Meeting the Needs of Low-Wage Renters: Seattle’s Growing Affordability Gap

Seattle’s population is growing briskly. Rents are rising at a near-giddy pace. The cranes we see all over the downtown area and elsewhere in Seattle are signals of economic prosperity. Yet those who work at lower-wage jobs in Seattle are faced with the increasingly difficult challenge of securing a rental home they can afford.

In this issue of My View, I present diverse perspectives from people across the Seattle community who are deeply engaged in seeking solutions to this challenge.

I can’t hope to present all the relevant issues, data, and viewpoints in these few pages, especially since the problem has been discussed extensively in the local media and has the full attention of Seattle’s leadership. But we can add some fresh perspectives to the conversation—and hopefully inspire creative solutions.
Putting the affordable housing challenge into context

- According to *Atlantic Cities*, the average rent for a home in Seattle rose 9.2 percent between January 2013 and January 2014.¹
- As of January 2014, the average rent in Seattle was $1,371 per month.
- More than 50 percent of Seattle households are renters. Only about 46 percent of occupied housing units in Seattle are owner-occupied.²
- Seattle added 40,000 new households between 2000 and 2014, growing by 14 percent.
- Almost 48 percent of Seattle rental households are “cost burdened,” paying more than 30 percent of income towards rent.
- In 2009, just 7 percent of Seattle rental apartments had two bedrooms and were affordable to families at or below 80 percent of Area Median Income (AMI); only 1 percent had three-plus bedrooms and were affordable at 80 percent AMI. These numbers have probably worsened significantly since 2009; they also don’t capture the challenge for those with incomes far lower than 80 percent AMI.


² Unless otherwise noted, the statistics in this section were taken from “Seattle Workforce Housing: Programs and Policies Related to Meeting Workforce Housing Needs in Seattle” and “Family-Sized Housing: An Essential Ingredient to Attract and Retain Families with Children in Seattle” [see sidebar].
Sarah Lewontin: We’re falling way behind

Almost exactly five years ago, Sarah Lewontin articulated, in the pages of My View, the essential role the Seattle Housing Levy plays in funding the construction and rehabilitation of housing that low-wage working people can afford.

At the time, Sarah was executive director of Housing Resources Group (HRG). She now heads Bellwether Housing, the result of HRG’s merger with Common Ground last October. Bellwether develops housing for other nonprofits as well as managing about 2,000 affordable homes in Seattle, rented to low-income individuals and families, and low-income seniors.

How does 2014 look compared to 2009 in terms of workforce housing affordability? “We’re falling way behind,” Sarah says. “Partly because of where we are in the economic cycle, partly because of job growth—and partly because of the growth in the supply of high-rent market-rate apartments in the City of Seattle. Especially in the urban neighborhoods that are most popular and have the most opportunities for working people. There’s just a lot of new construction going on, with rents rising because there’s so much demand.”

Sarah points out that the vacancy rate in King County is less than 4 percent. “That’s pretty low—it indicates a lot of demand; occupancy rates are especially low in neighborhoods where there are a lot of jobs.” People really do want to live close to their jobs, she says: “They understand the relationship between the cost of a long commute and the cost of housing and their total overall household expenses.” And demand is growing for rentals close to where the work is. “We’re not able to meet the needs of working people in our city even as well as we did five years ago—which wasn’t that great even then.”

Bellwether, along with Capitol Hill Housing, is one of the few affordable housing developer/managers in Seattle that has a workforce housing focus. Most of their housing is designed to be affordable to people whose incomes range from about 30 to 60 percent of AMI. These are, basically, people who earn minimum wage to about $20/hour. Bellwether’s vacancy rate? About 2.5 percent.

Resources are shrinking

One of Sarah’s biggest concerns, which is shared by so many of us in the affordable housing community, is that public funding sources for affordable housing are increasingly constrained—and dwindling. “We used to be able to rely, at least somewhat, on the Housing Trust Fund at the state level to help us fill our financial gap in either buying and rehabbing apartment buildings or building new ones,” she says. “But we can’t count on that anymore. There’s very little capital available at the state level—and what money is available is very specifically targeted toward more immediate needs of the people in our communities.”

The Seattle Housing Levy, approved by taxpayers four times since 1981, has funded the preservation or construction of more than 12,000 affordable apartments—but these, too, have been targeted mostly to people with the very highest needs, whose incomes fall below 60-80 percent AMI.

As the Housing Levy’s supporters gear up for the next “ask” from taxpayers in 2016, Sarah says, they’ll most likely study “what, if any, appeal for funding for workforce housing might have to voters.” She points to the increased visibility of the lack of affordable housing for low-income people, and the “increased attention to the environmental impacts when people have to drive from far locations to get to work.”
Who is willing to participate in solutions?

The workforce housing gap appears to be a compelling issue. But will it compel voters to agree to a property tax increase that’s designated specifically for this population, instead of for people who are homeless or in need of supportive services?

“The population that we’re serving has less of a pull on people’s heartstrings,” Sarah says. “The workforce housing issue just suffers somewhat from comparison.”

Efforts to engage area employers on workforce housing have also come up short. Sarah describes how, in the early 2000s, the Housing Development Consortium tried to develop a large source of funding for Seattle’s affordable housing needs similar to the Housing Trust Fund on the state level, which could supplement other public and private funding sources. This so-called “Big Fund” would have included investment from employers.

But the group discovered that employers didn’t see the relevance. “It is very difficult to get employers involved unless they feel that housing affordability is preventing them from attracting and retaining employees,” Sarah says. “I think there could be more involvement from employers.” She mentions Amazon as today’s most prominent example. “I don’t believe they recognize that housing affordability is an issue.”

One way that Amazon is participating is through the City’s Incentive Zoning (IZ) program, Sarah says. The company gains bonus commercial space by making a required cash payment into the IZ program that will be used to build or acquire affordable housing units.

“The nonprofit community has been discussing whether there’s a way to see to it that, at least, these IZ funds are used in a very timely manner, and used to address the needs of very-low-wage working people in the city,” Sarah says. Her argument is that there are other funding sources for other pressing affordable housing needs. “I know they’re not quite adequate, but at least there are some—whereas there are very few sources that truly serve the needs of working people in our community.”

“We need to have market-rate developers’ participation”

Sarah also feels strongly about another, mostly missing participant in the workforce housing solution: market-rate developers. “We know that the need to provide affordability for working people is more than what can be addressed by nonprofits,” she states. “We really need to have market-rate developers’ participation in providing some of that affordability.”

Sarah stresses that in her experience, not all market-rate developers fall into this category. But many “agree it’s an issue—some of them do—but they really just don’t feel like they should be asked to participate in the solution.”

Sarah and Paul Lambros, executive director of Seattle’s Plymouth Housing Group, have been reaching out to for-profit developers. Sarah describes a recent meeting she and Paul had with Ada Healey, vice president of Vulcan Real Estate, and Scott Matthews, Vulcan’s senior director of acquisitions. “Paul and I have been trying to figure out what we can help advocate for on behalf of market-rate developers—that will make it possible and attractive for them to include some affordability in their buildings. And during that meeting, which lasted an hour and a half, it was very difficult for us to find any points on which we agreed.”

“The whole idea,” Sarah sums up, “is that we would like to see our community better serve the needs of the people who work here, by providing affordable places for them to live near what they need—and that includes their jobs.”

Completed by Bellwether in 2011, Rose Street is in Seattle’s Rainier Beach neighborhood. This housing is dedicated to people at 30, 50, and 60 percent of AMI.

3 Although the 2009 Housing Levy (2010-2016) can fund housing up to 80 percent AMI, this use is unlikely, due to the challenge of leveraging other capital subsidies. In practice, 60 percent of the 2009 levy is dedicated to 30 percent AMI and below; the remaining 40 percent focuses on households of up to 60 percent AMI.
Ada Healey: Market-rate developers need incentives that work

Ada Healey has headed Vulcan Real Estate since 2001. Vulcan, as virtually everyone in Seattle knows, is owned by Microsoft co-founder Paul Allen. Over the past decade-plus, Vulcan has radically transformed Seattle’s South Lake Union neighborhood. They’ve redeveloped close to 60 acres into more than five million square feet of new office, life science, mixed-use, and residential projects—including housing for low-income people at the 60 to 80 percent AMI level.

Ada says she is also very engaged in the issues surrounding increasing housing affordability for low-income people in Seattle.

“I can’t speak for the entire private sector because I’m only one participant,” Ada begins. “But we at Vulcan believe firmly in a community that is inclusive and we also firmly believe in taking care of vulnerable populations. And we have: Almost 15 percent of our portfolio is affordable to people at 60 to 80 percent of AMI.”

All 141 units of that affordable 15 percent are in the South Lake Union neighborhood. These include Alley 24 and Stack House, which participate in the City’s Multifamily Tax Exemption (MFTE) program (more on that below), and Borealis, which provides about 50 units of affordable housing.

“We are very focused, given that we’re in the for-profit world, on how to use resources as efficiently as possible and to not be wasteful—we understand that resources are limited,” Ada says.

She thinks developers could add far more affordable housing with the right incentives. She published an editorial in Seattle’s Daily Journal of Commerce on March 27 titled “Incentive zoning: right sentiment, wrong tool,” in which she argued that the program doesn’t offer compelling incentives for developers.

Through the IZ program, in certain parts of Seattle, developers are allowed to develop to bonus densities in exchange for either dedicating a certain portion of housing on-site for low-income renters, or paying into a fund that would create affordable units elsewhere. The IZ program, implemented in 2006, has thus far produced 56 units of onsite housing affordable to households between 60 and 80 percent of AMI, while the cash-in-lieu payments have funded 616 affordable rental units.

But according to the February 4 report Seattle Incentive Zoning (see sidebar page 2), 62 percent of developers eligible for the IZ program have chosen not to participate.

“We reviewed it [the report] and we have our own data,” Ada says, “and it’s clear that the IZ program that is in place today is not working.” She points out that seven current South Lake Union residential projects are not participating in the program.

“People are not taking advantage of it, frankly, because it’s not an incentive. As a result, developers aren’t producing housing units—along with jobs and/or tax revenue. And we’re not using our land as efficiently and productively as we could because we’re not building to the maximum zoning capacity.

“So then the question is: If it’s not working—what does work?”

ADA HEALEY
Vice President, Vulcan Real Estate

“.... we also firmly believe in taking care of vulnerable populations. And we have: Almost 15 percent of our portfolio is affordable to people at 60 to 80 percent of AMI.”
The Multifamily Tax Exemption (MFTE) Program

Ada believes that a far better solution would be to expand the city’s MFTE program. To date, more than 3,000 affordable units have been either built or rehabbed through this program, which provides a tax exemption on residential improvements on multifamily projects in exchange for developers’ setting aside 20 percent of the units for moderate-wage workers for a period of 12 years. “We have participated in the MFTE program and I would say it’s a very modest incentive and it could be break-even—in fact, we could even lose a little bit, depending on what happens to market rates. “But,” she adds, “because we think that it’s a positive to be able to have people of different incomes living across the community, we’ve participated in it. Just because it expires in 12 years, I don’t think that means you throw it out the window. The idea that we have put forward publicly is: If the MFTE program is working, how do you actually expand it to other neighborhoods and even to existing buildings?”

The costs, she argues, “are spread around the entire City of Seattle tax base and the incremental additional tax for each resident is literally pennies.”

She points to a concrete way the program could be made more efficient. Currently, the City of Seattle doesn’t require an annual income review of residents in housing supported by the MFTE. “So one thing is to expand the program because it’s working; and two, verify income annually to make sure that the people who need those units have access to them. The people who don’t qualify need to find other housing alternatives.”

Encouraging development near transit centers where costs are lower

One reason Ada believes that the IZ program hasn’t been embraced by the majority of developers in Seattle’s downtown core is because of the higher risk of high-rise construction. “The cost of this construction is significantly higher, the development time frame is longer, the number of units you deliver to the market at one time is larger. The risk profile of a high-rise project is dramatically different from a mid-rise project. That’s not just the developer’s perspective—it’s the perspective of the private investment community. Investors are cautious about high-rise development because of the risk profile, and the level of rents that are needed to make the project pencil out.”

Her take is that more construction geared to affordable housing should be taking place where costs are lower—and the transit system is very efficient. This includes increasing density around Seattle’s transit centers. “What we’ve heard many times is that people need to be close to their jobs; we totally support that. The U. District is getting light rail; Northgate is a transit center; Ballard has got great bus rapid transit; Beacon Hill is on light rail; West Seattle has got a great bus transit network. And so there are many neighborhoods around Seattle that are well connected to the job centers in downtown. “And the production of housing in these neighborhoods is less expensive than it is to produce downtown,” she points out. “And so again, this all goes to: Let’s look at cost-effective ways of producing housing. “Additionally, [the city of] Seattle has a lot of properties they can actually make available for the development of housing. We think if it’s a high city priority for them, they should lean in and be a part of the solution.”

Ada brings up one final point that centers around land-use policies. “This is probably along the lines of what Alan Durning suggests: Let’s be a little bit more open about different housing solutions. Let’s do it in the right location, bear in mind—but let’s embrace micro-housing and other alternative solutions. This is not going to be a one-solution-fits-all: It’s going to be a fabric, a quilt that needs to be woven together. Having lots of different innovative solutions is going to get us where we need to go.”

4 What are the real costs of the MFTE to Seattle taxpayers? Miriam Roskin, planning and policy manager for the Seattle Office of Housing, says they are currently analyzing the tax impacts of the MFTE. “It’s a very complicated question.” What is known at this point is that the city’s share of the exemption is $3.6 million. Still unknown: The actual impact on new construction values, revenue collections, and tax burdens.
Alan Durning: Opportunities hiding in plain sight

Alan Durning is founder and executive director of Sightline, the two-decades-old Seattle-based think tank. Sightline’s mission is to make the Pacific Northwest “a global model of sustainability—strong communities, a green economy, and a healthy environment.”

Alan protests that he’s not an affordable housing expert. But in the process of exploring low-footprint, compact housing in the context of sustainable communities, he’s come up with some original ideas that could make an appreciable difference in keeping more housing more affordable for people of limited means—in Seattle or any city facing the same challenges.

“Housing affordability is the Achilles’ heel of smart growth—but only starting in 2012 did I really start to pay close, analytical attention to it,” says Alan.

Sightline had launched a project called “Making Sustainability Legal,” with the purpose of identifying laws or regulations that might have outlived their usefulness—“kind of a clean-out-the-fridge.” When Alan turned to housing, he began exploring how different cities in the Pacific Northwest, including Canada, address land use policy—and to what end.

That’s when he came across a book by Berkeley architectural history professor Paul Erling Groth called *Living Downtown: The History of Residential Hotels in the United States.* “It’s an obscure field of study—but it was fascinating to learn that rooming houses and boarding houses and other residential hotels once accounted for a very substantial share of urban housing in the United States,” says Alan. “There used to be three categories of housing: You could live in an apartment, you could live in a house—or you could live in a hotel. And now there are two. That was the ‘aha’ that started me digging into the history and politics and regulation of boarding houses and rooming houses.”

This led him to research an array of ‘alternative’ housing arrangements, including micro-housing and accessory dwelling units (ADUs) like mother-in-law units and backyard cottages. In fact, Alan ended up writing a book based on his research. It’s called *Unlocking Home: Three Keys to Affordable Communities.* It’s published digitally, it’s about the length of a novella, and is written so engagingly that it’s just about impossible to put down.

The book explores three very basic changes to land-use and zoning policies and regulations that could make a dramatic impact on housing affordability—and cost cities virtually nothing to implement. His three “keys” are what he calls “opportunities hiding in plain sight”:

- Legalizing rooming houses
- Decriminalizing roommates
- Welcoming in-law apartments and backyard cottages

“I think the most shocking realization I had in my entire research process was that on any given night in the Northwest, about a third of bedrooms are empty.”
One of Alan’s key observations is that, when you look at housing regulations across numerous cities in the U.S. and Canada, you’ll find little consistency from jurisdiction to jurisdiction. Take occupancy limits. From his research into the history of boarding houses in the U.S., it was clear that occupancy limits were a gentrification tool—a way to keep “them” out of “our” neighborhoods. And even today, Alan points out, occupancy limits range widely. In fact, some cities have even abolished them entirely.

As he writes in his blog: “The dizzying variability of occupancy rules accentuates their arbitrariness and absurdness.” For Alan, this matters simply—and hugely—because “occupancy limits tighten rental markets.” His suggestion? “Delete occupancy limits from the rule books.”

Delete occupancy limits from the rule books

The return of the rooming house: Micro-housing

The proliferation of micro-housing has, in particular, brought the issue of occupancy limits to the fore in Seattle. Says Alan, “Seattle is an interesting proving ground for the revival of rooming houses in particular. It’s kind of a national test case. We’ve now got several thousand micro-apartments; really, they’re just newfangled single-roommate housing. And there’s far more than any other city in the U.S. They’re new built, they’re almost all unsubsidized, they’re almost all in the private market.”

Alan says this is happening in Seattle “because of the confluence of some peculiarities about our land-use laws. We have a much higher occupancy limit than most cities: Eight unrelated adults can share a single dwelling. And we have a very low parking requirement per unit in most parts of the city—and actually have eliminated the off-street parking requirement in some parts.”

Seattle also has two other helpful attributes: a much smaller minimum unit size, and a lot of employed millennials who want to live in walkable urban neighborhoods. They can’t afford a $1,200 efficiency, but can afford $600 or $700 a month.

“That allowed a couple of developers to dream up this model of building eight-unit rooming houses that would be permitted as townhouses,” Alan sums up. “So a bunch of them got built before anybody noticed.”

Now, of course, people have noticed, including many NIMBY neighbors—as well as the City’s Department of Planning and Development. Since they first started popping up in neighborhoods across Seattle, micro-apartments have met with more than a little controversy. The City has been at work to address this issue for more than two years.

The City’s Planning and Development office has gone to great lengths to study the situation carefully, to listen to people on all sides of the issue, and to come up with a balanced view that attempts to preserve the innovation and affordability of this type of housing while ensuring that it works within the fabric of neighborhoods where it’s built.

In March, Mayor Murray sent proposed new rules for micro-housing to the City Council for consideration. These are too detailed to go into in these pages; but one big concern of developers—that design reviews would drive up the cost of producing this housing—appears to be addressed through different types of review that are based on the size of the building, including a “streamlined review” for buildings with a smaller footprint.
Be more like Vancouver, B.C.

In his book and in editorials in the Seattle Times, Alan has written extensively about another of his “keys” to unlocking homes: Lifting regulatory restrictions on accessory dwelling units (ADUs). As he points out, Vancouver, B.C.'s density is at least twice that of Seattle, even though it has a similar mix of residential neighborhoods and downtown high-rises. How did Vancouver get there?

Over the past 30 years, Alan recounts, Vancouver has responded to high housing prices and tremendous demand for in-city housing by liberalizing ADU regulations. “The fundamental difference between greater Vancouver and greater Seattle is in the land-use laws,” he says. “The number of houses on a block is no higher in Vancouver than in Seattle, but maybe half or two-thirds of the houses on a block in Vancouver will have a backyard cottage or a mother-in-law unit—or both—so the number of people on that block is much higher.”

In the beginning, there was intense neighborhood opposition. Now, these sources of affordable housing (and the additional income for homeowners to support their mortgage payments) are a way of life in Vancouver.

By contrast, Seattle imposes a gauntlet of restrictions, such as extra parking provisions, requiring that the backyard cottage be stylistically similar to the main residence and, importantly, requiring the owner to live on the premises. And a homeowner may have one kind of ADU or the other—but not both. The result is that although half of the dwellings in Seattle are single-family homes, last year permits were issued for less than 100 ADUs. A

By just following Vancouver’s lead, and liberalizing restrictions, Alan argues, Seattle could add tens of thousands of modestly priced apartments and cottages in the years ahead—“without any public expense.”

A fighting chance

Alan makes two final points. “I think the most shocking realization I had in my entire research process was that on any given night in the Northwest, about a third of bedrooms are empty. We’ve got a scarcity mentality about affordable housing. We are desperately trying to figure out how to build more units, how to come up with more efficient financing mechanisms, or cost-construction techniques, or new models and forms—so we can build more housing units. And meanwhile, a third of the bedrooms are sitting there empty. Not that most people probably want to rent out an extra bedroom, but some people might. Even if only one or two percent of these bedrooms were made available, the end result would be a massive increase in the availability of inexpensive housing.”

A second big revelation for Alan, he says, is the impact of parking regulations on the cost of housing. “The cost of building the parking is one piece of it—but the larger impact is the degree to which the parking requirements restrict what the developer can actually put on the land. And it’s often very substantial; it might reduce the number of units by a third. Across the whole city, that’s a massive reduction in the supply of housing that’s available.”

Finally, he says, “Much of the affordable housing industry focuses on homes for people who can’t afford a market-rate unit; these people are not going to be able to afford a $600-a-month micro-apartment on Capitol Hill. But if we could eliminate some of the restrictions on the market housing supply, then the affordable housing community would have a fighting chance of actually meeting the needs of folks who can only afford to pay $200 a month, the folks who are truly at the bottom of the market. And those are the people who are getting pushed out entirely—and end up homeless.”

“To me, the strategies described in my book are not an alternative to the affordable housing strategies that this newsletter’s readers are engaged in, but a complement to them.”

5 Seattle Department of Planning and Development, Citywide Residential Permit Information, April 9, 2014.
One significant piece of Seattle's current affordable housing deficit is housing that meets the needs of families with children. Addressing this shortfall is going to require great ideas, a comprehensive strategy—and political will. As I pointed out earlier in this newsletter, in 2009, just one percent of Seattle homes had three-plus bedrooms and were affordable at 80 percent AMI. In 2014, the affordability picture for families is probably considerably more dire. There simply aren’t nearly enough affordable homes for low-income Seattle families with children.

“It is a common thought that Seattle is filled with families and is a very family-friendly place,” says Catherine Benotto, Commissioner and Vice Chair of the Seattle Planning Commission. “Most people are very surprised when they find out how low Seattle’s percentage of households with children is, and how low it is compared to the King County average and to other states—and even many other big urban U.S. cities.”

Based on the 2010 Census, Seattle’s percentage of households with children was 19.2 percent. By comparison, Los Angeles had 33.4 percent; New York City, 30.5 percent; Minneapolis, 23.2 percent; and San Francisco, 18.0 percent. In recent years, the Seattle Planning Commission has been grappling with how to address this shortfall. One of the city’s goals in its Comprehensive Plan is to “promote households with children and attract a greater share of the county’s families with children.”

Catherine is a principal and architect with Weber Thompson; she’s had a long-time focus on creating integrated and sustainable communities—including those that are welcoming to families with children. She helped to produce the Planning Commission’s January 2014 white paper, Family-Sized Housing, written to define what characterizes housing that addresses the needs of families with children, and make recommendations on how Seattle can achieve this—while keeping enough of it affordable.

No silver bullet

“There are a lot of elements that go into making a city family-friendly and increasing their numbers,” Catherine observes, “but the basic part is just having access to the right housing.” Other factors, as detailed in Family-Sized Housing, include high-quality public schools, safe neighborhoods and safe streets, access to parks and indoor spaces, and stroller-friendly mass transit. These attributes all make sense, but encouraging all the needed elements in a concerted way is a tall order.

“There really is no silver bullet,” Catherine says. “It’s going to be a multi-pronged approach in a variety of densities, a variety of neighborhoods, using a variety of tactics and market incentives, and working alongside the affordable housing sector. Probably the most critical thing that we would like to see coming out of this—and the reason why we did..."
the report in the first place—is our last action item: taking this up with the city to develop the resources to explore this further.”

One of the greatest challenges is zoning. Seattle is zoned at about 60 percent single-family. As Seattle grows, says Catherine, “most of the growth is expected to happen within the Urban Centers and Villages [as defined by the Seattle Comprehensive Plan, 2005]. And most of that growth is going to happen in multifamily housing.” In other words, if Seattle is to accommodate the needs of families, more multifamily developers need to include larger units in their developments.

One of the Planning Commission’s suggestions is that Seattle strengthen its MFTE program to encourage developers to build larger units. Another is to revise the IZ program to strengthen its incentives for family-sized affordable housing. Bonus provisions, such as allowing a height bonus if developers create more family-friendly units that conform to recommendations, are other ideas that the Planning Commission has put forth in its action agenda.

Seattle should study how other cities are tackling this challenge, the Planning Commission adds. They note that cities like San Francisco and Vancouver, BC require the inclusion of family-sized units in certain types of residential developments.

**In search of density**

Another approach suggested by the Planning Commission, says Catherine, “is just looking for more density.” In other words, to meet the need for more family-sized housing, Seattle will probably need to rezone some areas, and allow for more flexible housing types in others.

About 10 percent of Seattle’s land area is zoned as multifamily; some of the land area is designated as low-rise and some as mid-rise. Catherine explains, “We thought this low-rise housing zone could be a good transition, for families, between single-family homes and greater-density multifamily housing.” Some areas could be rezoned from single-family to multifamily, and others from low-rise to mid-rise multifamily. “Our recommendation is to find a mechanism that, when there is a rezone for that purpose, perhaps near a school or near transit, it be done so that family-sized housing is delivered.”

For example, adding flexibility to zoning in single-family neighborhoods could result in tandem housing, duplexes and triplexes, cottage housing, and courtyard housing—as well as ADUs, both attached and detached.

Many of the homes built by Seattle Housing Authority (SHA) in its Hope VI communities accommodate large families. **High Point in West Seattle** is a case in point; homes affordable to families at 30 percent of AMI or less blend seamlessly with market-rate homes.
Another way the city can influence family-sized housing for those with lower incomes is by dedicating a portion of housing subsidies to units that are large enough to serve families with children and extended families as well—such as aging parents.

Looking to the future

Catherine is hopeful that many of the Planning Commission’s ideas and action items will be embraced by the city’s leadership. Right now, the city is updating its Comprehensive Plan, including an Environmental Impact Statement (EIS) that will weigh the potential impacts and benefits of where growth takes place over the next 20 years. The impact of zoning on housing affordability is one of the EIS’s areas of scrutiny. “This is a good time to bring this up and to work on it,” she says.

In an article Catherine published several years ago on creating family-friendly urban environments called *Sippy cups at Starbucks*, she quoted former San Francisco Mayor Gavin Newsom: “A city without children is a city without a future.” Let’s hope here in Seattle we succeed in developing the kinds of healthy, affordable homes that families with children need.

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6 The Seattle Planning Commission, *Family Sized Housing*, page 2
7 The Seattle Planning Commission, *Family Sized Housing*, page 7
Steve Walker: What do we value?

I asked Steve Walker to talk about the kinds of strategies his office plans to undertake—and what we can expect to see from the City’s leadership.

Before Steve was named director of the Seattle Office of Housing back in mid-January, I worked alongside him at the Commission for more than 17 years. Steve’s last responsibility here was directing the Commission’s Multifamily Housing and Community Facilities Division. He is magnificently attuned to the nuances and complexities of affordable housing development—and understands how to best facilitate the wide array of public programs, resources, and incentives available to encourage it. The Seattle Office of Housing’s role is to build community and create affordable housing opportunities, and I can’t think of anyone better suited than Steve to head this effort.

“At the macro level,” he says, “what’s happening in our marketplace today is as simple as: We have a net migration of people coming into Seattle; many of those people are seeking jobs that are paying good salaries. That is putting more and more pressure on our housing stock. And as I look out my window at all the cranes, most of them are building to house people at that healthy salary level.”

So where do we go from here?

“I think it starts with: What do we value here and now?” says Steve. “With the kind of prosperity that Seattle is experiencing right now—where are we placing our priorities? What are the things we need to do to make sure that, decades from now, we’ll have the kinds of diversity in all parts of the City that make Seattle such a wonderful place?

“When we get to sheer numbers, there’s always going to be the much larger, more challenging affordable housing shortfalls for very-low-income and extremely-low-income people, those who are defined as 50 percent and below and 30 percent and below AMI. Our challenge is to also address the needs of people at the higher end of the low-income spectrum.”

Acknowledging the full spectrum of affordable housing needs

Steve confirms that Mayor Murray and the Seattle City Council are engaged in setting a housing affordability agenda “that takes us out the next five to 15 to 20 years, aware of the immediate challenges in front of us, but aware also of some of the fundamental challenges that are always going to be present. There’s an absolute acknowledgement that there’s a full spectrum of affordable housing needs, many of which have been in front of us for a long time.”

The City has nationally recognized tools and practices to address part of that continuum of need. But as that spectrum is broadened, “we have to step back and think hard about creating the right tools to address the rest. This could be a direct subsidy—but it could also be land-use incentives. We have
to think in terms of additive tools—as opposed to trying to spread more thinly what is already a limited resource that’s over-subscribed.”

I ask Steve about the MFTE and IZ programs. “These are all part of what’s under review,” he responds. “I think there are great opportunities there, and we have to be open to getting bigger and bolder about making use of these. In terms of the MFTE, we always have to recognize the other end of the stick on anything that is a tax exemption.

That’s tax revenue that’s not coming in for 12 years or that is partially shifted to other property owners. So that has its limitations, but that doesn’t mean we can’t be more creative with it—and more impactful.”

With all of the city’s incentive programs, he points out, “some would say that we’re giving away too much and that we should be more aggressive, and of course others are saying we’re impeding production.”

Steve gives the example of the Cornerstone report that said 62 percent of developers declined to take advantage of the IZ program. “The other side of the coin is the percentage that are using the program. The reason that developers use or don’t use a program does not rest solely on monetizing the value of a tax exemption or bonus space for development. There are numerous other factors and variables that go into deciding how to proceed with developing these multi-million-dollar real estate transactions. I think that’s often lost in the conversation.”

The same could be said, Steve says, for the argument that Seattle needs to make more of its own land available for use as affordable housing. He explains that all the different city departments are given the opportunity to take a look at surplus properties. Their challenge is that utilities and transportation “have to get fair market value for it [the land]—or it may have significant environmental abatement needs. Very rarely is it a low-cost opportunity. . .often the best thing to do is to pass on it.”

Taking advantage of tax-exempt bond capacity

Steve and I have been discussing one current opportunity that he’d like the city to make good on over the next several years. During the economic downturn, the use of the Commission’s tax-exempt bond program declined. Thus, there’s currently an excess of tax-exempt bond authority available in the state that can be applied towards developing or rehabbing affordable housing in Seattle.

But there’s a big stumbling block: The high cost of land. “If we do use bond authority for development downtown or for some of the higher-land-value markets, such as the urban villages in and around our transit stations where we want that housing and that density to occur, a gap in the financing remains.”

How can we fill that gap created by high land values? “I’m convinced that there’s a solution out there and I can tell you that this office, along with the Commission and as many other smart people as we can bring to the table—we’re going to find a use for that bond authority.”

Seattle’s Affordable Housing Levy: Determining the most strategic approaches

Another big focus for Steve in the near term, he says, is Seattle’s Housing Levy, which is up for renewal in two years. In the context of the continuum of affordable housing needs, he says, “I think the Levy is going to
Built and managed by Capitol Hill Housing, Broadway Crossing relied on the support of a wide range of funding sources for its development costs, including the City of Seattle Housing Levy, the Washington State Housing Trust Fund, and 9% Low-Income Housing Tax Credits. It consists of 44 affordable apartments—and a ground-floor Walgreens. Broadway Crossing’s homes are all reserved for low- and very-low income families and individuals. Half are reserved for households at or below 30 percent of AMI; the other 22 apartments are available to people at 60 percent of AMI or lower.

“There’s an absolute acknowledgement that there’s a full spectrum of affordable housing needs, many of which have been in front of us for a long time.”

STEVE WALKER, DIRECTOR, SEATTLE OFFICE OF HOUSING
The Washington State Housing Finance Commission is a publicly accountable, self-supporting team, dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.