



August 1, 2016

RE: Proposed amendments to MHA-R framework legislation

Dear Councilmembers:

We are writing for the second time to strongly urge members of the Seattle City Council to reject proposed Amendments 1 and 2 to Council Bill 118736 that would establish the Mandatory Housing Affordability – Residential (MHA-R) program. This second letter was motivated by a response we received to our first letter from Councilmember Herbold, copied at the end of this letter for reference.

We understand and support the desire to account for “naturally occurring” affordable housing in crafting policies to achieve the goals set by HALA and the related importance of the city’s displacement risk analysis. However, we question the cause-and-effect implied by the amendment’s proposal to raise payment and performance amounts specifically in “areas identified as having higher risk of displacement.” That strategy might make sense if there were a localized nexus between displacement and housing development projects subject to MHA-R. But contrary to perceptions of many, as we explained in our previous comment letter, new housing helps preserve the low rents of naturally occurring affordable housing and therefore decreases displacement at the neighborhood scale.

Furthermore, increasing affordable units produced through MHA-R (whether to offset the loss of naturally affordable housing or for any other reason) cannot be achieved by raising the payment and performance amounts without also raising the associated capacity increase (upzone). The reason the city proposed a three-tiered system of payment/performance based on neighborhood market strength is because excessive requirements can jeopardize the feasibility of development projects, and result in the lose-lose outcome of zero new affordable units and zero new market-rate units. Because your amendment proposes to increase the payment and performance amounts without granting any commensurate additional development capacity, the likely outcome would be a drop in production of both market-rate and affordable units, putting the city’s HALA goals further out of reach.

Regarding the displacement study from UC Berkeley ([link](#)) that Councilmember Herbold cited as evidence to counter our arguments, that study actually corroborated the findings we cited from California Legislative Analyst’s Office ([link](#)):

“Consistent with the LAO Report, we find that new market-rate units built from 2000 to 2013 significantly predict a reduction in the displacement indicator from 2000 to 2013.”

The additional contribution made by the UC Berkeley analysis is that compared to market-rate units, subsidized units have a more than two times stronger effect on reducing displacement.

Also, to clarify, we cited the Mission District study ([link](#)) not to suggest that the amendment is like a development moratorium, but rather as an example of analysis indicating that in a neighborhood with high risk of displacement,

new housing development is likely to reduce displacement, because it helps control price increases in existing buildings.

The evidence indicates that the MHA-R program, because it results in both more affordable units and more market-rate units, is actually a powerful anti-displacement tool all in itself. We would suggest that if the city hopes to successfully implement MHA-R, councilmembers and staff could focus on communicating to constituents the fact that MHA-R is one of the city's most promising anti-displacement policies. It can be reinforced with other anti-displacement strategies that the city can and should implement to reduce displacement in vulnerable communities and mitigate it when it does happen.

Naturally occurring affordable housing is critical piece of Seattle's affordable housing puzzle. However, we believe that the issue cannot be addressed through modifications to the MHA-R program, and in fact, that any such policies would actually do more harm than good to Seattle's inventory of naturally occurring affordable housing. Instead, we recommend that Council introduce new, separate legislation to launch a stand-alone program to assess and track Seattle's naturally occurring affordable housing, with a priority on areas identified as at high risk for displacement in the May 2016 Seattle 2035 Growth and Equity report ([link](#)). With solid data to provide a thorough understanding of existing conditions, the city will be far more successful in developing and implementing policies that can actually help stem the loss of naturally occurring affordable housing.

Thank you for your consideration.



Alan Durning  
Executive Director  
Sightline Institute



Dan Bertolet  
Senior Researcher  
Sightline Institute

**Appendix: July 28, 2016 email from Councilmember Herbold**

**From:** Herbold, Lisa [mailto:Lisa.Herbold@seattle.gov]

**Sent:** Thursday, July 28, 2016 5:24 PM

**To:** Dan Bertolet

**Cc:** Price, Leslie; Feldstein, Robert; Assefa, Samuel; Torgelson, Nathan; Kranzler, Andra; Harrell, Bruce; Tang, Vinh; Samuels, Jennifer; Racca, Jeremy; Sawant, Kshama; Virdone, Ted; Johnson, Rob; Gore, Amy; Juarez, Debora; Elizalde, Mercedes; O'Brien, Mike; Levy, Susie; Bagshaw, Sally; Rehrmann, Lily; Bleck, Alberta; McLean, Alyson; Burgess, Tim; Day, Seferiana; Gonzalez, Lorena; Cano, Orlando

**Subject:** RE: Comment letter on MHA-R amendments

Thank you Dan! I wanted to get back to you because – based on the studies you cite - I feel like there might be some confusion about the potential impact of my amendment. This seems like a good opportunity to clarify.

1. The San Francisco Auditor report you linked to is a study of the impacts of placing a moratorium on all development. It is not a study of the effect of increasing the amount of their inclusionary requirement or how that would affect displacement or rates of new construction. In fact, that study acknowledges displacement and gentrification is occurring at a greater rate in the Mission District than just about anywhere else in the city. Further this study acknowledges (see page 22) that once the moratorium is lifted, "it is, therefore, fair to say that, over the longer term, continued market rate housing development in the Mission does carry the risk of further evictions for demolition, as has been seen, to some extent, in the past. "

2. The California LAO Report purports to show there is more displacement in areas of low growth than in areas of high rates of growth, Where that is interesting (and debatable according to the study's own conclusions) it's really not relevant to my amendment. My amendment does not chose where the displacement is, it would only state an intent that the City should identify those areas that have a high displacement risk and - for those areas - to have a slightly higher performance/fee requirement across the zone commensurate to the analysis determination of units lost from development directly resulting from the rezone.

The amendment does not state an intent to require any mitigation of demolitions or increased rents from other market forces.

As an aside, the Cal-Berkeley Urban Displacement Project has a good take down of this study:

<http://www.urbandisplacement.org/blog/development-and-displacement>

For another look at the issue of displacement and its location specific relationship to rates of new construction and other factors in the San Fran area, the Cal-Berkeley Urban Displacement Project has some good stuff here <http://www.urbandisplacement.org/>

Thanks again,

Lisa