LESSONS LEARNED: EFFECTIVE HOUSING STRATEGIES
Washington APA Conference
Spokane
October, 2014
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Arthur Sullivan
Geoff Wentlandt

Speakers
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  Senior Planner

About This Session
- Collaboration with Art in Woodinville and Sammamish
  Strategies for effectively integrating BOTH a diversity of housing types and affordable housing

Emphasis
- Finding a list of strategies is easy
- Getting effective strategies approved is much harder!

The ARCH Experience
with Arthur Sullivan
- GMA planning framework
- City strategies & tools
- State legislation tools
- Lessons learned

The Seattle Experience
with Geoff Wentlandt
- Infill Lowrise Multi-family Housing
  New zoning chapter adopted, 2010
- Micro-housing
  New regulations adopted October, 2014
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PLANNING FRAMEWORK:
GMA Provisions Related To Housing

- Goals (RCW 36.70A.020(4)):
  - Housing affordable to all economic segments.
  - Variety of residential densities and housing types.
  - Preservation of existing housing stock.

- Comp Plans required (RCW 36.70A.070(2)) to have housing elements that includes:
  - Analysis of existing and projected housing needs.
  - Sufficient land for housing.
  - Provisions for needs of all economic segments.

CITY STRATEGIES/TOOLS

Diversity of Strategies
- Use Range of Types of Tools
  - No one resource can meet needs.
  - Layering of Strategies
- Address Variety of Populations/Needs
- Maximize 'Market' meeting local needs
- Integrate into broader community

MARKET RATE HOUSING

- Housing for Moderate Income: 50 – 80% Median
- Housing for Lower Income: 30 – 50% of median
- 0 – 30% of Median

TOOL: STATE LEGISLATION

- Land Use Incentives
- Multifamily tax exemption
- Impact Fee Waiver
- State funding for affordable housing
  - Housing Trust Fund (statewide)
  - Document Recording fees for housing/homeless (local/statewide)

RANGE OF STRATEGIES

A. Market
  - Increase diversity and general affordability
  - Housing Capacity to accommodate growth
  - Allow diversity of housing - multifamily/ single family/ micro units
  - Sufficient land for housing
  - Provisions for needs of all economic segments

B. Incentive to create affordability through market:
  - Accessory Dwelling Units
  - Land Use incentives:
  - Multifamily Property Tax Exemption

C. Direct assistance program for lower income housing:
  - Direct Funding (ARCH Housing Trust Fund)
  - Leverages other public fund sources
  - Surplus Land
  - Impact Fee Waiver

LAYERING OF STRATEGIES

A. Market
B. Incentives
C. Direct Assistance

TOOLS: STATE LEGISLATION

- Land Use Incentives
- Multifamily tax exemption
- Impact Fee Waiver
- State funding for affordable housing
  - Housing Trust Fund (statewide)
  - Document Recording fees for housing/homeless (local/statewide)
TOOLS: STATE LEGISLATION

Regulatory Incentives: RCW 36.70A.540 (2007/09)
- Land Use incentives
  - Density / Parking / Fees / etc
- Minimum affordability requirements
- Separate standards for high cost counties / ownership vs rental
- Require covenant
  - 50 Years / Mix of Units / Same tenure
- Allows Alternative Compliance
- Can apply to residential or commercial

TOOLS: STATE LEGISLATION

Regulatory Incentives: RCW 36.70A.540
- Summary of different approaches to land use incentives
  - Voluntary under existing zoning
  - Rezone with voluntary provisions
  - Rezone with mandatory provisions
  - Mandatory under existing zoning

TOOLS: STATE LEGISLATION

- Exemption is for either 8 or 12 years.
- For 12-year exemption, public benefit must include 20% affordable housing.
- Exemption is only on improvement value of the multifamily units.
  - (Taxes are still paid on the land and on non-residential uses).
- Available in city established Residential Target Area (RTA).
- Cities flexibility to establish program incentives and requirements.

TOOLS: STATE LEGISLATION

Impact Fee Waiver: RCW 82.02.060 (2012)
- Waive up to 80% of impact fees without test of replacing with other public fund sources.
- Can waive 100% of impact fees, but last 20% has replace with other public funds requirement
- Covenant to ensure long term affordability
- Affordable up to 80% of median income
- Discretion for local parameters

LESSONS LEARNED / KEYS TO SUCCESS

- Education Program
- Act in Ways to Build Community Support/Trust
  - Community Values
- Sensitive to Development Needs
  - Reduce direct costs
  - Reduce builder risk
  - Clarify (but still some flexibility)
- Don’t Forget to think about Administration
Education Program

• Presenting Data
  ▫ Focus on most critical data – key themes
  ▫ Clarify what ‘affordable housing’ means
  ▫ Present information in ways meaningful to the community.
  ▫ Put a face on needs
  ▫ Talk about myths / misconceptions
    • e.g. Reduced Property values

• Present data in a meaningful way
  ▫ Engage audience in identifying needs.
    • Talk About who might live in affordable housing
    • Let the group define needs.

Planning Framework:
Affordability Guidelines (2013)

<table>
<thead>
<tr>
<th>Type of Income</th>
<th>1 Person (Studio)</th>
<th>2 Persons (1-bedroom)</th>
<th>4 Persons (3-bedroom)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VERY LOW INCOME</td>
<td>$13,207</td>
<td>$20,808</td>
<td>$26,910</td>
</tr>
<tr>
<td>Rental</td>
<td>$455</td>
<td>$520</td>
<td>$650</td>
</tr>
<tr>
<td>LOW INCOME</td>
<td>$31,345</td>
<td>$54,680</td>
<td>$63,350</td>
</tr>
<tr>
<td>Household Income</td>
<td>$30,345</td>
<td>$34,680</td>
<td>$43,350</td>
</tr>
<tr>
<td>Rental</td>
<td>$798</td>
<td>$857</td>
<td>$1,684</td>
</tr>
<tr>
<td>MODERATE INCOME</td>
<td>$48,952</td>
<td>$55,488</td>
<td>$69,380</td>
</tr>
<tr>
<td>Household Income</td>
<td>$48,952</td>
<td>$55,488</td>
<td>$69,380</td>
</tr>
<tr>
<td>Rental</td>
<td>$1,214</td>
<td>$1,387</td>
<td>$1,734</td>
</tr>
<tr>
<td>Owner</td>
<td>$182,000</td>
<td>$207,500</td>
<td>$258,000</td>
</tr>
</tbody>
</table>

2013 Median Family Income (Family of 4) $86,730

Housing Supply:
Rental Housing Affordability (Appendix M)

LEARN FROM THE COMMUNITY

• NO SUCH THING AS A NIMBY
• COMMUNITY VALUES - TWO TIERS
  • PERSONAL / COMMUNITY VALUES
  • AFFORDABLE HOUSING VALUES
LEARN FROM THE COMMUNITY

- **PERSONAL / COMMUNITY VALUES**
  - Good communities include good schools, good access/open space/safety/good appearance
  - Stability
  - Personal accountability/responsibility
  - Homeownership
  - People should have a choice in where they live
  - Vibrant community

LEARN FROM THE COMMUNITY

- **AFFORDABLE HOUSING VALUES**
  - Provide a variety of solutions
  - Create community awareness
  - Partner with the community
  - Contribute to stability of residents and community
  - People should have a choice in where they live
  - Broad sharing of responsibility in community
  - Don’t create old style ‘affordable housing’

**Working with Developers**

- Assess Economics:
  - Balance Costs to Benefits
  - Sensitive to local conditions.

**Working with Developers:**

- Understanding Risk
  - Impacted by:
    - Timing
    - Certainty and Flexibility
    - Market
  - Design programs that help to reduce risk
    - Cash Outlay
    - Time
    - Market risk

**Program Administration**

- Consciously think through administration
  - Elements:
    - Initial contracts for individual projects
    - Ongoing monitoring
    - Not a typical role of local government
    - May need specialized staff
  - ARCH assists with administration of all members local programs.
  - Consistency in approach
  - Learn from each other

**ECONOMIC ANALYSIS OF AFFORDABILITY INCENTIVES**

I. IMPACT OF PROVIDING AFFORDABLE UNITS

<table>
<thead>
<tr>
<th></th>
<th>ONE BEDROOM UNIT</th>
<th>TWO BEDROOM UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rents</td>
<td>1,673 $</td>
<td>1,673 $</td>
</tr>
<tr>
<td>Corresponding Affordable Rent</td>
<td>1,346 $</td>
<td>993 $</td>
</tr>
<tr>
<td>Gap / Incentive Value</td>
<td>326 $</td>
<td>679 $</td>
</tr>
<tr>
<td>Cap Rate</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Present Value</td>
<td>71,193 $</td>
<td>148,167 $</td>
</tr>
</tbody>
</table>

II. VALUE OF PUBLIC INCENTIVES (Higher Density / Mixed Use Housing)

<table>
<thead>
<tr>
<th>Development Capacity Incentives</th>
<th>Per Unit Land Cost</th>
<th>Bonus per affordable unit</th>
<th>Value of Density Bonus</th>
<th>Fee Waivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Unit Land Cost</td>
<td>25,000 $</td>
<td>3.0</td>
<td>75,000 $</td>
<td>3,000$</td>
</tr>
<tr>
<td>Bonus per affordable unit</td>
<td>3.0</td>
<td>3.0</td>
<td>75,000 $</td>
<td>3,000$</td>
</tr>
<tr>
<td>Value of Density Bonus</td>
<td>75,000 $</td>
<td>75,000 $</td>
<td>75,000 $</td>
<td>75,000 $</td>
</tr>
<tr>
<td>Permitting/Fee Costs</td>
<td>Fee Waivers</td>
<td>Sub-Total Impact Costs</td>
<td>Cost Per Stall - $</td>
<td>Reduced Parking</td>
</tr>
<tr>
<td>Fee Waivers</td>
<td>3,000$</td>
<td>3,000$</td>
<td>35,000 $</td>
<td>8,750 $</td>
</tr>
<tr>
<td>Sub-Total Impact Costs</td>
<td>3,000$</td>
<td>Per Unit Land Cost</td>
<td>35,000 $</td>
<td>Reduced Parking</td>
</tr>
<tr>
<td>Sub-Total Impact Costs</td>
<td>3,000$</td>
<td>3,000$</td>
<td>35,000 $</td>
<td>Reduced Parking</td>
</tr>
<tr>
<td>Reduced Parking</td>
<td>8,750 $</td>
<td>Reduced Parking</td>
<td>8,750 $</td>
<td>Reduced Parking</td>
</tr>
<tr>
<td>Reduced Parking</td>
<td>8,750 $</td>
<td>Reduced Parking</td>
<td>8,750 $</td>
<td>Reduced Parking</td>
</tr>
<tr>
<td>Smaller Units</td>
<td>Smaller Unit savings</td>
<td>6,000 $</td>
<td>12,000 $</td>
<td>12,000 $</td>
</tr>
</tbody>
</table>

| SUB-TOTAL | 84,000 $ | 92,750 $ | 90,000 $ | 98,750 $ |
| Property Tax 12 Year Exemption | 12 Year Exemption | 1,880 $ | 1,880 $ | 2,256 $ | 2,256 $ |
| Present Value per Exempt Unit | $14,929 $ | $14,929 $ | $17,915 $ | $17,915 $ |
| Ratio of Market Rate to Affordable Units | 5.0 | 5.0 | 5.0 | 5.0 |
| Present Value per Affordable Unit | $74,646 $ | $74,646 $ | $89,575 $ | $89,575 $ |
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Lessons Learned
Variety of Housing Types - Market Strategies

- Infill Lowrise Multi-family Housing
  New zoning chapter adopted, 2010
  - Micro-housing
    New regulations adopted October, 2014

Lowrise (LR) Multi-family Zones

- LR zones occupy about 11% of the City’s land area (non ROW).
- Located in transition areas - edges of urban centers and villages, and along arterial roadways.

2010 Update of the Lowrise multi-family zoning code

- Promoted variety of housing types: Rowhouse, Townhouse, Apartments, Cottages
- Varied the standards depending on location within urban center or village - directing more compact growth to centers.
  - Increased flexibility: Reduced setbacks; introduced FAR; raised height limits. Removed density limits & parking requirements. (certain instances)
  - Incentivized green building and better parking access.

New code promotes a variety of multifamily housing types. Form-based standards.

Lowrise Multi-family Zones: Before 2010 Major Update

- Townhouse '6-packs' were predominant.
- Little rental housing was being produced.
- Density of development was lower than expected targets.
- Formula designs were common.
**Effective Local Housing Strategies**

- Considers historic best practices in lowrise housing design.
  - Raised first level
  - Allow 4-stories
- Promotes more ‘urban’ formats.
- Reduced setbacks
- More flexible height limits and rooflines
- Introduced FAR
- Green factor performance standard for landscaping.

**Rowhouses in NYC.**

- Results of first two years of housing production.

**Lowrise Development by Zone by Housing Type**

<table>
<thead>
<tr>
<th>Dwelling Units</th>
<th>Building permit applications Sept. 2013 – Sept. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1</td>
<td>Apartment</td>
</tr>
<tr>
<td>L2</td>
<td>Rowhouse</td>
</tr>
<tr>
<td>L3</td>
<td>Townhouse</td>
</tr>
<tr>
<td>L4</td>
<td>Townhouse + SF</td>
</tr>
<tr>
<td>L5</td>
<td>SF</td>
</tr>
<tr>
<td>L6</td>
<td>SF Cluster</td>
</tr>
</tbody>
</table>

![Graph showing dwelling units by zone and housing type](image)

- Example rowhouse development. 7 new rowhouse units located on two former city lots. 7 parking stalls at back of site.

- Example 70 unit infill apartment development. No on site parking. University District. Privately produced housing marketed to students.

**Lowrise Multifamily Housing Lessons Learned**

- Flexible standards helped spur rental housing production.
  - Especially reduced parking, and no density limits.
  - Form-based standards encouraged variety of housing.
  - Higher densities were achieved (underbuilding was curbed).
- Greater perceived height / bulk of infill not always welcomed.
  - Strong pushback about perceived spillover parking impacts.
  - New housing production not usually at affordable price points.

**Micro-housing**

- AKA Small Efficiency Dwelling Units
- Innovative housing model surfaced in Seattle around 2009.
  - Groups of small sleeping rooms around a shared kitchen, or private market congregate residences.
  - Didn’t fit neatly into regulatory framework.
  - Controversial in neighborhoods.
• About 64 development projects proposed 2009 – 2014.
• About 3,600 total ‘sleeping rooms’ proposed.
• Located in compact, high-walkscore areas. Usually within urban centers and urban villages.
• About 20 projects are now complete (C of O).

**Medium Parking Space** = 128 sf
**Basketball Court Lane** = 180 sf

Typical sleeping room was about 120 – 180 sf

Note: As a sleeping room (bedroom) contained within a Dwelling Unit, builders were able to create smaller living quarters. The International Building code otherwise requires studio dwelling units to have a sleeping room of 220 square feet.

**Are They Affordable?**

- Sleeping rooms typically rent for between $500 - $800 / month
- $663 average based on a 331-micro sample in 2013.
- Often includes utilities, some furnishings and internet
- A few top floor sleeping rooms with lofts are $1,000+
- Average market rate rents for conventional studios 2008 and newer:
  - Capitol Hill / Eastlake: $2,370. First Hill: $2,495.
- Popular with Students, lower wage workers, people in transition.
  - Reported occupants: ~75% employed, ~20% students
- However, on a per Sq. Ft. basis, rents are high ($3.15 + / sq. ft.)

Example, prior micro-housing model:
- Townhouse format
- 8 Dwelling Units
- 56 “sleeping rooms”
- No parking
- Total: 13,848 gsf
- Avoided design review

Example, prior micro-housing model:
- Apartment format
- 5 Dwelling Units
- 39 “sleeping rooms”
- No parking
- Total: 11,614 gsf
- Avoided design review

Prior micro-housing model example: partial kitchen (left), bathroom enclosure and partial kitchen (right).
Effective Local Housing Strategies

Prior micro-housing model example: sleeping room (left); building in context (right).

New Regulations

• Continue to allow a version, to support a lower cost housing choice.
• Requires design review based on the overall size of the building, and ensures livability of the housing.
• Shifts to complete “Small Efficiency Dwelling Units” (SEDUs) instead of the shared kitchen micro-housing model.
• New Land Use Code criteria disallows interior configuration as group living arrangements.
• Local interpretation of the building code allows the Dwelling Unit to be as small as 220 sq. ft.
• Requires two sinks (one inside and outside of the bathroom).
• Only allows Congregate Residences for special needs, or not-for-profit produced housing in most locations in the city.

Micro-housing Lessons Learned

• Very small housing units are meeting a specific housing need.
• Very small housing units can provide a lower-cost housing choice.
• Be prepared to regulate emerging formats of housing, including how to treat group housing arrangements.
• Consider interplay of Land Use and Building Code interpretations.
• Many other cities nationally are dealing with this topic.
• (San Francisco and Seattle now have similar approaches.)

Thank You.
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