

Councilmember Rob Johnson
Seattle City Council
Committee Chair- Planning, Land Use, & Zoning
P.O. Box 34025
Seattle, WA 98124-4025
July 26, 2016



Re: Council Bill 118736

Dear Councilmember Johnson,

We write to you today regarding Council Bill 118736, otherwise known as the Mandatory Housing Affordability – Residential (MHA-R) framework legislation. We support the legislation as transmitted, but have serious concerns regarding a few of the draft amendments under consideration. Our concerns pertain to amendments #1, 2, 5 and 7 as enumerated in the Central Staff memo to the Planning Land Use and Zoning Committee, dated July 18, 2016.

The Coalition for Housing Solutions is a group of Seattle-area builders, land use attorneys, architects, membership-based business organizations, and urban and housing advocates. We participated in discussions with non-profit affordable housing advocates and their allies which ultimately produced the “Grand Bargain”, which, when combined with other HALA recommendations, achieve the Mayor’s stated objective of 20,000 net new income-restricted units and an additional 30,000 market-rate units over ten years to meet existing and future demand for homes in Seattle. The “Grand Bargain” was built on a foundation of several principles: the MHA program would be calibrated to achieve at least 6,000 of the 20,000 income-restricted unit target; there would be a reasonable exchange of value between additional development capacity and performance requirements and fees; and there would be a “lasting peace” wherein the private sector would have regulatory consistency and certainty and the public sector would have predictable yields for new affordable housing units.

The Coalition for Housing Solutions has maintained its commitments through the Grand Bargain. We have and will continue to advocate in the Washington State Legislature to further the City of Seattle’s legislative agenda as it relates to housing affordability. We have provided financial support measured in six-figures to the Seattle Housing Levy campaign and to the operations of Seattle for Everyone – a broad coalition of business, non-profit, social justice, labor and environmental interests working together to support implementation of the HALA plan. The Grand Bargain also produced a standstill agreement on the Koontz Coalition litigation and withdrawal of a separate SEPA appeal on the Affordable Housing Mitigation plan, paving the way for implementation of MHA-Commercial and MHA-R.

Some of the amendments under consideration by the Planning Land Use and Zoning Committee would constitute a material change in the “Grand Bargain” if implemented.

Amendments #1 and #2 pertain to increasing performance and payment amounts in a significant number of neighborhoods without corresponding increases in allowed housing density. We urge you to



consider alternative methods of addressing displacement of naturally occurring affordable housing, including utilizing incoming Housing Levy revenues and existing development fees to purchase and preserve older stock affordable housing and continuing to advocate for adoption of the Preservation Tax Exemption in the Washington State Legislature. These and other tactics can successfully address displacement without jeopardizing the “Grand Bargain” and limiting the overall housing supply.

While it may be counterintuitive to some, upzones may generate less displacement than maintaining existing zoning. For example, the *U District Urban Design EIS* estimates that the upzone alternatives will result in a loss of 40 existing affordable units, but the “no action” alternative results in a loss of 60 units – 50% more than under the upzone alternatives. As explained in the EIS, this is due to “more efficient use of land allowing for higher concentrations of housing” in the upzone alternatives. Less land is utilized to meet the same market demand for new development in the upzone alternatives than in the “no action” alternative.

Furthermore, such amendments are factoring in only one side of the equation on naturally occurring affordable housing. Over the same period of time that some number of naturally occurring affordable housing may be “lost,” additional housing units age to the point of becoming newly naturally occurring affordable housing. The same dynamic that has created today’s naturally occurring affordable housing will generate the naturally occurring affordable housing of the future, as aging units are unable to compete with market demand for newer units. The amendments would seek to count and penalize for lost naturally occurring affordable housing without counting and crediting against newly aged affordable housing stock.

Given these issues and the unclear geographic scope and rate increases associated with these amendments, we are opposed to these amendments as currently worded.

Amendment #5 raises the possibility of using some other index than the commonly used Consumer Price Index (CPI) for inflationary fee adjustments. The City of Seattle frequently utilizes CPI throughout the municipal code to adjust for inflation including but not limited to consultant services (Ch. 20.50), leases of City-owned or City-managed property (Ch. 3.127), tow company licenses and regulations (Ch. 6.214), tenant relocation assistance (Ch. 22.210), taxicabs and for-hire vehicles (Ch. 6.310), executive recruiting (Ch. 4.14), garden plot fees (SMC 3.35.060), habitable buildings (Ch. 22.206), square footage tax (Ch. 5.46), election campaign contributions (Ch. 2.04), and crowd control events (Ch. 15.52). Deviating from the City’s standard inflationary index inserts a level of uncertainty into economics and financing of development projects that the City is relying upon to produce fees and affordable units for the MHA program.

Furthermore, the amendment appears to bypass the Technical Review Committee process to be established in the same MHA-R ordinance. Should changing market conditions require adjustments to the fee and performance requirements in order to achieve MHA’s 6,000 net newly constructed or preserved income-restricted units over 10 years, the Technical Review Committee’s charge is to review the data and make recommendations for revisions in order to achieve the policy goals of MHA. This is a key component of the Grand Bargain framework.



Amendment #7 doubles the length of term for projects to maintain income restrictions on units from 50 years to 100 years. We are concerned that extending the term to 100 years will adversely impact the financeability of projects, thereby jeopardizing our ability to meet the production targets for MHA. Achieving the 6,000 income-restricted affordable unit target for MHA requires maintaining a fine balance between capturing public value without disincentivizing construction, which in turn provides the fees and affordable units upon which the success of MHA is measured.

It is this balance that underpins the finer details of MHA and, we hope, will drive implementation of MHA in the years to come as the community achieves the stated objectives of MHA. Yet, the Coalition for Housing Solutions respects the legislative process and acknowledges the varied community input the City Council is receiving regarding implementation of MHA. As such, we are keeping our comments focused only on those amendments that we believe are truly problematic changes.

Thank you for considering our comments on these few amendments and our support for MHA-R.

Sincerely,



Jack McCullough

Chair - Coalition for Housing Solutions

CC: Councilmember Lisa Herbold

Councilmember Bruce Harrell

Councilmember Kshama Sawant

Councilmember Debora Juarez

Councilmember Mike O'Brien

Councilmember Sally Bagshaw

Councilmember Tim Burgess

Councilmember Lorena González

Ketil Freeman, Council Central Staff

