. Public resources should be prioritized for serving households earning 50 percent AMI and below, while also leveraging private investments to support affordability from 50 percent to 80 percent AMI. However, private market participation alone will be insufficient to address the full need at 80 percent AMI and below.[10] These recommendations are not mandates. They are not intended to place limits on local actions or override local control.

10 With significant public support (reduced land costs and fees and significant density), some markets may be able to incorporate lower affordability into private market developments.

REGIONAL
**AFFORDABLE HOUSING**
TASK FORCE

# FIVE YEAR ACTION PLAN

## OVERARCHING GOAL:

**Strive to eliminate cost burden for households earning 80 percent Area Median Income and below, with a priority for serving households at or below 50 percent Area Median Income.**

## 1 Create and support an ongoing structure for regional collaboration

| **STRATEGY A:** Create an Affordable Housing Committee of the Growth Management Planning Council (GMPC) | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Maintain a website and prepare an annual report to collect data and report on progress toward implementing the Action Plan | | | ✓ | |
| ii. Review and make recommendations to other governing bodies regarding funding/pursuing new and innovative financing strategies, land use policies and State legislative agenda items | | | ✓ | |
| iii. Make recommendations to the GMPC for Countywide Planning Policies updates and to the PSRC's Growth Management Policy Board | | | ✓ | |
| iv. Coordinate support for increased federal funding | | | ✓ | |
| v. Provide technical support to cities and the County and support new and existing sub-regional collaborations | | | ✓ | |
| vi. Review and evaluate the Committee and recommend alternative governance structures if needed to implement the Action Plan | | | ✓ | |
| **STRATEGY B: Support the creation and operation of sub-regional collaborations to increase and preserve affordable housing** | | | | |
| i. Support the creation of sub-regional collaborations in all parts of King County | ✓ | ✓ | ✓ | |
| ii. Fund operations of sub-regional collaborations | ✓ | ✓ | | |
| iii. Encourage the growth and success of existing sub-regional collaborations | ✓ | ✓ | ✓ | |

# Increase construction and preservation of affordable homes for households earning less than 50% area median income

2

| | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| **STRATEGY A:** **The Affordable Housing Committee will work with cities and the County to identify and prioritize new resources to build or preserve 44,000 units in the next five years and track progress toward the goal** | | | | |
| i. Identify revenue sources sufficient to support the local share of funding 44,000 units over five years | ✓ | ✓ | ✓ | |
| ii. Collectively advocate to maintain and increase Federal resources directed toward affordable housing in King County | ✓ | ✓ | ✓ | |
| iii. Collectively advocate for increased State resources to support affordable housing in King County | ✓ | ✓ | ✓ | ✓ |
| iv. Explore unused authority to raise revenue to support the goal of building or preserving 44,000 units over five years | ✓ | ✓ | ✓ | |
| v. Work with business and philanthropy to increase and effectively leverage private investments in affordable housing | ✓ | ✓ | ✓ | |
| vi. Pursue strategies to reduce the cost of developing affordable units | ✓ | ✓ | | |
| vii. Monitor County and city progress toward raising funds necessary to produce 44,000 units in the next five years | | | ✓ | |
| **STRATEGY B:** **Make available at no cost, at deep discount, or for long term lease, under-utilized property from State, County, cities, and non-profit/faith communities** | | | | |
| i. Expand coordination to identify, acquire and develop property for affordable housing | ✓ | ✓ | | ✓ |
| ii. Track and report progress on REDI fund and Home & Hope | | | ✓ | |
| iii. Identify one or more parcels in their boundaries to prioritize for affordable housing (for-profit or non-profit, new or preserved) | ✓ | ✓ | | |
| iv. Develop policies for the sale of County-owned property at reduced or no cost when used for affordable housing, which may be used as a model ordinance by cities | ✓ | | | |
| **STRATEGY C:** **Develop a short-term acquisition loan fund to enable rapid response to preserve affordable housing developments when they are put on the market for sale** | | | | |
| i. Identify entity to inventory all large (50+ unit) privately owned affordable multifamily properties at risk of redevelopment or rapid rent escalation | ✓ | ✓ | ✓ | |
| ii. Measure and monitor progress in preserving privately owned affordable housing through nonprofit acquisition or other means | | | ✓ | |

# 3 Prioritize affordability accessible within a half mile walkshed of existing and planned frequent transit service, with a particular priority for high-capacity transit stations

| | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| **STRATEGY A:** **Implement comprehensive inclusionary/incentive housing policies in all existing and planned frequent transit service to achieve the deepest affordability possible through land use incentives to be identified by local jurisdictions** | | | | |
| i. Provide technical assistance in designing inclusionary/incentive housing programs | ✓ | | ✓ | |
| ii. Provide website of example ordinances | ✓ | | ✓ | |
| iii. Propose and apply for state planning dollars | ✓ | ✓ | | ✓ |
| iv. Evaluate and update zoning in transit areas in advance of transit infrastructure investments | ✓ | ✓ | | |
| v. Evaluate the impact of development fees in transit areas and implement reductions if positive impact found | ✓ | ✓ | | |
| vi. Regularly measure implementation against goal | ✓ | | ✓ | |
| **STRATEGY B:** **Maximize resources available for Transit Oriented Development (TOD) in the near term** | | | | |
| i. Consider bonding against future Lodging Tax revenues for TOD and use a portion of the funds to incentivize cities to support more affordable housing | ✓ | | | |
| ii. Evaluate potential for the current Transfer of Development Rights program, which preserves rural and resource lands, to incentivize affordability outcomes if a receiving site is within a transit walkshed, among other places | ✓ | | | |
| **STRATEGY C:** **Create and implement regional land acquisition and development strategy** | | | | |
| i. Identify priority "pipeline" of property for acquisition and development | ✓ | ✓ | | |
| ii. Adopt and implement property value discount legislation/guidance as needed, including updated valuation guidance | ✓ | | | |
| iii. Fund land acquisition, aligned with Goal 2, Strategy B | ✓ | ✓ | | ✓ |
| iii. Adopt increased zoning to maximize affordable housing on acquired parcels | ✓ | ✓ | | |
| iv. Identify entity to purchase and hold land prior to construction | ✓ | ✓ | ✓ | |
| v. Fund capital construction and preservation | ✓ | ✓ | | ✓ |

# 4 Preserve access to affordable homes for renters by supporting tenant protections to increase housing stability and reduce risk of homelessness

| **STRATEGY A:** Propose and support legislation and statewide policies related to tenant protection to ease implementation and provide consistency for landlords | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Support the development and adoption of statewide legislation and policy related to tenant protections | ✓ | ✓ | ✓ | ✓ |
| ii. Review proposed statewide policies and legislation | ✓ | | ✓ | |
| iii. Develop tools landlords can use to help low-income renters, such as a fund landlords can access to make repairs so costs are not passed on to low-income renters | ✓ | | ✓ | |
| **STRATEGY B:** Strive to more widely adopt model, expanded tenant protection ordinances countywide and provide implementation support | | | | |
| i. Provide model ordinances | ✓ | ✓ | ✓ | |
| ii. Pursue a signed ILA for enforcement support | ✓ | ✓ | ✓ | |
| iii. Identify resources to conduct work | ✓ | | ✓ | |
| iv. Increase education for tenants and property owners regarding their respective rights and responsibilities | ✓ | | ✓ | |
| v. Adopt ordinances as appropriate | ✓ | ✓ | | |
| **STRATEGY C:** Expand supports for low-income renters and people with disabilities | | | | |
| i. Utilize funds from the Veterans, Seniors and Human Services Levy for shallow rent subsidies to help keep people in their homes | ✓ | | | |
| ii. Increase funding for emergency rental assistance | ✓ | ✓ | | |
| iii. Increase deep rental subsidies (in addition to shallow) | ✓ | ✓ | | |
| iv. Fund services to address barriers to housing | ✓ | ✓ | | |
| v. Expand civil legal aid support | ✓ | ✓ | | |
| vi. Expand education of tenant and property owner rights and responsibilities | ✓ | ✓ | | |
| vii. Increase funding for services that help people with disabilities stay in their homes and/or age in place | ✓ | ✓ | | |

# 5

## Protect existing communities of color and low-income communities from displacement in gentrifying communities.

| **STRATEGY A:** Authentically engage communities of color and low-income communities in affordable housing development and policy decisions | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Provide capacity grants to small organizations representing communities of color or low-income communities to support their engagement in affordable housing development | ✓ | | | |
| ii. Contract for a toolkit/checklist on community engagement in planning discussions | ✓ | | | |
| iii. Utilize the toolkit and intentionally include and solicit engagement from members of communities of color or low-income households in policy decision-making and committees | ✓ | ✓ | | |
| **STRATEGY B:** Increase investments in communities of color and low-income communities by developing programs and policies that serve individuals and families at risk of displacement | | | | |
| i. Use Seattle's Equitable Development Initiative as a model for how government can invest in under-represented communities to promote community-driven development | ✓ | ✓ | | |
| ii. Build upon the work of the Communities of Opportunity initiative | ✓ | ✓ | | |
| iii. Include cities, investors, and community-based organizations in development of certification process and matching dollars for socially responsible, equitable Opportunity Zone investments that prevent displacement | ✓ | ✓ | ✓ | |
| iv. Expand requirements to affirmatively market housing programs and enhance work to align affordable housing strategies with federal requirements to Affirmatively Further Fair Housing | ✓ | ✓ | | |
| v. Encourage homeownership opportunities as a way to prevent displacement within communities of color while also promoting the growth of intergenerational wealth | ✓ | ✓ | | |
| vi. Where appropriate, acquire and preserve manufactured housing communities to prevent displacement | ✓ | ✓ | | |

# 6 Promote greater housing growth and diversity to achieve a variety of housing types at a range of affordability and improve jobs/housing connections throughout King County

| STRATEGY A: Update zoning and land use regulations (including in single-family low-rise zones) to increase and diversify housing choices | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Provide model ordinances | ✓ | | ✓ | |
| ii. Incentivize cities adopting and implementing strategies that will result in the highest impact towards addressing the affordable housing gap, specifically at the lowest income levels | ✓ | | | |
| iii. Review and update zoning and land use code to increase density | ✓ | ✓ | | |
| iv. Explore opportunities to pilot innovative housing in industrial zones, with a focus on TOD and industrial buffer zones | ✓ | ✓ | | |
| v. Update building codes to promote more housing growth and innovative, low-cost development | ✓ | ✓ | | |
| vi. As part of any updated zoning, to evaluate feasibility of incorporating affordable housing provisions | ✓ | ✓ | | |
| vii. Promote units that accommodate large households and/or multiple bedrooms | ✓ | ✓ | | |
| **STRATEGY B: Decrease costs to build and operate housing affordable to low-income households** | | | | |
| i. Maximize and expand use of Multi-Family Tax Exemption | ✓ | ✓ | | |
| ii. Reduce sewer fees for affordable housing | ✓ | | | |
| iii. Reduce utility, impact and other fees for affordable housing and Accessory Dwelling Units (ADUs) | | ✓ | | |
| iv. Streamline permitting process for affordable housing development and ADUs | ✓ | ✓ | | |
| v. Support condominium liability reform | ✓ | ✓ | ✓ | |
| vi. Exempt affordable housing from sales tax | | | | ✓ |
| vii. Explore incentives similar to the Multi-Family Tax Exemption for the development of ADUs for low-income households | ✓ | | ✓ | |

(Continued on next page).

| | | | | |
|---|---|---|---|---|
| **STRATEGY C: Incentivize growth and affordability goals by expanding tools for investments in local infrastructure** | | | | |
| i. Advocate for a strong, equitable financing tool that captures value from development to fund infrastructure and affordable housing investments (aka: value-capture or tax-increment financing tools) | ✓ | ✓ | | ✓ |
| ii. Advocate for state public works trust fund investments | ✓ | ✓ | | ✓ |
| **STRATEGY D: Expand and preserve homeownership opportunities for low-income households** | | | | |
| i. Increase educational efforts to ensure maximum use of property tax relief programs to help sustain homeownership for low-income individuals | ✓ | ✓ | | |
| ii. Support alternative homeownership models that lower barriers to ownership and provide long-term affordability | ✓ | ✓ | | |
| iii. Expand targeted foreclosure prevention | ✓ | ✓ | | |
| iv. Where appropriate, preserve existing manufactured housing communities through use-specific zoning or transfer of development rights | ✓ | ✓ | | |
| v. Encourage programs to help homeowners (esp. low-income) access financing, technical support or other tools needed to participate in and benefit from infill development opportunities | ✓ | ✓ | | |

## 7 Better engage local communities and other partners in addressing the urgent need for and benefits of affordable housing

| **STRATEGY A: Support engagement of local communities and residents in planning efforts to achieve more affordable housing** | County | Cities | Housing Committee | State |
|---|---|---|---|---|
| i. Develop toolkits and strategies to better engage neighborhoods and residents in affordable housing development | ✓ | | ✓ | |
| ii. Use existing data and tools to greatest extent possible, i.e. PSRC Vision 2050 work | ✓ | | ✓ | |
| iii. Use community engagement techniques that promote more equitable community engagement in zoning and siting decisions | ✓ | ✓ | | |
| **STRATEGY B: Expand engagement of non-governmental partners (philanthropy, employers, investors, private developers and faith communities) to support efforts to build and site more affordable housing** | | | | |
| i. Create stakeholder partnerships with business, philanthropy, non-profits, faith-based organizations, the health care sector, and others to encourage investments in affordable housing | ✓ | ✓ | ✓ | |
| ii. Encourage business, organized labor, and philanthropy to support public dialogue on affordable housing | ✓ | ✓ | ✓ | |

# NEXT STEPS

Before the end of 2018, the Task Force will deliver its recommendations to the King County Executive and Council. The Sound Cities Association is also expected to take up the Five-Year Action Plan before the end of the year, and the City of Seattle is considering action in the first part of 2019. With that, the Task Force will be disbanded. The work of the Task Force, however, will continue. It is anticipated that in the first quarter of 2019, the Growth Management Planning Council will appoint members of its Affordable Housing Committee to begin implementing the Regional Affordable Housing Task Force Five-Year Action Plan. The Committee will be supported by an Inter-Jurisdictional Team composed of staff from King County and cities that want to support the effort.

County staff in support of the Affordable Housing Committee will be charged with creating a dashboard to track affordable housing efforts needs and policies, and measure how well the region is reaching the goal of 44,000 new or preserved affordable housing units in the next five years.

The Committee will meet regularly and will provide recommendations to the GMPC for the update to the housing chapter of the CPPs. The Committee will also serve as a place for jurisdictions to coordinate State legislative agendas and work toward a regional funding plan for affordable housing.

It is anticipated that cities and the County, as well as developers, advocates, and community members will continue their work to increase the availability of healthy, safe and affordable homes throughout King County. The Five-Year Action Plan and Affordable Housing Committee will support those individual efforts and work to enhance regional collaboration going forward.

# Appendix A
## Glossary

## Glossary

**Accessory Dwelling Unit (ADU):** a small, self-contained residential unit attached to a single-family home. Sometimes called “mother-in-law apartment” or “granny flat.”

**Affirmative Marketing:** advertising and community outreach designed to reach people who are least likely to apply for housing as a method to reduce housing discrimination.

**Affordable Homes/Housing:** households that spend less than 30% of their gross monthly income on housing costs.

**Area Median Income (AMI):** the household income for the median – or middle – household in a region. It is a criteria used by the U.S. Department of Housing and Urban Development (HUD) and other agencies to determine what kinds of services households may qualify for. HUD releases annual median income levels for different household sizes in King County. In King County, the 2018 AMI for a household of four is $103,400.

**Communities of Opportunity (COO):** a King County and Seattle Foundation partnership. COO has four priority areas: quality affordable housing; providing healthy, affordable food and safe places outside to be physically active, especially for youth; increased economic opportunity; and strong community connections. The County portion of COO is funded with 10 percent of the Best Starts for Kids Levy proceeds.

**Community Land Trust:** a nonprofit organization that develops and stewards affordable housing and other assets to maintain affordability, economic diversity and access to local services for a community.

**Cooperative Housing:** a shared ownership model for multifamily housing.

**Cost Burden:** households who pay more than 30% of their gross monthly income on housing costs.

**Detached Accessory Dwelling Unit (DADU):** a small, separate, and self-contained residential unit on the same property as a single-family home. Sometimes called “backyard cottage.”

**Displacement:** a household moving due to factors beyond their control.

**Environmental Impact Statement:** a document required by federal and state law that describes the positive and negative environmental effects of a proposed action.

**Extremely Low Income:** households earning 30% or less of area median income. In King County, 30% of AMI for a household of four is $31,020.

**Gentrification:** an influx of capital and high-income, higher-educated residents into a neighborhood with historical segregation and/or disinvestment. Impacts commonly associated with gentrification are community-wide displacement and a loss of social fabric for low-income communities of color.

**High-Capacity Transit:** a transit mode that operates principally on exclusive rights-of-way which provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways.

**Home & Hope:** a project led by Enterprise Community Partners in conjunction with elected officials, public agencies, educators, nonprofits and developers that facilitates the development of affordable housing on underutilized, tax-exempt sites owned by public agencies and nonprofits in King County. See https://www.enterprisecommunity.org/where-we-work/pacific-northwest/home-hope for more information.

**Impact Fee:** a fee imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing services to the new development.

**Inclusionary Zoning:** a wide range of policies that link the production of affordable housing to the production of market-rate housing. Most programs provide incentives, such as density bonuses, in exchange for a certain percentage of units to be affordable for low or moderate-income households.

**Infill Development:** construction on vacant or under-utilized properties in an urban area.

**Just Cause Eviction:** policies that limit property owners' ability to evict tenants to certain reasons. See SMC 22.206.160C for an example list of just causes for eviction.

**Low Income:** households earning 80% or less of area median income. In King County, 80% of AMI for a household of four is $82,720.

**Micro Housing:** a small, self-contained, single-occupancy apartment. A somewhat ambiguous term, it could include a small studio apartment or a single-room occupancy unit with communal kitchen and common room areas.

**Multifamily Tax Exemption (MFTE):** a program providing a term-limited property tax exemption for the construction of new affordable housing. See RCW 84.14 for more information.

**Naturally Occurring Affordable Housing:** housing that is affordable without direct government subsidy or investment.

**Opportunity Zones:** a community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. A low-income community is one with a poverty rate of at least 20 percent and low-income is a household earning up to 80 percent AMI. King County Opportunity Zones can be found on the state Department of Commerce website (commerce.wa.gov).

**Puget Sound Regional Council (PSRC) Vision 2040:** a regional growth strategy led by the PSRC for the four county region (King, Kitsap, Pierce, and Snohomish Counties.) See http://www.psrc.org/vision for more information.

**Property Value Discount Legislation:** policies that require a department of assessments' valuations to reflect the impact of affordability covenants and other restrictions on a property's assessed value as a method to reduce property taxes for affordable housing.

**Regional Equitable Development Initiative (REDI) Fund:** a public-private fund led by Enterprise Community Partners to help finance the acquisition of property along transit corridors to preserve the affordability of future housing and community facilities. See https://www.enterprisecommunity.org/financing-and-development/community-loan-fund/redi-fund for more information.

**Seattle Equitable Development Initiative:** a program seeking to mitigate displacement and increase access to opportunity for Seattle's marginalized communities. See https://www.seattle.gov/opcd/ongoing-initiatives/equitable-development-initiative for more information.

**Severe Cost Burden**: households who pay more than 50% of their gross monthly income on housing costs.

**Source of Income Discrimination Protection:** policies that make it illegal for property owners to discriminate against tenants and would-be tenants based on their source of income (such as Federal Housing Choice Vouchers.) See RCW 59.18.255 for Washington State's law on source of income discrimination.

**Tax Increment Financing:** a public financing method of diverting future property tax revenue increases that result from a specific public improvement project to pay for the project.

**Transfer of Development Rights:** a voluntary, incentive-based program for controlling land use. Developers pay a fee to construct housing denser than what standard zoning would allow, which is then transferred to certain landowners in exchange for signing a contract limiting construction on their property.

**Transit-Oriented Development (TOD):** construction of new housing with convenient access to transit.

**Urban Growth Area (UGA):** where most future growth and development is to occur to limit sprawl, enhance open space, protect Rural Areas and Natural Resource Lands, and more efficiently use human services, transportation, and utilities. See RCW 36.70A.110 for more information.

**Very Low Income:** households earning 50% or less of area median income. In King County, 50% of AMI for a household of four is $51,700.

# Appendix B

## Five Year Action Plan

# REGIONAL AFFORDABLE HOUSING TASK FORCE
## FIVE-YEAR ACTION PLAN

### PROBLEM STATEMENT:

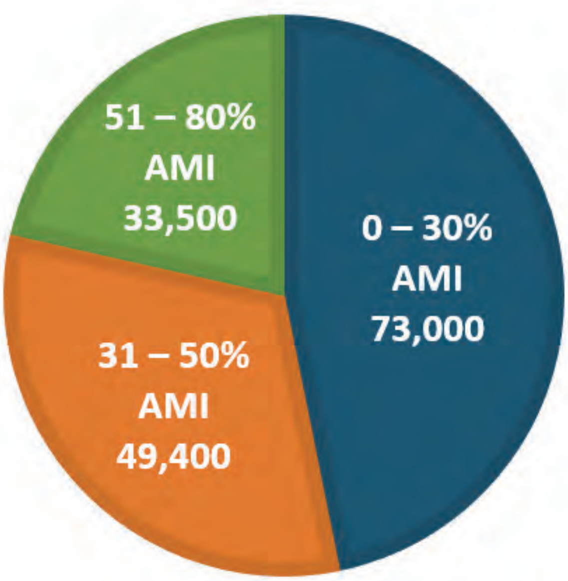
Current estimates show a need for 244,000 additional, affordable homes in King County by 2040 so that no household earning 80% of Area Median Income (AMI) and below is cost- burdened. This includes 156,000 homes for households currently cost-burdened[1] and an additional 88,000 homes for growth in cost-burdened households between now and 2040. When low-income families spend more than 30% of their income for housing they are cost- burdened and struggle to afford other basic necessities like food, transportation, health care, and child care.

The need for new affordable homes is greatest for households earning 30% or less of AMI.

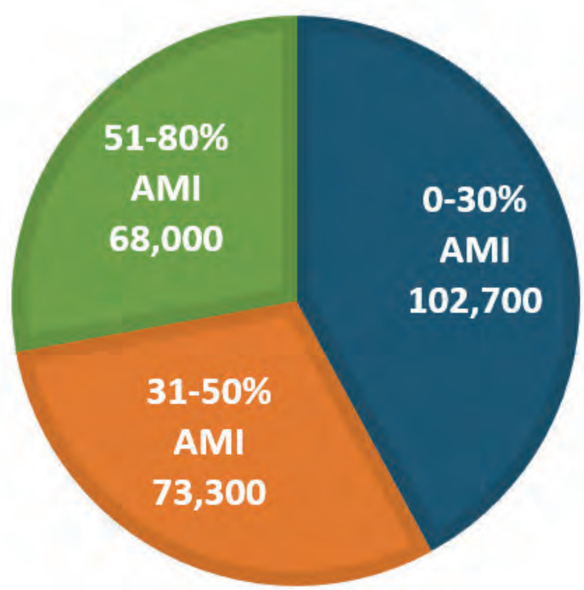
| | **0 – 30% AMI** | **31 – 50% AMI** | **51 – 80% AMI** |
|---|---|---|---|
| EXISTING NEED | 73,000 | 49,400 | 33,500 |
| GROWTH TO 2040 | 29,700 | 23,900 | 34,500 |
| SUBTOTAL | 102,700 | 73,300 | 68,000 |
| **% TOTAL NEED IN 2040** | **42%** | **30%** | **28%** |

Over the last decade, King County's stock of housing affordable to households at or below 80% AMI decreased by a net average of 3,600 rental homes per year, due to demolition and rising rents. If current trends continue, by 2040, the county is set to lose all unsubsidized homes at less than 50% AMI and nearly half of units affordable to households earning 50 to 80% AMI.

### AFFORDABLE HOMES NEEDED TODAY




### HOMES NEEDED BY 2040




1 An individual or family that pays more than 30% of its income for housing costs is considered cost-burdened.

## OVERALL GOAL: STRIVE TO ELIMINATE COST BURDEN FOR HOUSEHOLDS EARNING 80% AREA MEDIAN INCOME AND BELOW, WITH A PRIORITY FOR SERVING HOUSEHOLDS AT OR BELOW 50% AREA MEDIAN INCOME.

The region should adopt strategies to ensure an adequate housing supply countywide to meet the needs of low-income individuals and families who are cost-burdened. This includes constructing new housing, preserving the quality and affordability of existing housing, and providing subsidies when needed. Public resources should be prioritized for serving households earning 50% AMI and below, while also leveraging private investments to support affordability from 50% to 80% AMI. However, private market participation alone will be insufficient to address the full need at 80% AMI and below.[2] These recommendations are not mandates. They are not intended to place limits on local actions or override local control.

### GOAL 1: CREATE AND SUPPORT AND ONGOING STRUCTURE FOR REGIONAL COLLABORATION.

In recognition of the need for significantly more affordable housing, individual cities and the County have been working to address affordability within their jurisdictions. There are strong examples of interjurisdictional coordination, however, these efforts to date have not collectively made sufficient progress to meet the full need of the community. The drivers and effects of the affordable housing challenge are regional.

#### Strategy A: Create an Affordable Housing Committee of the Growth Management Planning Council (GMPC)

The Committee will serve as a regional advisory body with the goal of advocating and assessing progress toward implementation of the Action Plan. It will function as a point of coordination and accountability for affordable housing efforts across King County.

#### Action Plan:

The GMPC will appoint members of the committee which shall be comprised of approximately twenty members representing an equal balance of both governmental and non-governmental organizations, including representation of communities impacted by displacement. The committee will:

- Hold regular meetings
- Maintain a website of information and/or release an annual report to accomplish the following:
    - Review qualitative and quantitative metrics regarding countywide and jurisdictional progress to implement the Action Plan and address the countywide need and/or cost-burden gap, including a measurement plan that will, at a minimum, track the percentage of housing supply at various levels of AMI and track the region's progress to meeting the overall goal identified by the Regional Affordable Housing Task Force
    - Review and make recommendations to other governing bodies regarding actions to implement the Action Plan, including:
        - Funding/pursuing new and innovative financing strategies to significantly address the affordable housing need in King County for adoption by jurisdictions and/or voters in 2020

2 With significant public support (reduced land costs and fees and significant density), some markets may be able to incorporate lower affordability into private market developments.

- Land use policies
- State legislative agenda items, such as  increasing State funding for affordable housing, expanding options for local funding, supporting the creation and preservation of affordable housing, and creating uniform statewide laws for tenant protections

- Recommend policy positions for Puget Sound Regional Council's (PSRC) Growth Management Policy Board's consideration and approval
- Review and provide guidance regarding alignment between the Action Plan and comprehensive plans
- Recommend amendments to the Countywide Planning Policies including regional goals/metrics and land use policies
- Coordinate support for increased federal funding for affordable housing
- Work with existing and new sub-regional collaborations, such as A Regional Coalition for Housing (ARCH) and South King County Housing and Homelessness Partnership (SKHPP)
- Provide incentives for regional solutions which promote strategies that are broader than one jurisdiction at a time
- Provide technical assistance to the cities and the County on affordable housing policy, including identification and sharing of best practices and model legislation
- Review and evaluate existing committee and recommend alternative governance structures needed to accomplish the Action Plan
- Be supported by an Inter-Jurisdictional Team (IJT) that builds on but will meet separately from the GMPC IJT

***NOTE:*** *The Regional Affordable Housing Task Force recognizes that the "One Table" effort to address the root causes of homelessness, which includes but is broader than affordability, is also engaged in discussions about governance. As One Table and the Task Force finalize their governance recommendations, they should work together to harmonize their recommendations.*

### Strategy B:  Support the creation and operation of sub-regional collaborations to increase and preserve affordable housing

#### Action Plan:

- Cities and the County to support the creation of sub-regional collaborations in all parts of King County, including North and South King County sub-regional collaborations as opportunities arise
- Cities and the County to fund operations of sub-regional collaborations
- Cities, the County, and the Affordable Housing Committee to encourage the growth and success of existing sub-regional collaborations, including ARCH in East King County and SKHHP in South King County

## GOAL 2: INCREASE CONSTRUCTION AND PRESERVATION OF AFFORDABLE HOMES FOR HOUSEHOLDS EARNING LESS THAN 50% AREA MEDIAN INCOME.[3]

Currently, 236,000 King County households earn less than 50% AMI, and yet only 128,000 homes are affordable at this income level. Traditionally, the private housing market has not been positioned to address the housing needs at this income level and government bears this responsibility. The region must increase housing supply and other supports for the lowest-income households. This will both secure housing stability for these households and also reduce pressure on existing and future housing, improving housing access for all incomes across the region.

The Task Force recognizes that local government revenue streams are limited and not structured to sustainably keep up with rising costs to maintain existing services. Identifying and implementing new revenues for affordable housing at the local level will require careful consideration of the impact to other critical services and the capacity for communities to accept additional tax burden without further contributing to the affordability crisis. The Task Force recommends that each jurisdiction consider the suitability of options available to them under current law, and work collaboratively to increase funding available to support affordable housing preservation and development.

While implementing the land use and policy changes identified in the Five-Year Action Plan will help meet the need, the Regional Affordable Housing Task Force's work has clearly pointed to a need for significant new resources if the region is to meet the goal of reducing the number of cost-burdened households at 80% of AMI and below, with a particular focus on the distinct needs of households who earn at or below 50% AMI.

On average in the last five years, roughly $384 million a year is invested in affordable housing in King County from Federal, State and Local sources (see Attachment A on page 52).

In recent years, the cost to purchase or build of affordable housing has increased, just like the cost of all housing types. That means that public dollars have been able to purchase fewer units over time and that going forward it is reasonable to assume that affordable units will cost, on average, $350,000 to preserve or build.

In this context, the Regional Affordable Housing Task Force has set the goal of building or preserving 44,000 units of affordable housing to serve people earning less than 50% AMI over the next five years.

Achieving this production goal will require the region to employ all the tools it has available, including land use and zoning changes. It is also important to note that not all of the funding for those units must or will be raised locally. The Federal government will and should play a significant role in funding affordable housing, primarily through the Low Income Housing Tax Credit Program (LIHTC). Assuming that the Federal government continues to make contributions on a par with the last five years, 58% of the need will be met with Federal resources.

3 "Low-income" is defined as a person or family earning at or below 80% of AMI ($82,700 for a family of four or $57,900 for an individual).

### Strategy A: The Affordable Housing Committee will work with cities and the County to identify and prioritize new resources to build or preserve 44,000 units in the next five years and track progress toward the goal

Throughout the Task Force process, Task Force members, Standing Advisory Committee members and members of the public cited the need to expand the types of funding available to fund affordable housing, particularly given the regressive nature of Washington State's tax code. Examples of more progressive funding sources include a capital gains tax and an income tax.

#### Action Plan:

- Cities and the County should identify revenue sources available to them sufficient to support the local share of funding 44,000 units over five years

**Examples of Potential Local Government Fund Sources for Consideration**

- Inclusionary Housing In-Lieu Fee
- Proceeds from Land Sales
- Property Tax
- .01% Sales Tax
- Sales Tax Credit
- Real Estate Excise Tax
- Capital Gains Tax

- Cities and the County should collectively advocate to maintain and increase Federal resources directed toward affordable housing in King County, which might include increasing expanding the 9% LIHTC or maximizing the bonding capacity of the 4% LIHTC
- Cities and the County should collectively advocate for increased State resources to support affordable housing in King County, which might include increasing contributions to the Housing Trust Fund, a sales tax credit, or allowing cities to collect up to a 0.25% Real Estate Excise Tax
- Cities and the County should explore unused authority to raise revenue to support the goal of building or preserving 44,000 units over five years. Unused authority might include a countywide property tax, a countywide sales tax, free or discounted publicly owned land
- Cities and the County should work with business and philanthropy to increase and effectively leverage private investments in affordable housing
- Cities and the County should pursue strategies to reduce the cost of developing affordable units, which might include the reduction or elimination of impact or connection fees, or a sales tax fee exemption on affordable developments
- The Affordable Housing Committee will monitor County and city progress toward raising funds necessary to produce 44,000 units in the next five years

### Strategy B: Make available at no cost, at deep discount, or for long term lease, under-utilized property from State, County, cities, and non-profit/faith communities

#### Action Plan:

- State, the County, and cities to expand coordination to identify, acquire and develop property for affordable housing.
- The Affordable Housing Committee will track and report progress on the Regional Equitable Development Initiative fund and Home & Hope.
- Jurisdictions to identify one or more parcels in their boundaries to prioritize for affordable housing (for-profit or non-profit, new or preserved)
- The County to develop policies for the sale of County-owned property at reduced or no cost when used for affordable housing, which may be used as a model ordinance by cities

### Strategy C: Develop a short-term acquisition loan fund to enable rapid response to preserve affordable housing developments when they are put on the market for sale

#### Action Plan:

- Cities, the County and the Affordable Housing Committee to identify entity to inventory all large (50+ unit) privately owned affordable multifamily properties at risk of redevelopment or rapid rent escalation
- The Affordable Housing Committee will measure and monitor progress in preserving privately owned, including those that are subsidized or naturally occurring, affordable housing through nonprofit or public housing authority acquisition or other means
- Cities and the County to partner with existing efforts and organizations and support additional funding to fill gaps in current preservation efforts
- Cities and the County to consider dedicating a portion of new funding streams to this strategy

## GOAL 3: PRIORITIZE AFFORDABILITY ACCESSIBLE WITHIN A HALF MILE WALKSHED OF EXISTING AND PLANNED FREQUENT TRANSIT SERVICE, WITH A PARTICULAR PRIORITY FOR HIGH-CAPACITY TRANSIT STATIONS

Progress in meeting this goal will be measured, using the following region wide metrics:[4] [5]

- 25% of existing housing remains affordable at 80% AMI and below
- 50% of new housing is affordable at 80% AMI and below
- 80% of available public land suitable for housing is prioritized for housing affordable at or below 50% AMI

The region's continuing expansion of high capacity transit, including light rail and bus rapid transit, provide one of the best opportunities to expand housing options available to a wide range of incomes. Such housing will be particularly valuable to low-income households, who are the most dependent on transit and yet often the least able to benefit from these neighborhood amenities due to increasing costs nearby. This recommendation recognizes that the region must promote or require affordable housing near high-capacity transit stations and along transit corridors, as well as in regional growth centers. Additionally, an emphasis should be placed on developing and preserving units that meets the needs of the lowest income households, including families and a balanced mix of unit sizes (studio through three-bedroom units).

### Strategy A:  Implement comprehensive inclusionary/incentive housing policies in all existing and planned frequent transit service to achieve the deepest affordability possible through land use incentives to be identified by local jurisdictions, which may include:

a. Increased density
b. Reduced parking requirements
c. Reduced permit fees
d. Exempted impact fees
e. Multi-family property tax exemptions
f. Programmatic Environmental Impact Statements

### Action Plan:

- County or Affordable Housing Committee to provide technical assistance in designing inclusionary/incentive housing programs
- County or Affordable Housing Committee to provide website of example ordinances
- All parties propose and apply for State planning dollars

4 PSRC anticipates that more than 50% of housing growth will occur in TOD.

5 Background: Between 2010-2015:
- 20% of population growth occurred in station areas
- 45% of population in station areas are people of color v. 34% in the region
- 1/3 of housing permits issued were in station areas
- 34,000 homes were added in station areas
- Currently, approximately 25% of housing in station areas is affordable at less than 80% AMI (19% in SEA, 4% in EKC, 80% in SKC)

- City and the County to evaluate and update zoning in transit areas in advance of transit infrastructure investments
- Cities and the County to evaluate the impact of development fee reductions in transit areas and implement reductions if positive impact
- Affordable Housing Committee to regularly measure implementation against goal
- As one strategy, cities and the County to coordinate with local housing authorities to increase the use of project-based rental subsidies in buildings with incentive/inclusionary housing units in order to achieve deeper affordability

### Strategy B: Maximize resources available for Transit Oriented Development in the near term

#### Action Plan:

- The County to consider bonding against future Lodging Tax revenues for Transit Oriented Development (TOD) and use a portion of the funds to incentivize cities to support more affordable housing in their jurisdictions
- The County to evaluate potential for the current Transfer of Development Rights program, which preserves rural and resource lands, to incentivize affordability outcomes if a receiving site is within a transit walkshed, among other places

### Strategy C: Create and implement regional land acquisition and development strategy

#### Action Plan:

- Cities and the County to identify priority "pipeline" of property for acquisition and development
- The County to adopt and implement property value discount legislation/guidance as needed, including updated valuation guidance
- Cities and the County to fund land acquisition, aligned with Goal 2, Strategy B
- Cities and the County to adopt increased zoning to maximize affordable housing on acquired parcels
- Cities, the County, and Affordable Housing Committee to identify entity to purchase and hold land prior to construction
- Cities and the County to fund capital construction and preservation, including private sector investments

### Strategy D: Reduce transportation impacts from suburban communities and recognize the need for communities without bus or light rail stations to compete for affordable housing funding

#### Action Plan:

- Subject to performance standards for achieving affordable housing, provide equitable footing with TOD housing projects for suburban communities to receive competitive affordable housing funding

## GOAL 4: PRESERVE ACCESS TO AFFORDABLE HOMES FOR RENTERS BY SUPPORTING TENANT PROTECTIONS TO INCREASE HOUSING STABILITY AND REDUCE RISK OF HOMELESSNESS.

In 2017, approximately 4,000 renters were evicted from their housing. Evictions create barriers to future housing for those households, increase risk of homelessness, and are costly and time-consuming for property owners and tenants. In addition, particularly at a time of low vacancies, tenants have few opportunities to quickly secure housing stability when their incomes can't keep up with rising rents. The region should support a comprehensive approach for increasing education, support and eviction prevention to increase stability for renters and predictability for property owners.

### Strategy A: Propose and support legislation and statewide policies related to tenant protection to ease implementation and provide consistency for landlords

a. Just Cause Eviction

b. Notice of rent increase

c. Increase protections for renters facing relocation or displacement

d. Expand eviction prevention, relocation and other services and assistance

e. Prohibit discrimination in housing against tenants and potential tenants with arrest records, conviction records, or criminal history

#### Action Plan:

- Cities, the County and the Affordable Housing Committee to support the development and adoption of statewide legislation and policy related to tenant protections
- County or Affordable Housing Committee to review proposed statewide policies and legislation
- Cities, the County and the Affordable Housing Committee to develop tools landlords can use to help low-income renters, such as a fund landlords can access to make repairs so costs are not passed on to low-income renters

### Strategy B: Strive to more widely adopt model, expanded tenant protection ordinances countywide and provide implementation support for:

a. Source of Income discrimination protection

b. Just Cause Eviction

c. Notice of rent increase

d. Tenant relocation assistance

e. Rental inspection programs

f. Prohibiting discrimination in housing against tenants and potential tenants with arrest records, conviction records, or criminal history

#### Action Plan:

- County or Affordable Housing Committee to provide model ordinances
- Cities and the County to pursue a signed inter-local agreement for enforcement support

- County or Affordable Housing Committee to identify resources to conduct work
- County or Affordable Housing Committee to increase education for tenants and property owners regarding their respective rights and responsibilities
- Cities and County to adopt ordinances as appropriate

### Strategy C: Expand supports for low-income renters and people with disabilities

Action Plan:

- County to utilize funds from the Veterans, Seniors and Human Services Levy for shallow rent subsidies to help keep people in their homes
- Cities and the County to increase funding for emergency rental assistance
- Cities and the County to increase deep subsidies (in addition to shallow)
- Cities and the County to fund services to address barriers to housing, including tenant screening reports
- Cities and the County to expand civil legal aid support
- Cities and the County to expand education of tenant and property owner rights and responsibilities
- Cities and the County to increase funding for services that help people with disabilities stay in their homes and/or age in place

### Strategy D: Adopt programs and policies to improve the quality of housing in conjunction with necessary tenant protections

**Action Plan:**

- Cities and the County to adopt and implement proactive rental inspection policies
- Cities and the County to implement robust, proactive code enforcement programs, in partnership with marginalized communities to avoid inequitable impacts
- Cities and the County to invest in community health workers to promote healthy housing education and housing maintenance for highest risk of adverse health outcomes
- Cities and the County to partner with Aging & Disability organizations to integrate accessibility services

## GOAL 5: PROTECT EXISTING COMMUNITIES OF COLOR AND LOW-INCOME COMMUNITIES FROM DISPLACEMENT IN GENTRIFYING COMMUNITIES.

Communities throughout the region are experiencing dramatically increasing housing costs and a growing demand for housing especially, but not exclusively, within urban areas. This places communities with a high population of low-income renters and people of color at an increasing risk of displacement, further compounding the historic injustice of exclusion these communities have experienced as a result of laws and policies on the local and federal level. The same communities that were once limited by law to living in specific geographic areas are now being pushed out of those areas when the neighborhood is gentrified and becomes more desirable to higher-income households. The region should support community-led preservation strategies that enable existing residents to remain in their communities and allow them to benefit from the opportunities of growth of redevelopment.

### Strategy A: Authentically engage communities of color and low-income communities in affordable housing development and policy decisions

#### Action Plan:

- County to provide capacity grants to small organizations representing communities of color or low-income communities to support their engagement in affordable housing development
- County to contract for a toolkit/checklist on community engagement in planning discussions
- All jurisdictions to utilize the toolkit and intentionally include and solicit engagement from members of communities of color or low-income households in policy decision-making and committees

### Strategy B: Increase investments in communities of color and low-income communities by developing programs and policies that serve individuals and families at risk of displacement

#### Action Plan:

- Cities and the County to use Seattle's Equitable Development Initiative as a model for how government can invest in under-represented communities to promote community-driven development
- Cities and the County to build upon the work of the Communities of Opportunity[6]
- Include cities, investors, and community-based organizations in development of certification process and matching dollars for socially responsible, equitable Opportunity Zone[7] investments that prevent displacement
- Cities and the County to expand requirements to affirmatively market housing programs and enhance

6 Communities of Opportunity, a King County and Seattle Foundation partnership, is an inclusive table where community members and leaders, organizations, and institutions share power, voice, and resources. COO has four priority areas: quality affordable housing; providing healthy, affordable food and safe places outside to be physically active, especially for youth; increased economic opportunity; and strong community connections. The County portion of COO is funded with 10% of the Best Starts for Kids Levy proceeds.

7 Opportunity Zones are a community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. A low-income community is one with a poverty rate of at least 20% and low-income is a household earning up to 80% AMI. King County Opportunity Zones can be found on the Washington State Department of Commerce website (commerce.wa.gov).

work to align affordable housing strategies with federal requirements to Affirmatively Further Fair Housing

- Cities and the County to encourage homeownership opportunities as a way to prevent displacement within communities of color while also promoting the growth of intergenerational wealth
- Where appropriate, cities and the County to acquire and preserve manufactured housing communities to prevent displacement

## GOAL 6: PROMOTE GREATER HOUSING GROWTH AND DIVERSITy TO ACHIEVE A VARIETY OF HOUSING TYPES AT A RANGE OF AFFORDABILITY AND IMPROVE JOBS/HOUSING CONNECTIONS THROUGHOUT KING COUNTY.

From 2011 through 2017, more than 96,200 new households came into King County, but only 64,600 new units were built. Despite a building boom, the private market is not keeping pace with population growth in recent years, which contributes to rapid increases in home purchase costs and rents, as well as low vacancy rates.  In addition, much of the new production is at the high end of the market and does not meet the needs of all household types. The region should adopt policies that streamline regulations and provide greater zoning flexibility in order to increase and diversify market-rate housing production to better keep pace with population growth. In addition, greater land use and regulatory support is needed to address the needs of older adults, larger households, and people with disabilities. Cities should intentionally plan for and promote affordable housing in the same locations where they are accommodating future growth and density.

### Strategy A:  Update zoning and land use regulations (including in single-family low-rise zones) to increase and diversify housing choices, including but not limited to:

a. Accessory Dwelling Units (ADU) and Detached Accessory Dwelling Units (DADUs)
b. Duplex, Triplex, Four-plex
c. Zero lot line town homes, row houses, and stacked flats
d. Micro/efficiency units

**Action Plan:**

- County or Affordable Housing Committee to provide model ordinances
- County to incentivize cities adopting and implementing strategies that will result in the highest impact towards addressing the affordable housing gap, specifically at the lowest income levels
- Cities and the County to review and update zoning and land use code to increase density
- Cities and the County to explore opportunities to pilot innovative housing in industrial zones, with a focus on TOD and industrial buffer zones
- Cities and the County to update building codes to promote more housing growth and innovative, low-cost development
- As part of any updated zoning, cities and the County to evaluate feasibility of incorporating affordable housing provisions
- Cities and the County to promote units that accommodate large households and/or multiple bedrooms

### Strategy B:  Decrease costs to build and operate housing affordable to low-income households

**Action Plan:**

- Cities and the County to maximize and expand use of Multi-Family Tax Exemption
- County to reduce sewer fees
- Cities to reduce utility, impact and other fees for affordable housing developments and ADUs

- Jurisdictions to streamline permitting process for affordable housing development and ADUs
- Cities, the County, and the Affordable Housing Committee to support condominium liability reform that better balances homeowner protections and developer risk to increase access to affordable homeownership options
- State legislature to exempt affordable housing from sales tax
- County or Affordable Housing Committee to explore incentives similar to the Multi-Family Tax Exemption for the development of ADUs for low-income households

### Strategy C: Incentivize growth and affordability goals by expanding tools for investments in local infrastructure

#### Action Plan:

- Cities and the County to advocate for a strong, equitable financing tool that captures value from development to fund infrastructure and affordable housing investments (aka: value-capture or tax-increment financing tools)
- Cities and the County to advocate for state public works trust fund investments—connect to local affordable housing outcomes

### Strategy D: Expand and preserve homeownership opportunities for low-income households

#### Action Plan:

- Cities and the County to increase educational efforts to ensure maximum use of property tax relief programs to help sustain homeownership for low-income individuals
- Cities and the County to support alternative homeownership models that lower barriers to ownership and provide long-term affordability, such as community land trusts, co-ops, and rent to own models
- Cities and the County to expand targeted foreclosure prevention
- Where appropriate, cities and the County to preserve existing manufactured housing communities through use-specific zoning or transfer of development rights
- Cities and the County to encourage programs to help homeowners, particularly low-income homeowners, access financing, technical support or other tools needed to participate in and benefit from infill development opportunities

## GOAL 7: BETTER ENGAGE LOCAL COMMUNITIES AND OTHER PARTNERS IN ADDRESSING THE URGENT NEED FOR AND BENEFITS OF AFFORDABLE HOUSING.

Most decisions regarding land use and planning for affordable housing happen at the city and neighborhood level. Therefore, the region should better support engagement of local communities and city governments to create informed communities and implement strategies to meet the full range of housing needs. This includes using new, creative strategies to better engage residents around the benefits of having affordable housing in all parts of the County and in their neighborhoods. It also includes providing greater transparency and accountability on actions taken and results delivered. Given the significant countywide need for affordable housing, the region needs more urgent and scalable action to be taken at the neighborhood, city, and regional level.

### Strategy A:  Support engagement of local communities and residents in planning efforts to achieve more affordable housing

**Action Plan:**

- County or Affordable Housing Committee to develop toolkits and strategies to better engage neighborhoods and residents in affordable housing development
- County or Affordable Housing Committee use existing data and tools to greatest extent possible, i.e. PSRC Vision 2050 work
- Jurisdictions to use community engagement techniques, which may include providing evening meetings, translation services, food, and child care, or travel stipends for low-income individuals and historically marginalized communities to participate, that promote more equitable engagement in zoning and siting decisions

### Strategy B:  Expand engagement of non-governmental partners (philanthropy, employers, investors, private developers and faith communities) to support efforts to build and site more affordable housing

**Action Plan:**

- Cities, the County, and Affordable Housing Committee to create stakeholder partnerships with business, philanthropy, non-profits, faith-based organizations, the health care sector, and others to encourage investments in affordable housing
- Cities, the County, and Affordable Housing Committee to encourage business, organized labor, and philanthropy to support public dialogue on affordable housing

# Attachment A

| Current Capital Investments<br>Annual averaged based on 2012-2017 | | | |
|---|---|---|---|
| | | | **Annual Amount** |
| **Federal** | | | |
| | 9% LIHTC | | $61,500,000 |
| | | | |
| | 4% LIHTC | | $163,500,000 |
| | | **Subtotal** | **$225,000,000** |
| | | | |
| **State** | | | |
| | Housing Trust Fund | | $12,000,000 |
| | | **Subtotal** | **$12,000,000** |
| | | | |
| **King County** | | | |
| | Lodging Tax | | $7,500,000 |
| | Document Recording Fee | | $2,300,000 |
| | VSHSL Property Tax | | $2,500,000 |
| | MIDD Sales Tax | | $2,000,000 |
| | HOME Funds | | $2,000,000 |
| | | **Subtotal** | **$16,300,000** |
| | | | |
| **Cities*** | | | |
| | Cities* | | $49,000,000 |
| | ARCH | | $4,700,000 |
| | | **Subtotal** | **$53,700,000** |
| | | | |
| **Private** | | | |
| | Fundraising | | $19,000,000 |
| | Debt Financing | | $58,000,000 |
| | | **Subtotal** | **$77,000,000** |
| | | **Total** | **$384,000,000** |

**This list may not be inclusive all of cities' capital contributions from 2012-2017.*
*Jurisdictions that have provided incentives or contributions in-lieu of capital funding (land donations, fee waivers, etc.) may not be reflected in this chart.*

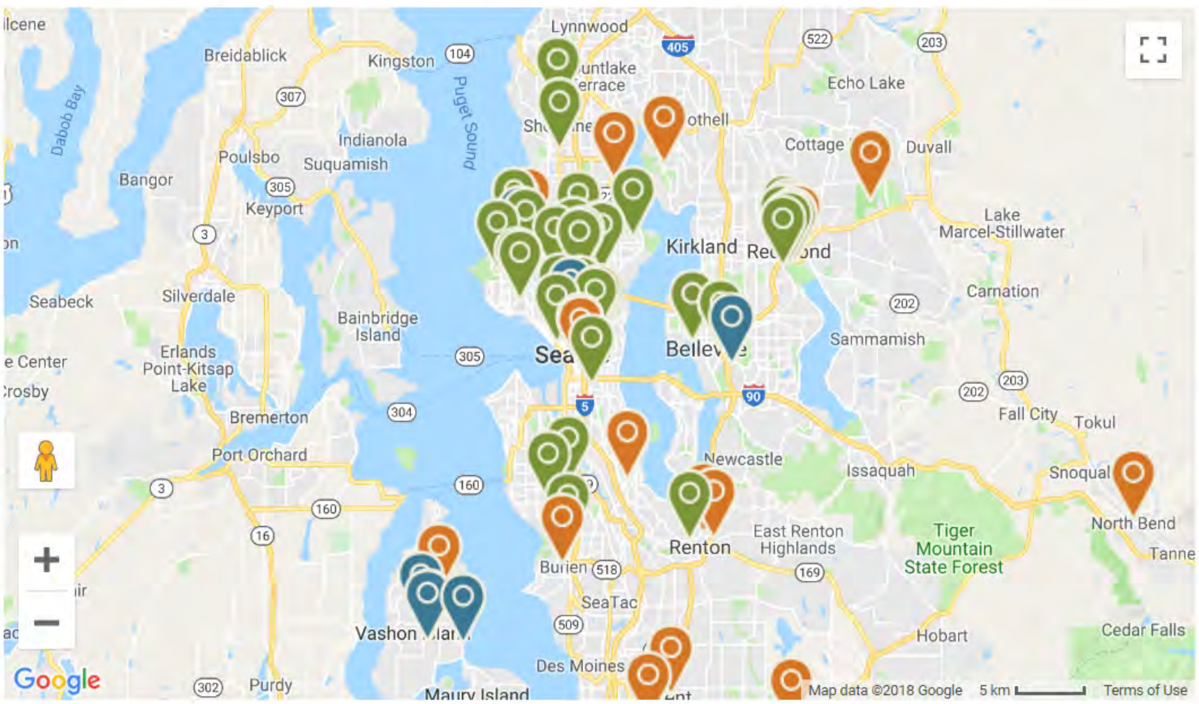
# Appendix C
## Public Comment

# Public Comment Tool

The Task Force wants to hear from people representing as many of King County's communities as possible, as well as experts in the housing field.

### Project Background and Purpose

The King County Regional Affordable Housing Task Force is working to develop a countywide affordable housing strategy. This strategy must address a broad range of housing needs across King County's residents. It will be informed by data, but must also be informed through direct input by the residents facing housing challenges today in King County. This comment tool is one way to provide direct feedback to the Task Force.




Toggle Map by: Ideas (37) Stories (6) Concerns (27) **View All (70)**

To read feedback received through the Public Comment Tool, please visit: https://kingcounty.gov/initiatives/affordablehousing/public-comments.aspx

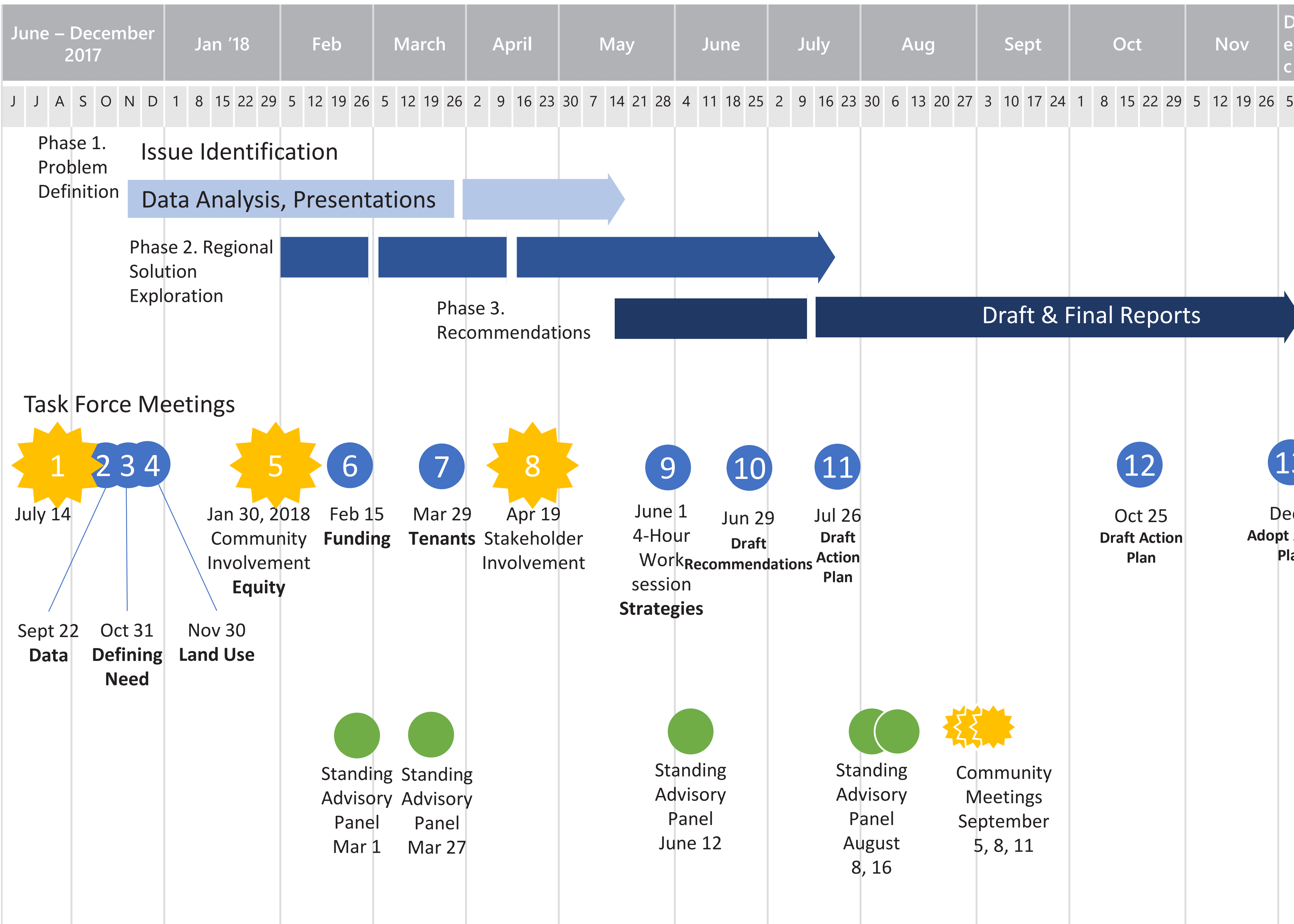
# Appendix D
## Task Force Schedule

REGIONAL AFFORDABLE HOUSING TASK FORCE

# King County Regional Affordable Housing Task Force

## Working Project Schedule

King County




*Updated November 21, 2018*

**Dates may change subject to Task Force member and venue availability*

# Appendix E

## 2018 Income and Rent Limits

King County

# 2018 Income and Rent Limits - Multifamily Rental Housing

Published by HUD on March 30th, 2018, effective April 1st, 2018

## Maximum 2018 Household Income for Multifamily Rental Properties

| Family Size | 30% | 35% | 40% | 45% | 50% | 60% | 65% | 70% | HOME* 80% | 80% |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Person | $22,500 | $26,215 | $29,960 | $33,705 | $37,450 | $44,940 | $47,050 | $50,650 | $56,200 | $57,900 |
| 2 Persons | $25,700 | $29,960 | $34,240 | $38,520 | $42,800 | $51,360 | $53,750 | $57,900 | $64,200 | $66,200 |
| 3 Persons | $28,900 | $33,705 | $38,520 | $43,335 | $48,150 | $57,780 | $60,500 | $65,150 | $72,250 | $74,450 |
| 4 Persons | $32,100 | $37,450 | $42,800 | $48,150 | $53,500 | $64,200 | $67,210 | $72,380 | $80,250 | $82,700 |
| 5 Persons | $34,700 | $40,460 | $46,240 | $52,020 | $57,800 | $69,360 | $72,600 | $78,150 | $86,700 | $89,350 |
| 6 Persons | $37,250 | $43,470 | $49,680 | $55,890 | $62,100 | $74,520 | $77,950 | $83,950 | $93,100 | $95,950 |
| 7 Persons | $39,850 | $46,445 | $53,080 | $59,715 | $66,350 | $79,620 | $83,350 | $89,750 | $99,550 | $102,550 |
| 8 Persons | $42,400 | $49,455 | $56,520 | $63,585 | $70,650 | $84,780 | $88,700 | $95,550 | $105,950 | $109,200 |

## Maximum RENTS for Projects Based on UNIT SIZE**

| Unit Size | 30% | 35% | 40% | 45% | Low HOME | 50% | 60% | 65% | High HOME | 70% | 80% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 Bedrooms | $562 | $655 | $749 | $842 | $936 | $936 | $1,123 | $1,176 | $1,198 | $1,266 | $1,447 |
| 1 Bedroom | $602 | $702 | $802 | $902 | $1,003 | $1,003 | $1,203 | $1,260 | $1,284 | $1,356 | $1,551 |
| 2 Bedrooms | $722 | $842 | $963 | $1,083 | $1,203 | $1,203 | $1,444 | $1,512 | $1,543 | $1,628 | $1,861 |
| 3 Bedrooms | $835 | $973 | $1,113 | $1,252 | $1,391 | $1,391 | $1,669 | $1,747 | $1,775 | $1,881 | $2,150 |
| 4 Bedrooms | $931 | $1,086 | $1,242 | $1,397 | $1,552 | $1,552 | $1,863 | $1,948 | $1,960 | $2,098 | $2,398 |
| 5 Bedrooms | $1,028 | $1,198 | $1,370 | $1,541 | $1,712 | $1,712 | $2,055 | $2,150 | $2,144 | $2,316 | $2,646 |

* 2018 HOME Program Income and Rents Limits - effective June 1, 2018.

** King County uses 1.5 persons per bedroom to determine the household size and corresponding rent limits.

REGIONAL
AFFORDABLE HOUSING
TASK FORCE

**King County, WA**
**December 2018**

**CITY OF KIRKLAND**
**Planning and Building Department**
123 Fifth Avenue, Kirkland, WA 98033
425.587.3600 - www.kirklandwa.gov

**SUMMARY OF DECISION - PARKING MODIFICATION**

**Project Name:** Arête Apartments Parking Modification

**File No.:** TRAN17-00098

**Applicant:** Natural and Built Environments, LLC

**Project Planner:** Tony Leavitt, Senior Planner

**Date:** June 28, 2017

**Decision:**
☐ **Denied**
☒ **Approved**
☐ **Approved with Conditions**

## I. CONDITIONS OF APPROVAL

The applicant's request for a parking modification is approved at a rate of 0.87 stalls per unit.

## II. GENERAL INFORMATION

A. Location: 450 Central Way

B. Existing site conditions: The property contains a mixed-use building (Arête) with commercial space, 228 residential suite units, 62 apartment units, and 255 onsite parking stalls.

C. Description of the proposal: The applicant has requested approval of a parking modification pursuant to KZC 105.103.3.c to reduce the number of required residential apartment parking stalls from 81 to 54.

## III. BACKGROUND INFORMATION

Kirkland Zoning Code (KZC) Section 105.103.3.c allows an applicant to request a reduction of the required number of parking stalls based a parking study prepared by a licensed transportation engineer. The scope of the study shall be proposed by the transportation engineer and approved by the City traffic engineer. The study shall provide at least two (2) days of data for morning, afternoon and evening hours, or as otherwise approved or required by the City traffic engineer.

The scope of the parking study was approved by the City's Transportation Engineer. Below is a list of items reviewed as part of the parking modification request.

- Arête Parking Demand Analysis prepared by TSI dated May 15, 2017 (see Attachment 1)

- Parking Modification Analysis Staff Review Memorandum prepared by Thang Nguyen, City Transportation Engineer dated June 16, 2017 (see Attachment 2)

## IV. PUBLIC COMMENT

KZC Section 105.103.3.c requires that notice of a parking modification request be distributed to owners and residents within 300 feet of the subject property prior to a decision by the Planning Official. Eleven public comments were received (see Attachment 3). Below is a summary of public comments followed by a brief staff response. Additionally, the applicant reviewed the public comments and provided a response letter (see Attachment 4).

1. Comment: Multiple neighbors brought up the potential and existing impacts to street parking in the neighborhood. Neighbors stated that a majority of street parking is already taken up and the parking modification will only increase demand.

   *Staff Response: As part of the review for construction of the project, the applicant was required to implement a Transportation Management Plan (TMP) to assist in mitigating traffic and parking impacts on the neighborhood (see Attachment 5). The plan includes a requirement that all residents register their vehicles with the project's Building TMP Coordinator and that all residents are prohibited from parking on streets within one mile of the project. Violation would result in termination of the tenant's lease. The applicant confirms this requirement in their response letter.*

2. Comment: One neighbor brought up the extent of the parking analysis and believes that it should have been more extensive.

   *Staff Response: The City's Transportation Engineer is authorized to establish the extent of the parking demand study pursuant to KZC 105.103.3.c. The scope of the parking study was approved by the City's Transportation Engineer.*

## V. ANALYSIS

The subject property is zoned CBD (Central Business District) 7. At the time of the construction, a residential unit (stacked dwelling unit use) was required to provide a minimum of one parking stall per bedroom or studio unit and an average of at least 1.3 parking stalls per unit. The project was required to provide 81 stalls for the 62 units.

KZC Section 105.103.3.c allows a decrease in the number of required parking stalls if the number of spaces proposed is documented by an adequate and thorough parking demand and utilization study to be sufficient to fully serve the use.

The City's Transportation Engineer required a post-occupancy parking study to document the number of parking spaces in use at Arête and established the parameters of the study. Parking counts were collected at 2 AM on Tuesday, January 31, Wednesday, February 1, and Thursday, February 2, 2017. The 2 AM data collection time was representative of the "peak" resident parking demand. During this time period, occupancy was at X%.

Based on a review of the parking study, the City's Transportation Engineer concluded that the actual parking demand for the residential apartments units was 0.82 stalls per unit. He did conclude that the car ownership rate may change with future residents and recommended a 10 percent buffer to account for the fluctuation of vehicle ownership. This results in a final parking rate of 0.91 stalls per unit or 57 stalls for the 62 units.

## VI. CONCLUSION

After reviewing the study prepared by the Transpo Group and City Transportation Engineer's recommendation, Staff agrees that the data provided supports a reduced residential parking standard for the applicant's modification request. However, Staff concludes that the applicant's established Transportation Management Plan justifies a reduction in the recommended buffer from 10 percent to 5 percent. This results in a final parking rate of 0.87 stalls per unit or 54 stalls for the existing 62 apartment units.

## VII. APPEALS

Appeal to the Hearing Examiner.

Section 105.105 of the Zoning Code allows the Planning Official's decision to be appealed by the applicant or any person who submitted written comments or information to the Planning Official using the appeal provisions in KZC Sections 145.60 through 145.100. A party who signed a petition may not appeal unless such party also submitted independent written comments or information.

The appeal must contain a clear reference to the matter being appealed and a statement of the specific elements of the Planning Official's decision disputed by the person filing the appeal. The appeal must be in writing and must be delivered, along with any fees set by ordinance ($226.67), to the Planning Department by 5:00 p.m.,________________, 2017, fourteen (14) calendar days following the postmarked date of distribution of the Planning Official's decision.

## VIII. ATTACHMENTS

1. Arete Parking Demand Analysis prepared by TSI dated May 15, 2017
2. Parking Modification Analysis Staff Review Memorandum prepared by Thang Nguyen, City Transportation Engineer dated June 16, 2017
3. Public Comments
4. Applicant's Response Letter
5. Arete Transportation Management Plan

Cc: Parties of Record

May 15, 2017

To: Robert Pantley and Angela Rozmyn, Natural & Built Environments, LLC

From: Jeff Hee, TSI

Subject: Arete Parking Demand Analysis – Parking Requirement Modification Justification
TRAN17-00098

This memorandum summarizes our conclusions from the post-occupancy parking analysis prepared for Arête. This study updates past work completed and summarized on February 7, 2017.

Arête includes 228 residential suites, 62 multifamily apartment units and approximately 8,500 square feet of commercial space. The site includes 255 onsite parking stalls split 228 stalls, located in the lower parking garage off 4th Street, and 27 stalls, located in the upper parking garage off Central Way.

Arête's onsite parking allocation is summarized in Table 1:

**Table 1: Onsite Parking Allocation, Built Stalls**

| Allocation | Stalls |
|---|---|
| Commercial Parking: | 44 |
| Commercial Guest Parking: | 1 |
| Residential Parking: | 202 |
| Residential Guest Parking: | 8 |
| Total Parking[1] | 255 |
| Motorcycle Parking | - [3] |

1. Does not include motorcycle parking
2. There are 16 marked motorcycle parking stalls onsite

This analysis focuses on the residential parking. There are 210 parking stalls dedicated to residents and resident guests on the site and in the lower parking garage. Guest parking stalls are inside the lower garage, but are outside of the security gate. The commercial guest parking (1 stall) can be used by residential guests outside of commercial business hours.

**<u>Arête Post-Occupancy Study Summary</u>**

A post-occupancy parking study was prepared to document the number of parking spaces in use at Arête. The study parameters were verified with City of Kirkland staff. Data was collected at 2 AM to reflect overnight parking on Tuesday, January 31, Wednesday, February 1, and Thursday, February 2, 2017. The 2 AM collection-time is representative of the "peak" resident parking demand.

Table 2 summarizes the parking demand data collected at Arête. It is noted that no vehicles were observed parked in the upper parking garage off Central Way; the data below represents vehicles parked in the lower parking garage.

**Table 2: Parking Demand, Parked Vehicles**

| Date | 01/31/17 | 02/01/17 | 02/02/17 |
|---|---|---|---|
| Residential vehicle[1] | 128 | 129 | 131 |
| Vehicles with permit placards or no sticker[2] | 9 | 13 | 15 |
| Total from above | 137 | 142 | 146 |
| Commercial vehicle[3] | 3 | 2 | 3 |
| Motorcycles | 4 | 4 | 4 |

1. "Blue" residential parking sticker on vehicle
2. These include vehicles with and without parking permit placards parked inside the garage and guests parking outside of the garage.
3. "Green" commercial vehicle parking sticker on vehicle

The highest observed parking demand was 153 total vehicles split: 131 residential vehicles, 15 vehicles without a residential or commercial parking sticker, 3 commercial vehicles and 4 motorcycles onsite.

The 15 vehicles without a residential or commercial parking sticker included vehicles parked in the guest stalls (9 stall-total supply) in the parking garage but outside of the security gate, vehicles with a parking permit placard affixed to the vehicle's rear view mirror and parking inside of the security gate, and a few vehicles without a parking permit parked inside the security gate.

For the parking study, the data collector was instructed to identify vehicles with a "blue" or "green" sticker and with no sticker. Blue stickers are required for residential vehicles and green stickers are required for commercial vehicles. A portion of the "non-stickered" vehicles onsite were noted as having a parking permit placard, hanging from the vehicle's rear view mirror. The collector was not instructed to identify those vehicles with parking permit placard as belonging to a resident or a commercial tenant. You (the Applicant) stated, that at the time of the study, a few residential vehicles were issued parking permit placards since management had run out of stickers.

**<u>Arête Residential Parking Needs at Full Occupancy</u>**

At the time of the parking study, you indicated that 225 of the 228 residential suites were occupied and there were 97 vehicles registered to those occupied units. You also indicated that 50 of the 62 apartments units were occupied and there were 41 vehicles registered to those occupied units.

Table 3 summarizes Arête's parking demand analysis from the post-occupancy study, with at full-occupancy of the residential units and recommended input from Kirkland staff.

**Table 3: Arête Parking Needs at Full Occupancy**

| | Total Units | Occupied Suites/Units | Suite/Unit Occupancy Ratio[1] | Parked Vehicles by Use (Demand)[2] | Parking Rate[2] | Parking Needs at Full Occupancy[3] | Parking Rate[4] |
|---|---|---|---|---|---|---|---|
| Suites | 228 | 225 | 99% | 97 | | 98 | |
| Buffer (+5%) | | | | - | | +5 | |
| Subtotal | 228 | 225 | | 97 | 0.43 | 103 | 0.45 |
| Apartments | 62 | 50 | 81% | 41 | | 51 | |
| Buffer (+5%) | | | | - | | +3 | |
| Subtotal | 62 | 50 | | 41 | 0.82 | 54 | 0.87 |
| Total Parking | 255 | 275 | | 138 | | 157 | |
| Guest Parking[5] | | | | 8 | | 8 | |
| Total + Guest[5] | | | | 146 | | 165 | |

Table 3 footnotes:

1. Residential suite and apartment unit occupancy ratios at the time of the parking study:
   Residential suites = 225 occupied suites ÷ 228 suites = 99% occupancy
   Apartment units = 50 occupied units ÷ 62 suites = 81% occupancy
2. Parking demand, parked vehicles by use, based on number of registered vehicles:
   Residential suites = 97 vehicles registered ÷ 225 occupied suites = 0.43 vehicles per occupied suite
   Apartment units = 41 vehicles registered ÷ 50 occupied suites = 0.82 vehicles per occupied unit
   Apartment parking demand includes registered vehicles with stickers and with parking permit placards and vehicles inside the security gate without a parking permit placard.
3. Parking needs at full occupancy:
   Residential suites = 97 vehicles ÷ 99% occupancy = 98 vehicles + 5% buffer = 103 vehicles
   Apartment units = 41 vehicles ÷ 81% occupancy = 51 vehicles + 5% buffer = 54 vehicles
   Total residential parking = 103 residential suite stalls + 54 apartment unit stalls = 157 total stalls
   Buffer (5%) is recommended by Kirkland staff
4. New parking ratio (recommended):
   Residential suites = 103 vehicles ÷ 228 suites = 0.45 vehicles per suite
   Apartment units = 54 vehicles ÷ 62 units = 0.87 vehicles per unit
5. Residential guest parking (8 stalls) are in addition to the site's residential parking needs:
   Parking at full-occupancy = 157 residential stalls + 8 guest stalls = 165 total stalls

Kirkland Zoning Code 50.47.120, in effect at the time Arête was approved, stated that in addition, to the minimum parking requirements for the multifamily apartments, guest parking shall be provided at a rate of 0.1 stalls per bedroom or studio unit. There are 80 bedrooms between the studios and multifamily units; and thus, 8 guest parking stalls (= 80 bedrooms X 0.1 stalls per bedroom)

From Table 3, there are 54 parking stalls needed to support the apartments at Arête. The guest parking requirement, from the current Zoning Code, is 6 stalls (= 10% X 54 apartment stalls). Arête includes 8 residential guest stalls and 1 commercial guest stall, which is more than the required guest parking requirement for the apartments, based on the current Zoning Code.

From the analysis above, we recommend Arête's allocate a minimum of 157 onsite parking stalls to residential tenants and another 8 onsite parking stalls to residential guests, for a total of 165 parking residential parking stalls. Of the 202 residential tenant parking stalls currently onsite, 45 of those stalls could be reallocated for other uses.

## Comparison to Kirkland Zoning Code Requirements

Table 4 compares the parking recommendations from Table 3 to the Zoning Code's requirements.

**Table 4: Arête Parking Comparison to the Zoning Code**

| | Total Units | Required Parking Ratio[1] | Parking Required[1] | Recommended Parking Ratio[2] | Recommended Site Parking[2] |
|---|---|---|---|---|---|
| Suites | 228 | 0.50 | 114 | 0.45 | 103 |
| Apartments | 62 | 1.30 | 81 | 0.87 | 54 |
| Subtotal | 255 | | 195 | | 157 |
| Guest (10%)[3,4,5] | | 0.10 | 8 | 0.148 | 8 |
| Total Parking | | | 203 | | 165 |

1. Parking requirements from the Kirkland Code at the time of the approval for Arête
2. Parking recommendations from Table 3; guest parking ratio is computed from the parking recommendation
3. Guest parking requirement exclude the residential suites
4. KZC 50.47.120 (Code at time of study) 0.1 stalls per bedroom or studio unit X 80 total bedrooms = 8 stalls
5. KZC 50.47.120 (current Code) 10% of required multifamily apartment parking

**Additional Residential Guest Parking**

It is important to emphasize that peak parking demand related to the commercial and residential uses occurs at different times of the day. When the commercial tenants are closed for business, an additional 44 parking stalls could also be used for residential guests, if needed.

**Other Observations**

You noted that your parking manager(s) identified instances where the guest parking, outside of the security gate at the lower garage was being used by non-Arête vehicles. Some persons were observed parking at Arête and walking to neighboring residences.

Also, you noted that several guests were parking inside the security gate, which relates to the few vehicles without a "sticker" or parking permit placard in the garage.

Since the post-occupancy study, you indicated that signs and notices to tow non-Arête vehicles from the site have been posted. Also, tenants have been notified to not utilize the available onsite parking for unauthorized vehicles inside of the garage. As implemented these measures made more onsite guest and tenant parking available over and above the residential parking recommendation (157 residential tenant parking stalls plus 8 residential guest parking stalls).

**Conclusion**

At full occupancy and based on the parking analysis, Arête's residential parking need is 157 total vehicle parking stalls including 103 residential suite parking stalls and 54 apartment parking stalls, and another 8 residential guest parking stalls.

If you have any questions, please contact me at your convenience.

**CITY OF KIRKLAND**
**Department of Public Works**
**123 Fifth Avenue, Kirkland, WA 98033 425.587.3800**
**www.kirklandwa.gov**

## MEMORANDUM

**To:** Tony Leavitt, Senior Planner

**From:** Thang Nguyen, Transportation Engineer

**Date:** June 16, 2017

**Subject:** **Arete Parking Modification for the Arete Apartments, TRAN17-00098**

This memo is a summary of Public Works staff review of the parking demand for the apartment units of the Arete multi-family development.

### Staff Findings

The parking demand requirement for the 62 apartment residential units is estimated to be 51 parking spaces at full occupancy. Public Works Staff recommends a requirement of 57 parking spaces (including a 10 percent buffer) for the apartment use.

### Required Parking Reduction Request

The applicant has submitted a parking demand and utilization study for the project prepared by Transportation Solutions Inc. A parking utilization study was done for the project site when the occupancy of the apartment use was at 81%. Three days of data was collected at 2:00 AM when the majority of the residents were home and commercial parking demand is zero. The study was done during the first week of February to ensure a typical daily condition.

### Parking Data

At the time of the study, 41 parking spaces were registered to 41 vehicles owned by the apartment residents. At the time of the parking study, 50 of the 62 apartments units were occupied. This results in parking demand rate of 0.82 stalls per unit. However, the car ownership rate may change with future residents. Therefore it is reasonable to include 10% buffer to account for the fluctuation of vehicle ownership. This results in a final parking rate of 0.91 stalls per unit or 57 stalls for the 62 units.

Table 1 summarizes the parking data.

| Use | Unit Count | Occupancy | Occupancy Rate | Allocated Parking Spaces | Vehicle Ownership Rate | Highest Parking Demand Data |
|---|---|---|---|---|---|---|
| Apartment | 62 | 50 | 81% | 41 | 0.82 | 51 |
| 10% buffer | 62 | | | | 0.09 | 6 |
| Total | 62 | 50 | | | 0.91 | 57 |

**CITY OF KIRKLAND**
**Planning and Building Department**
123 5th Avenue, Kirkland, WA 98033
425.587.3600 ~ **www.kirklandwa.gov**

## SUMMARY OF DECISION - PARKING REDUCTION

**Project Name:** Arête Residential Suite Parking Reduction

**Applicant:** Natural and Built Environments, LLC

**Project Planner:** Tony Leavitt, Senior Planner

**Date:** June 2, 2017

**Decision:** **Approved**

## I. CONDITIONS OF APPROVAL

The applicant's request for a parking reduction from the code required 114 stalls to 103 stalls is approved.

## II. GENERAL INFORMATION

A. Location: 450 Central Way

B. Description of the Proposal: The applicant is proposing to reduce the required number of stalls for the Residential Suites portion of the Arete project from 114 stalls to 103 stalls. The applicant has requested the reduction as allowed by KZC Section 50.47.125.

## III. BACKGROUND INFORMATION

KZC section 50.47.125 Special Regulation 3c states that for a residential suite use, after one year of project occupancy, the Planning Official may allow a decrease in the required number of spaces if the number of spaces proposed is documented by an adequate and thorough parking demand and utilization study of the property. The study should be prepared by a licensed transportation engineer or other qualified professional, and shall analyze the operational characteristics of the use which justify a parking reduction. The scope of the study should be proposed by the transportation engineer and approved by the City traffic engineer. The study shall provide at least two days of data for morning, afternoon and evening hours, or as otherwise approved or required by the City traffic engineer. The scope of the parking study was approved by the City's Transportation Engineer.

## V. ANALYSIS

The applicant has submitted a parking demand and utilization study for the project prepared by Transportation Solutions Inc (see Attachment 1). A parking utilization study was done for the project site when the occupancy of the residential suites use was at 98%. Three days of data was collected at 2:00 AM when the majority of the residents were home and commercial parking demand is zero. The study was done during the first week of February to ensure a typical daily condition.

The study data indicated that currently 97 parking stalls are registered to 97 vehicles owned by the residential suites residents. The current occupancy rate for the residential suites in 99% so the parking demand for full occupancy was determined to be 98 stalls. Additionally the applicant is proposing a 5 percent buffer (as recommended by Staff) to account for fluctuation in vehicle ownership. The new requirement is 0.45 stalls per unit or 103 stalls for the 228 residential suite units.

## VI. CONCLUSION

After reviewing the study prepared by the applicant and City Transportation Engineer's recommendation (Attachment 2), Staff agrees that the data provided supports a reduced parking requirement as allowed by KZC Section 50.47.125. The required parking for the 228 residential suite units will be 103 parking stalls or 0.45 stalls per unit.

## VIII. ATTACHMENTS

1. Arete Parking Demand Study Prepared by Transporation Solutions Inc. dated May 15, 2017
2. Arête Parking Demand Analysis Review Memorandum prepared by Thang Nguyen, City Transportation Engineer dated May 26, 2017

TSI
Transportation Solutions, Inc.

8250 - 165th Avenue NE
Suite 100
Redmond, WA 98052-6628
T 425-883-4134
F 425-867-0898
www.tsinw.com

May 15, 2017

To: Robert Pantley and Angela Rozmyn, Natural & Built Environments, LLC

From: Jeff Hee, TSI

Subject: Arete Parking Demand Analysis – Parking Requirement Modification Justification
TRAN17-00098

This memorandum summarizes our conclusions from the post-occupancy parking analysis prepared for Arête. This study updates past work completed and summarized on February 7, 2017.

Arête includes 228 residential suites, 62 multifamily apartment units and approximately 8,500 square feet of commercial space. The site includes 255 onsite parking stalls split 228 stalls, located in the lower parking garage off 4th Street, and 27 stalls, located in the upper parking garage off Central Way.

Arête's onsite parking allocation is summarized in Table 1:

**Table 1: Onsite Parking Allocation, Built Stalls**

| Allocation | Stalls |
|---|---|
| Commercial Parking: | 44 |
| Commercial Guest Parking: | 1 |
| Residential Parking: | 202 |
| Residential Guest Parking: | 8 |
| Total Parking[1] | 255 |
| Motorcycle Parking | - [3] |

1. Does not include motorcycle parking
2. There are 16 marked motorcycle parking stalls onsite

This analysis focuses on the residential parking. There are 210 parking stalls dedicated to residents and resident guests on the site and in the lower parking garage. Guest parking stalls are inside the lower garage, but are outside of the security gate. The commercial guest parking (1 stall) can be used by residential guests outside of commercial business hours.

## Arête Post-Occupancy Study Summary

A post-occupancy parking study was prepared to document the number of parking spaces in use at Arête. The study parameters were verified with City of Kirkland staff. Data was collected at 2 AM to reflect overnight parking on Tuesday, January 31, Wednesday, February 1, and Thursday, February 2, 2017. The 2 AM collection-time is representative of the "peak" resident parking demand.

Table 2 summarizes the parking demand data collected at Arête. It is noted that no vehicles were observed parked in the upper parking garage off Central Way; the data below represents vehicles parked in the lower parking garage.

**Table 2: Parking Demand, Parked Vehicles**

| Date | 01/31/17 | 02/01/17 | 02/02/17 |
|---|---|---|---|
| Residential vehicle[1] | 128 | 129 | 131 |
| Vehicles with permit placards or no sticker[2] | 9 | 13 | 15 |
| Total from above | 137 | 142 | 146 |
| Commercial vehicle[3] | 3 | 2 | 3 |
| Motorcycles | 4 | 4 | 4 |

1. "Blue" residential parking sticker on vehicle
2. These include vehicles with and without parking permit placards parked inside the garage and guests parking outside of the garage.
3. "Green" commercial vehicle parking sticker on vehicle

The highest observed parking demand was 153 total vehicles split: 131 residential vehicles, 15 vehicles without a residential or commercial parking sticker, 3 commercial vehicles and 4 motorcycles onsite.

The 15 vehicles without a residential or commercial parking sticker included vehicles parked in the guest stalls (9 stall-total supply) in the parking garage but outside of the security gate, vehicles with a parking permit placard affixed to the vehicle's rear view mirror and parking inside of the security gate, and a few vehicles without a parking permit parked inside the security gate.

For the parking study, the data collector was instructed to identify vehicles with a "blue" or "green" sticker and with no sticker. Blue stickers are required for residential vehicles and green stickers are required for commercial vehicles. A portion of the "non-stickered" vehicles onsite were noted as having a parking permit placard, hanging from the vehicle's rear view mirror. The collector was not instructed to identify those vehicles with parking permit placard as belonging to a resident or a commercial tenant. You (the Applicant) stated, that at the time of the study, a few residential vehicles were issued parking permit placards since management had run out of stickers.

## Arête Residential Parking Needs at Full Occupancy

At the time of the parking study, you indicated that 225 of the 228 residential suites were occupied and there were 97 vehicles registered to those occupied units. You also indicated that 50 of the 62 apartments units were occupied and there were 41 vehicles registered to those occupied units.

Table 3 summarizes Arête's parking demand analysis from the post-occupancy study, with at full-occupancy of the residential units and recommended input from Kirkland staff.

**Table 3: Arête Parking Needs at Full Occupancy**

| | Total Units | Occupied Suites/Units | Suite/Unit Occupancy Ratio[1] | Parked Vehicles by Use (Demand)[2] | Parking Rate[2] | Parking Needs at Full Occupancy[3] | Parking Rate[4] |
|---|---|---|---|---|---|---|---|
| Suites | 228 | 225 | 99% | 97 | | 98 | |
| Buffer (+5%) | | | | - | | +5 | |
| Subtotal | 228 | 225 | | 97 | 0.43 | 103 | 0.45 |
| Apartments | 62 | 50 | 81% | 41 | | 51 | |
| Buffer (+5%) | | | | - | | +3 | |
| Subtotal | 62 | 50 | | 41 | 0.82 | 54 | 0.87 |
| Total Parking | 255 | 275 | | 138 | | 157 | |
| Guest Parking[5] | | | | 8 | | 8 | |
| Total + Guest[5] | | | | 146 | | 165 | |

Table 3 footnotes:

1. Residential suite and apartment unit occupancy ratios at the time of the parking study:
   Residential suites = 225 occupied suites ÷ 228 suites = 99% occupancy
   Apartment units = 50 occupied units ÷ 62 suites = 81% occupancy
2. Parking demand, parked vehicles by use, based on number of registered vehicles:
   Residential suites = 97 vehicles registered ÷ 225 occupied suites = 0.43 vehicles per occupied suite
   Apartment units = 41 vehicles registered ÷ 50 occupied suites = 0.82 vehicles per occupied unit

   Apartment parking demand includes registered vehicles with stickers and with parking permit placards and vehicles inside the security gate without a parking permit placard.
3. Parking needs at full occupancy:
   Residential suites = 97 vehicles ÷ 99% occupancy = 98 vehicles + 5% buffer = 103 vehicles
   Apartment units = 41 vehicles ÷ 81% occupancy = 51 vehicles + 5% buffer = 54 vehicles
   Total residential parking = 103 residential suite stalls + 54 apartment unit stalls = 157 total stalls

   Buffer (5%) is recommended by Kirkland staff
4. New parking ratio (recommended):
   Residential suites = 103 vehicles ÷ 228 suites = 0.45 vehicles per suite
   Apartment units = 54 vehicles ÷ 62 units = 0.87 vehicles per unit
5. Residential guest parking (8 stalls) are in addition to the site's residential parking needs:
   Parking at full-occupancy = 157 residential stalls + 8 guest stalls = 165 total stalls

Kirkland Zoning Code 50.47.120, in effect at the time Arête was approved, stated that in addition, to the minimum parking requirements for the multifamily apartments, guest parking shall be provided at a rate of 0.1 stalls per bedroom or studio unit. There are 80 bedrooms between the studios and multifamily units; and thus, 8 guest parking stalls (= 80 bedrooms X 0.1 stalls per bedroom)

From Table 3, there are 54 parking stalls needed to support the apartments at Arête. The guest parking requirement, from the current Zoning Code, is 6 stalls (= 10% X 54 apartment stalls). Arête includes 8 residential guest stalls and 1 commercial guest stall, which is more than the required guest parking requirement for the apartments, based on the current Zoning Code.

From the analysis above, we recommend Arête's allocate a minimum of 157 onsite parking stalls to residential tenants and another 8 onsite parking stalls to residential guests, for a total of 165 parking residential parking stalls. Of the 202 residential tenant parking stalls currently onsite, 45 of those stalls could be reallocated for other uses.

## Comparison to Kirkland Zoning Code Requirements

Table 4 compares the parking recommendations from Table 3 to the Zoning Code's requirements.

**Table 4: Arête Parking Comparison to the Zoning Code**

| | Total Units | Required Parking Ratio[1] | Parking Required[1] | Recommended Parking Ratio[2] | Recommended Site Parking[2] |
|---|---|---|---|---|---|
| Suites | 228 | 0.50 | 114 | 0.45 | 103 |
| Apartments | 62 | 1.30 | 81 | 0.87 | 54 |
| Subtotal | 255 | | 195 | | 157 |
| Guest (10%)[3,4,5] | | 0.10 | 8 | 0.148 | 8 |
| Total Parking | | | 203 | | 165 |

1. Parking requirements from the Kirkland Code at the time of the approval for Arête
2. Parking recommendations from Table 3; guest parking ratio is computed from the parking recommendation
3. Guest parking requirement exclude the residential suites
4. KZC 50.47.120 (Code at time of study) 0.1 stalls per bedroom or studio unit X 80 total bedrooms = 8 stalls
5. KZC 50.47.120 (current Code) 10% of required multifamily apartment parking

**Additional Residential Guest Parking**

It is important to emphasize that peak parking demand related to the commercial and residential uses occurs at different times of the day. When the commercial tenants are closed for business, an additional 44 parking stalls could also be used for residential guests, if needed.

**Other Observations**

You noted that your parking manager(s) identified instances where the guest parking, outside of the security gate at the lower garage was being used by non-Arête vehicles. Some persons were observed parking at Arête and walking to neighboring residences.

Also, you noted that several guests were parking inside the security gate, which relates to the few vehicles without a "sticker" or parking permit placard in the garage.

Since the post-occupancy study, you indicated that signs and notices to tow non-Arête vehicles from the site have been posted. Also, tenants have been notified to not utilize the available onsite parking for unauthorized vehicles inside of the garage. As implemented these measures made more onsite guest and tenant parking available over and above the residential parking recommendation (157 residential tenant parking stalls plus 8 residential guest parking stalls).

**Conclusion**

At full occupancy and based on the parking analysis, Arête's residential parking need is 157 total vehicle parking stalls including 103 residential suite parking stalls and 54 apartment parking stalls, and another 8 residential guest parking stalls.

If you have any questions, please contact me at your convenience.

**CITY OF KIRKLAND**
**Department of Public Works**
**123 Fifth Avenue, Kirkland, WA 98033 425.587.3800**
**www.kirklandwa.gov**

## MEMORANDUM

**To:** Tony Leavitt, Senior Planner

**From:** Thang Nguyen, Transportation Engineer

**Date:** May 26, 2017

**Subject:** **Arete Parking Residential Suite Demand Analysis Review**

This memo is a summary of Public Works staff review of the parking demand for the residential suite units of the Arete multi-family development.

### Staff Findings

Pursuant to Kirkland Zoning Code Section 50.47.125 Special Regulation 3c; Staff concludes that the required number of parking spaces for Arete's 228 residential suite units should be reduced from the required 114 stalls to 103 stalls.

### Required Parking Reduction Request

KZC section 50.47.125 Special Regulation 3c states that for a residential suite use, after one year of project occupancy, the Planning Official may allow a decrease in the required number of spaces if the number of spaces proposed is documented by an adequate and thorough parking demand and utilization study of the property. The study should be prepared by a licensed transportation engineer or other qualified professional, and shall analyze the operational characteristics of the use which justify a parking reduction. The scope of the study should be proposed by the transportation engineer and approved by the City traffic engineer. The study shall provide at least two days of data for morning, afternoon and evening hours, or as otherwise approved or required by the City traffic engineer.

The applicant has submitted a parking demand and utilization study for the project prepared by Transportation Solutions Inc. A parking utilization study was done for the project site when the occupancy of the residential suites use was at 98%. Three days of data was collected at 2:00 AM when the majority of the residents were home and commercial parking demand is zero. The study was done during the first week of February to ensure a typical daily condition.

The development has 255 parking stalls. The commercial parking garage has 28 parking stalls and the residential parking garage has 227 parking stalls. Based on the letter request for a parking reduction, the applicant has reserved 114 parking stalls for the residential suites tenants.

**Parking Data**

Currently 97 parking stalls are registered to 97 vehicles owned by the residential suites residents. At 100 percent occupancy the demand would be 98 stalls or 0.43 stalls per units. To account for fluctuations in vehicle ownership among tenants, Staff is recommending that a 5 percent buffer be incorporated into the parking rate. This raises the

Table 1 summarizes the parking data.

Table 1. Parking Summary

| Use | Supply | Unit Count | Occupancy | Occupancy Rate | Allocated Parking Spaces | Vehicle Ownership Rate | Highest Parking Demand Data | Parking demand at full occupancy | Parking Demand Rate |
|---|---|---|---|---|---|---|---|---|---|
| Residential Suites | 114 | 228 | 225 | 99% | 97 | 0.43 | 96 | 97 | |
| 5% Buffer | | | | | | | | 6 | |
| Total | | | | | | | | ***103*** | *0.45* |

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.kirklandwa.gov

# MEMORANDUM

To: John Burkhalter, Senior Development Engineer

From: Thang Nguyen, Transportation Engineer

Date: September 27, 2016

Subject: Kirkland Live Work Art Community Development Traffic Impact Analysis review, TRAN16-02079/SEP13-01000

This memo is a summary of Public Works staff review of the independent traffic impact fee study and a determination of traffic impact fee for the SRO units.

## Staff Findings

Based on the methodology as specified in the Agreement Regarding Calculation and Payment of Impact Fees between the City and the applicant, the calculated impact fee for the SRO units is lower than the "Low Impact Fee". Therefore, the Held Impact Fee of $308,000 shall be returned to the Applicant.

## Project Description

The applicant proposes to replace the existing 8,535 square foot Crab Cracker restaurant with 228 single-resident-occupant (SRO) suites, 62 multifamily apartments and approximately 8,501 square feet of specialty retail spaces. The SRO units are different from typical apartment units because they share a community kitchen, entertainment and laundry rooms. Furthermore, the applicant is implementing a transportation management plan (TMP) to reduce vehicle trips. To reduce trips generated by the residential uses, the applicant is providing all residential tenants transit passes and charging residential tenants for parking.

## Background

The applicant had requested an independent traffic impact fee review for the SRO (Single-Residential-occupant) units at the time of approval of the development project. The traffic impact fee for the apartment units and the commercial space were paid and are not part of the scope of the independent traffic impact fee review.

The independent traffic impact fee review typically requires a trip generation study at an existing site with similar characteristics as the proposed use to help determine the actual trip generation and corresponding traffic impact fee. Because there was no existing development that had a use similar to the proposed SRO unit, it was agreed that a trip generation study would be completed after the proposed development was built and the residential uses has reached at least 85% occupancy.

There were two trip generation estimates for the SRO units during the traffic review of the development project. Using local data, the traffic consultant estimated the SRO unit would generate 18 PM peak hour trips and a second estimate resulted in 93 PM peak hour trips using ITE data with trip reduction due to transportation demand management. The City of Kirkland and the applicant entered into an agreement for an independent fee determination. Two estimates of road impact fees were computed from the two trip estimates. The "Low Impact Fee", $76,000, was based on the lower trip generation estimate and the "High Impact Fee", $384,000, was based on the higher trip generation estimate.

The agreement defines the following:

**"High Impact Fee"** means the transportation impact fee amount for the development based on trips to Commute Trip Reduction affected employers originating in the 98033 zip code. The estimated amount is approximately $384,000. As part of the building permit approval, the applicant procured a security bond for $384,000.

**"Low Impact Fee"** means the transportation impact fee for the development based on the estimate calculated by the Applicant's traffic consultant. As part of the building permit approval, the applicant paid $76,000.

**"Held Impact Fee"** means the difference between the "High Impact Fee" and "Low Impact Fee".

**"Final Impact Fee"** means the amount of the impact fees attributable to the Residential Suite portion of the development and shall be calculated based on data from a traffic study of driveways volumes for the development.

**"Returned Impact Fee"** means the difference, if any, between the High Impact Fee and the Final Impact Fee.

Final Impact Fee Accounting means in the event the Final Impact Fee is lower than the High Impact Fee, the City shall pay the Returned Impact Fee to the Applicant within 45 days without interest. In the event the Final Impact Fee is greater than the High Impact Fee, no additional impact fees shall be paid by the applicant. <u>In the event the Final Impact Fee is lower than the Low Impact Fee, only the Held Impact Fee shall be returned to the Applicant.</u>

## Trip Generation Study

To validate the trip generation for the SRO units, a trip generation study was conducted in August when the occupancy for the multi-family uses was at 92%. During this time, the apartment use had an 89% occupancy rate (55 occupied units) and the SRO use had a 94% occupancy rate (213 occupied units). According to the development manager, 96 of the 213 of the SRO residents own vehicles and 45 of the 55 apartment residents own vehicles totaling 141 vehicles ownership. Based on the occupancy and vehicle ownership data, the vehicle ownership rate for the SRO units is 0.45 vehicle per SRO unit and the vehicle ownership rate for the apartments is 0.82 vehicle per apartment unit. The estimate of vehicle ownership with full occupancy of the SRO units and the apartments are 103 vehicles (0.45 vehicle per SRO unit x 228 units) and 51 vehicles (0.82 vehicle per apartment unit x 62 apartments) respectively.

The traffic count data were collected on three weekdays during the 4PM to 6PM peak period to estimate the trip generation for the multi-family uses. Based on the traffic count, the multi-family units that were occupied (268 units with 141 vehicles) generated approximately 34 PM peak hour trips. This resulted in a trip rate of approximately 0.127 trip per unit or 0.241 trip per vehicle ownership. At full occupancy (228 SRO units + 62 apartment units), the estimate trip generation is approximately 37 PM peak hour trips (290 units x 0.127 trip per unit). Based on the proportion of car ownership between the two uses, the trip generation for the SRO use is approximately 25 trips (103 vehicles owned by SRO tenants/Total vehicles owned by SRO and apartment tenants x 37 trips) and the trip generation for the apartment is 12 PM peak hour trips (37 total PM peak trips – 25 SRO PM peak trips).

However, under the Agreement Regarding Calculation and Payment of Impact Fees between the City and the applicant, the determination of SRO trips is calculated by subtracting the occupied apartment's trip generation using ITE trip generation rate from the total PM peak hour trips from traffic counts.

The trip generation for the apartment, based on ITE trip generation rate, is approximately 35 PM peak hour trips. The resulting SRO trip generation is 2 PM peak trip (37 total PM peak hour trips – 35 apartment PM peak hour trips).

## Final Impact Fees Calculation

As specified in the Agreement, the final impact fee is calculated by the following formula:

SRO Final Impact Fee = 2 PM peak hour trip x 1.06 trip length x $3,903.26
= $8,274.91

Low Impact Fee = $76,000.00

Since the Final impact fee is lower than the Low Impact Fee, only the Held Impact Fee shall be returned to the Applicant. The Held Impact Fee is calculated below:

Held Impact Fee = High Impact Fee – Low Impact Fee
= $384,000 - $76,000
= $308,000.

cc: Jon Regala, Planning Supervisor
Energov, TRAN16-02079/SEP13-01000

**CITY OF KIRKLAND**
**Department of Public Works**
**123 Fifth Avenue, Kirkland, WA 98033 425.587.3800**
**www.kirklandwa.gov**

**MEMORANDUM**

**To:** Tony Leavitt, Senior Planner

**From:** Thang Nguyen, Transportation Engineer

**Date:** June 16, 2016

**Subject:** Athene Affordable Senior Housing Parking Demand Review, Tran15-01732

This memo summarizes my review of the parking demand data for the Athene affordable senior housing to be located at 12610 NE 124th Street.

**Staff Findings and Recommendations**
The proposed project will require a minimum of 38 parking spaces (34 residential parking spaces and 4 signed visitor parking spaces). The parking recommendation is based the parking reduction that can be achieved based on the strategies listed in the attached transportation management plan.

The proposed parking supply of 41 parking spaces will meet the anticipated demand for the project. Staff recommends approval of the parking modification with the following conditions:

1. Provide a minimum of four (4) parking spaces for guest/care-taker. The parking spaces shall be signed for visitors. The visitor parking spaces should be monitored to ensure that residents do not occupy the visitor parking spaces.
2. The visitor parking spaces shall be available to visitors at all times.
3. One parking space will be provided for staff and may be assigned to residents if not used by staff.
4. Implement the attached TMP. The TMP shall be recorded with the property.

**Project Description**
The project site is located at 12610 NE 124th Street, approximately 630 feet east of the intersection of 124th Avenue NE/NE 124th Street in Totem Lake. Adjacent to the site are small strip shopping centers and a car dealership. There are no on-street parking within walking distance of the project site. A five-lane principal arterial provides access into the site.

The applicant is proposing to construct a stand-alone 76,701 square foot building consisting of 91 low-income senior housing units. Parking will be provided in an underground parking garage and a surface parking lot adjacent to the existing Francis

Village project. The applicant is proposing to provide 32 parking spaces in a garage and 9 parking spaces on a surface parking lot. The residential parking will be assigned on a first come first serve basis. The applicant is also proposing a transportation management program (TMP) to help reduce the reliance of car and the parking demand.

The location of the proposed project is close to shopping centers and services, but not necessarily within walking distance for all seniors. There are no grocery stores within walking distance of the project site. Transit stop are approximately ¼ mile away.

**Parking Data**

Under the Kirkland parking code requirement, an attached senior housing development is defined as a multi-family residential use and is required to provide a City's standard multi-family parking rate. The applicant is proposing a lower parking rate because there is data indicating a lesser parking demand for a low-income senior housing use.

The applicant's traffic consultant collected and analyzed parking data from four different low-income senior housing apartments that are similar in size and have similar characteristics to the proposed project such as complimentary land uses nearby and managed parking. Parking data was collected for Saturday as well as weekday. The parking demand rate for these sites range from 0.157 to 0.324 space per residential unit. The highest demand occurred during the weekday. This parking demand rate does not include guest parking.

All of the sites do not allow visitors to park overnight but do provide visitor parking on-site. The report was not clear on the number of parking spaces provided for visitors and did not provide visitor parking demand data. Since there are no on-street parking within walking distance of the proposed project site, visitors will need parking onsite so that parking from the proposed site does not impact nearby businesses.

Based on the parking demand data, my recommendation is to require a based parking demand of 0.324 parking spaces per residential unit. KZC Section 105.103.3.c requires that the parking demand rate for multifamily projects be increased by 15 percent. As a result, the based parking demand rate will be 0.3726 parking spaces per unit. The applicant will need to provide 34 residential parking spaces (0.03726 stalls/unit x 91 unit). Additionally, KZC Section 105.20.3 requires a minimum of 10 percent additional parking stalls for guest parking. For this project, the applicant is required to provide at least 4 guest parking stalls (3.4 rounded up to 4). The minimum required parking for the project will equal 38 stalls.

Since the lower parking demand is based on the use of alternative transportation such as bike, walk and transit, the development should create a transportation management program to lessen the need for owning a car and driving. The attached Transportation Management Plan (TMP) should be recorded as mitigation measures to support the reduction in parking. The strategies within the TMP will help to lessen the need to for automobile ownership and thus lessen the need for parking.

**RED VINES I, (the "Owner")**
**Athene ("property")**
**Transportation Management Plan**
**2016**

**General Purpose:**
To provide a robust continuum of transportation options to our residents that encourage and support bus ridership, bicycling and walking. Parking in our garage is limited to 32 spaces which will be assigned to resident use on a first-come, first-serve basis. There will be 9 additional spaces available to residents on a first-come, first-serve basis in the surface lot. Four of the parking spaces will be signed for visitor parking and will not be assigned to residents. Bus use will be highly encouraged in support of the Green Initiatives present in the building.

We are committed to providing adequate and appropriate levels of support to the residents in service to alternative transportation utilization.

**Objectives:**
Our objective is to reduce reliance on cars, reduce the carbon footprint, support the needs of our residents and encourage healthy, active lifestyles and increase knowledge of transportation options.

Our goal is to utilize all site parking to the highest and maximum use around the clock. We will operate the parking in conjunction with the neighboring building to provide a synchronicity of uses on the site. The current building has underutilized garage parking during the day. To that end, the open lot parking will be restricted to two-hour parking during the daytime hours, residents with cars will be issued parking permits and the neighboring garage will be open for registered guest parking during the day hours and reserved for resident use overnight.

As this is a living building, changes may be made to the program as needed to accommodate the changing needs of the population and community.

**Program Design:**

**ELEMENTS OF THE TRANSPORTATION MANAGEMENT PLAN**

The TMP consists of the following elements:

1. **Transportation Plan Management**
   - The on-site property manager is responsible for the day to day management of the transportation management plan and will serve as the Building Transportation Coordinator (BTC). The name, phone

number and email address of the building BTC shall be forwarded to the City of Kirkland (City) planning department.
- The representative for the owner, should reporting or issues arise, will be the Director of Assets for Red Vines 1.

**2. Parking:**
- Parking spaces reserved for residents in the garage are assigned on a first come, first serve basis.
- No more than one parking space will be assigned to a residential unit.
- If there are no spaces available, a waitlist will be created.
- There will be 1 space designated for staff parking during the day but will be assigned to resident parking after office hours.
- Provide a minimum of four (4) parking spaces for guest/care-taker. The parking spaces shall be signed for visitors. The visitor parking spaces should be monitored to limit residents from using the visitor parking spaces.
- The visitor parking spaces shall be available to visitors at all times.
- There will be 2 spaces designated as accessible parking.
- Future residents and guests will not have access to the garage.
- Residents will agree to and sign the parking policy addendum (see attached) as part of their move in package.
- All vehicles will be registered with the office and provided with an identifying parking permit.
- Vehicles must be physically and legally able to be driven and must be moved at least once in a 72 hour period. Residents may request and be granted a variance for planned vacation periods.
- Regular guests or caregivers will be afforded the opportunity to register their vehicles and issued day permits to allow parking on the site.

**3. Bicycling:**
- We will provide as many bicycle storage racks as possible in the parking garage at construction.
- Bicycles will be registered with management and have similar requirements as cars.
- Provide a shared campus bicycle repair station on-site complete with a stand, pump and tools necessary to maintain a bicycle.
- Explore partnering with local bike shops, non-profits and other sources to provide access to bicycles, helmets, education about bike maintenance and correct bike fittings, and secure entries to local cycling events.
- Provide bike route maps (online and paper), encourage participation in local riding groups and membership in Cascade Bicycle club.

- Include local biking event dates on our activity calendars and on our lobby information center.

4. **Walking:**
   - Provide localized walking maps that show destinations, time, distance, etc. to grocery stores, restaurants, trails, parks and other community destinations.
   - Explore availability of local walking groups, local running meet ups, sponsorships through local running stores, exercise programs for seniors at the senior center or hospital, etc.
   - Explore obtaining pedometers for residents.
   - Provide fitness equipment on-site, if possible, to contain a treadmill, recumbent bike and/or elliptical machine along with other strength training equipment as space permits, to encourage and support walking activities.

5. **Transit:**
   - Employees will be trained to navigate the transit system, understand the products and resources available to our residents and encouraged to utilize the transit system.
   - Provide an electronic screen available in the lobby with One Bus Away streaming so that residents may see available bus routes and schedules in real time.
   - Provide residents with access to links for the Metro Trip Planner, Metro King County website and updated information as new apps are created and become available.
   - Provide education regarding accessing the bus system and signing up for metro passes and reloading ORCA cards as part of the move in orientation process.
   - Transit/rideshare and bus pass information will be distributed to all new residents and will be updated annually.
   - Support ridesharing and encourage carpooling to common destinations beyond work such as the grocery store, mall, etc. utilizing RideshareOnline.com.
   - Partner with local transportation services and agencies for support of these activities.

6. **Transit Fare Support:**
   - We are funding support of the issuance of a $5 ORCA card, pre-loaded with $10 in fare support for each new resident that will be distributed at the initial transportation assessment.
   - Future fare support, if available, will be income-based, transit-need

based and provided at the correct fare level for the individual resident need and interest.

**Implementation Plan:**

- At move in, each resident will complete a transportation survey to understand need, willingness to participate in alternative transportation options and general interest in learning more.
- From survey, management and services will provide tailored assistance to accessing available options the resident is willing and interested in participating.
- On-site management will perform daily inspections of the garage to ensure that parking occurs as prescribed by the plan and that only registered vehicles are utilizing the parking stalls.

**Tracking:**

- An assessment of the program efficacy will be completed by staff periodically, as needed.
- **Annual Report:** The BTC shall complete and submit a report form each year or at a time designated by the City, documenting TMP activities. The applicable form will be provided by the City or its agent.
- **Biennial Commute Survey:** The BTC will conduct biennial surveys to determine the mode of travel that the residents use to commute to work. A base commute survey shall be completed by the residents at move in. The applicable form will be provided by the City or its agent.
- Resident Satisfaction surveys are conducted annually.

**Other Provisions:**

1. **Modifications.** The TMP may be subject to modifications based on the progress toward the TMP goal as measured by biennial surveys. All modifications must be approved by the City of Kirkland and recorded with King County as part of the covenants, conditions, and restrictions of the project to assure its implementation. The TMP shall run for the duration of the current use of the building, and shall be binding on the heirs, successors and assignees of the parties.

2. **Recording.** This TMP shall be recorded with King County as part of the covenants, conditions and restrictions of the project to assure its implementation. The TMP shall run for the duration of the current use of the building, and shall be binding on the heirs, successors and assignees of the parties.

# CITY OF KIRKLAND

123 FIFTH AVENUE • KIRKLAND, WASHINGTON 98033-6189 • (425) 587-3800

## DEPARTMENT OF PUBLIC WORKS
## MEMORANDUM

**To:** Tony Leavitt, Planner

**From:** Thang Nguyen, Transportation Engineer

**Date:** June 17, 2010

**Subject:** Francis Village Housing Development, BLD08-00025

This memo summarizes public works review of the parking study for the proposed redevelopment of a commercial site located at 12405 Slater Avenue NE.

**Project Description**
The applicant proposes to construct 61units of mid-rise affordable apartments (8 studios, 32- one bedroom and 21- two bedrooms units) with 48 parking spaces. It is anticipated that the project will be built and fully occupied by the end of 2012. The site is currently a parking lot used by surrounding businesses.

**Parking**
The City of Kirkland Municipal Code allows applicants to provide parking data for affordable stacked housing to determine parking demand. The applicant conducted a parking utilization study at two similar sites to qualify their proposed parking supply for the proposed project. The proposed parking supply for the proposed project equates to a parking ratios or 0.79 space per housing unit and 0.59 space per bedroom.

The parking study shows a range of 0.64 and 0.73 parking space per unit for the studied sites. The highest demand occurred from 9:30 PM which is expected as most residents are at home at that time. Based on the study, it is anticipated that the proposed development will have adequate parking as proposed.

**Road Impact Fees**
The applicant submitted their permit prior to the update of Road Impact Fee in 2007 thus, they are grandfathered into the old Road impact fee rates. The road impact fee for multi-family is $586 per unit. The calculated road impact fee for the proposed project is $35,746. There is no existing development on-site; therefore no road impact fee credit will be given. Final traffic fee will be determined at time of building permit issuance.

**Staff Recommendations**
Staff believes that the proposed project will not create significant traffic impacts that would require specific off-site traffic mitigation. Staff recommends approval of the proposed project with the following conditions:

- Pay Road Impact Fee
- Provide a minimum of 48 parking spaces for the residential use and out of those, 5 shall be designated as visitor parking.
- The visitors parking spaces shall be accessible to the public at all times.
- Install c-curb on the south side of the two-way left-turn lane to restrict left-turns at the eastern-most project driveway.
- Install no left-turn sign at the eastern-most driveway to alert westbound drivers.

Any uses other than what is reviewed in this memo proposed to occupy the proposed building may require an updated traffic concurrency test and traffic impact analysis. If you have any questions, call me at (425) 587-3869.

cc: Advantage, BLD08-00025

# People Over Parking

Planners are reevaluating parking requirements for affordable housing.

Carless in Seattle: Plymouth on First Hill's apartments are now home to some of the city's formerly homeless disabled population. Photo courtesy SMR Architects and Plymouth Housing Group.

*By Jeffrey Spivak*

Like a lot of cities, Minneapolis has experienced the dual trends of rising multifamily rents and dwindling housing affordability. For years it offered the usual carrots of tax incentives and development subsidies for residential projects with affordable units. But three years ago, it tried a different strategy: The city slashed its multifamily parking requirements in certain parts of town.

The usual ratio of one parking space for every one unit was cut in half for larger apartment projects and was eliminated entirely for projects with 50 or fewer units located near high-frequency transit. Lo and behold, the market mostly responded in the exact ways planners had predicted.

Apartment developers proposed projects with fewer parking spaces. That lowered the cost of construction. So, such projects began offering rents below the market's established levels. New studio apartments, which typically went for $1,200 per month, were being offered for less than $1,000 per month.

"There's definitely a new type of residential unit in the market that we haven't seen much before," says Nick Magrino, a Minneapolis planning commissioner who has researched apartment development trends since the parking code change. "Outside of downtown, there's been a lot of infill development with cheaper, more affordable units."

Tinkering with minimum parking requirements is not new. Cities have been fiddling with regulations for decades, sometimes raising them, sometimes lowering them, and sometimes giving variances for specific projects. What's different now is an evolving understanding that urban lifestyles are changing, traditional parking ratios are outdated, and too much supply can be as harmful as too little.

So there's a burgeoning movement of municipalities across the U.S. reducing or eliminating parking requirements for certain locales or certain types of development or even citywide.

"This would have seemed inconceivable just a few years ago," says Donald Shoup, FAICP, a Distinguished Research Professor in UCLA's Department of Urban Planning who has studied and written about parking policies for years and is considered the godfather of the current reform movement. (See an article based on his new book, *Parking and the City:*www.planning.org/planning/2018/oct/parkingpricetherapy/.)

Carless in Seattle: The mixed use transit-oriented development Artspace Mt. Baker Lofts is located on the Central Link light-rail line. It has bicycle storage and a reserved car-share space, but no parking garage. Photo courtesy SMR Architects and Artspace.

Over the past three years, a Minnesota-based smart-growth advocacy organization called Strong Towns has compiled, through crowdsourcing, more than 130 examples of communities across the country addressing or discussing parking minimum reforms. And that list hasn't captured all the cities taking actions.

Communities are reforming these regulations in a variety of ways.

Some have ditched parking minimums entirely. Buffalo, New York, in early 2017 became the first U.S. city to completely remove minimum parking requirements citywide, applied to developments of less than 5,000 square feet. Late last year Hartford, Connecticut, went a step further and eliminated parking minimums citywide for all residential developments.

Some have targeted their reforms to certain areas or development districts. Lexington, Kentucky, earlier this year scrapped parking requirements in a shopping center corridor to allow the development of new multifamily housing. Spokane, Washington, this past summer eliminated parking requirements for four-plus-unit housing projects in denser parts of the city.

Some have tied new policies specifically to spur affordable housing. Seattle this past spring eliminated parking requirements for all nonprofit affordable housing developments in the city, among other provisions. A couple of years ago, Portland, Oregon, waived parking requirements for new developments containing affordable housing near transit. Also in 2016, New York eliminated parking requirements for subsidized and senior housing in large swathes of the city well served by the subway.

Even some suburbs are doing it. Santa Monica, California, removed parking requirements entirely last year for new downtown developments as part of a new *Downtown Community Plan*. And this year, the Washington, D.C., suburban county Prince George's, Maryland, revised its zoning code to significantly reduce parking minimums.

"We're trying to create a new model of mobility and not emphasize the car as much as we've done in the past," says David Martin, Santa Monica's director of planning and community development.

# Building Parking Raises Rent

Parking costs a lot to build, and that cost usually ends up raising tenant rents.

**$5,000:** Cost per surface space

**$25,000:** Cost per above-ground garage space

**$35,000:** Cost per below-ground garage space

**$142:** The typical cost renters pay per month for parking

**+17%:** Additional cost of a unit's rent attributed to parking

*Source: Housing Policy Debate, 2016*

**Catalysts for change**

Three primary factors are driving this new reform:

## 1. CITIES ALREADY HAVE MORE THAN ENOUGH PARKING.

The Research Institute for Housing America, part of the Washington, D.C.-based Mortgage Bankers Association, used satellite imagery and tax records this year to tally parking space totals in different- sized U.S. cities, and determined that outside of New York City, the parking densities per acre far exceeded the population densities.

Meanwhile, two different groups — TransForm, which promotes walkable communities in California, and the Chicago-based Center for Neighborhood Technology, a nonprofit sustainable development advocacy group — have both conducted middle-of-the-night surveys of parking usage at apartment projects on the West Coast and in Chicago, respectively. They consistently found one-quarter to one-third of spaces sat empty. The Chicago center concluded "it is critical to 'right size' parking at a level below current public standards."

## 2. TRANSPORTATION PREFERENCES ARE SHIFTING.

A variety of converging trends point to the possibility of fewer cars in the future. Fixed-rail transit lines continue to be developed in more urban centers, and millennials are not driving as much as previous generations. Meanwhile, transportation alternatives are proliferating, from passenger services such as Uber to car-sharing services such as Zipcar. Then there's the potential of driverless cars and the expansion of retail delivery services.

## 3. BOTTOM LINE: WE'RE GOING TO NEED MUCH LESS SPACE TO STORE CARS.

In fact, Green Street Advisors, a commercial real estate advisory firm, analyzed what it calls the "transportation revolution" — encompassing ride-hailing services, driverless cars, etc. — and estimated that U.S. parking needs could decline by 50 percent or more in the next 30 years. (See "Future-Proof Parking," March: www.planning.org/planning/2018/mar/futureproofparking.)

"In the old days, you built an apartment and you expected it needed two cars," says Doug Bibby, president of the National Multifamily Housing Council, an apartment trade association in Washington D.C. "Those parking ratios are outdated and no longer valid in any jurisdiction."

**Concerns about housing affordability**

With the U.S. economy reasonably strong and most urban crime rates on a long-terms decline, housing costs have increasingly emerged as a hot-button issue. In Boston University's nationwide Menino Survey of Mayors last year, housing costs were cited as the number one reason residents move away, and more affordable housing was the top-ranked improvement mayors most wanted to see.

"It's on the minds of mayors now more than it has been in the past," says Kimble Ratliff , the National Multifamily Housing Council's vice president of government affairs.

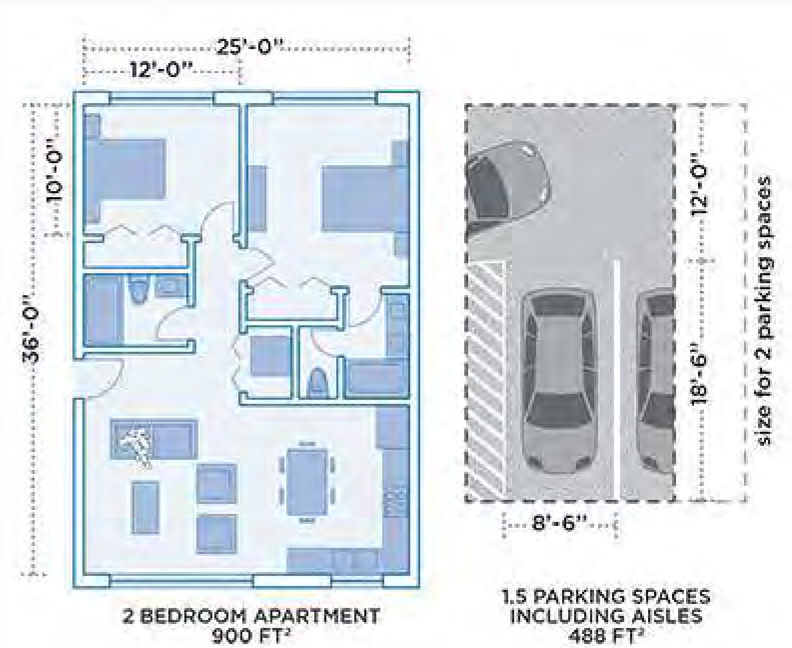
They're concerned because there's ample evidence of a continued national shortage of affordable housing. The latest "State of the Nation's Housing" report from Harvard University's Joint Center for Housing Studies noted that a decade-long multifamily construction boom has increased total occupied rental units by 21 percent, but mainly at the top end of the market. Total units deemed "affordable" — costing less than 33 percent of median income — have remained basically static during the last decade, while the number of extremely low-income renter households has grown by more than 10 percent. The 2018 report concluded that there is a "tremendous pent-up demand for affordable rental housing."

So as cities have searched for ways to generate more affordable housing, parking has emerged as an easy target. Parking ratios are simple to change, and the process doesn't lead to future cost obligations like subsidies do.

That was the approach taken by Seattle this year. "The number one issue facing our city is the lack of housing options and affordability. We're looking to remove any barriers to the supply of housing, and parking is one of them," says Samuel Assefa, the director of Seattle's Office of Planning and Community Development.

## Living Space versus Parking Space

The typical median parking required for a two-bedroom apartment in many large North American cities is more than half the size of the apartment itself.




Source: Seth Goodman, graphicparking.com.

**Impacts on housing costs**

Planners' shifting strategies toward parking are now supported by a growing body of evidence that parking requirements negatively impact multifamily housing, especially affordable projects.

In a nutshell, building parking costs a lot, and that cost usually ends up raising tenant rents.

Various studies indicate that surface parking lot spaces cost upwards of $5,000 each, while above-ground parking garages average around $25,000 per space and below-ground garages average around $35,000 per space. That can translate into higher rent, particularly in big cities. Two UCLA urban planning professors studied U.S. rental data and reported in the journal *Housing Policy Debate* in 2016 that garage parking typically costs renter households approximately $142 per month, or an additional 17 percent of a housing unit's rent. Other studies have found even larger impacts on rents.

"That can be a significant burden on lower-income households," says David Garcia, policy director of the Terner Center for Housing Innovation at the University of California–Berkeley.

Changing that equation can help produce additional affordable housing. That's a scenario actually playing out in Portland, Oregon.

In 2016 the Portland Community Reinvestment Initiatives, a nonprofit developer and manager of low-income housing, began planning a 35-unit senior housing project called Kafoury Court. At the time, Portland's code required providing five parking spaces for the project, and the developer was struggling to find financing. But late that year, the city changed its parking requirements, and Kafoury now only needs to provide two spaces.

While that change doesn't seem like much, it allowed the development to be totally redesigned. A first-floor parking garage was no longer needed, so the building has been scaled back from five stories to four stories, which led to cost-saving ripple effects. "This has made the project financially feasible," says PCRI's Julia Metz.

She adds: "We prefer to build houses for people, not cars. When it comes down to choosing space for people or parking, we're going to choose people."

Affordable housing projects, with their lower rent revenue streams, are already challenging to finance. So parking is an increasingly key factor in whether or not a project works financially. But to developers, reducing or removing parking requirements does not mean eliminating parking supply. It simply allows developers to decide how many spaces to build based on market and locational demand.

"I've had developers say to me, 'Hey, I could make this deal work if I only had to build a garage that's one-third smaller,'" says Greg Willett, chief economist of RealPage, a provider of property management software and services. "Any way you can take costs out of the deal is meaningful."

# APA Housing Initiative: Planning Home

*By Emily Pasi*

Planners know better than anyone the critical role that housing plays in our communities, and the severity of the U.S.'s housing affordability and availability crisis. Lack of housing choice and affordability hurts people and limits communities' prosperity. To this end, APA is actively working to develop new tools and better planning practices to encourage and deliver more and better housing options for all.

Earlier this year, APA's board of directors greenlit Planning Home, an organization-wide, multiyear housing initiative that aims to reshape the way planners, elected officials, decision makers, advocates, and the public use planning to address the nation's housing challenges.

Grounded in the philosophy that better tools can get communities the housing people need, APA's Planning Home action agenda is driven by six board-approved principles, which call on policy makers at all levels of government to:

- Modernize state planning laws

- Reform local codes
- Promote inclusive growth strategies
- Remove barriers to multifamily housing
- Turn NIMBY into YIMBY
- Rethink finance

Learn what you can do now to advance APA's Planning Home action agenda at PlanningHome.com.

*Emily Pasi is the public affairs manager at APA.*

**'The debate is now won'**

When it comes to utilizing parking to augment planning and development policies, U.S. cities still have a long way to go to catch up to some European counterparts. Zurich, Switzerland; Copenhagen, Denmark; and Hamburg, Germany, have all capped the total number of allowable parking spaces in their cities. Oslo, Norway — where a majority of center-city residents don't own cars — is pursuing plans to remove all parking spaces from that district, to be replaced by installations such as pocket parks and phone-charging street furniture.

And last year the largest city in North America, Mexico City, eliminated parking requirements for new developments citywide and instead imposed limits on the number of new spaces allowed, depending on the type and size of building.

In the U.S., however, parking is still sacred in many places. Sometimes when parking reductions are proposed for a certain urban district or a specific new development, nearby residents complain it will force new renters to park on their residential streets. Because so many people still own cars, the National Multifamily Housing Council's *2017 Kingsley Renter Preferences Report* ranked parking as renters' second-most desired community amenity, behind only cell-phone reception.

Not surprisingly, then, some places are still demanding more parking, not less. In Boston, for instance, an influx of new residents clamoring for parking in the booming South Boston neighborhood led to zoning code changes in 2016 that require developers to build two-thirds more off-street parking than before.

Nevertheless, the movement to reduce parking is now widespread, involving big cities and small towns, urban districts and suburban locales, affordable housing and market-rate units. "It's pretty well accepted now that reforming parking minimums is a good way to manage cities," says Tony Jordan, founder of Portlanders for Parking Reform, which has advocated for better parking policies. "The debate is now won."

The lessons for planners are, first, to be open to adjusting parking policies in zoning codes and comprehensive plans and, second, to be flexible in crafting new parking limits depending on the location or desired outcome, such as spurring affordable housing development.

"As we update our policies, we as planners need to learn from the past and adjust," says Seattle planning director Assefa. "We constantly need to tweak our policies and face the challenges of what's not necessarily working. More often than not, there's significant space dedicated to the car that is not utilized."

*Jeffrey Spivak, a market research director in suburban Kansas City, Missouri, is an award-winning writer specializing in real estate planning, development, and demographic trends.*

## RESOURCES

APA Knowledgebase Collection, "Rethinking Off-Street Parking Requirements": www.planning.org/knowledgebase/parkingrequirements.

Harvard University Joint Center for Housing Studies' *The State of the Nation's Housing 2018*: hjchs.harvard.edu/state-nations-housing-2018.

Center for Neighborhood Technology, "Stalled Out: How Empty Parking Spaces Diminish Neighborhood Affordability:" http://bit.ly/2Mr0bES.

Strong Towns keeps track of progress on parking minimum removals across the U.S. http://bit.ly/2C1t86k665600.

https://www.planning.org/planning/2018/oct/peopleoverparking/

# Sound Transit rail stations could help solve our housing crisis

Originally published July 13, 2018 at 1:03 pm Updated July 13, 2018 at 5:13 pm

A rendering of the Capitol Hill light-rail station housing and retail development, which will open in 2020 and have 428 apartments, including 178 affordable apartments. (Gerding Edlen)

**All of Sound Transit's LINK light-rail stations offer opportunities to create vibrant, walkable mixed-use communities with significant amounts of new housing and reduced dependence on automobiles.**

By
Rick Mohler
and
Al Levine
*Special to The Times*

We need a bold, regional approach to housing affordability.

As a recent Seattle Times editorial notes, Seattle alone cannot solve our housing affordability crisis. Instead, we need a bold and broad regional approach to providing more housing that leverages our $60 billion regional investment in transit.

The scale of our housing affordability crisis is daunting. Some 290,100 (or [1 in 3]) households in King County spend more than 30 percent of their income on housing, while 6,320 people had no shelter at all during this year's Point in Time Count. We need to build roughly 156,000 units of housing in King County to address our current housing shortfall, according to the King County Housing Affordability Task Force. By 2040, the total number of units needed is expected to climb to 244,000. Debating how to provide hundreds or even thousands of additional housing units doesn't adequately address the magnitude of this problem.

We are currently making the largest transit investment in our region's history. By 2040 we will have light rail connecting Everett to Tacoma and Seattle to Redmond and Issaquah. All of the stations on these lines offer opportunities to leverage our investment to create vibrant, walkable mixed-use communities with significant amounts of new housing and reduced dependence on automobiles. Some station locations are particularly promising as modest development currently surrounds the station areas. One of these locations is Kent/Des Moines.

The Kent/Des Moines station is scheduled to open in 2024 between I-5 and state Route 99 at South 238th Street, within easy walking distance of Highline College. Last fall, an interdisciplinary design studio at the University of Washington College of Built Environments focused on the potential for creating a vibrant, mixed-use community around the station. Students in architecture, landscape architecture, planning and real estate worked together in six teams for 10 weeks in this effort.

While the team's plans varied greatly, most proposed between 10,000 to 15,000 units of new market rate and affordable housing ranging from family-friendly townhomes to mid-rise apartments within the 150-200 acres (about half the land area of Seattle's South Lake Union) surrounding the proposed light rail station. In all cases, the housing was carefully integrated with retail uses, public open space, schools, libraries and other amenities to create complete, walkable communities in which the need to drive would be minimized.

Kent/Des Moines is among a number of proposed station locations that offer the potential to envision new communities of this scale — the scale at which we need to be addressing our housing affordability crisis. However, simply building the stations will not ensure this outcome. In the months since the studio concluded, new auto-dependent businesses, including a drive-in restaurant, have been proposed within the station area.

A coordinated, regional effort that brings together local elected officials, government agencies, housing developers and the community at large is needed to capitalize on this remarkable opportunity. Last winter, an informal group of housing experts developed a proposal for a potential public agency that would foster the regional and local coordination needed to leverage this opportunity. The agency would acquire land in station areas to facilitate the development of both affordable and market rate housing while advocating for efficient land use patterns and complete, walkable neighborhoods that foster a sense of community. The agency would be publicly funded to acquire land and assist local governments in meeting the infrastructure and service demands of these new transit communities.

Our growing regional light rail system is the key to providing both affordable and market rate housing at the scale our housing crisis demands. While its completion lies ahead, the vision and planning needed to leverage the opportunities it offers must happen today.

Seattle architect **Rick Mohler** is an associate professor of architecture, University of Washington. He co-chairs the American Institute of Architects' Seattle Public Policy Board and serves on the Seattle Planning Commission.
**Al Levine** is a former deputy executive director of the Seattle Housing Authority and is an affiliate faculty member in the Runstad Department of Real Estate at the University of Washington.

https://www.seattletimes.com/opinion/sound-transit-rail-stations-could-help-solve-our-housing-crisis/

# TRANSPORTATION MANAGEMENT PROGRAM (TMP) for:
# Vision 5
# 8525 163rd Court NE
# Redmond, WA 98052

**I. Project Summary:**

Vision 5 comprises residential of eight dwelling units totaling approximately 26,190 square feet of gross floor area and It is located at 8525 163rd Court NE (Tax lot #: 660050-0050-09) The property includes:

Vehicle Parking: 42 parking spaces, plus two retail spaces.. There are 12 tandem stalls for 24 spaces, 5 vertical tandem lifts stalls for 10 spaces, 2 accessible single stalls plus six additional full size single stalls equaling 8 additional spaces and two retail spaces in front of the building. The total parking spaces is: 24+10+2+6 or 42 plus 2 retail spaces.

Bicycle Parking:

- Total bike parking will be:
  - 16 on the wall spaces-standard size.
  - 7-9 easy to use spaces on the ground spaces
  - 14 additional spaces between vehicle stalls assigned to Vehicle owners
  - 10 easy to use spaces on deck two.
  - phase I would be 45-48 bicycle spaces as outlined above
  - Phase II would add between 32-38 bicycle spaces 24" OC vs 30" OC.
  - Phase III would add between 24 and 29 bicycle spaces 24" OC vs 30" OC.
  - 103-116 bicycle spaces available for total expansion plus spaces in some suites.

**II. Program Objective**

The objective of this Transportation Management Program (TMP) is to develop STRs (Superior Transportation Residents) who do not have single occupant vehicles (SOVs) that require on site or in neighborhood parking. Natural and Built Environments, LLC has tested many ideas to discover what are the most effective ways to reduce SOV use and the results are included in the attached Transportation Impact Analysis which have demonstrated that the results have been stunningly effective. Tudor Manor with 61 mini-suites experienced peak PM traffic volume of 7 total vehicular trips and 12 pedestrian peak PM trips. Our TIA expects 11 peak PM vehicle trips and 19 pedestrian peak PM trips.

**III. Program Goal**

The goal of this TMP is to ensure that parking demand meets the on-site parking supply, noted in section I – Project Summary. This will be achieved and maintained by creating lifestyle patterns so that all other residents are STRs, relying on alternate transportation options such as public transportation, bicycling and walking, eliminating the need for a vehicle. Natural and Built Environments, LLC (NABE) will use good faith efforts to ensure that the elements of the TMP are implemented via direct provision, contracted services, lease agreement, voluntary compliance of tenants, or any combination of these methods. * "On site", by definition" means that all on site resident vehicles are parked on site and not in the neighborhood. R

## IV. Program Elements

All vehicle and bicycle spaces are managed on an ongoing basis for each rental lease agreement as follows:

Vehicle parking:

- Vehicle parking rates are unbundled from resident rental rates.
- Each parking space is assigned based on a need basis for vehicle size and use.
- Each parking space that is tandem includes several compatibility techniques between users such as:
  - Vehicle users that are generally for weekends and limited use are parked forward.
  - Vehicle users who are only on site on a limited basis (a week or two a month are parked forward.
  - Vehicle users that have similar schedules are parked together.
  - All tandem stall users have each other's contact information.
  - Tandem stall users get a reduced parking rate.
- Large vehicles such as Hummers, Suburbans and large trucks are not allowed on site or in the downtown neighborhoods by resident users. We simply do not rent to users of large vehicles. This has worked well at Tudor Manor.

Bicycle Parking:

- Each resident will be assigned a space based on a need basis parking
  - First priority will be for users that require on the ground parking
  - Second priority will be for the higher users without vehicles or very low use vehicles. Peak PM and Peak AM bicycle users who do not use a vehicle during Peak PM or Peak AM will get priority consideration.
  - Third priority will be for the higher users with vehicles.
  - Forth priority will be bike size.

- Expansion for bicycle parking will be made on a demand basis.
- Vehicle owner will be provided first priority for a bike location next to their vehicle.

Management will determine the priority needs. The second priority is a good example where a daily bike commuter with a vehicle would get priority over a vehicle owner who uses their bicycle on a non regular basis.

A. Transportation Coordinator
Natural and Built Environments, LLC designates Angela Rozmyn as Transportation Coordinator to oversee the implementation of this TMP and its elements.
Angela Rozmyn's contact information is:

c/o Natural and Built Environments, LLC
2025 Rose Point Lane R
Kirkland, WA. 98033
angela@pantley.com
425 765 4037 cell (preferred contact #)
425 828 4663 Office

Any changes in contact or contact information will be provided to the City in a timely manner.

The Transportation Coordinator provides the following activities:

- Implement TMP elements
- Coordinate the distribution and collection of commuter transportation surveys
- Prepare and distribute materials that describe and promote TMP services
- Provide ridematching services for residents, when applicable
- Register and monitor resident carpools and vanpools, when applicable
- Monitor vanpool/Zipcar (or similar) parking stalls to ensure that the supply is adequate, signage is in place, and that the spaces are being used appropriately, when applicable.
- Maintain the Transportation Information Center located in the site common area
- Coordinate activities with the City of Redmond, transportation service providers, and other Transportation Coordinators as appropriate.
- Coordinate and conduct the annual and periodic site promotions to encourage program participation.
- Maintain records and prepare reports as required.

B. <u>Tenant Survey</u>
A baseline survey will be taken within the first six months of occupancy as mutually agreed upon by the City of Redmond. The travel survey shall be administered by the Transportation Coordinator. A commuter survey will be conducted annually on a need basis as determined by the City of Redmond.

C. <u>Transportation Information Center</u>
Natural and Built Environments, LLC will provide a permanent transportation information center at the site in location convenient for resident access. The displays will contain ride matching information, bus schedules, transportation resource contacts, transportation incentives offered to residents at the site, and other information relevant to finding alternatives.

D. <u>Ridematching</u>
Ridematching services will be made available to all residents at the site through the transportation coordinator. Ridematching services will consist of:

- A registration system in which interested residents may register their interest and requirements for participating in a carpool or vanpool.
- An online matching system in which a resident may actively match with other on site individuals seeking rideshare opportunities.

E. <u>Preferential Parking</u>
Preferential parking for high occupancy vehicles (HOVs) (e.g., carpools, vanpools, and/or Zipcar) will be designated on site. HOV parking in these spaces will be registered, monitored and enforced. Any two or more suite users who share a single vehicle located on site will be provided a 50% credit for parking cost on site. Natural and Built Environments, LLC will contribute up to $1000/month toward underwriting Zipcar or similar company located on or near the residence to support a Downtown City of Redmond flexcar initiative for the first two years of its implementation, provided it is put in place within the first 18 months of occupancy of the site. R

F. Bicycle Racks

Bicycle parking racks will be provided in safe, convenient weather resistant locations. At a minimum, 20 bicycle parking spaces that meet the City of Redmond standards will be provided at completion of the project and will add spaces both standard and non-standard on a request basis, up to 100% of the number of suites. To the extent the bicycle population increases, it is expected that the use of vehicle parking spaces will decrease both in use and numbers. An additional 3-5 non standard bike parking spaces will be provided that meet the intent of the standard in phase I. Some of those spaces meet many other city and bicycle standards and uses under their "reduced space requirements" standards such as the cities of Portland, Vancouver and Copenhagen. The guiding concept will be of reasonable accommodation for maximizing bicycle capacity blended with ease of use. See the Section I, Project Summary, for details.

In addition another approximate 14 parking spaces will be located next to vehicles. The vehicle owners will get first opportunity for use of these bicycle spaces. Expansion of bicycle parking in phases II and III on a need basis as outlined herein.

G. Incentives

Natural and Built Environments, LLC will provide incentives to increase the percentage of STRs. These incentive programs will be implemented within three months at the beginning of first occupancy as follows:

a) NABE will provide public transportation support of $25 per month for every STR who does not receive transit support from another source. The transit credit begins after the first full month of occupancy.

b) NABE will provide a bicycle purchase support program for anyone who buys a bicycle from a retail outlet within the City of Redmond. This program will offer a $5/month rent reduction for up to half the cost of the bike not to exceed $125.

H. Promotion

As new residents move into the community, NABE will provide a Resident Information Meeting (RIM) that will include a detailed introduction into the goals and objectives of the TMP and will include Metro (or similar) ridematch forms and transit/commuter information packets. NABE will also hold a special Transportation Day annually to increase resident awareness of available programs and commuting alternatives. NABE will develop a website pertaining to alternate transportation opportunities for residents, which will be established and matured within six months of substantial rent up.

## V. Program Review

A detailed report on the TMP activities, survey results and progress toward meeting the TMP goals will be prepared and submitted to the City of Redmond Technical Committee annually by September 30th of each year. Upon meeting and maintaining the goal, report submittals (including survey information) may be submitted biennially. ℞

## VI. Contingency Measures

In the event the stated goal of ensuring that parking demand meets the on-site parking supply, noted in section I – Project Summary, is not achieved by the second year after substantial occupancy, NABE shall institute a program to make up the difference between the stated goal and the actual reduction achieved after the second year. The program shall consist of the following:

1. Membership in the Greater Redmond Transportation Management Association
Natural and Built Environments, LLC will join and maintain a paying membership in the Greater Redmond Transportation Management Association (GRTMA) to facilitate the distribution of program services and coordination of trip reduction efforts.
2. In the event the first strategy is not fully effective to reach the stated goal, NABE will combine rentable rooms of non STRs or rent only to tenants without vehicles until vehicles are reduced to a number that the 42 on site parking stalls are sufficient to park all vehicles on site or to meet the City of Redmond code requirement of .5 vehicle stalls per SRO.
3. Unbundle parking costs from lease costs so that the price of a parking space can be increased to manage parking space availability.
4. Increase the amount and type of incentives specified under element IV), G) Incentives.

In the event that the stated goal is not achieved by the second year after implementation of contingency measures, NABE agrees to work with the City of Redmond to revise the TMP with additional mutually agreed upon measures.

## VII. TMP Modification

Depending on the progress made toward the performance goal and the evolving nature of trip reduction strategies, it may be in the best interest of the parties to delete, modify, or add elements to this TMP. Such changes may be initiated by NABE, in writing, to the City of Redmond. The City will approve, deny or suggest modifications to proposed changes and notify NABE within 60 days of request.

## VIII. Nature of Obligation

NABE agrees that the obligations contained in this TMP will run with the land and bind the owner or owners of Vision 5 and their successors and assigns. This TMP and the legal description to which it applies will be recorded in the real property records of King County, Washington. A copy of the recorded TMP will be provided to the City.

Failure to implement this TMP may result in the implementation of a civil penalty provided that no penalty, other than that described in the Contingency Measures above, may be assessed for failure to reach the applicable non-SOV goals.

Failure to comply with the TMP may result in the imposition of penalties, which by chapter 1.14 of the Redmond Municipal Code may include civil penalties up to $1,000.00 per day or criminal penalties of up to $5,000.00 per day. Each day the TMP is not implemented is a separately punishable violation. Other sanctions and remedies may be imposed as well. R

This Transportation Management Program is approved by:

**Natural and Built Environments, LLC.**

BY: Robert Pantley 3/10/2012

By Robert Pantley, Its Manager Date

ROBERT PANTLEY Its Manager

Printed Name Title

**CITY OF REDMOND**

BY: Chester Knapp 03/21/12

Signature Date

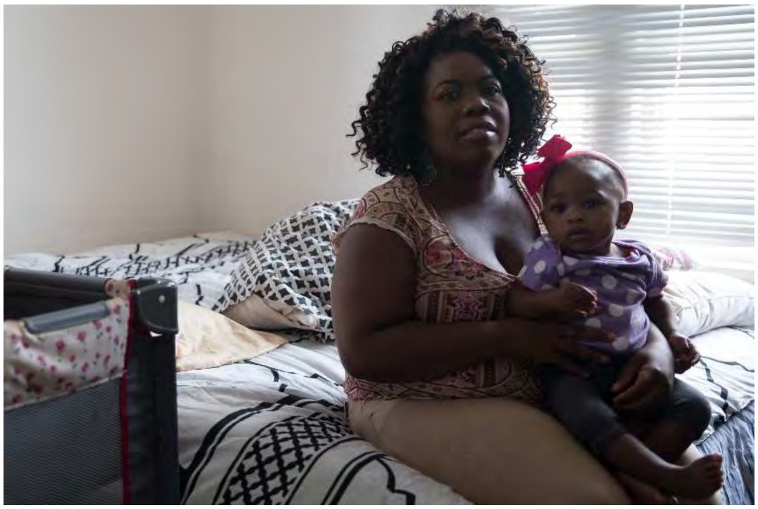
Chester Knapp Sr. Planner, City of Redmond

Printed Name Title

# Affordable housing, but at what cost?

Facing limited housing options and an unhelpful bureaucracy, one tenant has little choice but to stay in a rodent-infested apartment.

by David Kroman / August 24, 2018



*Turkessa Burrows holds her 10-month-old daughter Faith Campbell inside their apartment at the Oleta Apartments building in Seattle, Aug. 13, 2018. (Matt M. McKnight/Crosscut)*

There's not much space for Turkessa Burrows to avoid the mice. The studio she shares with her 10-month-old daughter, Faith, contains a bed, a crib, a kitchen and a small bathroom, all pressed up tightly against one another. At night she can hear the rodents — she suspects there may be rats as well — scratching inside the walls and at her door. They nibble through the drywall near the heating vent, scurry across what little empty floor space is left and sometimes, as happened last spring, into her daughter's crib.

The mice are no secret. The managers of Oleta Apartments, the low-income housing project where Burrows lives, know; the city knows; the federal government knows; her neighbors know too, because they are hearing the same scratching. Even online reviews from past tenants warn of rodents. The building has been cited and the Department of Housing and Urban Development has threatened to withhold funding unless the issues are fixed. And Burrows has been offered discounts and assurances from her landlords at Capitol Hill Housing, which owns the building.

But the one thing she wants — to leave and live somewhere else — is the thing she can't have, at least not right now. Burrows is caught in a grey area in which the authorities recognize that her situation is bad, but do not consider it bad enough to offer relocation help.

With housing prices as high as they are in Seattle, finding a new apartment can sometimes be difficult. But the kind of deeply subsidized rental Burrows needs is so rare, it makes the task almost impossible. For advocates, her case is a troubling sign, an example of the circumstances under which the city's current slate of tenant rights do not help. Burrows is left with an unenviable choice: abandon an apartment she waited so long to get and enter an unforgiving rental market, or live with the rodents while the building's management attempts to end the infestation, a task that could take months.

Burrows was homeless once. On the run from an abusive partner in Mukilteo, she lived in her car for a time, eventually finding a place in transitional housing and, after five years on a wait list, into the rent-subsidized Oleta Apartment building. The building, which rumors hold was once home to Eddie Vedder, is now managed by Capitol Hill Housing, a public entity organized by the City of Seattle to own and manage affordable housing. Between the subsidized rent and her Section 8 vouchers, Burrows pays just $96 a month for rent while she works toward becoming a nurse.

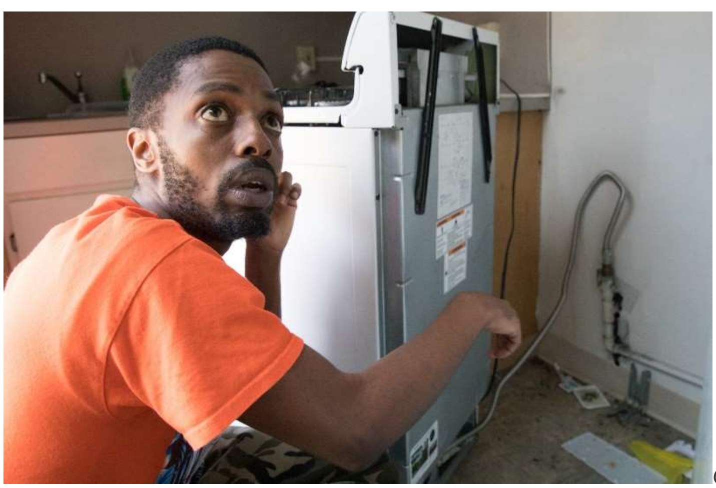
If it weren't for her daughter, Burrows said, she may have just put up with the mice. But she's concerned enough by the feces and the sticky traps that she doesn't allow Faith to crawl on the floor. When she found a mouse in her daughter's bed in June, "I just packed up what I had and left in the middle of the night," she said.

Burrows complained to her property manager, who promised to reimburse her for a room in a motel. She didn’t have the money up front, but her friend did and she stayed in a Motel 6 for four nights. But there was a breakdown in the payment and her friend couldn’t afford more nights, so Burrows moved to a shelter in Kirkland. She and Faith stayed there for nearly two months, returning to the apartment every day to shower and wash clothes.

(Burrows’ friend never received the reimbursement. When asked about the motel payment, a spokesperson for Capitol Hill Housing, Michael Seiwerath, said there was a miscommunication and that the friend would be paid.)

Burrows’s neighbors have also lodged complaints. William Lawson, who lives next door, said he noticed the mice the moment he moved in in November. He’s taken to sleeping with the light on because of all the scratching he hears. “This is their house,” he said of the rodents. “It’s not my house anymore. I’m a visitor at this point.”

Meanwhile, public agencies have jumped in, using the tools of bureaucracy to pressure Capitol Hill Housing to better manage the infestation.



*Oleta Apartments resident William Lawson pulls his stove away from the wall to reveal rodent feces in Seattle, Aug. 13, 2018. (Matt M. McKnight/Crosscut)*

Seattle's Department of Construction and Inspections recently cited the Oleta building with 20 violations for holes in the floor, wall and ceiling coverings, poor plumbing and what Wendy Shark with the department referred to as a "rodent infestation." If the issues are not fixed by Sept. 5, the department will start fining the owners $150 a day. After 10 days, it will go up to $500.

But while SDCI found violations, the conditions did not rise to the level of emergency, which means Burrows will not receive money from the city to relocate. "The most serious violation observed and called out by the inspector is a rodent infestation which also is not a violation that warrants a unit to be vacated," Shark said in an email. "These are maintenance and repair issues that we come across quite often."

The Department of Housing and Urban Development also recently sent Capitol Hill Housing a letter threatening to suspend or terminate its contract with the building if the conditions were not improved.

Such a move would render Burrows's Section 8 vouchers unusable at that location, which she said would raise her monthly rent to $769. She could take her vouchers elsewhere, but their buying power in the region has been steadily decreasing — as Crosscut has reported, last year just 44 percent of voucher holders in Seattle found a place to use them before they expired.

The scarcity of available affordable housing has created a choke point in the local housing market for people earning little to no income. A recent estimate from the Housing Development Consortium found Seattle needs an additional 10,000 homes for very low income people.


*Rodent feces litters the floor behind William Lawson's stove in Seattle, Aug. 13, 2018. (Matt M. McKnight/Crosscut)*

As for Burrows, she’s weary, recalling her 5-year process to get to the Oleta building in the first place. “It’s a housing crisis,” she said. “You can’t afford it.”

“Turkessa is an interesting case because it’s not eviction, but she has been effectively evicted from her home,” said Edmund Witter, a lawyer with the Housing Justice Project, one of few legal resources for tenants. He’s one of three attorneys who deal with up to 1,900 eviction-related cases at a time.

Witter adds that Burrows is lucky to live in Seattle where she can at least get an inspection from a department like SDCI. That is more than most tenants elsewhere in Washington state can hope for.

But while the landlord may be issued citations from SDCI, Burrows’ options as an individual are still limited. In New York and Minnesota, tenants have an expedited path to bring legal action against a landlord. A judge could even threaten a landlord with jail time if an issue goes ignored, said Witter. In Washington, though, Burrows would have to take the landlord to small claims court for damages, which could drag on for months or even years without any guarantee that the problem will be fixed.

That leaves Burrows with three options, said Witter. She could do a "repair and deduct," meaning she deals with the problem herself and charges her landlord. She could set up an escrow account, in which she could withhold her rent from her landlord until the issue is resolved (Witter said he never advises clients to do this because of its complexity). Or she can leave.

"Turkessa's options to enforce her rights suck," said Witter.

Expanding those options is something that activists have been pushing for — to some success, passing several tenants' rights laws in recent years. Still, Xochitl Maykovich, political organizer with the Washington Community Action Network, said she would like to see more aggressive pro-tenant laws in Seattle, similar to those in Minnesota or New York.

"I think a lot of people in SDCI do want to do the right thing and they do want to make sure that landlords are keeping places habitable," she said. "But I think a lot of the problems that exist are because the laws don't work in a way that's tenant friendly."

The city already requires private landlords to bring apartments up to code before they can raise rents, but that law means little in the kind of rent-controlled setting that Burrows is living in. The city also recently shortened the length of notice that inspectors must give to landlords, an attempt to reduce cosmetic cover ups. Councilmember Kshama Sawant has said she intends to introduce additional legislation to slow "economic evictions," but has not yet done so.

Maykovich with Washington CAN said she also wants the city to better fund and expand relocation assistance. Low-income tenants can currently get up $4,500 in help, but their unit must be considered uninhabitable — the apartment would need to be shut completely by the city as a result of catastrophic issues like flooding or fire. Rodent infestations, as Burrows has experienced, do not rise to that level.

Seiwerath from Capitol Hill Housing said that the housing nonprofit is currently working to fix the problem. It has turned to a new rodent control company and is repairing the spaces between floors to make it harder for the rodents to move through the building. The infestation should be under control by the end of the year, he said.

Capitol Hill Housing has told Burrows they will not evict her if she doesn't pay rent until the issue is fixed. Seiwerth also said they are currently working with Burrows to find her a different apartment. Capitol Hill Housing has other buildings, but they're not as deeply subsidized. Seiwerath acknowledges he doesn't know when space might open in a similar building.

For now, Burrows is back at the Oleta building, having returned several weeks ago. The shelter in Kirkland was wearing her and her daughter down, she said. There they slept on mats on the floor. She sleeps now with her daughter in her bed rather than in the crib, paranoid that another rodent might crawl into her crib.

Burrows still thinks about the abusive relationship in her past and the decision to leave, which placed her on her current path. "I'm like, should I have even applied for housing?" she wondered. "But I'm doing it for my daughter, not for me. If it was just me I would have packed up and gone to a different state or something. But I'm not going to run. I'm going to fight this."

# Amid building boom, 1 in 10 Seattle apartments are empty, and rents are dropping

Originally published January 3, 2019 at 2:58 pm Updated January 4, 2019 at 8:38 pm


*A leasing sandwich board for the Ascent building on Fairview Avenue in South Lake Union. In this new neighborhood of burgeoning apartment high-rises, 18 percent of apartment units are empty. (Steve Ringman / The Seattle Times)*

**Seattle built the fourth-most apartments of any metro area in the country over the past year, with only New York, Los Angeles and Dallas — all with far bigger populations than Seattle — building more. Take a community-by-community look at what it costs to rent, and how that's changing in the Puget Sound area.**

By
Mike Rosenberg
*Seattle Times real estate reporter*

Seattle is building more apartments than just about anywhere, and now 1 in 10 units across the city are sitting empty. Landlords have responded by lowering rents slightly and offering more perks to get tenants in the door.

The housing market is almost always at its slowest this time of year, but the changes this winter have been especially stark, according to new figures from Apartment Insights/RealData, which surveys landlords here quarterly.

Across King and Snohomish counties, apartment rents dropped 1.1 percent from the third to fourth quarter, the second-biggest quarterly drop this decade, behind only the 2.9 percent drop seen at this time last year. When factoring in concessions landlords are offering to lure tenants, like a free month's rent, the actual amount renters paid dropped 1.4 percent in the past quarter, or $24 a month.

Those incentives are now commonplace at new buildings and becoming more prominent in older complexes that are also struggling to fill up their units. Some property managers are even offering mystery gifts to those who agree to just show up for a tour.

Some rental ads spotted this week:

- "2bed home with 2.5k Amazon Gift Card and More!" at a new build in First Hill
- "2 Months Free plus $1000 gift card if move in with(in) 1 Week!" in Kirkland
- "NEWLY REDUCED PRICES — 1 Mo FREE + 2 Mo FREE Parking!" in Sammamish

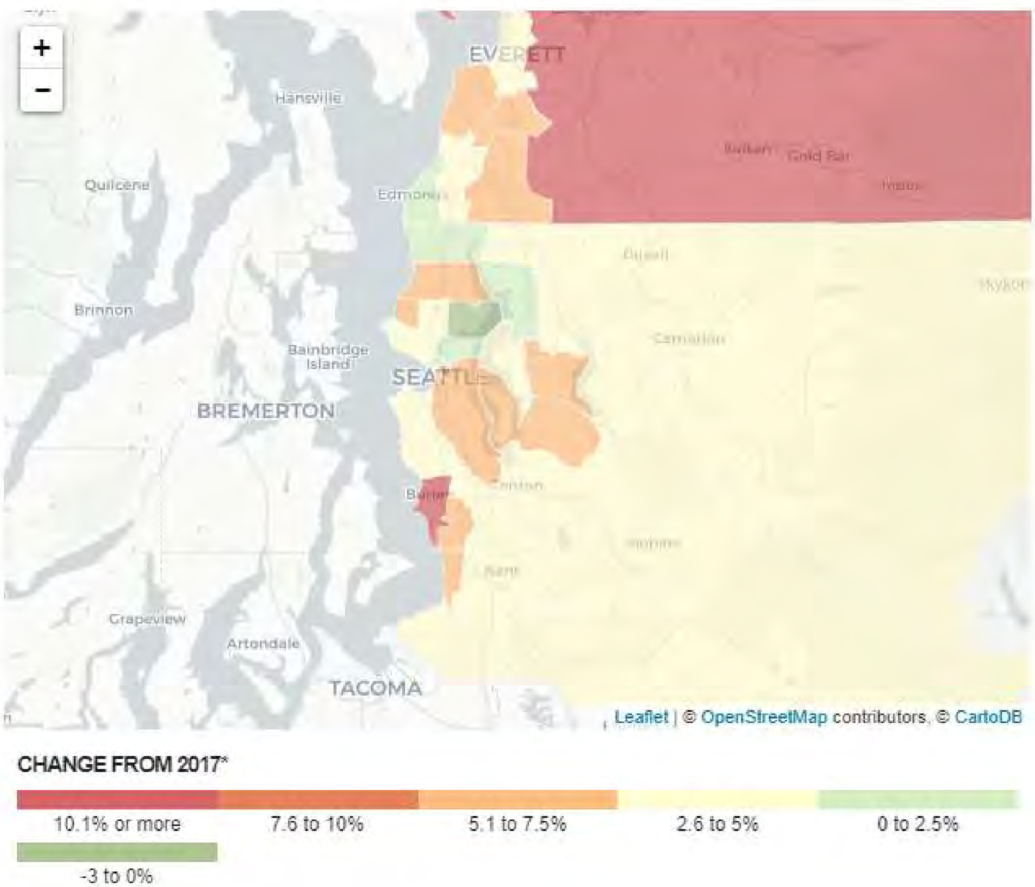
The market is cooling the most in the priciest parts of the region. On the Eastside, rents dipped 2.5 percent, or nearly $50, in the last quarter, while rents remained virtually unchanged in South King County and Snohomish County.

Rents dropped at least 3 percent in the past quarter in Belltown, South Lake Union, Fremont/Wallingford, Kirkland, Redmond, Sammamish/Issaquah and Edmonds.

Seattle rents are dropping at the fourth-fastest rate in the country, behind Cleveland, Oakland and Spokane, according to apartmentlist.com. A year and a half ago it was common to find Seattle on the list of fastest-rising rents in the nation.

**What it costs to rent, and how that's changing**

Click on each area to see the current average rent across all unit types, and how much it has changed in the past year, and in the past quarter.




*Based on fourth-quarter numbers
Source: Apartment Insights/RealData

EMILY M. ENG / THE SEATTLE TIMES

Year-over-year, rents were still up about 3 percent in Seattle and the Eastside after adjusting for landlord concessions, just a bit more than inflation.

"I've been renting in Seattle since 2014, and this is the first time where I felt like I have negotiating power," said Kjerstin Wood, who went apartment hunting with her partner last weekend and got bombarded with offers like free parking that she plans to use to play landlords off one another. “For the most part, everyone we’ve met with has been very eager to get us to apply right then and there.”

The trend is likely to continue: The apartment-construction surge that began earlier this decade is continuing at the same brisk pace, outpacing demand for rentals even as the city’s population booms.

“I don’t think most landlords have an expectation of rent increases this year,” said Candice Chevaillier, an apartment broker with SVN Whitecap who has begun surveying landlords as co-founder of the new Commercial Analytics firm. “We’re just really beginning to see a lot of the delivery of newly developed units, and that should continue in 2019 and 2020.”

**Empty apartments**

When looking at all apartments available for rent in the city of Seattle — including new ones — 10.5 percent are empty, up from 9 percent a year ago and 7.7 percent two years ago. But that’s happening not just in Seattle: Across the region, 8.6 percent of units are empty, the most since 2009.

In South Lake Union, where Amazon has spawned a new neighborhood with burgeoning apartment high-rises, 18 percent of units are empty. Vacancies hit 16 percent in the downtown Seattle core, 13 percent in First Hill, 11 percent in Queen Anne/Magnolia and 12 percent in Redmond, which is building the most apartments among King County suburbs. About 15 percent of units are empty in both Tukwila and Sammamish/Issaquah, which each just opened large new apartment buildings.

Those numbers are skewed by the new buildings still leasing up, but even landlords with older apartments are having more trouble finding renters. The regional vacancy rate among “stabilized” buildings that have been around at least a couple years was 5.5 percent, the highest since 2010 and up from a low of 3.9 percent a few years ago.

Developers don't appear to be souring on the Seattle area, even a full year into the rental-market cool-down. A total of 24,000 units are under construction or scheduled to begin soon, a figure that hasn't budged in the past year. The pipeline for future potential projects is at 34,000 units, also essentially unchanged from a year ago, although those projects may not necessarily get built.

**So much building**

The Seattle metro area, which is the 15th largest in the country by population, had the fourth-most multifamily units approved for construction in 2018, according to Census figures. Only the New York, Los Angeles and Dallas areas gave out permits for more.

The Seattle area approved permits for twice as many units as the Chicago or Boston regions, which are both larger. It greenlit 25 percent more than the San Francisco region, which is bigger and has double Seattle's housing costs.

While it was nothing but good news for renters in 2018, the region, of course, still remains unaffordable for many after rents soared about 60 percent from 2010 to 2017.

Average asking rents across all unit types are now $1,924 in Seattle and $1,954 on the Eastside. Rents are at $1,502 in Snohomish County and $1,448 in South King County.

Regionwide, even with the recent decrease, the average rent has soared from $1,034 in 2010 to $1,725 now. The extra $691 a month in rent amounts to about $8,300 in extra costs over the course of a year compared with the start of the decade.

But renters who shop around can take advantage of the new-supply glut to get some deals. Carl Hiltbrunner recently faced a 3 percent rent increase at his place downtown and decided to move. He toured five apartments and found one that provided his first six weeks rent-free.

"Most of the buildings feel the same in terms of amenities, so it was mostly comparing location downtown and price," Hiltbrunner said. "Six weeks free was hard to beat, so I ended up going with that one."

# Apartment construction is drying up. Is affordable housing measure to blame?

Posted February 19, 2018 at 07:00 AM | Updated February 19, 2018 at 08:54 AM

New apartment buildings are shown under construction on the east end of the Burnside Bridge on March 9, 2017. (Stephanie Yao Long/Staff)

Portland's apartment-building binge appears to be headed off a cliff.

Applications for new housing developments have nearly ground to a halt over the past year, and there are plenty of reasons for that. Construction costs have ballooned, as have land prices. The glut of new construction, meanwhile, has taken the wind out of rising rents, at least at the high end.

But Portland officials are increasingly worried the city's inclusionary zoning policy, which compels developers to set aside rent-restricted units in large apartment and condo projects, might be playing a role, too. And if home construction dries up, it could ultimately push housing costs even higher.

Only 12 privately financed developments large enough to trigger the mandate, totaling 654 units, have sought building permits since the policy took effect last year. A more typical year in the recent housing boom has seen thousands of new apartments proposed.

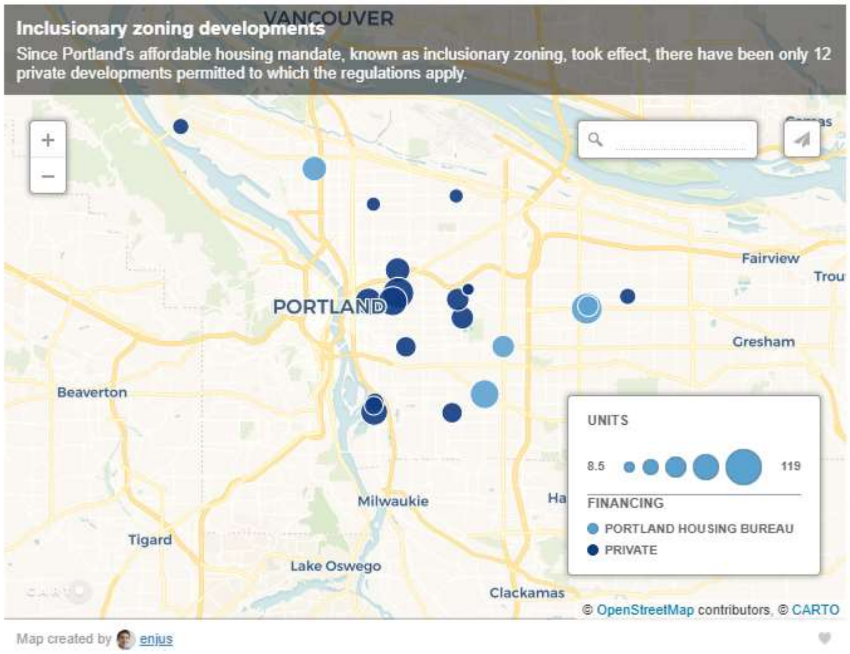
Those projects would create 89 units geared toward households earning significantly less than the median income.

It's difficult to say, given the many conflicting variables, whether or to what extent inclusionary zoning is to blame for the drop-off. Meanwhile, there's a backlog of projects that had been submitted before the rules took effect, representing up to two years of future development.

Nonetheless, a city economic planner tasked with monitoring the program says it might be time to consider changes that could give developers a better deal — or risk putting an artificial cap on the housing supply, driving rents higher in the long run.

“It’s not that the policy is currently broken,” said Tyler Bump, a senior economic planner with the Bureau of Planning and Sustainability. “It’s that we need to track it before it breaks.”

The 12 large projects are set to create 89 units geared toward households earning significantly less than the median income.




Policymakers are trying to walk a fine line, between using private development to create affordable units and avoiding a policy that shrinks housing stocks and drives up rents. They created incentives — including allowing more density while waiving fees and taxes — designed to offset the cost of the discounted rentals.

But developers say the market has shifted dramatically since those offsets were created. Rents in high-end buildings have been stagnant over the last year, which has prompted some landlords to throw in a few weeks of free rent to land tenants.

And it’s getting more expensive to build.

Urban Asset Advisers, a local developer, started construction on the six-story, 63-unit Lower Burnside Lofts in 2014. At the time, according to company President Tim O’Brien:

- The company paid a contractor $156 per square foot for construction materials and labor, totaling $7.8 million. Today, the company would budget $220 a square foot, or $10.8 million.
- The building cost $15,400 per unit in permit and development fees. Today, O’Brien estimates it could be $22,000. A 1 percent construction excise tax to pay for affordable housing has been created since and could add thousands more.
- Land prices have climbed. That site, acquired in 2012 for $700,000, is now valued at $1.2 million for the land alone.

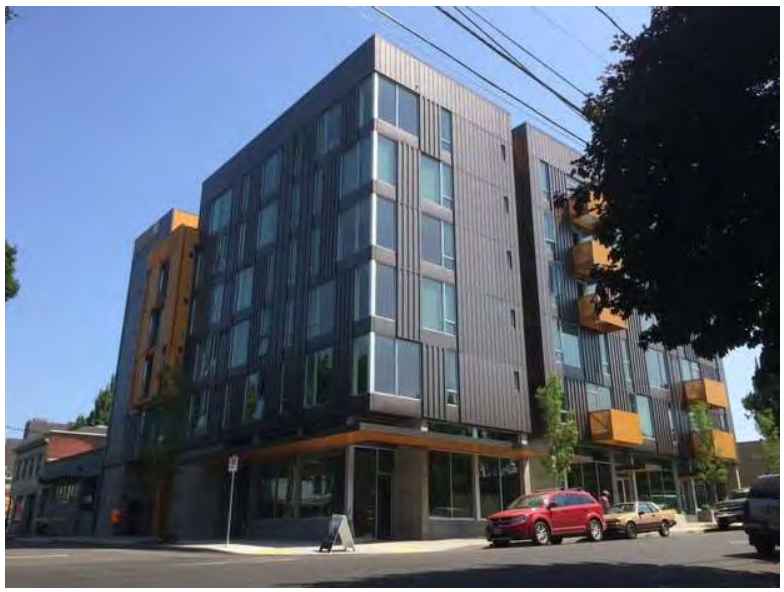
Today, Urban Asset Advisers is working on two projects that will fall under the inclusionary zoning mandate.

Both developments, at 39 and 54 units, are smaller projects. They're financed with a collection of local investors, rather than money from an out-of-town institution.

They work, O'Brien said, because small-time investors are willing to accept a smaller return.

But the big real estate trusts, retirement funds and other big-time investors that fueled the recent building boom expect a higher return, of about 6 percent.

That's a much harder target, given the rise in costs and the required discounted units. And if those institutional investors can't get that return in Portland, they can build in other growing cities where they can.



Lower Burnside Lofts, an apartment building developed by Urban Asset Advisers and opened in 2015. (Elliot Njus/Staff)

O'Brien says the policy can work without pulling the plug on new housing. But, he said, the city might have to reduce the number of affordable units it requires. The rule requires that one in five units be affordable to households making 80 percent of the city's median family income, which was $74,700 for a family of four in 2017. Developers can choose to offer deeper discounts on a smaller number units.

"We want to produce IZ stuff," O'Brien said. "We want to be part of the solution. We really want to find a way to get this right."

Some local developers have stopped pursuing new residential developments altogether.

Cairn Pacific LLC, whose founders have developed nearly 700 apartments in Northwest Portland under two different companies, is working on two apartment projects that it submitted to the city before the inclusionary zoning policy took effect. Though it has considered buying land for future developments, the rate of return would be too low for banks to make a construction loan, said co-founder Thomas DiChiara.

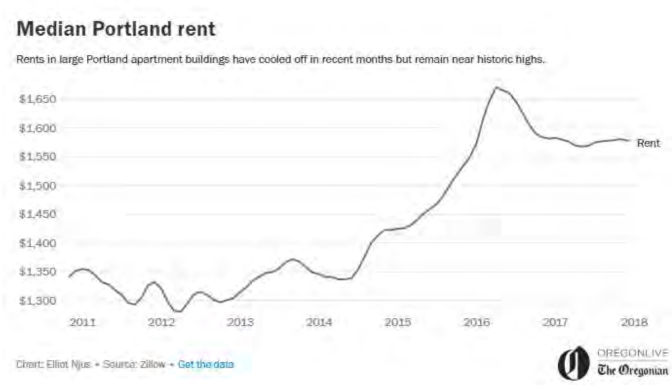
“The impact of inclusionary zoning is big enough that most deals that are already on the fringe fall below the threshold to be financeable,” DiChiara said. “Most projects are on the fringe anyway because of what the costs are.”

Of the private projects proposed under the inclusionary zoning mandate, not one is in Portland’s central core, where the incentives are the most generous.

The city is extending a 10-year tax abatement for the discounted units in the central city. That’s because buildings there are expected to be taller, and concrete-and-steel construction is more expensive than wood-framed buildings elsewhere.

But the uncertainty of where tax rates might fall when the abatement expires makes lenders and investors who would still have an interest in the building in year 11 nervous, DiChiara said. The rent, meanwhile, is locked in at affordable rates for another 89 years.

“How do I get an investor to buy off on that?” he said. “You have to underwrite it as if there’s no abatement.”

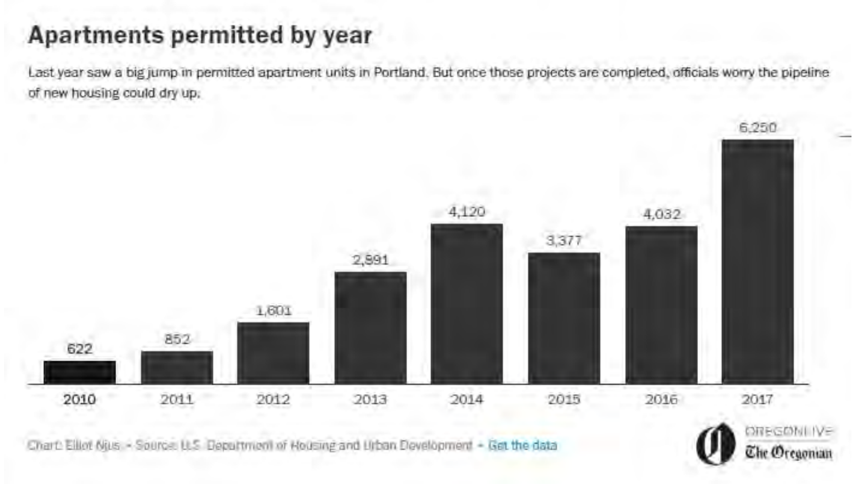



Shannon Callahan, the interim director of the Portland Housing Bureau, said the permit drop-off isn’t unexpected, and that the program is operating as expected.

“We committed at the very beginning of passing inclusionary zoning that we would always assess it against market realities,” she said. “In the first year, we’re watching it carefully. But we have to look at the other factors in the market and can’t have any knee-jerk reactions.”

Mayor Ted Wheeler already plans to propose some changes to the inclusionary zoning program, a spokesman said. They would extend a 10-year tax exemption to developments that aren’t subject to the mandate because they were submitted to the city before the policy took effect.

That could squeeze more affordable units out of the existing pipeline, but it would do little to address the looming drop-off.




Close to 10,000 apartments were in the development pipeline before inclusionary zoning took effect, said Bump, the city economist. Half of those are near approval to break ground.

Those projects could keep a steady stream of housing coming online for the next two years. Some, however, may simply not happen. It’s not uncommon for developers to drop projects because of unforeseen logistical or financial problems.

That means the city needs to see more housing proposals in the next year, Bump said, to avert a deep lull in development.

The Great Recession demonstrated the consequences of such a lull. In the throes of the economic downturn, housing production slowed to the lowest levels in recent memory.

As the economy recovered, from 2010 to 2017, average rents climbed 60 percent.

https://www.oregonlive.com/front-porch/index.ssf/2018/02/apartment_construction_is_dryi.html

# Community colleges need budget love to train future workforce

Originally published December 9, 2018 at 12:01 pm

Walla Walla Community College Energy Systems Technology students Charlie O'Connor, foreground, and Ruben Cabrera test circuitry on a liquid level control panel, part of an extensive system of Amatrol hands-on trainers at WWCC. (David Walk, 2018)

**The Legislature must reinvest in Washington's community and technical college system.**

By
The Seattle Times editorial board

Now that the state Legislature has made significant progress in fixing the way the state pays for K-12 education, lawmakers must focus on the next step in the education spectrum: college.

Today's young people will need a college degree or at least some post-high school training to qualify for the good paying career jobs of the future, from airplane manufacturing to software engineering. Much of that training will happen at the state's 34 community and technical colleges, which currently educate about 370,000 students.

The state has many competing higher education budget needs, but the two-year college system has suffered the most from years of budget cuts. When lawmakers plowed more money into K-12, especially in teacher salaries, community and technical colleges mostly were left behind.

A real effort must be made to repair that damage in the 2019-2021 biennial budget, during the next Legislature session, which begins Jan. 14.

At the same time, lawmakers must continue to work toward fully funding the State Need Grant for low-income college students. Nearly 69,000 students received State Need Grants during the 2016-17 school year to help them pay tuition and other fees at Washington's public colleges and universities. Another 20,000 students were eligible and unable to receive a grant due to lack of funding.

The Washington State Board for Community and Technical Colleges has three asks for the Legislature, all aimed at improving college completion. They want faculty pay raises to bring them in line with K-12 public school teachers; expansion statewide of the Guided Pathways student support program; and 5,000 more student slots in high demand fields like nursing, computer science and advanced manufacturing.

When weighed against the positive outcomes, the request is logical and relatively modest, totaling

$189 million. Lawmakers face many equally important priorities for budget dollars this year, such as expanding community mental-health services and filling the K-12 budget gap for special education. But higher education should not be left in the “maybe next year” pile.

By 2023, 77 percent of all job openings are expected to require at least some education beyond high school. Employers already are having a hard time filling the jobs that require a certificate or two-year degree. That “skills gap” is expected to reach more than 10,000 jobs that can’t be filled by Washington residents in the next five years. For the student, earning a two-year degree is estimated to boost lifetime earnings by about $324,000 over what she or he would earn with just a high school diploma.

Colleges across Washington are fulfilling workforce needs, as well as helping students succeed. Walla Walla Community College is a great example. Not only is the Eastern Washington college known for its winemaking program, but the college also is a place to learn about the wind turbine technology of the future. The college’s renewable-energy program also offers training for work in the solar, hydroelectric and biofuel industries.

Supporting Washington’s college system is not just for institutions, taxpayers are making an investment in the state, its economy and the people.

“I think about it as putting more money into Washingtonians,” said Jan Yoshiwara, executive director of the State Board for Community and Technical Colleges. “What people want is to have a good job and to be able to launch themselves into a career pathway that will enable them to support themselves and their families."

The network of community colleges across the state is designed to do just that: give Washington residents a place to launch themselves into the careers of the future. The Legislature should support the community colleges' mission by investing in programs that expand opportunities for all.

AUG 22, 2018

# Is Portland's Inclusionary Housing Rule Really Hurting Developers?

by Kelly Kenoyer

*MERCURY* STAFF

Many of the newest apartment buildings in Portland represent the height of luxury, with workout rooms, Amazon Echos, and other upscale delights. But their developers are worried: Thanks to a relatively new city program, they're being forced to rent some of those pricey units to the less-privileged in Portland. As a result, some say they won't build as much housing in the city—and they place the blame on **inclusionary housing** (IH), a policy intended to help with the city's affordable housing crisis.

IH—a program that requires developers to include affordable units in new residential buildings with more than 20 apartments—has been city policy since February 2017. While developers claim IH is cooling the market and driving development to other cities, the program's advocates say it's already helping to solve Portland's housing shortage.

IH mandates that developers either make 15 percent of the units in large-scale apartment complexes financially accessible to those who make 80 percent or less of **Portland's median family income** (MFI), or make 8 percent of the units accessible for those who make 60 percent or less of Portland's MFI, which is currently $34,200 for an individual. The rental rate for IH units is set at 30 percent of a household's income, just under the level at which the household becomes "housing burdened." At that level, an IH studio apartment rents for $855 per month, while an IH two-bedroom apartment goes for $1,099.

According to RENTCafé, the average studio apartment in Portland currently rents for $1,172 per month, and the average monthly rent for a two-bedroom apartment is $1,530. A person working 40 hours a week at Portland's $12 minimum wage makes an estimated $24,960 per year—less than 45 percent of the city's MFI.

By the end of 2018, city ordinance dictates that developers across Portland will have to include even more inclusionary housing—falling in line with policies already in place in downtown Portland and the Central Eastside, where developers already have to include 10 percent of a building's apartments to those making 60 percent of the MFI or 20 percent to those making 80 percent of the MFI.

The IH policy comes with **perks** for developers, such as not having to pay city property taxes for 10 years, waived fees on some city development charges, and the ability to build larger buildings than zoning would normally allow. There are also options for developers who don't want to include affordable housing in new complexes: Portland's IH requirement can be voided if a developer either pays a fee of $20 to $30 per square foot of the building or if they build or purchase affordable apartments in a separate building nearby.

PHB Interim Director Shannon Callahan says that since Portland's IH program came online in 2017, 35 development projects have participated. Seventeen months into the program, a total of 280 affordable rental units have either been built or are in development.

Callahan says that's a success, but developers aren't so pleased.

Tom Brenneke, the president of development firm Guardian Management, says the IH program is a "deterrent" to developers. He believes adding affordable units cuts into the profit margins for big projects, making it nearly impossible for those projects to secure funding.

"If you're going to tell me to price my units at a certain level," says Brenneke, "I don't know if I'll build it."

Brenneke adds that IH isn't the only problem currently hobbling Portland's developers, citing the city's slow permitting process, stubborn neighborhood associations, and increasing construction costs. When combined with a recent plateau in local rents, Brenneke says, "You have a policy that's out of balance." Brenneke says developers haven't been applying for very many permits since IH came into effect, but the city does not have data available to corroborate that claim.

Dan Drinkward, the vice president of Hoffman Construction, says IH could have a cooling effect on the Portland development market.

"When you change the economics of [development] pretty drastically, which inclusionary zoning does, then you have to change the deal with all those partners, and most of them will probably walk away," he says, noting that out-of-town investors "don't care about housing in Portland." Drinkward believes national investors are instead focusing on San Francisco and Seattle, and that local developers are moving their projects to Portland's less-regulated suburbs.

Determining whether IH is effective depends on your perspective, says Marisa Zapata, a land use and urban planning professor at Portland State University.

“When you hear developers say, ‘It depends how you implement [IH],’ they’re talking about how you make developers happiest,” Zapata says. “When *I* say it depends on how it’s implemented, I’m asking how many inclusionary units we’re getting that actually serve the interests of people from low-income backgrounds.”

Zapata agrees that the development market is slowing down, but she says it’s not as a result of IH.

“Developers hurt themselves by overbuilding luxury housing,” she says.

The numbers back her up. Portland’s vacancy rate for **apartments built in 2017 is 12 percent**, compared to an overall vacancy rate of 5.7 percent. While the housing market remains tight for lower-income renters, there isn’t nearly as much demand for the more expensive housing that developers have been building.

But Brenneke says Portland needs more housing in general, not just affordable housing.

“We’ve got to build 4,000 or 5,000 units per year to keep up with demand,” Brenneke says, adding that IH could deter developers from meeting that demand.

Even if IH has prevented some new projects from being built, Zapata doesn’t believe their loss will impact the Portlanders who most need affordable housing.

“Building a luxury unit today is not going to become low-income housing tomorrow,” she says. “Unless you’re building units that are designated and designed for people with low-income backgrounds right now, they’re not going to have access to that housing.”

# King County needs to spend $400 million a year to solve homeless crisis, new report says

Tents line the sidewalk along Alaskan Way South in Pioneer Square near Yesler Way, Oct. 17, 2017. (Alan Berner / The Seattle Times)

**An independent report on King County's homelessness crisis by the consulting firm McKinsey & Company finds that squeezing efficiencies out of the current system isn't enough to solve it; 14,000 units of affordable housing are needed, at least.**

By
[Vianna Davila]()

*Seattle Times staff reporter*

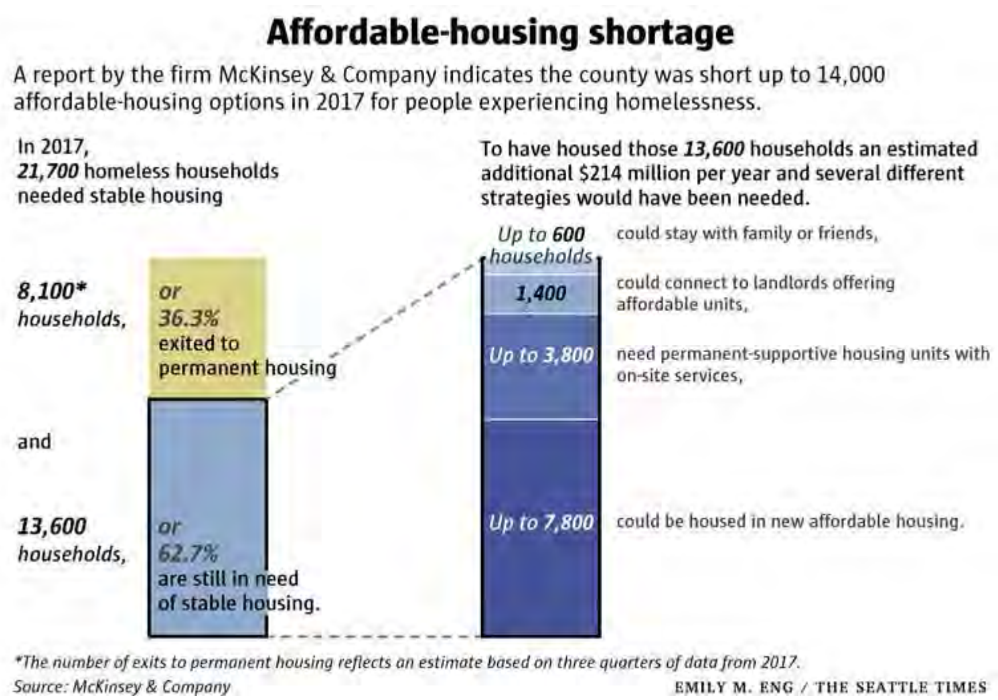
Seattle and King County could make the homelessness services system run like a fined-tuned machine, but without dramatically increasing the region's supply of affordable housing options, solving the region's homelessness crisis is all but impossible.

That is the central finding of a new, independent analysis of King County's homelessness crisis by the consulting firm McKinsey & Company, which produced the report pro bono for the Seattle Metropolitan Chamber of Commerce.

The report estimates King County is short up to 14,000 units affordable for people experiencing homelessness. Because of the gap, and the rising numbers of people who are homeless, annual spending — public, private or both — needs to double to $410 million if the problem is to be solved, according to the report.

And that's only if the annual rate of people becoming homeless doesn't increase.

"This is a supply-side issue," said Dilip Wagle, a McKinsey senior partner based in Seattle. "We are just running out of affordable housing units."



The startling findings come as Seattle engages in a furious public debate over the city's proposed plan to impose a $75 million annual tax on its largest businesses — including Amazon — to pay for more affordable housing and services for the homeless.

The chamber has vigorously fought the tax, so the McKinsey report results — produced independently of the chamber — may contradict their stance.

Chamber president and CEO Marilyn Strickland said she agrees more affordable housing is needed, but argues the so-called head tax is not the answer. She added that the chamber does not feel like what McKinsey produced was their report.

"We have record revenues, we have record tax collection," Strickland said. "If building were more of a priority, they (the City Council) should make it one and make it one now."

But Seattle Councilmember M. Lorena González, after reading details of the report in The Seattle Times, pushed back against the chamber's assertion that the current spending on homelessness is enough, when this analysis proves that it isn't, she said.

"It is an untenable position that the chamber is taking to acknowledge there is an affordable housing problem while at the same time offering nothing other than a continuing chorus of no's," said González, who received a high-level briefing about the report a few weeks ago but was scheduled to have a meeting with McKinsey on the report details Friday.

From what she knew about the analysis so far, González said the research seemed to validate “what the advocates and the nonprofit housing developers have been telling us for quite some time now.”

McKinsey approached the chamber last fall, and produced the analysis in a matter of months. Among other findings in the report:

• Recent improvements in King County’s homelessness-response system have resulted in more exits to housing, increasing by 35 percent between 2016 and last year. But, while helpful, that alone cannot make up for the region’s affordable housing shortage.

“There’s not a ton of more juice to squeeze on efficiencies in the (homeless) crisis-response system,” said Maggie Stringfellow, a McKinsey associate partner in Seattle.

• There is a 96 percent statistical correlation between the region’s rent increases and the increase in homelessness, a finding that echoes an analysis by Zillow Research, which found those relationships strong in Seattle, Los Angeles, New York and Washington, D.C.

While McKinsey can’t say that higher rents directly cause more people to lose their homes, the two have “risen together in lockstep,” Stringfellow said.

McKinsey found the correlation between opioid deaths and homelessness to be far lower, at 34 percent — an indication that, counter to some assumptions, drug use alone isn’t driving the dramatic rise in homelessness here.

A separate, unrelated report, released Wednesday by the Seattle and King County Public Health Department, found that drug and alcohol overdoses disproportionally impacted people experiencing homelessness.

### A growing problem

For Rachael Myers, executive director of the Washington Low Income Housing Alliance, the McKinsey analysis underscored what she's long known.

"It was really, really clear that we're not going to solve this problem by finding more efficiencies or making the system work better," said Myers, who was part of a group that was briefed on the McKinsey report before its release. "We just need a significant increase in the number of homes that are affordable to people who are extremely low income."

This debate about the right solution to homelessness continues as the Seattle City Council debates the head tax, also called the employee hours tax. As currently envisioned, about $50 million of the annual revenues from the tax, should the council adopt it, would go toward creating more affordable housing.

In a dramatic move last week, Amazon announced it was pausing construction of a new downtown tower until city council voted on the tax. That maneuver, plus anger over what many residents see as excessive city spending and frustration with its management of homelessness, has erupted into a fierce public debate.

On Wednesday, at a City Council committee meeting on the tax proposal, many speakers echoed the theme of the McKinsey report — that more housing is the only answer to the crisis.

In a separate news conference Wednesday, Mayor Jenny Durkan said she was interested in a sunset on the tax.

Strickland, with the chamber, agrees that the public sector alone cannot solve the crisis. But the chamber maintains that the city should spend its existing revenues on housing, rather than increase taxes on big businesses.

As a strategy to add more affordable housing, Strickland said Seattle needs to loosen some of its zoning laws that prohibit more dense housing. Seattle's strategy to squeeze affordable housing fees from new development — known as the Housing Affordability and Livability Agenda (HALA) — has slowly rolled out amid opposition from some neighborhoods.

Strickland, the former mayor of Tacoma, emphasized that Seattle alone shouldn't be responsible for solving the regional problem of homelessness.

Stringfellow, the McKinsey associate partner, said a variety of strategies are needed to increase the supply of affordable housing for people who are homeless. They include changes in zoning, master lease agreements or actual construction of more housing.

To estimate the cost to get everyone who is homeless into housing, McKinsey used a Seattle Times analysis showing that $196 million was spent operating the homelessness system in 2017.

The report estimates that between $164 to $214 million more was needed for a range of housing strategies, including leveraging the private market. But most of it was assumed to be spent for new affordable housing, including housing for people who need permanent support services.

The report also suggests improving governance of King County's homeless services, which currently is fractured and spread across multiple funders, with no central authority.

The report said the structure "may create duplicative proposals" and lacks "agility to quickly implement change." It noted that All Home, King County's coordinating agency for homelessness, "has influence but not authority."

Durkan and King County Executive Dow Constantine signed an agreement last week setting a December deadline for recommendations to consolidate homelessness services.

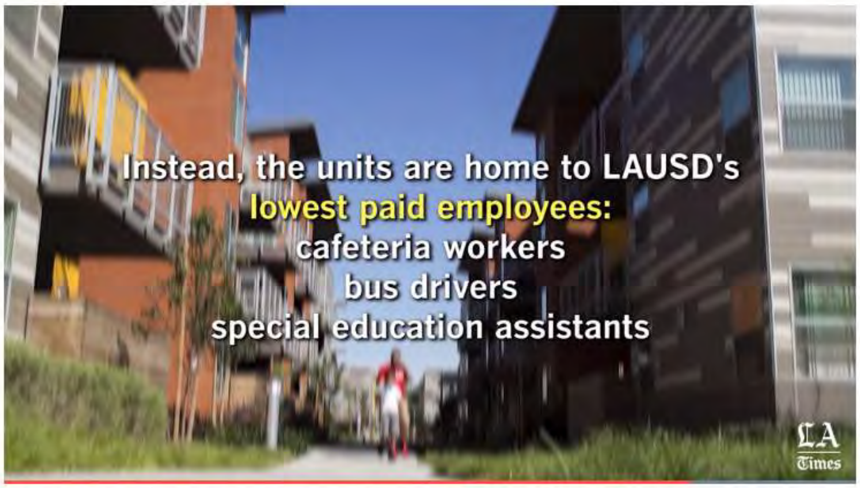
The McKinsey report also addresses a broader problem with housing affordability, beyond just those who are homeless.

King County currently has roughly 68,600 units affordable for people making up to 50 percent of Area Median Income — $43,200 for a family of three. But the current demand for that affordable housing is almost twice that — 116,200 — including the 21,700 households who are homeless.

And the demand for affordable housing is only expected to grow. The King County Housing Affordability Task Force estimates there will be a need for 244,000 affordable homes by the year 2040.

https://www.seattletimes.com/seattle-news/homeless/more-affordable-housing-only-way-to-solve-seattles-homeless-crisis-new-report-says/

# LAUSD teachers earn too much to live in the affordable housing apartments built for them




The district has built three housing developments for L.A. Unified teachers. Only problem: teachers earn too much to live there. Instead, school support staff are the primary occupants.

In the mid-2000s, in the midst of a housing boom, the Los Angeles Unified School District realized that skyrocketing rents were fueling teacher turnover.

Nearly half of all new teachers in some neighborhoods were leaving the district after three years. L.A. Unified was pouring millions of dollars into training new hires, only to watch them pick up and go.

Two below-market apartment complexes were built on unused district land and a third is under construction. Today, both are fully occupied. But not one L.A. Unified teacher lives in them.

That fact alone doesn't mean L.A. Unified's affordable housing experiment is a failure.

The projects have created 156 affordable units in Gardena and Hollywood — 121 of which have been rented by L.A. Unified service workers.

The apartments designed primarily for middle-class teachers have been an unintentional boon for the cafeteria workers, bus drivers and special education assistants who make up the lowest-paid group in the school system.

The problem for teachers, as district officials learned after they had signed the lease agreements and developers had secured funding, was that even the newest hires earned too much to qualify for the units.

Although the district had used its available land before to build affordable housing in Glassell Park, it had never tried to tailor units to teachers. In attempting to do so, it ran headlong into federal rules that forced developers to set strict income requirements for the apartments.

The starting salary of a new L.A. Unified teacher is a little over $50,300 a year. But the federal subsidies used to build the apartments in Gardena, Hollywood and University Park restricted the units to households that earned 30% to 60% of area median income. In Hollywood, a single person applying for a one-bedroom apartment couldn't earn more than $34,860.

Mark Hovatter, the district's chief facilities executive, said the district knew what the eligibility requirements would be. But at the time, he said, district officials thought it possible that a new teacher with a large family and no other source of income would qualify.

In a 2009 report to the school board, optimistic district officials had forecast: "Below-market rate housing targeted to high-turnover staff will reduce turnover and save money."

But the idea of L.A. public school teachers walking from their doorsteps to their classrooms remained a fantasy.
"It just wasn't feasible," said Robin Hughes, president of the nonprofit development company Abode Communities, which built a five-story below-market apartment

building over Selma Elementary School's parking lot. "We ran financial scenarios to see if we could serve entry-level teachers, but we would have lost too much of the public subsidy. There's no special government funding out there that supports teachers."

The Sage Park Apartments were built on vacant land near Gardena High School and opened in 2015. (Los Angeles Times)

Diamond Jones, 24, a special education assistant at San Pedro High School, was making $15 an hour and living with her parents when she got a letter from the school district advertising the colorful, boxy Sage Park Apartments in Gardena. She had looked for a place of her own and found nothing remotely habitable in her price range.

Jones was one of 7,273 people who applied to live in the 90-unit complex, which has a play area for children, laundry rooms and a community center in which residents can hold birthday parties and baby showers. She was entered into a lottery, which gave preference to school district employees, and emerged a winner.
According to the real estate website Zumper, median rent for a one-bedroom in Los Angeles last month was $1,920. Jones is lucky; she pays $588 a month for hers.

"It's actually a really nice place," she said of the sleek, modern apartment complex where the pace of life revolves around the school day. "Everybody has a job and goes to work. There's not a lot of riffraff."

Because school support staff typically work part-time jobs and aren't paid over the summer break, they often struggle to afford housing, said Max Arias, executive director of Service Employees International Union, Local 99, which represents L.A. Unified's roughly 30,000 service workers. The average cafeteria worker takes home $14,175 a year; a full-time custodian earns an average of $31,152.

Whereas most teachers earn too much to qualify for low-cost housing, falling into what affordable housing advocates call "the missing middle," many service employees earn too little or have such poor credit that their applications are rejected, Arias said.

"Some of them live in their cars, even while they're working," he said. "They find second jobs selling tamales or doing childcare. Their living situations are often pretty bad and they're constantly facing notices to evict."

A few of the L.A. Unified service employees who moved into its affordable units previously had been living in homeless shelters with their children district officials said.

Next fall, another 29 affordable units are slated to open near Norwood Elementary School, the final part of the district's housing push. But whether L.A. Unified will try its hand at affordable housing again remains unclear.
School districts that have successfully built housing for teachers have found ways around relying on federal subsidies, but they've had to take an active role in financing the projects and expose themselves to risk.

Santa Clara Unified sold $7 million in bonds, which it will pay back over 30 years with tenants' rent, to fund its Casa del Maestro project. Built in 2002 and expanded in 2009, the complex offers 70 below-market apartments to teachers.

In San Francisco, where ever-increasing housing costs vastly outpace teachers' salaries, the school district plans to build a 100-unit housing complex for public school teachers and paraprofessionals, to open in 2020. In the meantime, the district's 3,300 teachers are struggling and the need for new hires is growing more acute.

Earlier this year, San Francisco Unified began offering $4,000 signing bonuses to special education teachers who agreed to work in the city.

L.A. Unified is leasing the land for the three apartment complexes under 66-year agreements, guaranteeing they will remain below-market for at least that long. Doing so costs the district nothing, officials say, and has so far brought in $315,000 in payments from developers.

"I think board members are interested in the possibility of building more workforce housing," said school board member Monica Ratliff, who recently suggested the district consider an available 2-acre parcel near Sun Valley High School.

The proposal, however, comes with complications: a nearby charter school has recently expressed interest in using it for archery practice, although archery is not a sport the district recognizes or permits in its schools, and building on it would require neighborhood approval.

Meanwhile, there has been no public discussion of the school district selling bonds to finance low-cost housing that would serve teachers.

"We're going to consider all the financing models," L.A. Unified's Hovatter said. "But we're not in the affordable-housing business, and I don't anticipate us getting in."

# Microsoft pledges $500 million to tackle housing crisis in Seattle, Eastside

Originally published January 16, 2019 at 6:00 pm Updated January 16, 2019 at 6:59 pm

*Microsoft President Brad Smith says he hopes the company's $500 million commitment will result in "tens of thousands" of units of affordable housing. (Steve Ringman / The Seattle Times)*

**The pledge is the largest in the company's 44-year history, and comes as Microsoft and other tech giants that have driven the region's economic boom face increasing pressure to help mitigate affordable-housing shortages.**

By
Vernal Coleman and Mike Rosenberg
*Seattle Times staff reporters*

Blessed with a balance sheet that allows for sweeping gestures, Redmond tech giant Microsoft is responding to the region's widening affordability gap with a $500 million pledge to address homelessness and develop affordable housing across the Puget Sound region.

Most of the money will be aimed at increasing housing options for low- and middle-income workers — workers who "teach our kids in schools, and put out the fires in our houses and keep us alive in the hospital," said Microsoft President Brad Smith — at a time when they're being priced out of Seattle and parts of the Eastside, and when the vast majority of new buildings target wealthier renters.

Microsoft officials say it's too early to say exactly how much affordable housing will ultimately result from the $500 million. Smith, also Microsoft's chief legal officer, said the company hopes to leverage the fund to help create "tens of thousands of units," although to accomplish that it would likely have a small role in many projects.

The pledge is the largest in the company's 44-year history, and, according to the company, is one of the heftiest contributions by a private corporation to housing. In comparison, it dwarfs the $100 million in annual funding for the state's Housing Trust Fund.

The initiative comes as Microsoft and other tech giants that have driven the region's economic boom face increasing pressure to help mitigate affordable-housing shortages. Microsoft is coupling its contributions with a call for other companies to step up, and for Eastside cities to facilitate more housing.

The company, which plans a news conference in Bellevue on Thursday morning, will split the funds three ways:

Microsoft will loan $225 million at below-market interest rates to help developers facing high land and construction costs build and preserve "workforce housing" on the Eastside, where the company has 50,000 workers and is planning for more. The developments will be aimed at households making between $62,000 and $124,000 per year.

**Microsoft commits $500 million to address area housing and homelessness**

Microsoft will spend $475 million on loans to spur affordable-housing construction, and the remaining $25 million on philanthropic services for the homeless.


Source: Microsoft

EMILY M. ENG / THE SEATTLE TIMES

Another $250 million will go toward market-rate loans for construction of affordable housing across the Puget Sound region for people making up to 60 percent of the local median income ($48,150 for a two-person household). Microsoft plans to dole out the $475 million in capital investment over three years.

The remaining $25 million will be donated to services for the region's low-income and homeless residents. Out of that amount, the company will give $5 million to an effort backed by the Seattle Mariners to beef up staffing at a King County Bar Association legal clinic for tenants facing eviction, and another $5 million to support Seattle and King County's push to consolidate their homelessness services.

Microsoft's push into housing finance follows its announcement of a massive expansion of its Redmond headquarters. The company, which is sitting on $135 billion in cash reserves and short-term investments, is adding about 2.5 million square feet in new construction and plans to renovate another 6.7 million square feet. When it's done, Microsoft will have room for another 8,000 employees.

The fund also marks Microsoft's first significant foray into the politics of housing affordability, where debate over the role of big tech in addressing the widening affordability gap still simmers.

Smith said he views the fund as an acknowledgment of the economic realities faced by low-salary workers at the company and elsewhere in King County.

"At some level we as a region are going to need to either say there are certain areas where we're comfortable having more people live, or we just want permanently to force the people who are going to teach our kids in schools, and put out the fires in our houses and keep us alive in the hospital, to spend four hours every day getting to and from work," he said. "That is not, in our view, the best outcome for the community."

**The plan**

Microsoft leaders began work on the fund last summer, following discussions with Challenge Seattle, a business-led group that seeks to address regional issues.

In the wake of Seattle's ultimately failed effort to impose a so-called head tax on big businesses to fund affordable housing and homeless services, the group discussed solutions for addressing the region's affordability gap. Smith says the idea for the fund grew out of those conversations, with Microsoft CEO Satya Nadella giving the green light for the massive commitment.

The specifics of the plan are still being sketched out. Microsoft hasn't identified any specific projects or developers yet and has no firm timeline for doling out the cash.

The company expects to turn only a small profit off the loans, which officials say will be reinvested in the fund.

The loans are intended to help developers kick-start development and preservation projects by giving them bridge and longer-term loans they can use to borrow additional funds.

Building the number of units the company envisions won't be easy because housing development remains expensive. Based on the typical costs, if the full half-billion dollars were plowed directly into one project, it would only produce about 1,000 housing units.

Moreover, financial returns on housing investments aimed at middle-income renters are low. Developers, by and large, have no problem securing financing for high-end projects, because the pricey rents lead to healthy profits. By comparison, rents for middle-class workers average $1,780, reducing returns for capital investors.

As a result, luxury units have made up 85 percent of the 62,000 market-rate units opened in King County since 2010, according to RealPage. Just 9,000 new units aimed at middle-income earners have been built in King County so far this decade.

Microsoft is partially modeling its venture after Housing Trust Silicon Valley, which operates a similar housing-loan program in the Bay Area. Julie Mahowald, acting CEO for the Silicon Valley fund, said financing middle-income projects is the housing community's "hardest nut to crack."

The organization says it has invested $183 million to help create about 17,000 affordable-housing "opportunities" since 2000, largely by spreading the funds around in small amounts to several projects, such as loaning money to purchase land and then leaving the development costs to builders.

It's hard to know exactly how many new units Microsoft's fund can create, said M.A. Leonard, vice president at Enterprise Community Partners, a national nonprofit affordable-housing developer.

"It depends on so many factors, like land acquisition, who owns the buildings and how they leverage the loans, but it's certain to free some capital up," she said.

Even if Microsoft does influence the construction of tens of thousands of units, it won't be enough. Using housing and labor data from King County's largest cities, Microsoft estimates that the county currently needs about 305,000 affordable-housing units to fill the region's affordable-housing gap.

That's 61,000 more units than a recent estimate from the King County Regional Affordable Housing Task Force, whose December report states that to keep up with population growth, the county will need an additional 244,000 affordable-housing units by 2040. Another analysis in 2018, by consulting group McKinsey & Company, estimated that about 14,000 affordable units are required to address the region's homelessness crisis.

**Eastside cities**

Smith concedes that Microsoft's funds alone are "nowhere close to what's needed to solve this problem," and that the biggest impact would come about only if the various public policies the company is advocating are passed.

As part of the initiative, the company has urged the mayors of several Eastside cities to address the policy barriers that often impede affordable-housing development.

At the company's urging, Mayor John Marchione of Redmond, Mayor Penny Sweet of Kirkland and several other Eastside mayors signed a letter committing to "do our part" to address outdated land-use regulations, slow permitting processes and several other policy issues that impede housing development.

Marchione said Microsoft's request highlights trends that have become increasingly apparent on the Eastside — that housing prices are outpacing salaries for middle-income residents.

"The fact that Microsoft recognizes that there is an issue for their employees and are willing to be part of the solution is progressive," he said.

Redmond has already taken steps to address six out of the seven challenges highlighted by Microsoft, he said. But Marchione said he's still on the fence about waiving or reducing impact fees to fund affordable-housing development.

Microsoft will also ask state legislators to double the state housing trust fund, taking it from $100 million for affordable-housing development to $200 million.

For Microsoft, the fund is also a call to action. The company wants philanthropies and businesses to step up with aid, Smith said.

Smith said he's open to others contributing to Microsoft's fund and has had talks with executives at other companies. But few have the same amount of cash on hand, he said. He noted Boeing has much of its money tied up in aircraft construction. Smith said he's talked with leaders from Amazon, but declined to disclose details.

Convincing the private sector to jump on board might be hard. In Silicon Valley, companies such as Cisco and Microsoft's LinkedIn have donated $52 million toward a similar housing-loan program, but companies like Google and Facebook have instead chosen to build or advocate for housing near their Silicon Valley headquarters.

A local effort may prove instructive. A year and a half ago, Seattle companies Spectrum Development and Laird Norton Properties teamed up on a $500 million fund to build middle-income housing, hoping others would follow suit.

Gabriel Grant, one of Spectrum's partners, said while they've found some success finding their own projects — they have one in Pioneer Square and expect to break ground on two or three others in the next year — they haven't seen a single other major developer go after the middle-income projects commonly known as workforce housing.

"I don't see a time anytime in the near future where the large institutional developers shift toward workforce housing," Grant said. "I think you have to be creative to make this work. Every single property that we work on has some unique element that makes it possible," like a civic-minded landowner.

Former Gov. Christine Gregoire, who leads Challenge Seattle, the organization that convened the discussion that kick-started Microsoft's effort, said she hasn't asked leaders from the other businesses represented in the group, such as Boeing, Amazon and Alaska Airlines, directly about contributing, but its members have pledged to continue talking about how to address the region's affordability challenge. Save for Microsoft, none has made a commitment.

"Clearly this is not about Challenge Seattle, this is about amassing the support from the entire business community," she said.

Claudia Balducci, Metropolitan King County Council member and co-chair of its regional affordable-housing task force, said she hopes other business leaders follow Microsoft's example.

"I would hope others have seen the benefit," she said. "They need workers, or they can't be competitive as an employer."

# Portland City Council rejects rules to increase affordable housing

*By David Harry on June 19, 2018*

PORTLAND — Large-scale residential developers will not be required to increase the number of units set aside as workforce housing, but the ordinance governing those set-asides will remain on the books.

Those were among the council decisions made at Monday's City Hall meeting, which lasted more than five hours. Councilors also approved expanding the boundaries and increasing the supplemental tax assessment for the Portland Downtown District.

Councilors also put more teeth into the ordinance covering snow removal from sidewalks, including increased fines for failure to comply. The changes also allow the city to designate property owners as repeat offenders, clear the sidewalks and then bill the owners for the work.

The revisions to housing rules and the inclusionary zoning requirements have been discussed since last November, with competing recommendations coming from the council Housing Committee and the Planning Board ahead of Monday's votes.

Councilor Brian Batson, a member of the Housing Committee, offered an amendment to increase the number of set-asides from 10 percent to 18 percent in developments with 10 or more units. Both the committee and Planning Board were opposed to any increase.

Batson said the increase would close "the gap on socioeconomic diversity in Portland."

He was supported by Mayor Ethan Strimling, who wanted to double the number of set-asides. Strimling said nearly three-quarters of about 500 municipalities with inclusionary zoning rules required at least 15 percent of units to be set aside.

Inclusionary zoning rules were enacted in 2015 with a six-year window. City Planning Director Jeff Levine said two units have been built, a third is under construction, and there is the potential for a total 31 units being set aside.

Developers can also pay $100,000 per unit in lieu of the set-asides, which would be marketed to people earning 100 percent to 120 percent of the area median income. A council memo shows the anticipated revenue from those fees is $1.26 million; it would go to the city's Housing Trust Fund.

A 30-minute public hearing drew comments from both sides. Carolyn Silvius of Homeless Voices for Justice said the increase was needed because of the city's housing shortage. She also urged councilors to eliminate the payment in lieu of set-asides.

Developer Ethan Boxer-Macomber said the industry is already crunched by increased property and construction costs, making the new requirement onerous.

“I can tell you right now these projects are inherently difficult to do,” he said, adding the list of approved construction affected by inclusionary zoning is notable because of the projects that have been delayed.

Councilors also rejected Strimling’s amendment to reduce the income standards to 80 percent to 100 percent of the area median income. Councilor Kim Cook offered a motion to restore the six-year sunset clause stricken from the revisions, but was the sole supporter of her amendment.

## Portland Downtown

The boundaries of Portland Downtown, the business improvement district established in 1992, will expand, but will not include sections of Park and Pleasant streets that are primarily residential.

With the expansion comes the first increase in supplemental property taxes paid by property owners in the district, from 92 cents per $1,000 of assessed value to $1.03.

In all, the increased tax rate and boundaries are expected to generate more than $950,000 in revenue the city will turn back over to Portland Downtown for its fiscal year 2019 operations.

Members of the public spoke for more than 30 minutes in support and opposition to the expansion, which will also include more complete snow removal and trash cleanup. The measure would also increase the proportion of residential property owners to 44 percent, up from about 40 percent.

Park Street resident Karen Foster supported the amendment by Councilor Justin Costa to remove her street.

“It is simply a matter of not expanding into areas where it does not fit,” she said.

Portland Downtown Executive Director Casey Gilbert said the new boundaries were proposed with clarity in mind.

“We tried to be very egalitarian … and data-driven,” she said.

http://www.theforecaster.net/portland-city-council-rejects-rules-to-increase-affordable-housing/

# Portland Real Estate Market Still Adjusting to Inclusionary Housing

BY JARED BREY | APRIL 10, 2018

(AP Photo/Don Ryan)

Stephanie Reyes analyzed 1,379 policies and programs last year, all dedicated to inclusionary housing, the mandatory or voluntary inclusion of affordable housing units as part of market-rate or luxury developments.

One of the insights she came to realize: it's important for cities to provide certainty in the market about whatever policies they choose to adopt. If developers think they can wait out a policy that the city might change its mind about, they'll try to. Inclusionary housing policies need to be seen as a permanent part of the regulatory environment before they can work, she says.

So what does it mean when Portland appears now to be doubling-back on the inclusionary housing policy it adopted a year ago? Were the critics correct who said the policy would backfire?

“I can say with a huge amount of certainty that the answer is: We can’t know yet,” says Reyes, state and local policy manager for the Grounded Solutions Network.

When Portland voted to enact a mandatory inclusionary zoning policy late in 2016 — requiring some developers to set aside 20 percent of new apartment units for families earning less than 80 percent of median income — it was coming off half a decade of growth in multifamily construction. According to a report in The Oregonian, the city permitted an average of 3,200 apartments a year over the five years from from 2012 to 2016. In 2017, the number of permitted units shot up to 6,250, according to the report. But in the year after the inclusionary housing policy took effect, developers sought permits for only 12 projects that met its 20-unit threshold, totaling just 654 units.

“Before we enacted inclusionary zoning in 2016, a mad rush of developers and property owners and architects pulled out an enormous amount of permits—a historic number,” says Brendan Finn, chief of staff to Portland Housing Commissioner Dan Saltzman. “We obviously were informed of what was happening, and kind of referred to it as the pre-inclusionary zoning pipeline.”

But while the number of multifamily permits has fallen dramatically in the last year, many developers have yet to move forward on projects that were permitted before the inclusionary zoning policy was enacted. So last month, the city council voted to reactivate its old incentive program for projects that were permitted under the former regulations, in an attempt to both kickstart those developments and squeeze a measure of affordability out of them. The program, called MULTE, offers tax breaks for multifamily projects that set aside 20 percent of units for reduced-rate rents. The incentive will only be offered for projects permitted in the run-up to February of last year, when the inclusionary zoning policy took effect.

Finn says Portland is not abandoning its inclusionary zoning policy. The city is offering MULTE for certain earlier projects because it wants to keep encouraging a growth in housing supply. It might make changes to the inclusionary zoning policy as it gathers more data on the impact it's having on the real estate market, but the policy is here to stay.

Reyes says that every city that's considering mandatory inclusionary zoning needs to find a balance that promotes affordable housing without preventing growth in the market-rate housing supply. In Portland's case, the past year's drop in permits might be dramatic, but it's not necessarily evidence that the inclusionary policy as a concept is hurting the market. "The question in Portland is, did they find that line correctly?" Reyes says.

There's no question that the advent of the inclusionary zoning policy caused the rush to pull permits, both Reyes and Finn say. Developers would naturally want to avoid any such regulations if they could. But the fact that so many projects were permitted in such a short time is probably contributing to the current slowdown in the market, along with increases in construction costs and other variables.

Reyes highlights the distinction between those who own property and those who build on it.

"Over time, what studies have shown throughout the years, is that generally, the cost of providing the affordable units ends up getting passed back to the landowner in the form of reduced land prices," Reyes says.

Landowners can't simply take their business elsewhere the way that developers can. So ultimately land costs need to adjust so that developers can still make their financing work, Reyes says.

"It's confusing," Reyes says. "It's this new thing. It takes time for landowners to face up to the new reality."

Finn says that despite the slowdown, and the city's effort to overcome it, those adjustments are starting to happen.

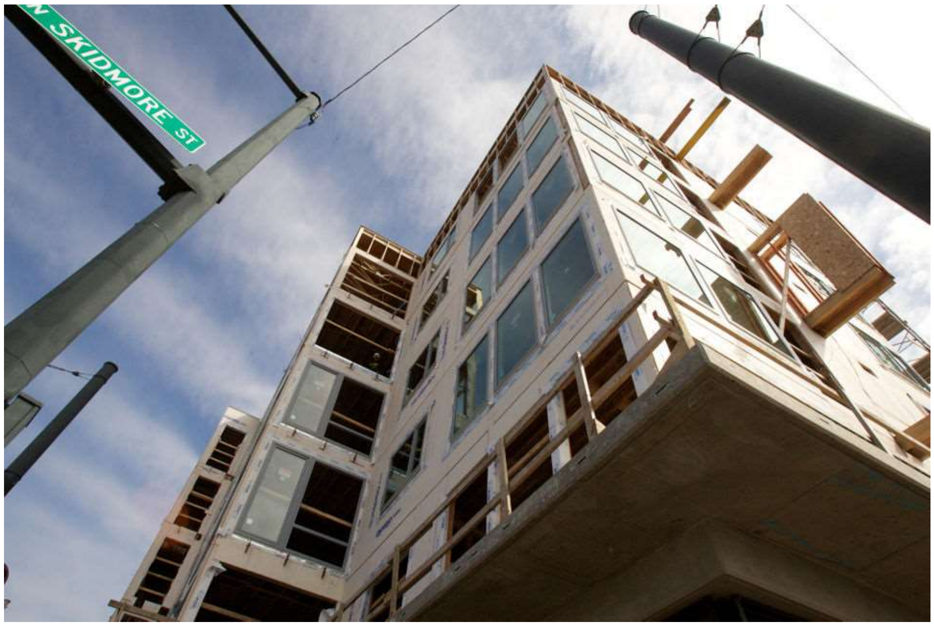
"[Inclusionary housing] is already part of the nomenclature of the development community," Finn says. "It's already there. It's already built into the pro formas. We still have a lot of cranes in the air."

The city may adjust the incentives that are included in the program or make other changes to the policy based on market studies, to make sure the requirements are balanced. But Finn believes that Portland officials are in it for the long haul, and in fact are braced for a much bigger slowdown in the market. Construction and land costs, housing supply, and policy changes could all be affecting the local market in Portland. But the national economy is bound to take a downturn sooner or later, Finn says, and when it hits the Portland development market, some people are going to blame inclusionary housing.

"There's a firm belief amongst Portland City Council members that that's going to happen …" Finn says. "I think the council is pretty solid in the fact that they're not going to be pressured to change the policy because of what's happening on a national scale."

# Portland weighs changes to key affordable housing policy

By Elliot Njus | The Oregonian/OregonLive | Posted October 18, 2018 at 02:27 PM | Updated October 20, 2018 at 01:23 PM




A 155-unit apartment project under construction in North Portland in 2013. (Doug Beghtel/The Oregonian/file)

Portland might alter a key policy designed to create more affordable housing throughout the city.

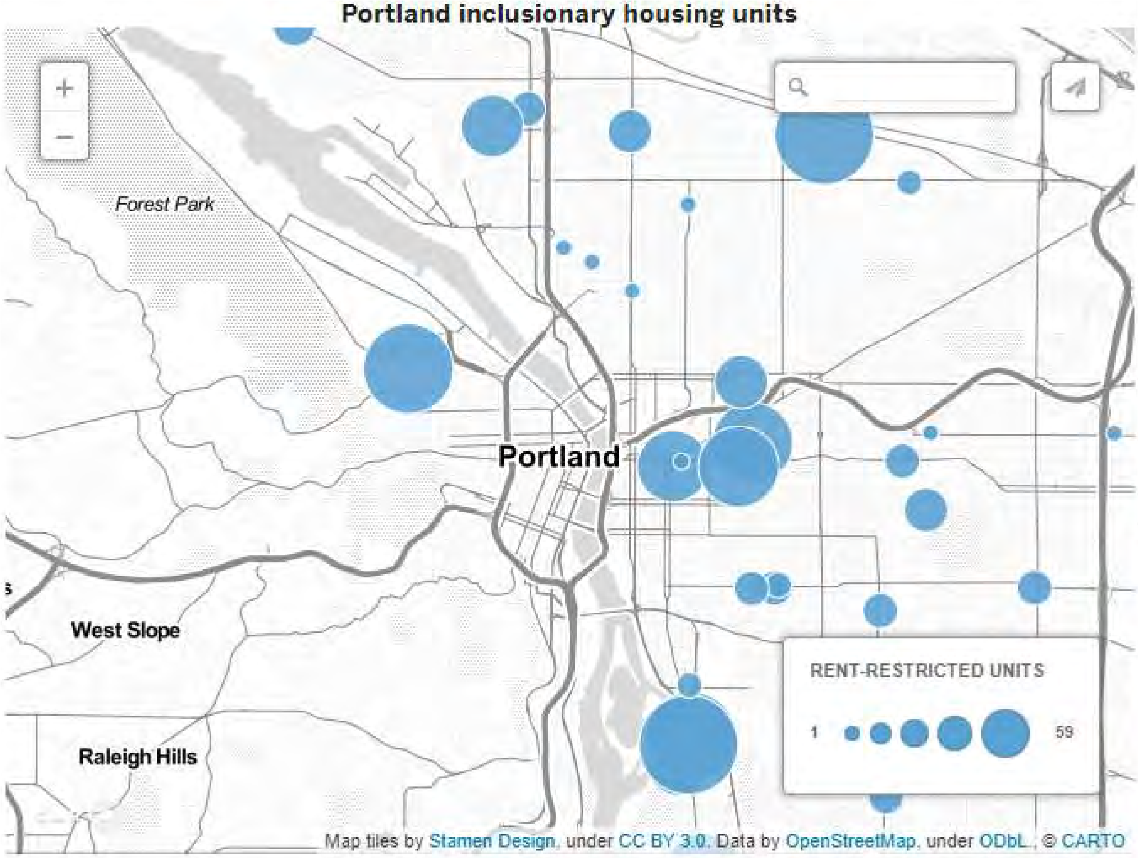
City housing officials are proposing big changes to a year-and-a-half-old program known as "inclusionary housing." The approach requires developers to include rent-restricted units in large housing developments, which the city hopes will create a pipeline of affordable apartments in some of the city's most desirable neighborhoods.

But the Housing Bureau has recommended a delay for a scheduled increase in the number of affordable units required, and its leaders are weighing bigger tax breaks to developers in an attempt to get more apartments built.

The move doesn't signal that the program isn't working, said Matthew Tschabold, the bureau's assistant director. One worry when the city adopted it was that it might restrict construction, a byproduct that could leave renters with fewer choices and drive up rents.

"From our perspective it still is too soon to tell," Tschabold said. "This is just the Housing Bureau doing what we committed to doing, which is to actively manage the program, to bring back refinements and adjustments as needed."

Portland inclusionary housing units




Map created by enjus

Some developers disagree. They say the program has made it too hard to build homes in the city, and they point to a decline in new projects proposed since the program took effect.

One complicating factor is the thousands of apartments proposed before the inclusionary housing mandate, many that are just beginning construction or even still in the permitting process. Developers are still working their way through those projects, which helped push 2017 to a record-setting year for housing unit permits.

An analysis of numbers provided by the Housing Bureau found that the program has resulted in 291 rent-restricted units in 33 private, for-profit developments. Projects backed by the Portland Housing Bureau or nonprofit affordable housing developers bring the total to 362.

Because the mandate took effect just last year, none have yet been built and some are still seeking building permits.

Another 57 projects, totaling 6,300 total units, a fraction of which would be rent-restricted, have been proposed, but are in an early phase of the permitting process. Those projects could be abandoned or altered.

The policy was expected to produce an average of 382 new affordable units per year over 20 years, assuming the city lives up to the housing forecast outlined in its comprehensive plan.

An apartment building is shown under construction in Southeast Portland in 2014. (Mark Graves/The Oregonian/file)

The shifting winds of the construction business have further confused things. Construction costs have climbed and rents have plateaued, which could slow construction regardless of the effect of the inclusionary housing policy.

"I'd say inclusionary housing is working exactly the way we designed it," said Vivian Satterfield, an activist who pushed for the state to allow inclusionary housing and sat on the committee that helped design the city's program. "It's designed to be responsive to the market. These shifts can happen and are unrelated to inclusionary housing."

The changes the city is considering would delay a scheduled increase in the percentage of rent-restricted units in developments across much of the city.

The program currently requires that 15 percent of units be restricted to rents affordable at 80 percent of the median family income or that 8 percent of units be affordable at 60 percent of median family income. The requirement was set to jump in January to 20 percent and 10 percent respectively, but the bureau has proposed to delay the increase until 2021.

The city could also expand tax exemptions that developers receive to offset the cost of affordable units. Instead of receiving the exemption on just the rent-restricted units, owners of large apartment buildings could be exempt from taxes on all residential units in the building.

That's a benefit already offered to developers within the central city, but the expansion could remove thousands more apartments from the tax rolls. It's not yet clear how much that would cost, Tschabold said.

New apartment buildings were sprouting up on the east end of the Burnside Bridge last year. (Stephanie Yao Long/Staff/file)

Program backers said from the outset that the program must be calibrated to ensure building homes remains profitable so the supply keeps up with demand to keep prices at bay. Portland's apartment buildings have been full-up for years, and the recent construction boom is only just beginning to create some breathing room.

At the same time, officials don't want the incentives to be a windfall for developers that deprives the city of money to pay for parks, roads and schools.

The changes won't address of the biggest gripes developers have with the program: that the tax exemption lasts just 10 years while rent restrictions remain in place for 99 years. That makes it difficult to predict future costs, which can complicate financing or selling a building.

Dennis Sackhoff, whose Beaverton-based Urban Development Group has been a prolific developer on Portland's east side in recent years, voluntarily resubmitted permits for four buildings under the program primarily to get a requirement to build parking waived.

But he said that was a way to get projects going on property he already owned.

"I don't see that the program works well enough to encourage me to do any more," he said. "It's not attractive enough."


Apartment buildings are shown under construction in North Portland in 2015. (Kristyna Wentz-Graff/Staff/file)

Joe Cortright, a Portland economist and director of the City Observatory think tank, said the number of housing development proposals coming in since the inclusionary zoning policy took effect isn't enough to sustain the level of building needed to meet demand.

That could push rents higher for everyone, he said.

While the policy might have created 360 affordable units, Cortright said, "if you deterred the construction of that many market-rate units, you arguably had at least as big, or possibly bigger, impact of the affordability of apartments."

Tschabold said the Housing Bureau would study the proposed changes over the coming months. The Portland City Council would have to sign off on major changes to the program.

https://www.oregonlive.com/expo/news/erry-2018/10/9f40fe6abe6623/portland-weighs-changes-to-key.html

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# The economics of homelessness in Seattle and King County

Can a rising tide lift all boats? Here is a quick primer on the state of play in one fast-growth market.

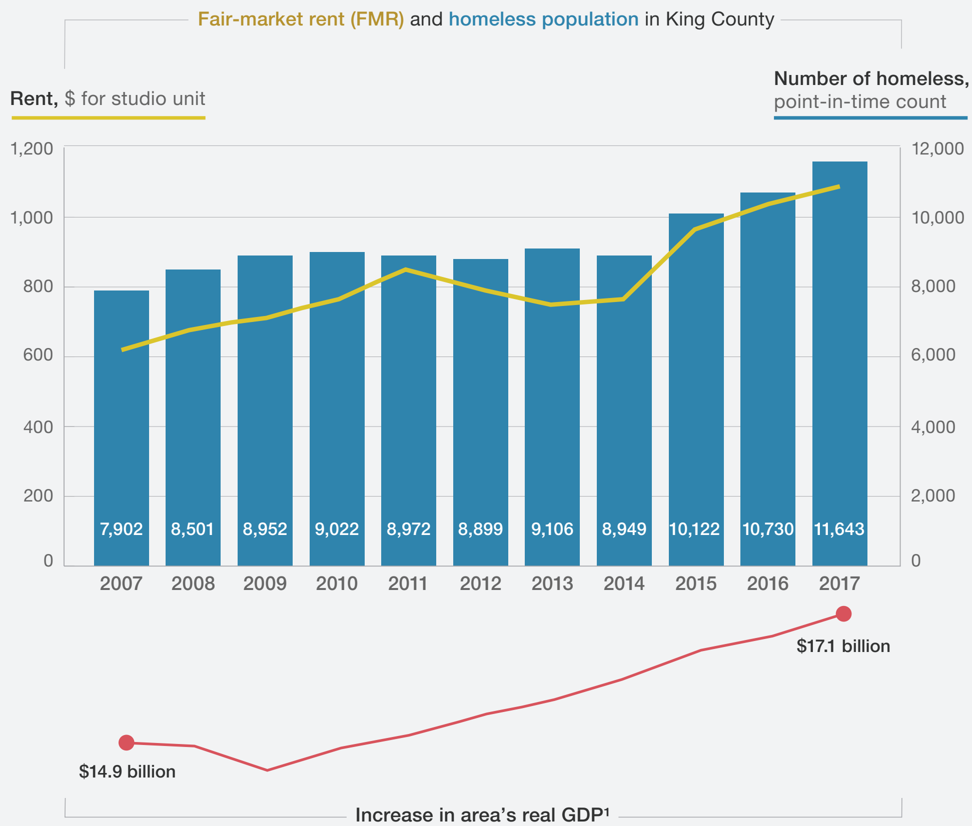
Maggie Stringfellow and Dilip Wagle

MAY 2018

Affluent coastal cities, such as Seattle in King County, Washington, are experiencing a downside of economic growth—rising homelessness. On a single winter night in 2017, volunteers counted 11,643 people experiencing homelessness in King County, a number that represented an increase of more than 9 percent a year on average since 2014. Almost half were sleeping outside rather than in an emergency shelter.

The rise in homelessness cannot be explained by population growth or rising poverty, as there has been little of the former, and the latter has fallen. Exhibit 1 suggests the real cause. It shows how homelessness has risen in line with the fair-market rent (FMR), which in turn has increased in line with the county's strong economic growth. During the financial crisis of 2008, when poverty and

**Exhibit 1** Rent increases in Seattle's King County show a strong correlation with homelessness.




[1]Real GDP for January 1 of each year, measured in 2009 dollars, not seasonally adjusted.
**Source:** Fair-market rents and point-in-time (PIT) count from US Department of Housing and Urban Development; King County 2017 PIT count administered by All Home; US Federal Reserve Economic Data

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unemployment rose, homelessness was relatively stable. But when the economy took off in 2014, so did rents. Since then, the FMR has risen by more than 12 percent a year on average.

The result is a dearth of affordable housing and hence rising homelessness. And without a new approach to the crisis, it can only deepen.

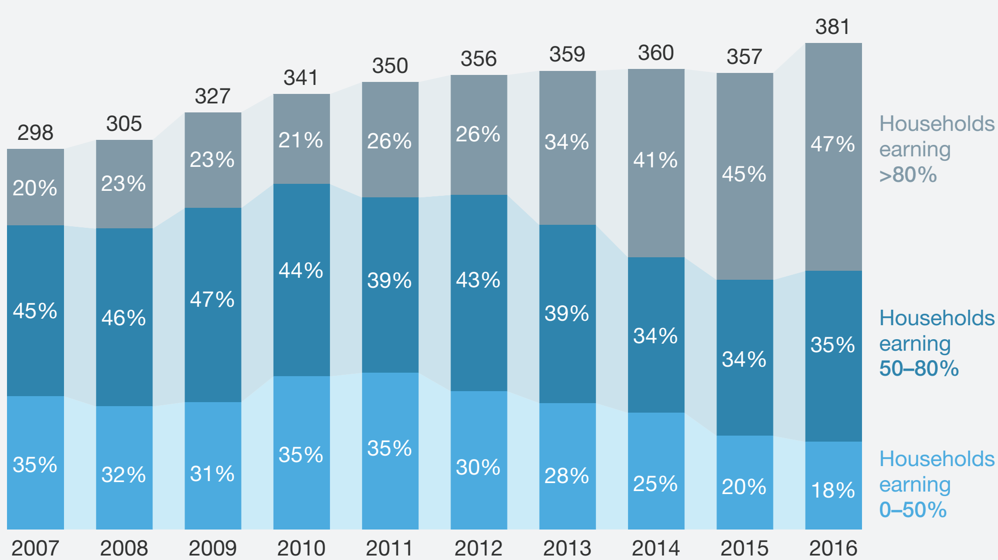
## Disappearing affordable housing

There are many triggers of homelessness—an unexpected expense, the loss of a job, poor health, and domestic violence among them. But the rapid decline in the stock of affordable housing means that when people lose their homes, many of them find it hard to find a suitable alternative. As one emergency-shelter provider said, "Ten years ago, our community had pockets of cheap motels and apartments. When you hit rock bottom, you could still find a roof. Today, there is no safe place for people to fall to. When crisis hits, you fall to the street."

The dwindling availability of affordable housing reflects the dynamics of the construction industry. When economic growth is strong, housing developers tend to build more profitable, expensive homes. As a result, expensive homes have become a larger percentage of the available supply in King County. Since 2011, the proportion of units deemed affordable to households earning 80 percent or more of the area median income (AMI) have more than doubled.[1] At the same time, those affordable for households earning 50 percent or less of the AMI have almost halved (Exhibit 2).

**Exhibit 2** Supply of affordable rental units by area-median-income tier in King County

**Number of rental units,[1] by area-median-income tier,[2]** thousand




[1]Figures may not sum to 100%, because of rounding.
[2]All estimates shown are midpoints of confidence intervals.

McKinsey&Company | **Source:** American Community Survey Public Use Microdata Sample

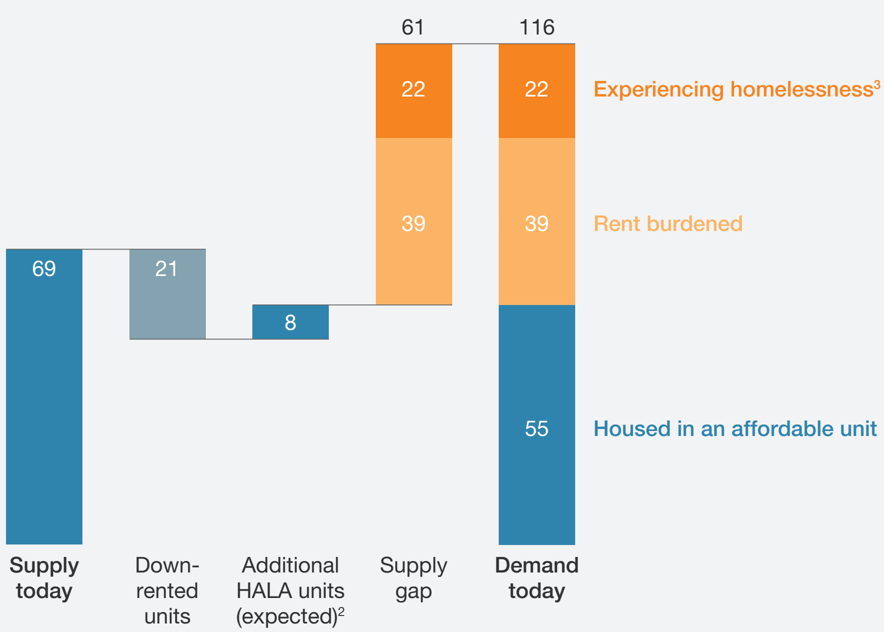
Meanwhile, the homelessness-crisis response system, the providers and shelters led by All Home King County, has dramatically improved its performance and efficiency in recent years. With a 35 percent increase in exits from homelessness over 2016, the system permanently housed 8,100 households in 2017. However, given the shortage of affordable housing options, the performance increase of the crisis response system is unlikely to sustain—there are fewer and fewer units available to house people.

As things stand, homelessness in the county could very well worsen. The shortage of suitable permanent housing for people experiencing homelessness is already acute. Although the county's annual "point-in-time" count identified more than 11,000 people needing housing on a single night, as many as 22,000 households sought help from the county's homelessness services across the full year of 2017 at a time when only 8,000 permanent homes were available. Yet even these figures mask the true extent of the shortage.

Exhibit 3 illustrates the point. In 2016, 116,000 households in King County had income of less than 50 percent of the AMI, but there were enough

**Exhibit 3** Supply of affordable rental units for households earning 50 percent or less of the area median income in King County

**Number of rental units,**[1] thousand




[1]Figures may not sum to totals listed, because of rounding.
[2]Reported additional Housing Affordability and Livability Agenda (HALA) units data only include fraction of units that would be affordable to a 0–50% area-median-income (AMI) household (eg, those built with Low-Income Housing Tax Credits). Additional affordable units might become available through housing initiatives outside of HALA in greater King County.
[3]Assumes all households experiencing homelessness are part of the 0–50% AMI tier. 2017 Homeless Management Information System entries and exits are full-year estimates based on data from 3 quarters.
**Source:** HALA gap analysis (6000-9000-5000); HALA report; King County Comprehensive Plan, Housing Appendix

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affordable homes for only half of them given that they had to compete for housing with people on higher incomes who "down rent." Even assuming, somewhat unrealistically, that all new affordable housing currently planned by the city of Seattle was made available without delay, we estimate there would be a supply gap of 60,000 homes. That leaves not only 22,000 households already without a home but another 39,000 living in accommodations they struggle to afford and hence at risk of becoming homeless should their financial circumstances take a turn for the worse.

## How to solve the crisis?

A more efficient homelessness response system could be part of the solution. Progress has already been made: the number of people housed annually in King County has doubled since 2013. Resource optimization is a challenge, though. All Home King County, an independent body, is charged with setting out a strategic plan for the various city, county, and philanthropic homelessness funders in King County and measuring results. But it has no authority over these stakeholders, an issue that makes it difficult to avoid redundant efforts that might lead to waste.

But even the most efficient response system will fail without more money. Spending on homelessness has increased but not enough to keep pace with the scale of the problem. Between 2014 and 2017, the number of households accessing homelessness services grew by an average 11 percent a year. Funding grew by an average 2.4 percent a year.

To gauge the extra resources required, we looked at how much it would cost to house the 22,000 households in need with immediate effect. Shelters and other support agencies would likely need more funding, but the bulk could go toward expanding the supply of housing through existing programs, such as Rapid Rehousing, Permanent Supportive Housing (PSH), and the Housing Resource Center (HRC). The first two programs subsidize rents to make unaffordable units affordable and has proved particularly effective in King County. The HRC connects households with private-market landlords, providing light-touch support to the former and insurance against rent defaults to the latter. The YWCA housed as many as 500 households a year through this program before it was shuttered in 2017.

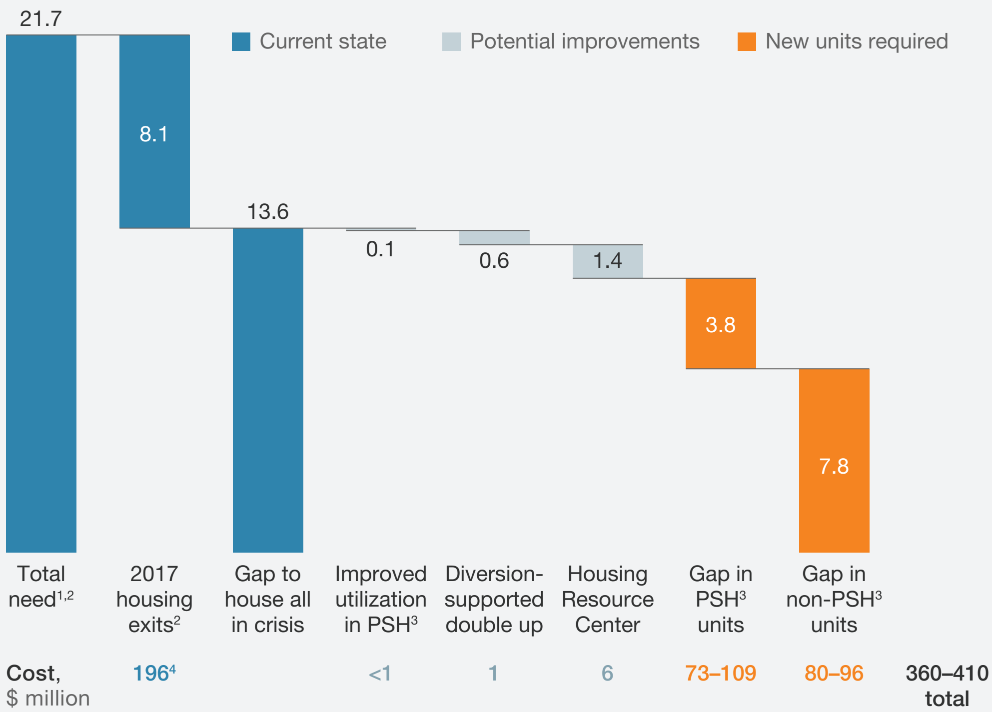
In total, we estimate a budget of $360 million to $410 million would be needed (Exhibit 4). This is about twice what the system invests today. (In 2017, $196 million was spent on the Crisis Response System, leading to 8,100 exits from homelessness and the sustained support of some 4,000 PSH residents.) But it is still less than the $1.1 billion that homelessness is estimated to cost the Seattle-area economy as a result of extra policing, lost tourism and business, and the frequent hospitalization of those living on the streets.

It remains, however, that a budget this size addresses the symptoms of homelessness, not its causes. In the longer term, more affordable homes might need to be built. It is easy to list potential supporting tactics, such as new approaches to building, changes to zoning regulations to allow higher-density housing, incentives for builders, and more publicly owned housing. Each obviously comes with a number of economic and political trade-offs that were outside the scope of our analysis.

King County is not alone in facing a homelessness crisis. As economies grow and affordable housing diminishes, other affluent West Coast cities are experiencing the same phenomenon. A night count in Los Angeles last year identified 55,000 people sleeping outside or in shelters. Builders, businesses, philanthropists, government, and housing providers in King County and beyond should therefore work

**Exhibit 4** A combination of strategies might be needed to exit homelessness and move into permanent housing.

**Housing options and interventions for those exiting crisis,** number of households, thousand




Note: Housing-option costs are inclusive of improvements to Crisis Response System (eg, increased funding for diversion) required for exiting 13.6 thousand households from crisis. Figures may not sum to totals listed, because of rounding.

[1]Homeless Management Information System (HMIS) data of 21.7 thousand households experiencing homelessness are best available data, as suggested by King County. We used 15% range of 18.5 thousand–21.7 thousand given potential for duplication in HMIS and Coordinated Entry for All systems and those households not meeting King County definition of homelessness (eg, doubled-up households).

[2]2017 HMIS entries and exits are full-year estimates based on 3 quarters of data.

[3]Permanent Supportive Housing.

[4]$196 million in 2017 funding includes sustained housing and services for >4,000 existing Permanent Supportive Housing residents.

**Source:** 2017 point-in-time count; All Home King County inflow estimates; All Home King County quarterly dashboard; King County PSH scattered-site data (Jan 2018); McKinsey analysis

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together if they are to find a sustainable solution to the homelessness crisis plaguing their cities. ■

[1] The US Department of Housing and Urban Development defines affordable units as requiring no more than 30 percent of household income.


**Maggie Stringfellow** is an associate partner in McKinsey's Seattle office, where **Dilip Wagle** is a senior partner.

*BUSINESS & FINANCE*



Posted on: January 04, 2019 0

Q&A

# What's Next at Freddie Mac Multifamily

Technology, affordability, innovation, and market discipline are front of mind for Debby Jenkins as she assumes the helm of Freddie Mac Multifamily.

**By Chris Wood**

Debby Jenkins, senior vice president of underwriting and credit, Freddie Mac Multifamily

Deborah Jenkins knows what it's like to be living in the missing middle.

Born and raised in the suburbs of Detroit, Jenkins, who begins 2019 as the new head of multifamily for Freddie Mac, was the first person in her family to go to college (on a Division II softball scholarship to Wayne State University) and worked in mortgage banking and securitization at Wells Fargo during the early stages of the financial crisis. She didn't leave the Wolverine State for the Beltway until 2008.

Jenkins was originally tapped to become head of Freddie Mac Multifamily on Jan. 1, 2019, but instead took over the job on Nov. 5, 2018, when her predecessor, David Brickman, became Freddie Mac chief heir apparent to retiring CEO Don Layton. As she assumes leadership of Freddie's multifamily platform, the government-sponsored enterprise (GSE) is innovating its approach to housing affordability—if not affordable housing per se—and seeking to provide greater capital liquidity for financing "missing-middle" assets that aren't Class A but aren't under the larger umbrella of subsidized housing, either.

To catalyze growth in both new and existing markets, Freddie is also embracing a digital and cultural transformation to keep pace with a more tech-driven and energy-aware borrower. With innovation, technology, and affordability top of mind, Jenkins sat down with us to share her thoughts on life before Freddie Mac and where the GSE's multifamily division is headed in 2019 and beyond.

**MFE:** Is it true that you lived your entire life in Michigan until joining Freddie Mac?

**Jenkins:** Yes, I spent the first 40 years of my life in Michigan. My parents still live in our house in suburban Detroit and witnessed the house next door sell for $12,000 as a result of the housing recession. The area I grew up in was and still is a blue-collar upbringing and lifestyle, and we were there until 2008, when I was working commercial real estate at Wells Fargo with the CMBS markets virtually frozen and was afforded the opportunity to join Freddie. We moved the family to D.C. at rock bottom of the financial crisis.

**MFE:** What was it like in those early days trying to wrestle liquidity back from the depths of the recession?

**Jenkins:** Freddie was just starting the K-Deal initiative, which in 2008 was still just an idea. David Brickman was running capital markets at the time, and I came in to start the underwriting platform. We took it from zero as a pilot to the first K-Deal in June of 2009, and hit conservatorship in 2008 in the interim, so we were fortunate that the business literally shot forward from there.

**MFE:** And now you're taking over for Brickman as head of multifamily. How has your shared history eased the transition?

**Jenkins:** In early September 2018, [then-CEO] Don Layton announced his retirement, David was positioned as our internal candidate for CEO, and I was announced as incoming multifamily head. There was going to be a three-month transition, but very quickly we realized David was more ready to take over the entire company than was anticipated, and, likewise, I've been here for the past decade.

It's fortunate we acted on it rather than waiting, as I get to hit the ground running in 2019 after having close to a quarter of leadership under my belt. I'm also fortunate to come onto a platform that is innovative and embraces creativity. We were the pioneers of risk transfer a decade ago that the entire housing industry is now following, and we're known as problem solvers as much as for our certainty of execution. Those are luxuries I have that don't necessitate big changes.

**MFE:** That being said, what's top of mind for the first 90 days? What will be immediately in focus at Freddie Mac Multifamily?

**Jenkins:** The top priority for me is digital transformation. Freddie Mac has embarked on a four-year program for evolving the way we do business. Not just a technology initiative, it's a strategic imperative we need to complete successfully in order to stay in the leadership position we're in. The commercial mortgage origination process hasn't changed in 30 years, and there needs to be consideration for the use of artificial intelligence and machine learning in getting faster speed to market. We're looking at how we can focus on analytics and operate more efficiently with an aim to working smarter and faster from the day the loan walks in the door all the way to securitization.

### We're all learning together and trying to understand how to take advantage of new technology and concepts, from micro-loans to micro-units.

**MFE:** Is multifamily finance really ready for applied artificial intelligence?

**Jenkins:** The speed at which new technologies are deployed is becoming exponentially faster in multifamily real estate, so, in that sense, the industry is ripe for that kind of transformation. The newer generations are utilizing technology in ways [other generations] haven't, so we're talking about transformation that isn't just top-down from leadership but a bottom-up uprising of talent, as well. We're all learning together and trying to understand how to take advantage of new technology and concepts, from micro-loans to micro-units.

**MFE:** How is the DNA of your borrowers poised to changed?
Jenkins: I think the construct of the typical borrower changes with market conditions, with interest rates, with yield curve, with opportunities for growth, and with renovation and rehab opportunities. Over the course of the past several years, with interest rates so low, floating-rate product has been a very popular pathway for institutional and private-equity players to see higher cash on cash returns, fueling large, billion-plus transactions and acquisitions of platforms. Now, many of the funds with three- to five-year holds are starting to become sellers simply based on their structure. It creates opportunities for new entrants in the market that have been sidelined, and with the flattening of the yield curve you also get renewed interest in seven- to 10-year fixed-rate loans that suit a different borrower demographic, as well.

## While we’re still bullish on multifamily, the fundamentals over the next few years face a slower pace of growth.

**MFE:** In what ways does Freddie Mac need to stay flexible in order to meet changing borrower dynamics?

**Jenkins:** It’s been a period of rapid growth over the past five years in multifamily, and while we’re still bullish on multifamily, the fundamentals over the next few years face a slower pace of growth. What that does is give us the ability to enhance the digital infrastructure and evolve the way we’re doing business for stronger product innovation. Everything we’re doing points to a mission of serving the missing middle and helping renters with the cost burden of housing. We’ll need market discipline backed with creativity as we move through this next cycle.

**MFE:** And how can Freddie Mac Multifamily play a role in supporting low- to moderate-income families, particularly when the concept of “affordability” is a vague term that changes from submarket to submarket?

**Jenkins:** The concept of affordability with a capital “A” has some sort of rental subsidies from the government. Then, you have the luxury Class A phenomenon, and we talk about supply; the missing middle is everything in between. That’s how workforce housing came about in the first place: It was to address the cost burden of housing in terms of rent versus homeownership as expressed by a percentage of personal income. For years, the assumption of affordability was to pay 30% for housing, but people are paying well in excess of that now, and it’s become a national issue. That stems from a lack of supply in the middle markets, and we’re aiming for 90% of what we do to help build that supply by ensuring liquidity in the market.

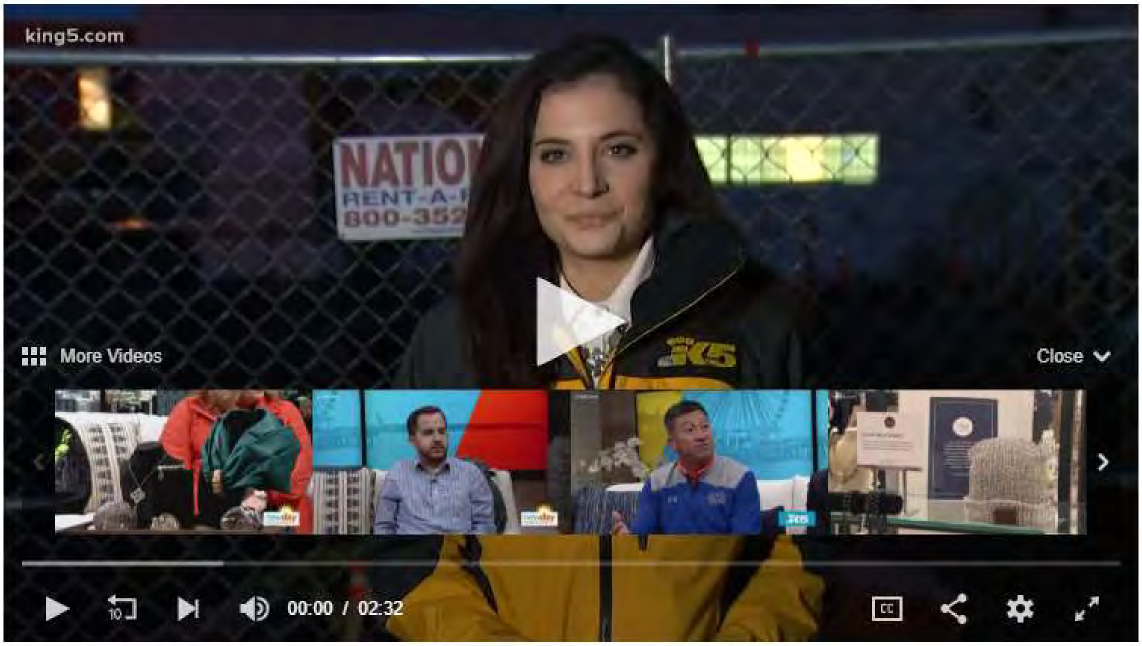
**MFE:** Anything else that’s important to an understanding of where Freddie Mac is headed in 2019 and the years to follow?

**Jenkins:** In 2019, it's important to emphasize that this is the next era of multifamily at Freddie Mac, with all of the leadership changes. Both GSEs will have new CEOs in 2019, and there's new leadership in the multifamily space and evolution in the industry overall. Hopefully, those changes are positive given our platform, our model, the way we work, and the creativity, from a people standpoint, that keeps us ready for whatever comes. If there is GSE admin reform, we welcome that, as well. We're looking forward to adapting and continuing to be proactive with technology to be more nimble, making sure we retain the right balance of innovation and transformation along with discipline.

## ABOUT THE AUTHOR


[Chris Wood]

Chris Wood is a freelance writer and former editor for Hanley Wood publications ProSales and Multifamily Executive.




# Why it's actually a good time to rent in Seattle

## Seattle real estate experts say they haven't seen incentives likes these in years, making it a great time to rent around Puget Sound.

Author: Vanessa Misciagna
Published: 6:14 PM PST January 4, 2019
Updated: 11:51 AM PST January 5, 2019

What would it take for you to sign a lease right now? A good price? A $1,000 Amazon gift card?

Kim Reidy is a senior broker at Point 3 Real Estate and Director of Relocation at the Seattle Rental Group. She has a good pulse on the region's rental market and says now is a good time to sign a lease.

"Having the vacancies that we've had this time of year, I certainly think this is a great time for people to get out and rent," said Reidy.

According to Zillow, rents in Seattle are down 4 percent compared to this time last year. In the metro area, rents are down .4 percent.

Reidy says while this is good for renters, it's nothing that out of the ordinary. She says rents are usually a bit lower in the winter due to a slower market, but what is extraordinary is the amount of incentives that new buildings are offering to fill vacancies.

"They're usually attached to large big buildings that are just opening, they're sitting there with 300 openings, they're not going to fill them all in one month so they can incentivize," said Reidy.

A simple search on Craigslist and they're there: The ClockTower in Lake City offering a free Amazon Dot, the Ravello in Redmond offering 2 months free rent, and if you're looking in Everett, the Nova North is offering free rent, waived deposit and a $250 gift card.

Reidy says this is all because of the area's construction boom. As more new building open their doors to renters, the more they have to differentiate themselves from their competition.

If you're looking to rent, Reidy says do your homework to get the best incentives.

"Most of the buildings will advertise daily on their websites what their specials are and those certainly can change from week to week so keep your eye on that."

If you already rent, you can still take advantage of the trends. Reidy say if you notice a similar unit in your building is advertised at a lower price, you should bring it up with your landlord. She says you probably won't pay less rent, but they may lower or get rid of rent increases altogether.

With lower rents and more incentives, this could be a good opportunity to upgrade to somewhere downtown or to a bigger space.

"It's giving people more opportunity to stretch their wings and have a little bit more of a lavish lifestyle with these specials," said Reidy.

# Workforce Housing

An Issue Impacting Redmond's Employers and Economic Vitality

OneRedmond

## EXECUTIVE SUMMARY

OneRedmond is a public/private partnership whose mission is to support the economic vitality of Redmond and to make it the location of choice for companies to expand and locate. It is supported by 80 private sector investors and the City of Redmond.

OneRedmond is increasingly concerned that the lack of affordable workforce housing is having a significant negative impact on Redmond's employees and businesses and threatening the economic vitality of the region.

Currently there is an inadequate inventory of housing affordable by employees with wages between 60-100% of the regional average median income. The low inventory of affordable workforce housing is having a negative impact on Redmond employers. It results in long commutes and traffic congestion as these workers locate in communities with more affordable rents and housing prices. Commute trip reduction data shows that this situation impacts all sectors, including those sectors considered well paid such as manufacturing and technology.

Employers report that the lack of an adequate inventory of affordable housing is having a significant impact on their ability to recruit and retain talent. The employers surveyed indicated a willingness to participate in private-sector driven solutions to increase the inventory of workforce housing.

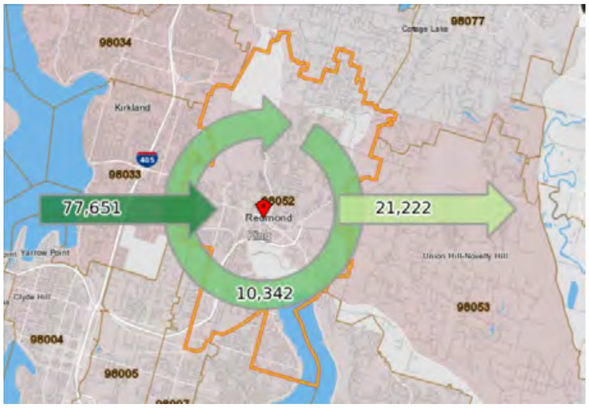
## THE ISSUE OF WORKFORCE HOUSING

Each year OneRedmond makes calls on over 100 of Redmond's leading businesses to understand issues affecting their growth and expansion. Over the last five years, two issues dominated our discussions: the difficulty of attracting talent, and the impact of traffic congestion and increasing commute times on the ability to retain that talent. These issues are intimately connected. With increasing housing prices on the Eastside, many of the positions offered by leading Redmond employers and small businesses do not offer wages sufficient to afford a house or rents in Redmond and neighboring communities.

To gain a better understanding of affordable workforce housing issues in Redmond, OneRedmond conducted a confidential survey of Redmond public and private employers in the fall of 2018. The survey sought information as to the respondents' perception of the issue, the number of their employees with wages in the workforce housing range, whether the employee's place of residence and resulting commute times were affecting the company, and whether these firms might participate in solutions to the workforce housing issue.

## WHERE REDMOND EMPLOYEES LIVE

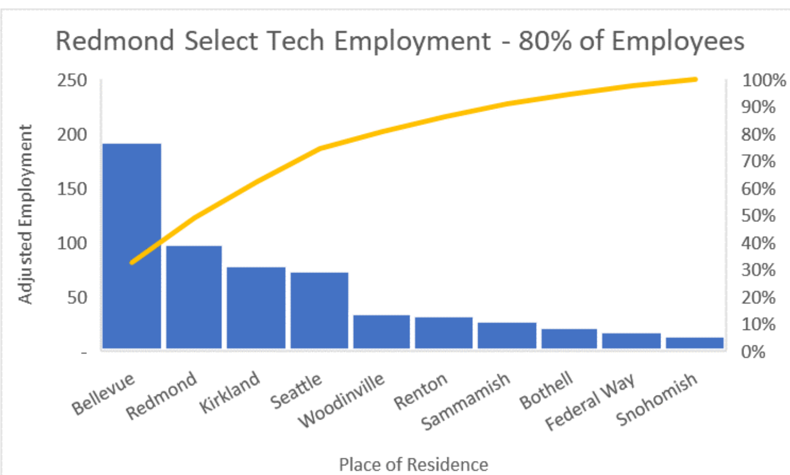
Redmond's public and private enterprises employ close to 90,000 individuals. Over 88% of these employees live outside Redmond. Each day, 77,000 employees commute to Redmond, and 21,000 Redmond residents leave for jobs elsewhere in the region. Only 10,000 residents live and work in Redmond.[1] This situation is like our Eastside neighbors. Bellevue and Kirkland labor import rates are also 88%.




**Redmond Labor Flow**

Publicly available commute trip reduction surveys provide insight to where Redmond employees live.[2] OneRedmond aggregated survey returns by industry sector. In general, those sectors that have larger numbers of relatively lower wages have longer and more diverse commute patterns. Those firms with a greater number of higher wage employers, for example, information technology and professional services, have a larger number of employees living in neighboring and more expensive communities.

Eighty percent of Redmond's technology employees surveyed live in 10 cities, seven of which are on the Eastside. However, the remaining 20% live throughout the Seattle MSA.[3]

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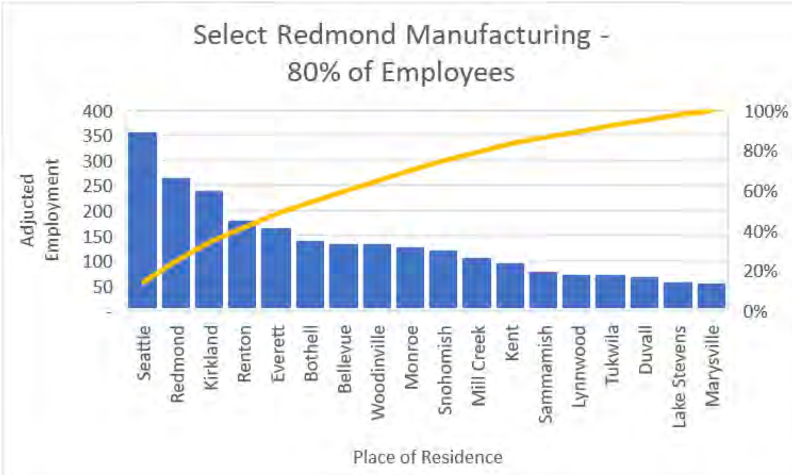
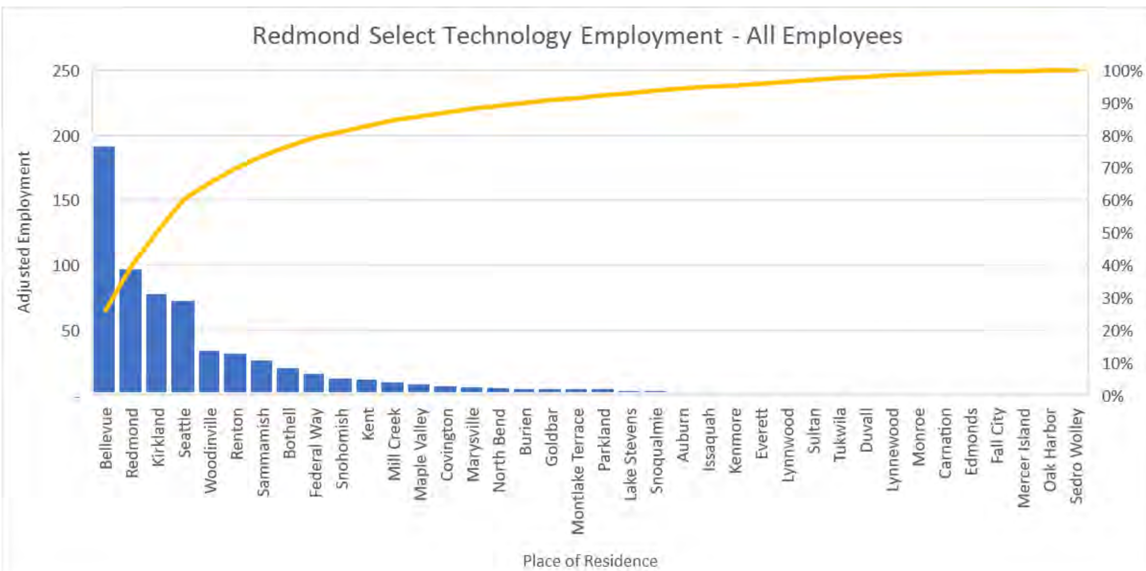
[1] OnTheMap, U.S. Census Bureau, Center for Economic Studies.

[2] Washington state's commute trip reduction statute requires companies with more than 100 employees that report to work between 6:00 and 9:00 AM to survey their employees and provide information that includes place of residence by zip code.

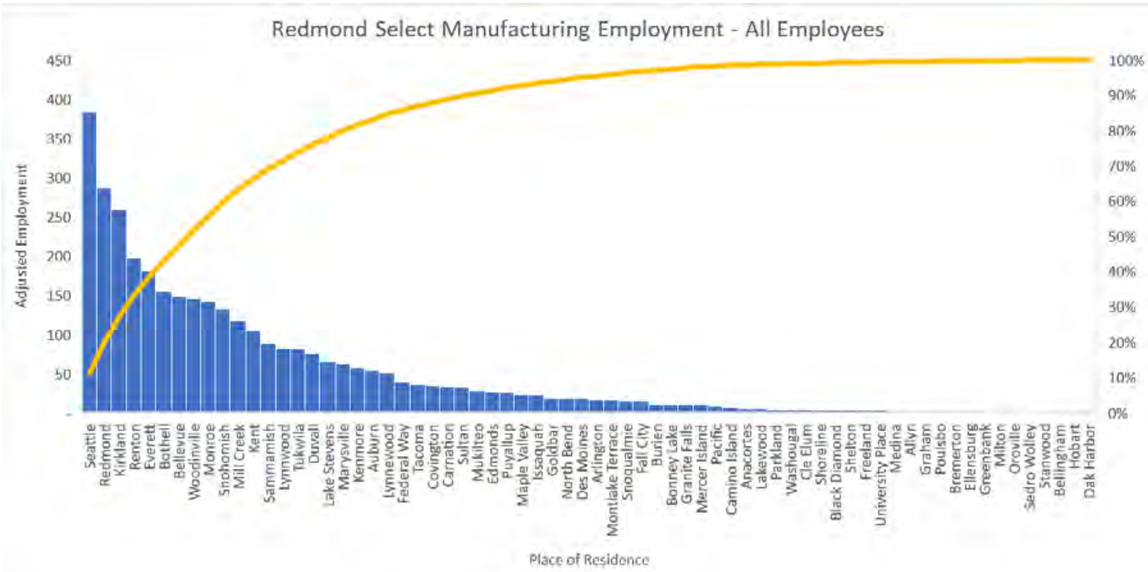
[3] To represent the tech sector publicly available CTR reports for Pushpay, HCL, Nvidia and Denali Systems were aggregated. Microsoft was not included in that the numbers of employees would have dampened (swamped) the effect of other technology employers.




Those sectors with a larger percentage of employees with 'workforce wages,' for example, manufacturing, have a different pattern with a larger percentage of employees commuting longer distances.[4] Eighty percent of Redmond's manufacturing employment resides in 18 communities of which only five are located on the central Eastside.

[4] To represent the manufacturing sector publicly available CTR reports for Aerojet Rocketdyne, Stryker, Honeywell and Genie Terex were aggregated.




Total manufacturing employment resides in over 60 communities, including several on the Olympic Peninsula and east of the Cascade Crest. By comparison, the total of Redmond's tech employment resides in 38 communities.

These same patterns are seen in other sectors analyzed including hospitality, food service and the public sector including schools and the City of Redmond.[5] The higher the percentage of employees with workforce wages, the larger number of communities and more distant the place of residence.

## A SURVEY OF MAJOR AND SMBE EMPLOYERS

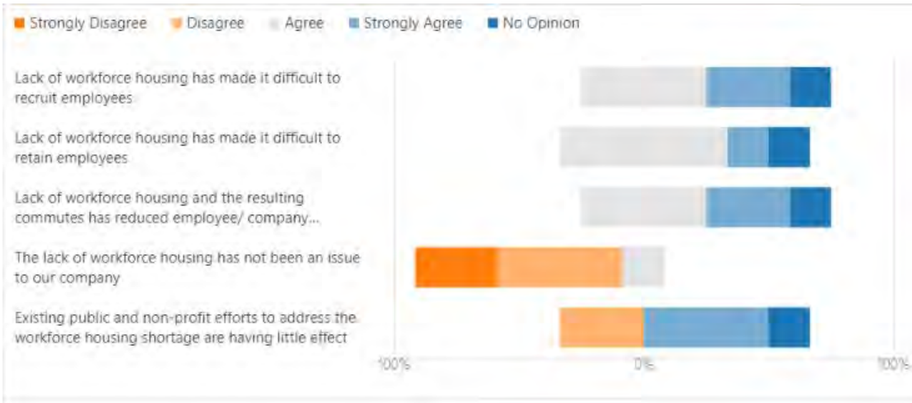
OneRedmond confidentially surveyed select public and private sector employers in the fall of 2018 to obtain data and opinions as to the impact of workforce housing (or the lack thereof) to the business.[6] The focus was on Redmond's manufacturers and small and minority-owned businesses enterprises (SMBE).[7]

### Major Employers

All surveyed firms are employing more than 500 employees. Respondents all reported having employees with wages in the workforce housing range with percentages from 5 to 50% representing over 3,500 employees. All reported that employees had raised the issue of affordable housing with the company.

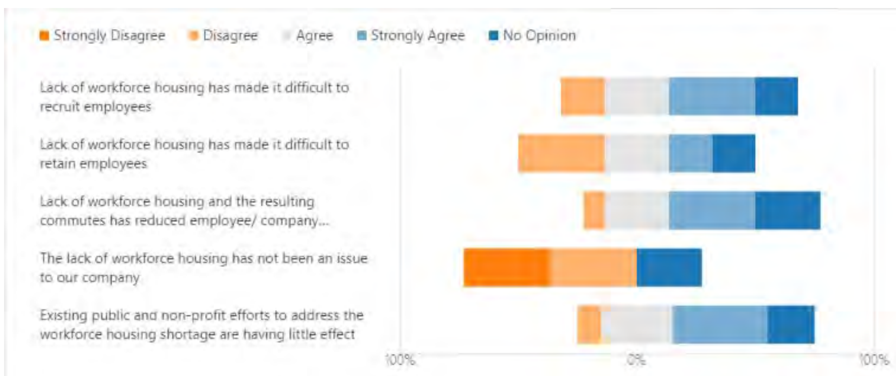
[5] Graphs of these sectors are appended.
[6] For the survey, workforce housing was defined as that affordable for those with household incomes between 60-100% of average median income (AMI) or $49,500 - $82,500 per year.
[7] The manufacturing and SMBE sectors were targeted because the lack of affordable housing was frequently mentioned as an impediment to growth during our business interviews over the years.

OneRedmond was interested in the impact of the regional workforce housing issue on the businesses. Responses demonstrated that the issue was affecting the success of local enterprises. In their opinion, existing public and non-profit efforts were having little effect.




## SMBE

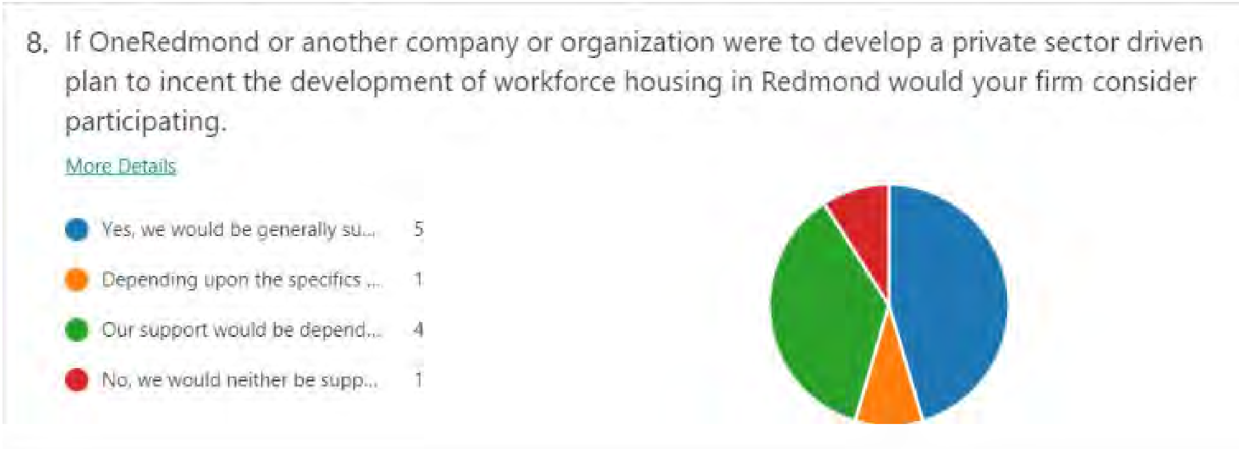
OneRedmond released a similar survey targeting small and minority-owned business enterprises. Respondents (12) reported an average of 64% of their employees (71) have average wage rates placing them in the workforce housing target range.[8] Small businesses are experiencing similar impacts as their




manufacturing counterparts. A larger proportion reported that lack of workforce housing was not having an impact on recruiting and retaining talent.

A notable difference between manufacturing employers and SMBE's was their interest in participating in private sector lead solutions to the workforce housing issue. All major employers participating in the survey said their involvement would be dependent on the proposal. SMBEs were initially more open to participation in a private sector solution.

[8] The reported workforce AMI ranged from O to 100% with the majority reporting from 60 – 100%.



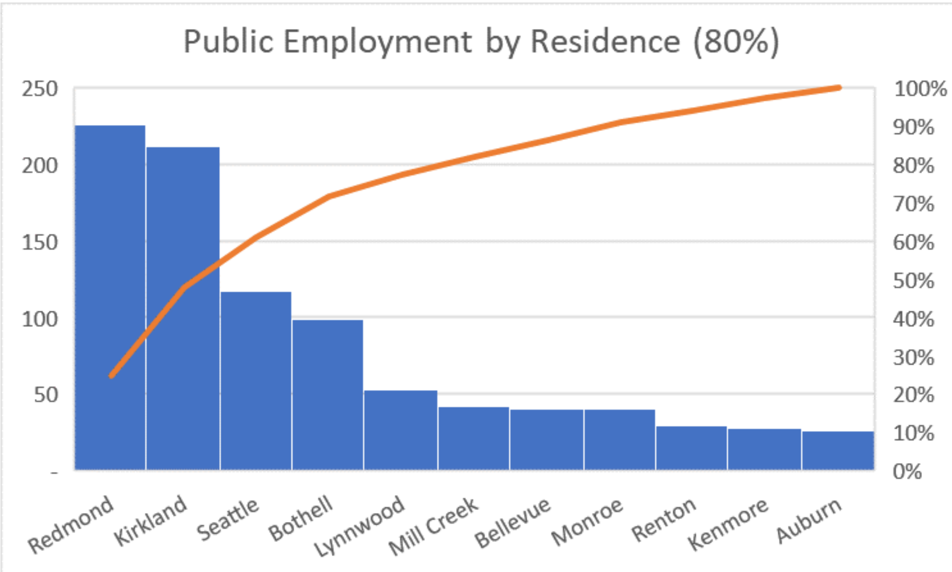

**SMBE Survey Response**

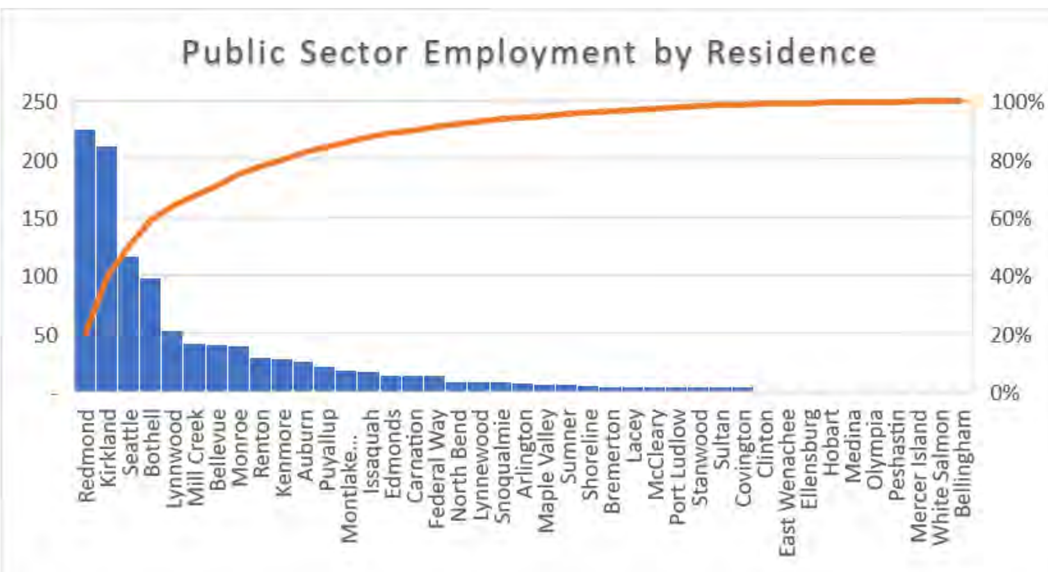
## SUMMARY

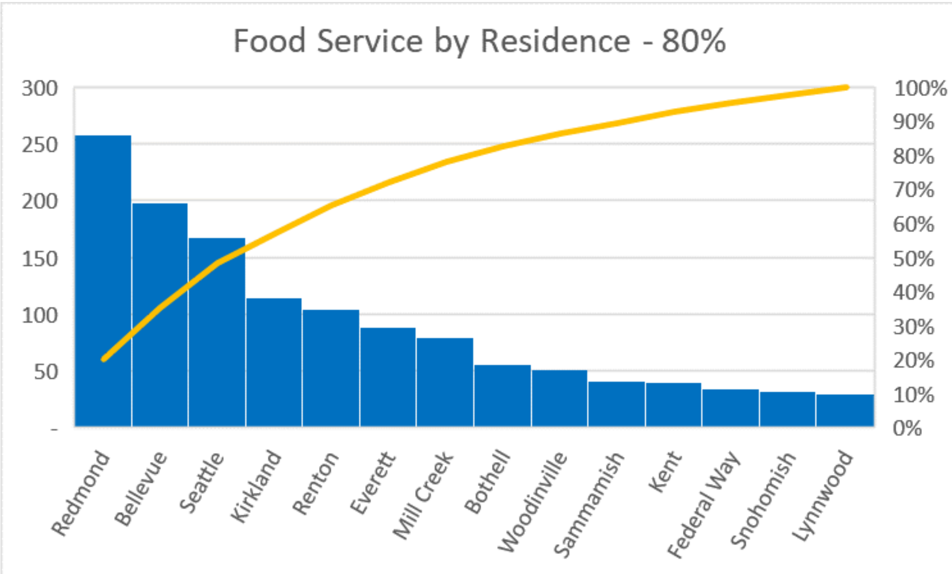
Currently there is an inadequate inventory of housing affordable by employees with wages between 60-100% of the regional average median income. The low inventory of affordable workforce housing is having a negative impact on Redmond employers. It results in long commutes and traffic congestion as these workers locate in communities with more affordable rents and housing prices. Commute trip reduction data shows that this situation impacts all sectors, including the relatively well-paid technology and manufacturing sectors.

Employers report that the lack of an adequate inventory of affordable housing is having a significant impact on their ability to recruit and retain talent. The employers surveyed indicated a willingness to participate in private sector driven solutions to increase the inventory of workforce housing.

# APPENDIX A. REDMOND EMPLOYEES BY SECTOR AND PLACE OF RESIDENCE




Food Service by Residence - 80%
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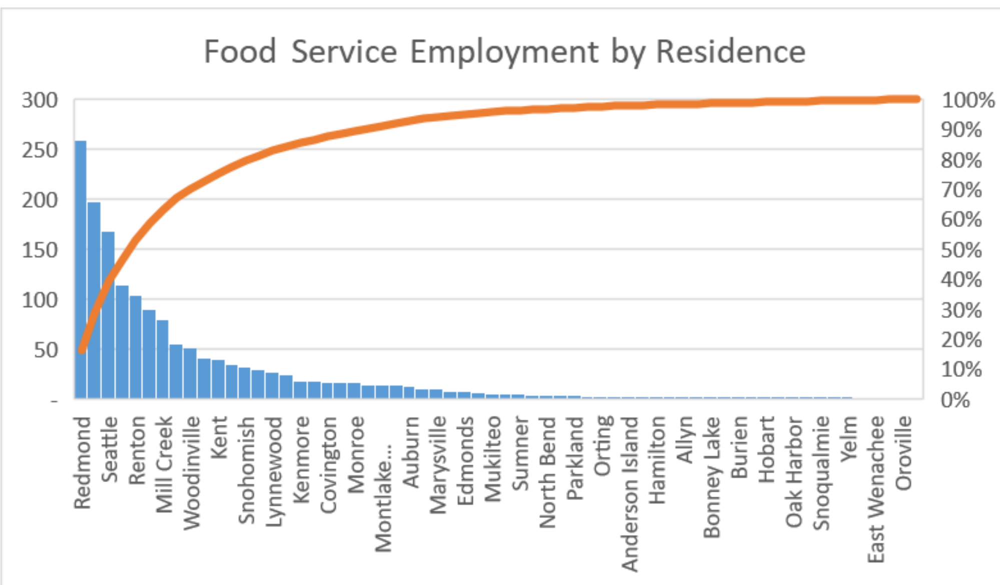
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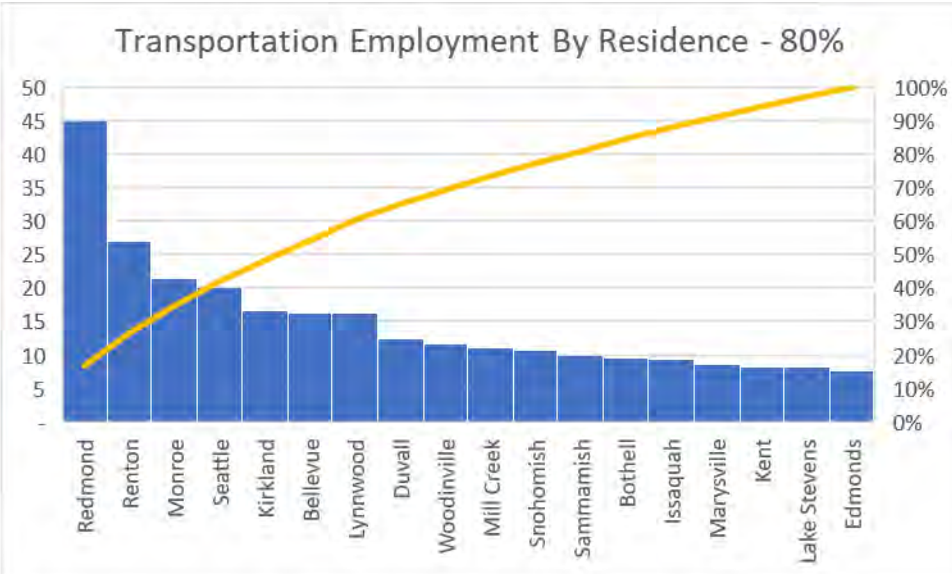
East Wenachee
Oroville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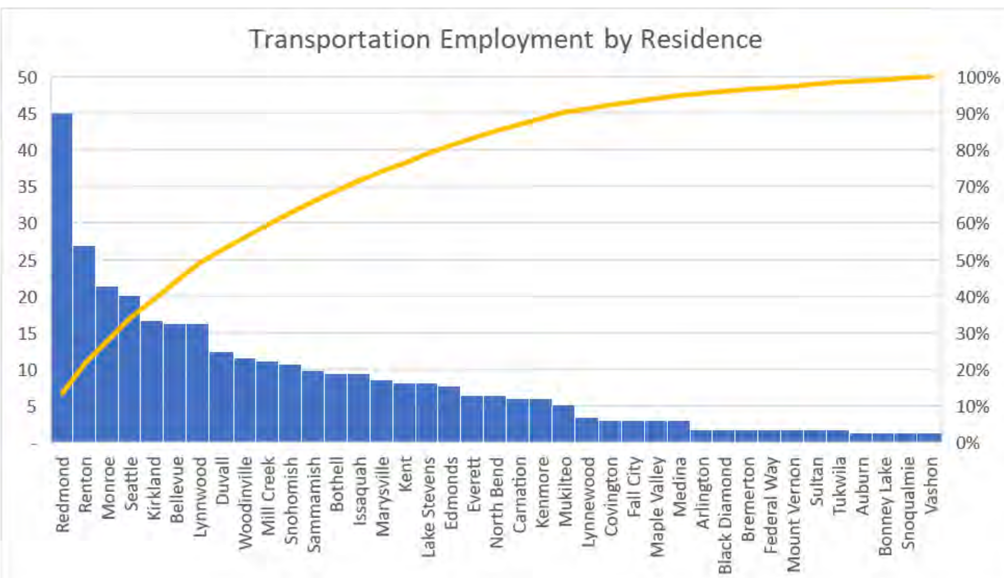
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Kirkland
Bellevue
Lynnwood
Duvall
Woodinville
Mill Creek
Snohomish
Sammamish
Bothell
Issaquah
Marysville
Kent
Lake Stevens
Edmonds
Everett
North Bend
Carnation
Kenmore
Mukilteo
Lynnewood
Covington
Fall City
Maple Valley
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Bremerton
Federal Way
Mount Vernon
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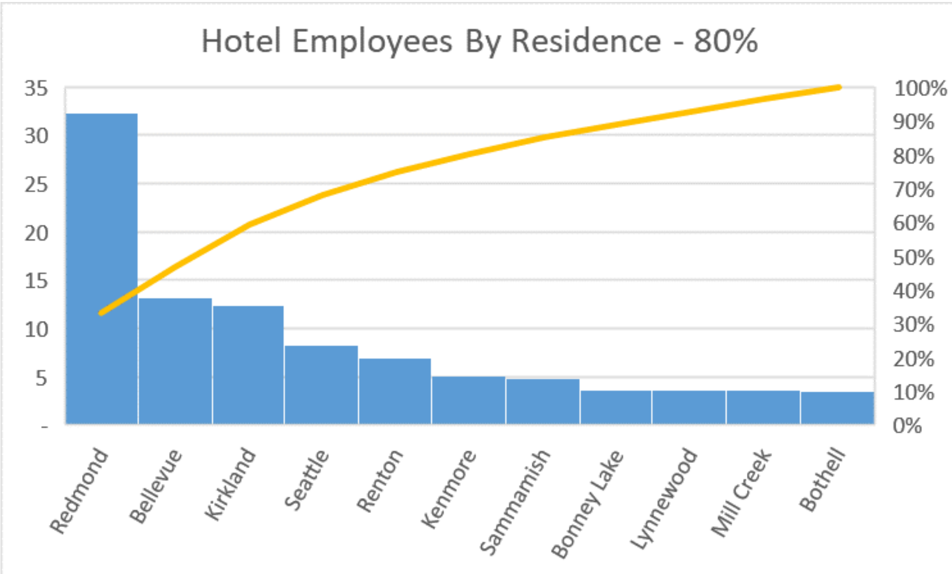
Auburn
Bonney Lake
Snoqualmie
Vashon


Hotel Employees By Residence - 80%
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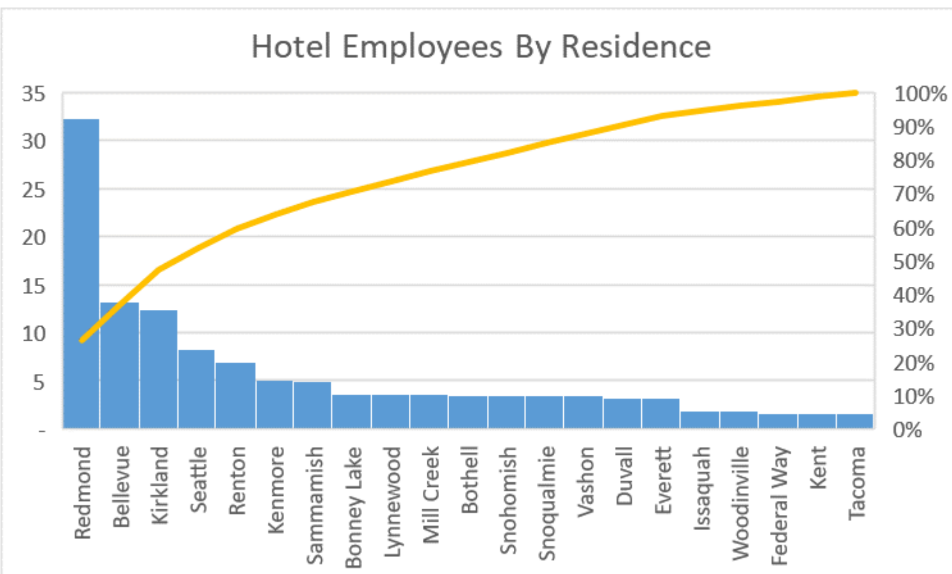
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