Affordable Housing Toolkit

A Guide for Cities, Counties, and Advocates in Washington State

Published January 31, 2023

Acknowledgements

Funding for this report was provided by our sponsor:

UnionBank®

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We extend our deepest appreciation to everyone that contributed to the development of this toolkit. This report was prepared by Kaylin Dugle, MPPc Portland State University, under the direction of steering committee members, including Patience Malaba, Housing Development Consortium of Seattle-King County; Andrea Newton, Urban Land Institute Northwest; Jon Hall, GGLO; Hal Ferris, Ferris Advisors; Laura Benjamin, Puget Sound Regional Council; Megan Adams, TWG Development; and Jesse Simpson and Chad Vaculin of the Housing Development Consortium of Seattle-King County, with the production support of Elan Robinson and Paige España of the Housing Development Consortium of Seattle-King County.

We extend a special thank you to all the jurisdictions in King County that continue to foster the production of essential affordable housing in our region. We extend an invitation to local jurisdictions to reach out to us to dive deeper into the housing tools and strategies that bring more affordable homes to our community. We hope to partner so that all people throughout King County can live with dignity in safe, healthy, and affordable homes.

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Executive Summary

This toolkit was designed to concisely present information on high-impact policy tools that local governments can implement to bring more affordable housing to their community. The toolkit was developed through a partnership between the Housing Development Consortium of Seattle-King County and the Urban Land Institute Northwest. Through this partnership, a steering committee of local affordable housing experts was created to inform this toolkit.

The toolkit is divided into four sections of high-impact tools that are equally important in creating healthy, affordable, and thriving communities. While each of these sections aim to address a unique segment of our housing challenge, the tools work together and reinforce one another's impact. No single policy can address our housing needs on its own, and each tool should be viewed as an individual ingredient in a comprehensive affordable housing strategy. These policy sections include:

- Land Use Tools
- Financing Tools
- Regulatory Efficiencies
- Anti-Displacement Strategies

The land use tools section focuses on policies that allow more affordable housing to be built through a local government's ability to regulate land. The financing tools section discusses ways to secure local funding that can be strategically leveraged with other sources for the development of affordable housing. The regulatory efficiencies section looks at ways local governments can implement strategies that create time and cost savings that result in bringing affordable housing projects to market faster. Finally, the anti-displacement strategies section focuses on ways to create more equitable and sustainable communities through improved housing stability and increased equitable access to affordable homes.

The toolkit is intended to be used by local governments as a resource for developing and implementing policies that address the affordability crisis. It is designed to be easily accessible, with clear explanations of each policy and their potential benefits. The collection of these tools is not intended to be an exhaustive list of all policies available to local governments. Rather, this toolkit focuses on policies that are known to be highly impactful in creating more affordable homes.

As local jurisdictions think creatively to develop and implement their affordable housing strategies, we hope that this toolkit serves as an educational resource on ways to increase affordable housing opportunities using local mechanisms. We intend to be collaborative partners with local jurisdictions throughout your affordable housing journey, and we encourage you to reach out if we can be of any assistance. We look forward to partnering together to create communities where everyone has access to a safe, healthy, affordable place to call home.

Introduction

Safe, stable, and affordable housing is the foundation upon which healthy and thriving communities are built. It is the cornerstone from which individuals and families can establish their lives knowing that they have a place to call home. With access to housing that is affordable, people have the opportunity to reach their full potential and thrive while contributing to the strength and vitality of their community.

In addition to the many individual benefits, affordable housing enriches the whole community. It is a catalyst for a thriving economy, can aid in a cleaner environment, and leads to an overall healthier community. Investments in affordable housing are not only investments in the futures of those who directly benefit, but also in the future of the community. By ensuring that everyone has a place to call home, we can create a brighter tomorrow for all where communities are vibrant, diverse, and inclusive.

Unfortunately, for far too many people in our state, access to a home that is affordable is unattainable.

Growing Gap in Affordable Housing

The region's housing crisis can seem insurmountable. A 2018 King County Regional Affordable Housing Task Force report estimated a need for 244,000 additional affordable homes in King County by 2040 to ensure that no households earning 80% area median income and below are cost burdened ("Final Report and Recommendations for King County, WA" 2018). Cost burdened is a term used in the affordable housing sector to mean that a household pays 30% or more of their income on all housing-related costs. Cost-burdened households have less ability to cover other expenses like food and transportation and have a higher likelihood of experiencing homelessness (Aldern and Colburn 2022). Reducing the number of cost-burdened households is an integral component of building a healthier community and a goal that all jurisdictions share.

Of the 244,000 new affordable homes needed by 2040, 156,000 homes are needed for households currently cost burdened, and an additional 88,000 homes are needed for the known and estimated growth of low-income households from 2018 to 2040 ("Final Report and Recommendations for King County, WA" 2018). Based on the 2022 American Community Survey, this amounts to a 25-33% increase in housing units needed in King County by 2040. In comparison, the average increase in housing units in King County from 2010 to 2020 was just 12.4% (Towncharts.com 2019).

Draft projections prepared by the Washington State Department of Commerce for King County in 2022 estimate the deepest need is in the 0-30% Area Median Income (AMI) level, with 129,541 net new 0-30% AMI units needed between 2019 and 2044 (King County, 2022).

In 2021, the Washington State Growth Management Act was amended to require that local governments "plan and accommodate" for housing affordable to all income levels. The Department of Commerce provides guidance to local jurisdictions to meet the requirements of the updated housing elements of local comprehensive plans. These requirements add to a jurisdiction's moral obligation to ensure that their residents have access to homes that are affordable.

Pillars of Addressing Affordable Housing Needs

An array of tools exist for local jurisdictions to address the housing crisis creatively and boldly. Researchers and practitioners recommend a multi-pronged approach to providing for affordable housing. Tools in this toolkit fall within four pillars that work together to address affordable housing needs. These pillars include:

- **Allow more homes to be built in more places:** Local jurisdictions have the power to regulate land;
- **Provide and leverage for more funding for affordable homes:** Local governments have the power to raise funds and leverage those funds toward commitments from state and federal funding sources to produce affordable housing;
- **Allow for homes to be built faster and more efficiently:** Local governments oversee the building approval process and can improve it to be more timely and efficient; and
- **Promote housing stability to create healthy and sustainable communities:** Local governments also play a role in preserving affordable housing and promoting housing stability by layering on additional protections for renters and providing emergency resources to low-income renters.

Using the Toolkit

While each of these pillars target different challenges of the housing crisis, all are essential for jurisdictions to include in an overarching package of policies. This toolkit is broken down into four sections that present a number of high-impact tools that help to fulfill each pillar of addressing affordable housing needs.

Tool Matrix

	Policy Tool	Policy Objectives	Target Population	Type	Ideal Conditions
Land Use & Regulatory Tools	**Affordable Housing Density Bonus**	Mixed-income communities Increase in affordable housing options	<80% AMI	M R H	Strong housing market Locally calibrated
	Form-Based Code	Greater density Infill development Mixed-use, walkable neighborhoods	All income levels	S M R H	Existing historic, business, or downtown districts Staff capacity for monitoring and evaluation
	Land Banking & Disposition	Development near transit centers Infill development Diversity and density of housing types Anti-displacement strategy Stewardship of public lands	<80% AMI rental	S M R H	Underutilized public land Community engagement Affordable housing developer partnership
	Mandatory Inclusionary Zoning	Mixed-income communities Increase in affordable housing options	<80% AMI rental <100% AMI ownership	M R H	Strong housing market Locally calibrated Staff capacity for monitoring and evaluation
	Planned Action EIS	Reduce development costs Reduce regulatory burden Bring units to market faster	All income levels	S M R H	Any market; especially effective in strong markets
	SEPA Categorical Exemptions	Reduce development costs Reduce regulatory burden Bring units to market faster	All income levels	S M R H	Any market; especially effective in strong markets
Financing Tools	**Housing Levy**	Create a significant and consistent local affordable housing funding source	Local discretion recommended <60% AMI rental <80% AMI ownership	M R H	Affordable housing is a community priority Voting base willing to be part of the housing solution
	Social Impact Investment Fund	Increase in affordable housing options and efficient uses of public lands Community engagement around affordable housing Leverage private investments into affordable housing	<80% AMI	S M R H	Major employers or financial institutions Affordable housing developers who are able to leverage other outside funds Community-driven development
	Payroll Expense Tax	Create a dedicated and significant source of local affordable housing funding	Local discretion recommended <80% AMI	S M R H	Major employers in jurisdiction Community support
	Commercial Fee in Lieu	Affordable housing revenue Ensure all sectors contribute to addressing affordable housing crisis Increase in affordable housing options	<80% AMI	R H	Strong development market Locally calibrated
	Real Estate Excise Tax	Dedicated and significant local affordable housing funding source	<60% AMI rental <80% AMI ownership	R H	State action necessary to authorize local authority

S = Single family M = Multi-family R = Rental H = Homeownership

	Policy Tool	Policy Objectives	Target Population	Type	Ideal Conditions
	Credit Enhancement	Cost savings for affordable housing financing Upfront capital for affordable housing projects	<80% AMI	M R H	If substantial affordability can be delivered
Anti-Displacement Tools	**Community Land Trusts**	Wealth building and housing stability Establish community control over land Address the home purchase affordability gap for low-income households	<80% AMI Low-income households at risk of displacement	S M R H	Presence of a strong non-profit partner Acquirable land Funds to develop, rehab, or acquire properties
Anti-Displacement Tools	**Affordable Housing Preservation**	Retention of dedicated affordable housing and naturally occurring affordable housing Housing stability for low-income residents	<80% AMI Low-income households at risk of displacement	S M R H	Adequate funding sources Partnerships between governments and nonprofits Community involvement
Anti-Displacement Tools	**Equitable Development**	Impacted communities benefit from economic growth Community-driven development Help people and places achieve balanced growth	<80% AMI Low-income households at risk of displacement Communities of color and other historically disinvested communities	S M R H	Community-driven development Dedicated funding Proactive policy development
Anti-Displacement Tools	**Tenant Protections**	Improve housing stability Increase access to affordable homes Reduce displacement	All renters Low-income renters	S M R	Any
Regulatory Efficiencies	**Streamline Permitting Process**	Create faster permitting process for affordable housing projects Bring affordable units online faster Reduce soft costs for affordable housing developers Increase predictability, consistency, and objectivity of permitting process	<80% AMI	M R H	Strong executive leadership Cooperation between departments
Regulatory Efficiencies	**Prioritized Permitting for Affordable Housing**	Create faster permitting process for affordable housing projects Bring affordable units online faster Reduce soft costs for affordable housing developers	<80% AMI	M R H	Strong executive leadership Cooperation between departments
Regulatory Efficiencies	**Cross-Departmental Collaboration**	Create more efficient permitting process Reduce development costs Bring affordable units online faster Increase predictability	<80% AMI	M R H	Strong executive leadership Cooperations between departments
Regulatory Efficiencies	**Waive Impact & Permit Fees**	Reducing development costs for affordable housing Incentivize affordable housing production	Local discretion	M R H	Staff capacity for analysis

S = Single family M = Multi-family R = Rental H = Homeownership

1 Land Use & Regulatory Tools

In the United States, the housing system is set up to reinforce existing social and economic inequities. Local leaders have unique opportunities to address these systemic inequities by regulating their land use effectively and equitably to meet current and future needs of the region. Local governments play a critical role in housing production and preservation by exercising regulatory control over land use and development. They are key players in allowing and stimulating development activity through zoning, incentives, funding, and streamlined development review and permitting processes. The effectiveness of land use tools take time to see; however when done properly and combined with other tools, they can create more abundant and affordable housing and correct long-standing patterns of segregation and exclusion.

This section outlines key policy tools that jurisdictions can leverage to shift land use and regulatory requirements to encourage more affordable housing production. These tools include mandatory inclusionary zoning, affordable housing density bonus programs, form-based code/removing density limits, land banking and disposition, State Environmental Protection Act (SEPA) categorical exemptions, and planned action Environmental Impact Statements.

Mandatory Inclusionary Zoning

At A Glance

Policy Objectives	• Mixed-income communities • Increase in affordable housing options
Target Populations	• <80% AMI renters • <100% AMI homeownership
Housing Types	• Multi-family • Rental • Homeownership
Ideal Conditions	• Strong housing market • Locally calibrated • Staff capacity for monitoring and evaluation

Description

Mandatory Inclusionary Zoning (MIZ) is a policy that requires a percentage of affordable units to be included within new development projects. This policy leverages private real estate development activity to bring more affordable homes to a community without a need for a public subsidy.

Where MIZ applies, developers are required to include affordable units within the project. The mandating local government offers a trade-off for this inclusion of affordable units by offering an appropriate incentive. The options for incentives vary, but the choice of an attractive incentive is crucial for its passage and overall efficacy. Examples of incentives that can be tied to MIZ include property tax exemption, fee waivers or exemptions, increased density, added height, added FAR, or parking requirement reductions. Developers may also be allowed an alternative form of compliance, such as paying a fee in lieu of affordable unit development. These revenues can then be used by a local government to build homes for people with lower incomes in other areas of the city.

It is important that an MIZ policy is calibrated to meet the specific needs of a local community. When appropriately calibrated, MIZ will create affordable units that the market would otherwise not produce while not discouraging overall development.

MIZ is most feasible to apply at the time of a rezone, upzone, or other increase in overall development capacity. This addition in development capacity can offset some of the costs to developers and capture some of the increased value for public benefit. It is important to note that timing of these policies is critical, as the opportunity to capture the public benefit is lost if the affordability requirement is not implemented at the time of the upzone.

MIZ policies can be constructed in flexible ways to allow local jurisdictions to meet the specific housing needs of their community while being mindful of the local housing market. The following illustrates some of the areas in which the policy can be structured to meet local conditions.

Location: Decide on the overlay(s) zones or entire city limit covered by the policy.

Units: Decide the number or percentage of units to be set aside for affordability.

Forms of Compliance: Decide if alternate forms of compliance are acceptable, such as off-site development and in-lieu fees.

Threshold: Determine the number of units in a development that trigger the policy.

Developer Incentives: Decide which incentives to pair with the affordability requirement.

Eligibility: Determine the income range the new affordable units will target.

Administration and Oversight: Determine how the program will be monitored, enforced, and evaluated.

Policy Objectives

MIZ provides a wide range of positive outcomes for individual households and the broader community. At a household level, MIZ eases housing cost burden and increases housing choice for low and moderate income households. MIZ helps provide affordable housing in more neighborhoods and within projects where it may otherwise be difficult to finance affordable housing. MIZ can be used to reduce the concentration of affordable housing into particular neighborhoods by increasing affordable housing options anywhere it is applied. MIZ policies can also be structured to create more workforce housing near opportunity-rich areas or layered with other affordability provisions, such as the multifamily tax exemption, to reach deeper levels of affordability. This reduction in economic segregation produces mixed-income developments that in turn drive economically and racially diverse communities. When paired with other policies in a comprehensive strategy, MIZ can also serve as an effective anti-displacement tool.

Implementation Considerations

When adopting an MIZ policy, it is important to consider the specifics in your community. For example, MIZ programs consistently produce more affordable units than voluntary/incentive programs. However, mandatory programs are more controversial and come with more political considerations. MIZ also requires staff capacity to administer and evaluate outcomes. While not all cities currently have this capacity, jurisdictions can partner with other entities, such as ARCH, who have the technical expertise to provide these services.

Implementation Steps

- Economic analysis
- Multi-step City Council and Planning Commission process
  - Includes stakeholder outreach and public hearings
  - Design in consultation with stakeholders
- Ongoing evaluation and calibration

Local Examples

MIZ programs have been adopted in many local jurisdictions. These include Bothell, Federal Way, King County, Kirkland, Redmond, Seattle, and Shoreline.

Resources

Puget Sound Regional Council's Housing Innovation Program - Inclusionary Zoning

Municipal Research and Services Center - Affordable Housing Techniques and Incentives - Inclusionary Zoning

Grounded Solutions - Inclusionary Housing Calculator

Grounded Solutions - Inclusionary Housing - Designing a Policy

Grounded Solutions - Inclusionary Housing Map

Form-Based Zoning Code/Removing Density Limits

At A Glance

Policy Objectives	• Greater density • Infill development • Mixed-use, walkable neighborhoods
Target Populations	• All income levels
Housing Types	• Multi-family • Single family • Rental • Homeownership
Ideal Conditions	• Strong housing market • Economic and historic district centers that have distinct architectural styles • Staff capacity for monitoring and evaluation • Flexible in ability to calibrate standards for design elements

Description

Form-based codes (and their hybrid models) are a tool for removing density limits while maintaining standards for design elements, building sizes, block size, street design, and public spaces. Adopting a form-based code (FBC) adjusts the foundation of the zoning code from regulating allowed uses for land to regulating the built environment based on physical characteristics. Form-based zoning code focuses attention on characteristics at the parcel and street level instead of entire zones and overlays. These design standards ensure that new buildings integrate well with existing buildings and public space (Form-Based Code Institute, n.d.) (Bengford 2012) (Puget Sound Regional Council 2019). An FBC can be designed flexibly, but is often specific enough to speed up permitting processes.

Cities have the option of adopting either an FBC or a hybrid model that integrates elements of FBC with traditional zoning based on uses, and both models can help cities to remove their density limits. Most cities that have adopted a FBC in the Pacific Northwest opt for the hybrid model. A hybrid model designates district zones that dictate height and land use requirements without density limits alongside form-based code overlays that address street level frontage standards and design guidelines (Bengford 2012).

Policy Objectives

The overall policy objective in FBC and hybrid codes is to increase housing supply within opportunity areas. These codes can also provide more diverse housing types in a neighborhood.

A study of FBCs in Chapel Hill, North Carolina found that market rate development had increased after implementation of the code (Local Housing Solutions, n.d.) (Town of Chapel Hill 2020).

It is important to understand what density limits mean for housing choices and affordability. Traditional zoning codes will have a limit on how many developed units are allowed per parcel, which limits the types of housing that can be built and how many units are built overall. In addition, density limits may not be compatible with the rate of growth for an area and the housing supply response that is needed to accommodate that population growth. The problem developers run into is that in order to make a project financially feasible, more units are required on a site than the density limits will allow. Removing density limits is an effective way to create more units in new projects or through in-fill development and allows for more housing types in an area (Schuetz 2022, 16-28).

Traditional	**Form-Based Code**
Regulates land use	Regulates urban form
Numerical value requirements like floor-area ratio, density	Physical outcomes emphasized such as build-to lines, architectural features, setbacks, parking, frontages, building bulk, and maximum height
Emphasis on matching the zone designated allowable uses	Emphasis on private buildings' contribution to overall public space
By zone and overlay	By parcel and street-level
Public spaces happen more sporadically or less intentionally	Pedestrian-minded; promotes or preserves a network of connected streets
Design standards in overlays	Code is regulatory, specific, and clearly labeled with diagrams and examples

Implementation Considerations

An implementing city will need to staff a planner for drafting the code and ongoing administrative design review of new projects. City staff or planning departments will need the capacity for drafting prescriptive and detailed design standards or basic training in FBCs (Form-Based Code Institute, n.d.) (Bengford 2012) (City of Covington, n.d.).

The desired outcomes may progress slowly, but the removal of a strict use and density limit to some areas will generate more housing over time. There is also no guarantee of affordability of housing in the FBC or hybrid district.

SEPA Infill Exemptions: In 2020, HB 2673 established an infill development exemption to the State Environmental Policy Act if the local jurisdiction's comprehensive plan has already completed an environmental analysis through an environmental impact statement (EIS), or the city or county has prepared an EIS for the area proposed for exemption that considers the proposed use or density and intensity of use. Infill for residential and mixed-use development are exempt from SEPA review where current density and intensity of use in the area is roughly equal to or lower than called for in the goals and policies of the applicable comprehensive plan (Washington State Legislature 2020).

Implementation Steps

- Proposed study area audit
  - Existing Conditions Analysis: Assessment of the housing need for the proposed district. Establish goals for a form-based code. Is there a distinct character of the neighborhood buildings in design or architectural style?
  - Conduct a Code Area Audit: Survey the current building codes that are included in the zone.
  - Market Demand Analysis: Review the growth forecasted for the area and the gap between the expected growth and current levels of housing and affordability of the housing in the study area. Is increased development financially feasible? How risky is development in the area? (City of Covington, n.d.)
- Multi-step City Council and Planning Commission process
  - Includes stakeholder outreach and public hearings
- Comprehensive Plan Update
  - Includes ongoing design reviews and approvals

Local Examples

Covington adopted a form-based code in their downtown district to meet the goals of integrating new development of quality into the vision of a vibrant, pedestrian-friendly business district (City of Covington, n.d.).

North Bend created a goal to enliven their downtown core as a social, cultural, and entertainment destination through adoption of an FBC. North Bend published a Survey Results Summary that provides an example of community engagement and goal-setting for a proposed FBC (EZView 2020).

Resources

Form-Based Codes Institute

Smart Growth America - Developing under a form-based code

City of Covington - Forming Downtown's Future

Municipal Research and Services Center - A Hybrid Approach to Form-Based Codes in the Northwest

North Bend Official Website - Downtown Form Based Code

Puget Sound Regional Council - Form-Based Zoning

EZView - Affordable Housing Planning Resources: Form-Based Code

Local Housing Solutions - Spurring housing development with form-based codes in Chapel Hill, NC

Affordable Housing Density Bonus

At A Glance

Policy Objectives

- Mixed-income communities
- Increase in affordable housing options

Target Populations

- <80% AMI

Housing Types

- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Strong housing market
- Locally calibrated

Description

An affordable housing density bonus program offers voluntary incentives to encourage private developers to build affordable units. In exchange for building a set number or percentage of affordable units within a new project, developers are granted the ability to build more densely than current zoning regulations allow. This increase to development capacity incentivizes developers to take advantage of this economic opportunity while providing some public benefit through the creation of affordable housing.

Policy Objectives

An affordable housing density bonus program is a tool meant to encourage the private market to bring more affordable homes to a community without the need of a public subsidy. The tool aims to increase the stock of affordable housing by creating affordable units in market-rate buildings, creating mixed-income communities. Density bonus programs are also commonly used to incentivize residential development in certain areas of a community. For example, local governments could implement a density bonus program near a transit station to encourage residential development and ensure more affordable housing is created near public transportation.

Implementation Considerations

When implementing a density bonus program, it is important to carefully structure the incentives and affordable housing set-aside requirement to achieve the intended goals. With an incentive that is too low, a developer will not likely be motivated to produce the desired affordable housing. In these situations, a developer will instead build at the current zoned capacity. On the other hand, if the bonus is too high, public benefit will be lost and most of the increased value will be captured by the private sector. In most cases, this tool requires a strong housing market to work most effectively.

Implementation Steps

- Multi-step City Council and Planning Commission process
    - Includes stakeholder outreach and public hearings
    - Design in consultation with stakeholders
- Ongoing evaluation and calibration

Local Examples

There are numerous examples of density bonus programs, such as in Kirkland, where there is a bonus unit incentive for affordable units in zones where affordable units are not required.

Resources

Municipal Research and Services Center - Density Bonuses

Puget Sound Regional Council - Housing Innovations Program - Density Bonuses

Local Housing Solutions - Housing Policy Library - Density Bonuses

Land Banking & Disposition for Affordable Housing

At A Glance

Policy Objectives

- Increase in affordable housing options and efficient uses of public lands
- Anti-displacement measure that promotes mixed-income communities
- Preserves land for affordable housing development near jobs, services, and existing or planned transit

Target Populations

- 60% AMI or below. This policy may be suited for deeper levels of affordability depending on the overall savings and other parameters for the proposed development
- Low-income households at risk of displacement

Housing Types

- Single family
- Multi-family
- Rentals
- Homeownership

Ideal Conditions

- Underutilized public land, especially in high opportunity areas
- Affordable housing developers, or a buyer for land purchase if pursuing land sales
- Strong or weak markets
- Community-driven development

Description

Local jurisdictions can assess underutilized public lands as an untapped potential to suit one of the most pressing needs in communities. Public land leased to affordable housing developers for little to no cost can save can save anywhere from 15-35% of the costs related to affordable housing development (Shroyer and Boshart 2019). A review of Seattle's existing disposition policies by University of Washington graduate students found that modification to these policies could facilitate the creation of between 495 and 4,450 affordable housing units (Janet 2016). This tool directly addresses one of the driving cost factors of housing, which is the land price itself. While this tool can be highly beneficial to affordable housing developers, the community benefit depends upon land factors such as the land's size, natural features (including environmental quality), zoning, connectivity to utilities, and the terms of the land transfer (HDC, 2016)(Local Housing Solutions, n.d.).

In 2018, Washington State passed HB 2382, which granted cities the authority to transfer, lease, or otherwise dispose of surplus public property, including a no-cost transfer, for the public benefit of affordable housing. The state defines affordable housing flexibly as it applies to very-low income, low-income, or moderate income households up to 115% AMI, as long as their cost burden for housing and utilities (minus telephone) is no more than 30% of their monthly income (Washington State Legislature 2018). Leasing the land to affordable housing developers is the preferred option in order to keep it in public ownership because once public lands are sold they are often lost indefinitely. Long-term leases, such as those with 75 and 99 year lease terms, are common to preserve both the land as public and the housing as affordable (Family Housing Fund, 2018) (Hickey and Sturtevant 2015).

Land banking is a similar policy, but is more strategic and long-term. Land banking is holding land for future development while the municipality searches for an affordable housing developer. It is commonly utilized alongside existing or planned transit. In some cases, land banking occurs with a specific larger project in mind, or because of the location, whether there is a history of displacement, access to services, or proximity to potential additional land banking sites. For example, the Spokane Low-Income Housing Consortium partnered with credit unions and the GoWest Foundation to buy and hold land in a neighborhood affected by the construction of I-90 (Credit Union National Association 2022).

Land Sales as a Funding Source

The use of public lands straddles the boundaries of a land use policy and a finance tool because the land sale proceeds may be channeled into financing investments for affordable housing. This can take place by parceling off land on the same site and densifying the remaining parcels, or by using land sale proceeds for off-site development entirely.

Policy Objectives

Public land disposition policies aim to use land more efficiently while adding a net benefit of affordable units on the site. Public lands in particular can present a unique anti-displacement and community-driven development opportunity (City of Seattle, n.d.).

Implementation Considerations

Not all land is suitable for development in a way that provides substantial cost savings to the affordable housing developer. Either the parcel size doesn't support a structure large enough to pencil out, or substantial work would need to be done to the site to improve the environmental quality (i.e. brownfield development). Local leaders need to be realistic about the benefit offered to affordable housing developers and the work that remains to be done to the site because these may translate to larger costs than expected, meaning less benefit to the community.

Land disposition is less flexible in terms of placement of property to be utilized for affordable housing, but in terms of practicality, it is flexible in its ability to be a land use or financial tool. Local governments may choose to sell or lease, look for an on-site developer of affordable housing, or use the land sale proceeds to finance affordable housing elsewhere. All of these options should be examined for the best case for potential community benefit. Assessments of the land quality and market value should help determine this benefit (Hickey and Sturtevant 2015) (Family Housing Fund 2018) (Janet 2016).

Implementation Steps

- Review of public land portfolio
- Public hearing to approve lease, transfer, or other disposal of public land
- Entering an agreement with a developer partner or a buyer

Local Examples

The City of Redmond issued an RFP for a 75-year lease at the cost of one dollar annually for .81 acres of downtown land. The RFP specified the land shall be developed for at least a 50-unit affordable senior housing project (Family Housing Fund 2018).

Resources

City of Seattle - Building More Affordable Housing Using Surplus Public Land

Washington State Legislature - Certification of Enrollment - Surplus State Lands: Disposal

Seattle City Council Connection - City-owned Properties for Affordable Housing

Municipal Resources and Services Center - Surplus City or Town Property

Family Housing Fund - Prioritizing Public Lands for Affordable Housing and other Public Benefits

California Department of Housing and Development - Public Lands for Affordable Housing Development

Local Housing Solutions - Use of Publicly Owned Property for Affordable Housing

Housing Matters - How Using Public Land Can Help Address Housing Shortages

Urban Land Institute - Public Land & Affordable Housing

SEPA Categorical Exemptions

At A Glance

Policy Objectives	• Reduce development costs • Reduce regulatory burden • Bring units to market faster
Target Populations	• All
Housing Types	• Single family • Multi-family • Rental • Homeownership
Ideal Conditions	• Any market • Especially effective in strong markets

Description

The State Environmental Policy Act (SEPA) provides a process for identifying potential environmental impacts of proposed governmental actions and decisions. Projects larger than four units are typically subject to SEPA's environmental review process. Recognizing that SEPA review does not always need to be utilized, the legislature created SEPA categorical exemptions that eliminate the requirement for SEPA review for projects under a certain number of units. Through WAC 197-11-800, local jurisdictions have the authority to set higher exemption thresholds for development projects. A higher threshold would mean more projects would not be required to go through the SEPA review process.

Policy Objectives

Higher thresholds for SEPA categorical exemptions can have many impacts for developers and jurisdictions. Developers not subject to SEPA review save the time and money it would otherwise take to go through the review process, lowering the overall development cost. Local jurisdictions and their employees would also be freed of this process, which would reduce the workloads of planners and enable them to turn their focus to other projects. SEPA categorical exemptions aim to reduce the regulatory burden, increase housing production, and bring more housing units to market much faster.

Implementation Considerations

When considering how to structure a new threshold for SEPA categorical exemptions, it is recommended that local jurisdictions analyze past projects to see at what project size developments were unlikely to have conditions imposed on them after a SEPA review. This can inform the new threshold for which projects are exempt from SEPA review. Local jurisdiction can also adjust SEPA thresholds in accordance with new growth estimates outlined in a Comprehensive Plan Update.

Implementation Steps

- Threshold analysis
- Multi-step City/County Council process

Local Examples

A number of local jurisdictions have raised their threshold for SEPA categorical exemptions, including Tukwila, Shoreline, and Redmond.

Resources

Puget Sound Regional Council - SEPA Categorical Exemptions

Master Builders Association of King and Snohomish Counties - SEPA Reform: Categorical Exemptions

WAC 197-11-800 - Categorical Exemptions

Department of Ecology - SEPA Guidance on Categorical Exemptions

Seattle Housing Affordability and Livability Agenda - Reduce the Number of Housing Projects Subject to SEPA

Planned Action EIS

At A Glance

Policy Objectives	• Reduce development costs • Reduce regulatory burden • Bring units to market faster
Target Populations	• All
Housing Types	• Single family • Multi-family • Rental • Homeownership
Ideal Conditions	• Any market • Especially effective in strong markets

Description

A planned action environmental impact statement (EIS) is similar to SEPA categorical exemptions, but instead of waiting for development projects to occur, the jurisdiction submits an EIS for a specified area of land. This is done during the planning stage instead of individual development stages so that an individual SEPA review process will not be necessary on a by-project basis. A planned action EIS streamlines permit review and creates a consistent framework for project review, saving developers significant costs and time to build their projects in the designated study area (Puget Sound Regional Council 2020) (Munkberg 2009).

Policy Objectives

A planned action EIS can incentivize development into the EIS covered area. Technical reviews for an EIS include transportation, stormwater, air quality, and noise. While this scope of work is large, jurisdictions report that this early technical work was successful in streamlining their permitting processes and encouraging development (Munkberg, 2009). These cost and time savings are passed on, and when combined with other affordability tools, a planned action EIS contributes to quicker production of affordable units.

Implementation Considerations

The Washington State SEPA handbook encourages extensive public review of the planned action ordinance and EIS, since public review will not be required at project permitting. The planned action EIS should specifically:

- Describe the existing conditions of the built and natural environment;
- Indicate where the projects' environmental impacts have been addressed;
- List any that cannot be avoided; and
- Indicate which mitigation measures will be required for a project to qualify as a planned action project (Washington State Department of Ecology 2018)(Munkberg, 2009).

Implementation Steps

- Prepare documents for an EIS of planned development for the planned EIS area
- City ordinance process to designate planned EIS projects
- Review permit applications for project consistency with EIS and planned action ordinance

Local Examples

Kent implemented its first planned action ordinance in 2002. In its latest plan, Kent identified the goal of positioning Downtown Kent as a complete community by integrating quality residential development into Downtown Kent. The first generation planned action EIS generated retail, commercial, and residential development of Kent Station, Town Square Park, and a city center apartment project (Satterstrom and Pierce 2013).

Resources

Puget Sound Regional Council - Planned Action EIS

Washington State Department of Ecology - SEPA Handbook

Municipal Research and Services Center - Planned Action

2 Financing Tools

The financial returns from low-income housing development are not high enough to incentivize traditional banking institutions and housing developers to finance and construct housing for this economic segment. Housing developments are usually financed based on a market rent or sale price that will guarantee the repayment of construction loans to banks and result in enough profit incentive for housing developers to take on the many risks of development.

Public funding is needed to address the lack of availability for below-market housing. Governments at all levels have many opportunities to collect revenue for affordable housing from a variety of sources, including taxes, levies, and fees. Local funding raised makes it possible for new developments to be competitive in applying for state and federal resources needed to fund an affordable community. A single new housing development likely needs to competitively seek five or more different types of funding coming from federal, state, regional, local, and/or private sources.

In this section, we focus on policy tools that jurisdictions can use to improve the financial feasibility of affordable housing projects. These tools include housing levies, social impact investment funds, payroll expense taxes, commercial fees in lieu of development, real estate excise taxes, and credit enhancement and housing bonds.

Housing Levy

At A Glance

Policy Objectives

- Create a significant and consistent local affordable housing funding source

Target Populations

- Local discretion
- Recommend <60% rental and <80% homeownership

Housing Types

- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Affordable housing is a community priority
- Voting base willing to be part of housing solutions

Description

Voter-approved property tax levies are an important and reliable way of funding state and local services, including affordable housing. The Washington State Constitution limits the total amount of property tax levies to 1% of a property's true and fair value. This means $10 of every $1000 of assessed property value can be levied and, out of that, up to $0.50 can go toward affordable housing among other services (RCW 84.55 and RCW 84.52.105). Local jurisdictions have the agency to decide how much of that $0.50 to ask voters for in order to fund affordable housing. This money can be put in a local Housing Trust Fund and leveraged to create and preserve affordable housing. Local jurisdictions have the option to institute a Regular Housing Levy (7 years) or an Emergency Housing Levy (10 years).

Regular Housing Levy (7 years)

For the 7-year levy, which is regulated by RCW 84.55 and requires voter approval, the maximum statutory levy rate is $0.50 per thousand dollars assessed valuation each year. The purpose of the levy is to finance affordable housing and operations, maintenance, and services for low-income (80% AMI) households.

Levy limits are affected by the Statutory Rate, District Budget, the 1% limit, and voter approval. Policy development is the responsibility of the governing body, such as the City and/or County, in engagement with stakeholders that include affordable housing/homelessness advocates, non-profit development corporations, architects, banks and other financial institutions, and community groups and organizations like faith groups, labor groups, and schools.

Emergency Housing Levy

This levy is regulated by RCW 84.52.105 and the maximum statutory levy rate is up to $0.50 per thousand dollars assessed valuation each year for up to ten consecutive years. The revenues finance affordable housing for very low-income households (defined as 50% or less of the AMI) and affordable homeownership (defined as 80% or less of the AMI).

Levy limits are affected by the Statutory Rate, District Budget, the 1% limit, and voter approval. The policy development is the responsibility of the governing body, such as the City and/or County in engagement with stakeholders.

Effective October 1, 2020, the Legislature amended the law to expand the revenue uses to include affordable homeownership, owner-occupied home repair, and a foreclosure prevention program for low-income households—those whose income is at or below 80% of the county median income. Before imposing the levy, the city must declare the existence of an emergency with respect to the availability of affordable housing for low-income or very low-income households within its jurisdiction and adopt an affordable housing finance plan for the expenditure of the levy funds to be raised. The adopted plan must be consistent with either the locally adopted or state-adopted comprehensive housing affordability strategy required under the National Affordable Housing Act (42 U.S.C. Sec. 12701).

Implementation Considerations

The Washington State Constitution explicitly allows for property tax levies that can be used toward affordable housing. Housing levies provide a predictable and dedicated revenue stream that allows cities to work toward meeting demand for the development, operation, and preservation of affordable housing. However, a housing levy requires a vote of the people and an electoral campaign, and therefore has a high barrier to implementation. Cities would need to ensure their voters are ready to support a housing levy before taking it to the ballot. Communities should consider what type of tax is most likely to meet their needs and achieve voter approval.

1% Annual Levy Lid Limit

The affordable housing levy is subject to the 1% annual "levy lid" ("101% Limit"). If a city's assessed value is increasing more than 1% per year, excluding new construction and "add-ons," the levy rate will begin to decrease as a result. However, since affordable housing levies are temporary and will expire after no more than 10 years, the 1% levy lid is probably not a big concern. Any adjustments to produce more revenue can be made in the reauthorization ballot measure.

Prorationing

The affordable housing levy is not subject to the $5.90 local limit, but it is subject to the $10 constitutional limit and may be subject to prorationing if the $10 limit is exceeded. However, this levy is fairly high on the prorationing "ladder" and there are a number of other local government levies that would be reduced or eliminated prior to the affordable housing levy. In the event that both a county and a city or town within the county pass affordable housing levies, the combined rates of these levies may not exceed $0.50 per $1,000 of assessed valuation in any area within the county. If the combined rates exceed $0.50, the levy of the last jurisdiction to receive voter approval must be reduced or eliminated so that the combined rate does not exceed $0.50.

Implementation Steps

- Policy development in consultation with stakeholders
- City/County Council approval
- Voter approval

Local Examples

As of 2022, only three cities in Washington State have approved property tax levies for affordable housing (Seattle, Vancouver, and Bellingham). Seattle's current levy is set to raise $290 million over 7 years by imposing a tax of 14 cents per $1,000 of assessed home value. Bellingham's current 10-year levy raises $40 million by a tax of 36 cents per $1,000 of assessed home value. Vancouver's current 7-year levy will raise $42 million at a rate of 18 cents per $1,000 of assessed home value. In February 2023, Vancouver voters will determine if a proposed 10-year levy that raises $100 million with a rate of 30 cents per $1,000 of assessed home value will take effect in 2024.

Resources

Municipal Research and Services Center - Affordable Housing Property Tax Levy

Puget Sound Regional Council - Local Housing Fund

Social Impact Investing Funds

At A Glance

Policy Objectives

- Increase in affordable housing options and efficient uses of public lands
- Community engagement around affordable housing
- Leverage private investments into affordable housing development, acquisition, preservation, or rehabilitation

Target Populations

- <80% AMI

Housing Types

- Single family
- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Partnerships with major employers or financial institutions
- Affordable housing developers who are able to leverage other outside funds
- Community-driven development

Description

Local governments sometimes partner with the private sector to create what is called a social impact investment fund for affordable housing. The participation of one major employer or a collaboration of several employers based in the area can encourage broader community participation in a meaningful, flexible fund source for affordable housing. Private sector partners can come from local financial institutions, such as credit unions and banks, and from businesses, especially large employers based in the community where investments are to be made. The funds can be used to leverage greater bonding capacity and they can also fill a financing gap directly (Evergreen Impact Housing Fund, n.d.),(Friedhoff 2022),(NWCUA 2020).

Employers are motivated to contribute to housing infrastructure in the places in which they operate their businesses because availability of affordable housing has a direct connection to their ability to attract quality employees (Harlem 2018). The housing infrastructure also contributes to the overall health of the local economy in which they operate their business; without enough housing, regions begin to see signs of slowed growth and instability (Shroyer and Gaitán 2019). The presence of a large employer may increase the need for affordable housing in a community by attracting new residents who earn higher incomes that end up raising housing costs before the supply of housing stock can respond to increased demand (Aldern and Colburn 2022).

Implementation Considerations

The power of this tool is in the flexibility it provides to developers. Funds can be used for acquisition, preservation of naturally occurring affordable housing, rehabilitation, and new construction. The tradeoff is that there is no guarantee of local private sector participation, no lever for ensuring accountability on the part of the private sector, and recipients must combine these dollars with other sources, sometimes several others (Friedhoff 2022).

These funds should be considered "last dollar" funding for a project. This means that money from this investment fund is meant to fill the last bit of the gap financing in an affordable housing project. Money received from a housing investment fund often funds 10% or less of a project's costs (Evergreen Impact Housing Fund, n.d.). However, it can mean the difference between getting a project off the ground or not. Saving crucial time and costs for a project ultimately means getting a family housed sooner. Because we haven't been able to build housing fast enough, this gap financing is a powerful tool when combined with other financing tools.

Implementation Steps

- Reach out to local financial institutions like banks and credit unions, foundations, and philanthropic organizations for their willingness to partner with local governments to set up a social impact investment fund
- Reach out to large employers and then smaller employers and local businesses for a commitment to contribute to a social impact investment fund

Local Examples

The Evergreen Impact Fund (EIHF) is a social impact investment fund that began out of a collaboration between local credit unions to raise money for affordable housing construction in Bellevue, Kirkland, Redmond, and other cities in King County aimed at 50-60% AMI. The pilot had raised an initial $11 million between the credit unions. Early commitments from the private sector were leveraged to secure more funding from JPMorgan Chase and $50 million from Microsoft. The EIHF was able to leverage over $250 million in public and private capital for affordable housing. The investment fund provides gap financing for affordable housing projects through the use of tax exempt bond proceeds generated under the Low-Income Housing Tax Credit program to supply affordable housing developers with long term subordinate loans (NWCUA 2020) (Friedhoff 2022).

The Amazon Housing Equity Fund has raised over $500 million for affordable housing in the Seattle area. The housing fund provides capital grants and low interest loans to affordable housing providers. In December of 2022, Amazon announced the latest investment of $150 million, which will develop or preserve about 1,700 affordable housing units. A total of 20 affordable housing projects in the Puget Sound region have been funded with assistance from the Amazon Housing Equity Fund.

Resources

The Urbanist - Evergreen Impact Housing Fund Contributes to Nearly 750 Affordable Homes

Evergreen Impact Housing Fund - Learn About EIHF

National Housing Conference - Effective Employer-Assisted Housing Programs

Amazon Housing Equity - Amazon Housing Equity Fund

Neighborhood Housing Services of Chicago - Employer-Assisted Housing Guidebook

Greater Minnesota Housing Fund - Employer-Assisted Housing Resource Guide

Commercial Fee in Lieu of Development

At A Glance

Policy Objectives

- Affordable housing revenue
- Ensure all sectors contribute to addressing the affordable housing crisis
- Increase in affordable housing options

Target Populations

- <80% AMI

Housing Types

- Rental
- Homeownership

Ideal Conditions

- Strong development market
- Locally calibrated

Description

A commercial fee in-lieu for affordable housing serves as a commercial complement to residential inclusionary zoning. This tool is applied to commercial development projects, such as retail and office buildings, to fund the construction of affordable housing units. Under this tool, commercial developers have the option to pay a fee in lieu of building affordable housing units as part of a new commercial development project. The fee is used to fund the construction of affordable housing units on other sites in the community. In exchange for paying the fee, developers may receive specified benefits, such as additional floor area ratio, larger floor plate size, or increased height/bulk allowances.

Commercial fee in-lieu programs are typically calculated on a per square foot basis and work best when they are appropriately calibrated to local conditions. Appropriate calibration is based on an economic analysis of market conditions, the value of land, the cost of development, the amount of additional capacity provided by the development, and other factors. The fee is typically collected when building permits are issued and is deposited into a dedicated account for affordable housing.

Local funding, like commercial fee in-lieu revenues, can play an outsized role in forming a project's funding stack. Local funding demonstrates community support and financial feasibility to serve as a foundation for attracting and securing funding from other sources such as state and federal government programs and Low-Income Housing Tax Credits. Local funding can also cover soft costs that are typically not eligible for coverage through other funding sources (e.g. planning and development costs). Finally, local funds can offer long-term sustainability and viability of a project by providing ongoing operational and maintenance support.

Policy Objectives

Commercial fee in-lieu programs are intended to increase the supply of affordable housing in a community and ensure that new commercial development projects contribute to its availability. Commercial fees also help a community balance housing growth with economic growth and aid in ensuring a healthy ratio of jobs to housing. Requiring commercial developers to contribute to an increased supply of affordable housing spreads the costs of this public good throughout a community and ensures that the public benefits from new commercial development.

Implementation Considerations

Commercial fees work best when they are appropriately calibrated to local conditions. An economic analysis or nexus study helps decision makers understand the effects new development has on the housing market. This analysis helps determine the appropriate fee structure assessed to encourage development and raise affordable housing funds. The fee should also be structured so it is proportionate to the benefit a developer receives.

Implementation Steps

- Economic analysis
- Multi-step City Council and Planning Commission process
  - Includes stakeholder outreach and public hearings

Local Examples

Bothell's mandatory inclusionary zoning policy includes a commercial component to raise funds for affordable housing. Redmond is exploring future opportunities of expanding its inclusionary zoning program to commercial development. Kirkland has secured agreements to provide affordable housing payments from commercial development and is exploring how commercial development can increase affordable housing outcomes in its 85th Street Station Area Plan.

Resources

Grounded Solutions - In-Lieu Fees

Real Estate Excise Tax (REET)

At A Glance

Policy Objectives	• Dedicated and significant local affordable housing funding source
Target Populations	• <60% AMI rental • <80% AMI homeownership
Housing Types	• Rental • Homeownership
Ideal Conditions	• State action necessary to authorize local authority

Description

A real estate excise tax (REET) is a tax imposed at any time a property is conveyed to another owner, levied as a percentage of the value of the property. Most of the revenue collected from the Washington State REET goes to the state general fund, with a portion deposited into accounts distributed to local governments, mostly for public works and infrastructure projects.

In addition to the Washington State REET, cities and counties may also impose a local REET exclusively for public works and infrastructure projects. This has been done in two iterations, detailed below.

REET 1, or the "first quarter percent"

All cities or counties may impose a 0.25% REET whose revenues may only be used for certain purposes. This tax does not require voter approval, but rather may be imposed by councilmanic vote. Almost all cities, towns, and counties in the state have imposed REET 1, with the exception of a few very small jurisdictions. From May 13, 2021 to December 31, 2023, a portion of REET 1 revenues can temporarily be used for operation, maintenance, and service support for capital projects, including providing services for residents in affordable housing and shelters.

REET 2, or the "second quarter percent"

Growth Management Act (GMA)-planning cities or counties may impose an additional 0.25% REET. The use of these revenues are more restrictive than REET 1 and are primarily for capital projects and limited maintenance. For jurisdictions that are required to fully plan under GMA, REET 2 may be imposed by councilmanic vote and does not require voter approval. However, jurisdictions that voluntarily choose to plan under GMA must submit the REET 2 proposition to voters. In 2019, the state legislature passed a bill allowing local jurisdictions to use a small amount of REET 2 revenues to fund affordable housing and homelessness projects. The annual amount of REET 2 revenue a county or city may use for affordable housing and homelessness projects is limited to $100,000 or 25% of available funds not to exceed $1 million.

A local option REET for affordable housing (REET 3), is an untapped revenue source that can raise a significant amount of money specifically for affordable housing development. Under most situations, the small additional cost is not likely to impact an owner's decision to sell. This would help local governments supplement other federal, state, and local affordable housing resources and provide a consistent and dedicated investment in bringing affordable housing to the community.

Local governments are currently constricted in their ability to fund affordable housing through a local REET, but there is a growing chorus of cities and counties urging the Washington State legislature to change the ways the REET is levied and how revenues can be spent. Local jurisdictions can advocate at the state level to authorize a local option REET dedicated to increasing the supply of affordable housing.

Policy Objectives

A locally implemented REET that is dedicated to affordable housing could provide local jurisdictions with significant revenues to invest in making their communities more affordable. This revenue could help fund capital costs of both affordable rental and homeownership projects, as well as provide ongoing sustainability through investments in operations, maintenance, and services.

Implementation Considerations

If authorized to levy a local REET, local governments should consider constituent appetite for a slight REET increase.

Implementation Steps

The Washington State Legislature must first authorize local governments to levy an affordable housing REET. Once authorized at the state level, local jurisdictions could then adopt a local REET through councilmember vote.

Resources

Municipal Research and Services Center - Real Estate Excise Tax

Municipal Research and Services Center - Affordable Housing Funding Sources: REET

Credit Enhancement & Housing Bonds

At A Glance

Policy Objectives

- Cost savings for affordable housing financing
- Upfront capital for affordable housing projects

Target Populations

- <80% AMI

Housing Types

- Multi-family
- Rental
- Homeownership

Ideal Conditions

- If susbstantial affordability can be delivered

Description

Credit Enhancement provides support to affordable housing developers to obtain more favorable financing. This is achieved either by mitigating some level of risk of the bonds or improving the credit rating so borrowers get a lower interest rate. Cities can offer their creditworthiness to provide credit enhancement to projects in order to make the project more financially feasible.

Many cities, through their taxing and fee authority, are granted lower interest rates than developers and housing authorities. When loans are very large, the lower interest rate brings significant cost savings to a project. For example, on a $100 million loan, an interest rate of 3% rather than 7% could, depending on the other terms, save a project $4,000,000 per year. Credit enhancement directs developer resources into creating more units rather than creating more returns to the lenders' investors. See example table below showing the impacts of lowered interest rate.

		5.00%	5.50%	6.00%	6.50%	7.00%
Amount of Debt	100,000,000	5,000,000	5,500,000	6,000,000	6,500,000	7,000,000
	95,000,000	4,750,000	5,225,000	5,700,000	6,175,000	6,650,000
	90,000,000	4,500,000	4,950,000	5,400,000	5,850,000	6,300,000
	85,000,000	4,250,000	4,675,000	5,100,000	5,525,000	5,950,000
	80,000,000	4,000,000	4,400,000	4,800,000	5,200,000	5,600,000
	75,000,000	3,750,000	4,125,000	4,500,000	4,875,000	5,250,000
	70,000,000	3,500,000	3,850,000	4,200,000	4,550,000	4,900,000
	65,000,000	3,250,000	3,575,000	3,900,000	4,225,000	4,550,000
	60,000,000	3,000,000	3,300,000	3,600,000	3,900,000	4,200,000
	55,000,000	2,750,000	3,025,000	3,300,000	3,575,000	3,850,000
	50,000,000	2,500,000	2,750,000	3,000,000	3,250,000	3,500,000
	45,000,000	2,250,000	2,475,000	2,700,000	2,925,000	3,150,000
	40,000,000	2,000,000	2,200,000	2,400,000	2,600,000	2,800,000
	35,000,000	1,750,000	1,925,000	2,100,000	2,275,000	2,450,000
	30,000,000	1,500,000	1,650,000	1,800,000	1,950,000	2,100,000

Housing Bonds are government-issued debt securities that finance affordable housing projects. In this tool, governments sell bonds to investors to accrue upfront capital needed to finance affordable housing projects. During this process, governments identify sources to fund the debt obligations of the bonds. Bonds are often attractive financing tools for municipalities due to typically low interest rates.

Bonds are complex and dynamic, underpinned by a web of methods and details beyond the scope of this toolkit. Jurisdictions interested in these tools should seek specialized bond counsel and speak with financial institutions.

Policy Objectives

These tools help to make a project financially feasible. Credit enhancement saves developers costs by lowering interest rates or mitigating the risk of a loan. Housing bonds generate capital for affordable housing development projects.

Implementation Considerations

The local jurisdiction can determine criteria thresholds in line with their affordable housing goals for project applicants to qualify for credit enhancement or to receive funding from housing bonds. Affordable housing benefits should be substantial enough to assume credit backing, risks should be evaluated and minimized, and the local jurisdiction will need to underwrite an agreement with the project and developer to understand the potential risk of having to provide funds to the project in the event it cannot meet its debt service through rent rolls (Pacifica Law Group, n.d.) (Puget Sound Regional Council 2020). Jurisdictions should seek professional guidance when exploring both tools.

Implementation Steps

- Stakeholder engagement
- Specialized financial guidance to structure programs
- City/County multi-step process
- Could require voter approval (some bonding plans)

Local Examples

King County has implemented a credit enhancement program in which 50% of the units must be affordable to household incomes of 80% AMI or below, and projects must be located in areas with access to high capacity transit, schools, jobs, or other social amenities that support upward economic mobility (King County 2022).

Resources

Puget Sound Regional Council - Credit Enhancement

King County - Title 24 Housing and Community Development

King County - Housing Finance Program

Pacifica Law Group - City and County Credit Support for Affordable Housing

Council of Development Finance Agencies - Types of Credit Enhancement

Municipal Research and Services Center - General Obligation Debt Limits

Minnesota Public Facilities Authority - Credit Enhancement Program

Payroll Expense Tax

At A Glance

Policy Objectives	• Create a dedicated and significant source of local affordable housing funding
Target Populations	• Local discretion • Recommended <80% AMI
Housing Types	• Homeownership • Rental • Single family • Multi-family
Ideal Conditions	• Major employers in jurisdiction • Community support

Description

The Payroll Expense Tax (PET) is a type of business excise tax imposed on employers based on the total amount of payroll expenses of a company. The tax is generally calculated as a percentage of the total payroll expense of an employer who meets a specified threshold. The tax can be designed in a way that targets larger employers with higher payrolls and allows for exemptions or lower rates for smaller businesses. The revenues collected from the tax can be directed to affordable housing production, preservation, and operations, creating a dedicated local funding source for affordable homes in the community.

Policy Objectives

A PET for affordable housing would create a dedicated and significant source of local affordable housing funding. This would allow local jurisdictions to invest in bringing more affordable homes to their community. This funding source could be leveraged with other local, state, and federal sources for housing development and operations.

Implementation Considerations

Adopting a PET requires strict analysis of the local political and economic conditions to consider at what level a local community would support this tax. Extensive and proactive outreach to stakeholders—such as the business, labor, and affordable housing sectors—would be essential for successful design and implementation. Jurisdictions could create stakeholder workgroups or a taskforce to inform the design and structure of the tax, including thresholds and exemptions.

Implementation Steps

- Economic and political analysis
- Extensive outreach and engagement on design consultation
- Multi-step City/County Council process

Figure 1: 2023 Thresholds & Tax Rates

Employee Annual Compensation	Annual Payroll		
	$8.14 - $116.2 mil	$116.2 mil - $1.16 bil	≥ $1.16 bil
$0 - $173,337	N/A	N/A	N/A
$174,337 - $464,900	0.70%	0.70%	1.40%
$464,900+	1.70%	1.90%	2.40%

Local Examples

In 2020, the Seattle City Council approved the JumpStart Seattle Plan, a PET applied to businesses operating in Seattle with at least $7 million in annual payroll expense at a rate of 0.7% - 1.4% of employee salaries over $150,000. Seattle estimated the tax would generate $173.5 million annually. In 2021, the tax generated $231 million. In 2022, the tax again generated excess revenues, and the City Council elected to contribute the surplus towards the general fund to cover other budgetary shortfalls. The Seattle Payroll Expense Tax is currently the single biggest source of affordable housing funding in Seattle, generating more revenue each year for affordable housing than even the Seattle Housing Levy and Mandatory Housing Affordability payments.

The Seattle PET is imposed using a three-tier structure determined by annual business revenue and level of employee compensation. The thresholds may change each year based on the Consumer Price Index. See Figure 1 above for details on the 2023 thresholds and tax rates.

Resources

City of Seattle - City Finance - Payroll Expense Tax

3 Anti-Displacement Strategies and Policies

Our region continues to experience rapid growth that benefits many communities and drives economic prosperity across our region. Yet, data reveals that pervasive racial, social, and economic inequities continue to deepen when these growth strategies fail to name equity as a policy priority. To ensure all residents have access to vibrant and thriving communities, jurisdictions must identify and implement policy strategies that build community wealth, increase housing stability, and address the growing pressures of displacement that have forced low-income households to the margins.

This section contains a combination of specific tools and equity-priority areas that are essential to an anti-displacement strategy. These include community land trusts, affordable housing preservation, equitable development, and tenant protections.

Community Land Trusts

At A Glance

Policy Objectives

- Wealth building and housing stability for low-income homeowners
- Establish community control over land
- Address the home purchase affordability gap for low-income households

Target Populations

- <80% AMI
- For homeownership programs, the applicants will need to qualify
- Low-income households at risk of displacement

Housing Types

- Homeownership
- Rental
- Single family
- Multi-family

Ideal Conditions

- Presence of a strong non-profit partner
- Acquirable land
- Funds to develop, rehab, or acquire properties

Description

Community land trusts (CLT) are non-profit organizations that steward the land for community use, separating the land cost from the cost of housing to offer affordable lease or ownership to low-income residents. The governance structure of CLTs often include community engagement and empowerment and democratic decision-making processes. Governance is comprised of equal parts residents of the CLT homes, public representatives, and members of the CLT organization (Ciardullo 2013).

Community land trusts promote housing stability for low-income households by rejecting speculation and protecting the land as a community asset in perpetuity (Lowe, Prochaska, and Keating 2022). The cost savings of this shared equity model help low-income households to build wealth and have a source of housing stability (Homestead Community Land Trust, n.d.). For example, the City of Austin's community land trust was able to sell homes to low-income families at 66% below market price. Some CLTs are creating ways of helping renters to build equity and become ready for mortgage applications or enlisting tenants in lease-to-own programs (PSRC, n.d.)(Ciardullo 2013).

In this model, individual households gain access to affordable homeownership opportunities and the community benefits through an increase in homes that remain affordable in perpetuity, thereby contributing to anti-displacement efforts. Community land trust homeowners agree to sell the home at a restricted price to another low-income qualifying applicant. Families are typically given an allocation of the home equity upon the sale, but appreciation is restricted. The homeowner can pass on the home as inheritance, receive tax benefits, and build wealth while the land remains under community ownership. The model is designed to remain sustainable and balanced between current and future affordability benefits (Cohen 2022).

Policy Objectives

Community land trust models make housing on community lands affordable to low-income renters and prospective homeowners. This tool can help revitalize areas that are experiencing disinvestment through CLT rehabilitation of properties, or to prevent displacement of low-income residents and households of color. Community ownership offers a pathway to homeownership or long-term tenancy with opportunities to build equity, with stability and wealth building opportunities connected to their residency. This tool also offers the benefits of community-driven development and shared decision making in regard to housing (Puget Sound Regional Council, n.d.) (Lowery et al. 2021).

Implementation Considerations

Implementation requires collaborative partnerships for land acquisition that could include nonprofits, philanthropic organizations, and local and state governments. Scholars have noted that because the amount of land in a CLT is related to its impact, this tool works very well when combined with land banking (Lowe, Prochaska, and Keating 2022). Jurisdictions should consider the long-term impacts CLTs have on affordability; and unlike down payment assistance programs, CLTs keep properties affordable in perpetuity (Cohen 2022).

Implementation Steps

- Identify surplus land
- Convene non-profit partners and community representatives to understand CLT goals
- Acquire land for the CLT
- Develop restrictive covenants tied to the land in trust

Local Examples

Homestead Community Land Trust and Habitat for Humanity Seattle-King County sell homes to low-income families at a rate lower than market rate (Homestead Community Land Trust, n.d.) (Cohen 2022). In San Juan County, OPAL Community Land Trust operates rentals and single-family homes on Orcas Island to keep the island affordable to all income levels, thereby supporting the local economy (OPAL Community Land Trust, n.d.).

Resources

National League of Cities - Community Land Trusts: A Guide for Local Governments

Homestead Community Land Trust - FAQs about CLTs

Local Housing Solutions - Community Land Trusts

Housing Matters - Three Ways Community Land Trusts Support Renters

Puget Sound Regional Council - Alternative Homeownership Models

Affordable Housing Preservation

At A Glance

Policy Objectives

- Retention of dedicated and naturally occurring affordable housing
- Create housing stability for low-income residents

Target Populations

- <80% AMI
- Low-income households at risk of displacement

Housing Types

- Homeownership
- Rental
- Single family
- Multi-family

Ideal Conditions

- Adequate funding sources
- Partnerships between governments and nonprofits
- Community involvement

Description

While the region works to grow the overall supply of housing, it is important that local governments also strive to preserve the affordable housing that already exists in their community. Affordable housing preservation is an effective anti-displacement strategy that aims to ensure that housing remains available and accessible to low-income households. According to a 2020 McKinsey & Company study, since 2010, King County has lost 112,000 housing units affordable to households at or below 80% AMI (Maritz and Wagle 2020). Jurisdictions can help stabilize communities at risk of displacement by ensuring that housing affordable to lower-income households is not lost to redevelopment, rising rents, deterioration, loss of project-based vouchers, or loss of public funding.

The preservation of existing affordable housing is part of a strategy for including diverse housing types for all levels of income. There are many types of preservation policies, some of which are mentioned here:

- Community Land Trusts ensure that homes remain affordable over time and that low-income households are not priced out (see Community Land Trusts)
- Acquisition Funds provide funding to non-profit developers to secure housing units before they are no longer affordable
- Transfer of Development Rights for Affordable Housing programs aim to preserve affordable housing in one area, while allowing for increased housing development in another area

It is recommended that local governments assess their current stock of affordable housing and determine their preservation strategies based on local conditions. Preserving existing affordable housing should be a component in all affordable housing strategies.

Resources

National Housing Trust - What is Preservation?

Puget Sound Regional Council – Preservation and Rehabilitation

Equitable Development

At A Glance

Policy Objectives

- Impacted communities benefit from economic growth
- Community-driven development
- Help people and places achieve balanced growth

Target Populations

- <80% AMI
- Low-income households at risk of displacement
- Communities of color and other historically disinvested communities

Housing Types

- Single family
- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Community-driven process
- Dedicated funding
- Proactive policy development

Description

Equitable development can be understood as "policies and practices to promote and manage regional economic growth in a way that maximizes benefits for low-income communities of color throughout metropolitan regions" (Glover Blackwell, 2001). Common principles of equitable development strategies are:

- Impacted communities shape the policy direction;
- Low-income households and households of color are able to benefit from economic growth in their neighborhoods or access neighborhoods of opportunity;

- Policies should be targeted towards both people and places to achieve a more balanced growth locally and across the region; and
- Community benefits are tied to economic development (Glover Blackwell, 2001).

This set of tools is especially crucial during periods of neighborhood change such as soaring housing costs and displacement pressures, redevelopment where housing production is increased to meet new demands, and when neighborhoods are at risk of disinvestment.

Equitable development encompasses a broad and diverse set of policy tools, and the level of detail it warrants is beyond the scope of this toolkit. We encourage local governments to do a deep dive into the wealth of resources available to explore the numerous ways they can contribute to these goals. Importantly, jurisdictions should convene opportunities for impacted communities to lead this work. This toolkit highlights a few equitable development strategies frequently utilized in our region.

Data Evaluation and Monitoring of High Displacement Risk Areas

Local jurisdictions can leverage data to identify areas where displacement pressures are increasing. Common indicators include sociodemographics, transportation, housing, and new economic activity. Mapping of these indicators allow jurisdictions to target and tailor local resources and programming.

City of Seattle - Displacement Risk Indicators

Community Preference Policies

Preference policies can be designed by local jurisdictions to address past and current displacement. Specific community preference policies may include affirmative marketing strategies to ensure specific populations are outreached for units in affordable housing developments. Other strategies may include preference guidelines around varying degrees of connection to a geographic area. For example, Right of Return policies often prioritize former residents of redeveloped or rehabilitated properties to have priority access to affordable housing units. Community preference policies are in place in New York, Portland, San Francisco, and Seattle. In 2022, King County authorized a community preference policy as part of its inclusionary housing program.

City of Seattle - Community Preference Guideline

King County - Ordinance 19555

Citywide Transfer of Development Rights Program

These programs apply a market-driven approach to incentivize landowners to preserve existing affordable units that may be experiencing displacement pressures. Under these programs, landowners can send their development rights to another entity in a receiving area. The purchasing entity is then allowed to use those development rights to build in a different area with higher density than set zoning laws would allow. The sending entity retains the affordable units and sees financial gain through the transfer that can be reinvested back into the preservation of existing affordable units.

King County - Transfer of Development Rights - Program Overview

Equitable Development Initiatives

Equitable Development Initiatives allow jurisdictions to integrate and target local resources and strategies to assist culturally, racially, and economically diverse communities withstand growing displacement pressures. These initiatives may include direct grants for capacity building, land acquisition, capital projects, and preservation among community-based organizations, commercial businesses, and faith-based organizations that are most impacted by displacement pressures. Other strategies include data monitoring displacement risks, defining investment strategies for supporting equitable development projects, and fostering leadership among historically marginalized communities to advise on community-defined and culturally responsive housing, health, and economic development projects.

City of Seattle - Equitable Development Initiative

King County - Motion 16062

Resources

Policy Link - Equitable Development Toolkit

Racial Equity Alliance - Equitable Development as a Tool to Advance Racial Equity

Harvard Joint Center for Housing Studies - The Ingredients of Equitable Development Planning

Tenant Protections

At A Glance

Policy Objectives

- Improve housing stability
- Increase access to affordable homes
- Reduce displacement

Target Populations

- All renters
- Low-income renters

Housing Types

- Rental
- Single family
- Multi-family

Ideal Conditions

- Any

Description

Housing market supply can take several years to respond to increases or changes in market demands, while the increases or changes in the nature of housing demand can alter rapidly. This lag can put pressure on housing prices, which translates to an increased housing cost burden for households. Increased cost burden can lead to housing instability and potential for displacement of low-income households in a community.

Tenant protections increase housing stability by providing renters with security and predictability in their housing situations. Reasonable protections can ensure safe, healthy, and equal housing opportunities and help community residents endure the increasingly challenging housing market in our region. While there are many different types of tenant protections, this section provides some of the most promising examples of ordinances that local governments can adopt to increase housing access and stability.

Tenant Relocation Assistance

Low-income renters are particularly vulnerable to changes in the stability of their housing when situations come up that cause major rehabilitation or demolition. These events are out of their control, and they may be more vulnerable to their occurrence by the nature of living in lower cost housing. Local governments may choose to offer assurances that some of their relocation costs will be covered when a landlord either decides or must make major changes to the property that result in an inhabitable unit.

As long as the property does not receive federal, state, or local government assistance that subjects the property to use restrictions, a local government may have the authorization to require that property owners provide a reasonable amount of relocation assistance to low-income renters for instances of demolition, substantial rehabilitation or change of use of residential property such as condominium conversions, or upon the removal of use restrictions in a government assisted-housing development. The amount must be stated in the relocation assistance ordinance and may vary by jurisdiction. To determine a reasonable amount the local jurisdiction will receive and evaluate public testimony to determine what costs would be reasonably incurred for a resident who is forced to relocate. These can include the following:

- Actual physical moving costs and expenses;
- Advance payments required for moving into a new residence such as the cost of first and last month's rent and security and damage deposits;
- Utility connection fees and deposits; and
- Anticipated additional rent and utility costs in the residence for one year after relocation (City of Seattle).

After a public hearing, the City Council would need to approve the new ordinance. (Washington State Legislature, 1997) (City of Seattle, n.d.).

Fair Chance Housing Ordinance

Fair Chance Housing Ordinances aim to prevent housing discrimination for people with criminal records. While ordinances can be implemented in different ways, typically landlords are prohibited or limited from using criminal records when screening prospective tenants. Local governments can choose various aspects of the ordinance such as types of housing covered, specific screening restrictions, screening procedures, and enforcement.

Studies have found that housing insecurity is associated with an increased risk of recidivism (Jacobs and Gottlieb 2020) and that people who have been incarcerated more than once are

13 times more likely to be homeless than the general population (Couloute 2018). Stable, affordable housing is essential to reduce the rates of recidivism and better integrate people returning to society from incarceration. Fair chance housing ordinances are one policy tool to help break the cycle of incarceration and help people succeed upon exiting jail or prison. Because people of color, particularly African Americans, are disproportionately impacted by both homelessness and incarceration, ensuring access to stable and affordable housing is an equity issue. Though the impacts of incarceration is a systemic issue, local governments have tools at their disposal, such as fair chance housing, to help tackle this issue.

Extending Notice of Rent Increase

A notice of rent increase requires landlords to inform a tenant with a specified amount of advance notice of an upcoming increase in rent. While the state minimum for a notice of rent increase is 60 days, many cities have opted for longer periods of notice to provide tenants with an additional level of housing stability. Jurisdictions have flexibility in designing a notice of rent increase, and there are various ways that these ordinances have been structured to fit their needs. For instance, in some cases the length of notice period is triggered by the percentage increase in the rent amount. Another common option is to require 120 days of notice where the rent increase is 3% or more and 180 days if the increase is over 10%. Seattle requires 180 days of notice for any rent increase. Most ordinances make exceptions for subsidized units that base rent on a percentage of the tenant's income.

Extra notice time can assist renters in exploring housing options to make the most suitable decision for their unique situation. If the tenant opts to find another living situation, the additional notice can allow them time to save for all moving-related costs, including security deposit and first/last month's rent.

Caps on Move-In and Late Fees

A cap on late fees is a policy that limits the amount of fees landlords can charge tenants for paying rent past their due date. They can also extend the period during which a tenant can pay rent without being issued a late fee. Caps can be set by governments and vary on specific details. For example, a cap on late fees can be a fixed dollar amount or as a percentage of the monthly rent. Local examples include Auburn and Burien capping late fees at a flat rate of $10, and King County, Kenmore, and Redmond capping late fees at 1.5% of the monthly rent (Stay Housed Stay Healthy Coalition, 2022).

A cap on move-in fees limits the amount of money a landlord can charge tenants when they first move into a rental property. Examples of move-in fees can include security deposits, first and last month's rent, and application fees. The cap can be a fixed dollar amount or a percentage of the monthly rent. Many King County jurisdictions have capped move-in costs at 1-month's rent (Stay Housed Stay Healthy Coalition, 2022).

Excessive late fees can trap a tenant in a cycle of debt that can lead to eviction. This is most acute for low-income renters that are housing cost burdened. Move-in fees can amount to a considerable sum of money. For low-income households, saving for move-in costs can be a challenge when they are already cost burdened by their current housing costs. Some jurisdictions have instituted a cap on late fees and move-in fees to offer an additional layer of stability for renters.

Resources

Stay Housed, Stay Healthy - Policies

National Low-Income Housing Coalition - Tenant Protections Resource

Local Housing Solutions - Tenant Protections

Urban Displacement Project - Who benefits from tenant protections?

4 Regulatory Efficiencies

Local control of the housing market resides mainly in the regulation of land use and development permitting. Process improvements and regulatory efficiencies can significantly impact the way resources are used to develop affordable housing. Local governments can see measurable differences in affordability outcomes by speeding up the permitting process and improving regulatory efficiencies.

While jurisdictions continue to expand the availability of affordable housing, it is important to examine internal processes that inadvertently result in barriers and roadblocks. While each jurisdiction has unique approaches to regulating development, this toolkit focuses on strategies that allow affordable homes to be built faster and more efficiently.

These tools include streamlining the permitting process, prioritizing permitting for affordable housing, cross-departmental coordination, and waiving impact and permit fees.

Streamlined Permitting Process

At A Glance

Policy Objectives

- Create faster permitting process for affordable housing projects
- Bring affordable units online faster
- Reduce soft costs for affordable housing developers
- Increase predictability, consistency, and objectivity of permitting process

Target Populations

- <80% AMI

Housing Types

- Multi-family
- Homeownership
- Rental

Ideal Conditions

- Strong executive leadership
- Cooperation between departments

Description

In many local jurisdictions, permit review times are long and the developer experience is inconsistent and unpredictable. This, in conjunction with the complex and rigid nature of development permitting and review, can add significant costs to an affordable housing project. Not only does improving the permitting process and shoring up permitting review timelines benefit the applicant, it also benefits city staff and ultimately the residents who move into the new building. Furthermore, local, state, and federal housing funding often requires projects to be "shovel ready" with permits in hand prior to receiving funds. Any delay in permitting directly equates to delayed funding for the project. As funding cycles can be 6 months to a year in length, missing one funding application can equate to at least a year in project delays.

While it is recommended to continually explore other opportunities for streamlining, the following techniques offer a good place to start:

- Establish clear deadlines for reviewing permits to improve predictability and communication for applicants.
    - Example: Adopt a strong target goal of max 12 months (or faster) from initial pre-application to full permits issued to start construction.
- Authorize the ability to have "permit ready" approvals wherein the jurisdiction can provide a letter of acceptance before full permit approvals (closes the gap for funding requirements to be "shovel ready").
- Allow licensed approvals instead of staff review for certain and appropriate elements of the permitting process.
    - Example: Certain elements of the permitting process can be simplified so that a licensed architect or engineer may provide a stamp of approval and not require staff review.
- Allow for certain approvals to be based upon field inspections or deferred permit reviews, rather than holding full permit approval until full compliance.
- Avoid duplication by developing a coordinated review process for projects that require approval from multiple departments.

Policy Objectives

Streamlining the permitting process for affordable housing aims to increase the predictability, consistency, and objectivity of the permitting and review process. This leads to an overall faster permitting process, reduces development costs, and accelerates affordable units coming to market.

Implementation Considerations

As changes to processes are implemented, ongoing guidance and support will be crucial to ensure that both individual staff members and departments as a whole are able to adapt and comply with new procedures. This can require proactive leadership and creating a shared understanding of barriers and solutions.

Implementation Steps

- Executive directive and/or administrative directive

Resources

Municipal Research and Services Center - Permit Streamlining

Puget Sound Regional Council - Housing Innovation Program - Regulatory Streamlining

Master Builders Association of King and Snohomish Counties - Issue Brief: Permit Review Timelines

Prioritized Permitting for Affordable Housing

At A Glance

Policy Objectives	• Create faster permitting process for affordable housing projects • Bring affordable units online faster • Reduce soft costs for affordable housing developers
Target Populations	• <80% AMI
Housing Types	• Multi-family • Rental • Homeownership
Ideal Conditions	• Strong executive leadership • Cooperation between departments

Description

Lengthy permitting and review processing extends the time of development, increasing holding costs and other soft costs incurred by an affordable housing developer. This ties up projects that could otherwise be brought online faster. Local jurisdictions can speed this process up by expediting permits for dedicated affordable housing projects. Each line department involved in the permitting process can give a priority designation to affordable housing projects that meet certain guidelines. This prioritization would bring dedicated staff capacity for review and permitting of affordable housing projects, shortening the overall development time and saving costs in the process. Prioritization can be structured in different ways and by local discretion. Prioritization structures could include things such as funding source and rent restricted housing by AMI level.

Policy Objectives

Prioritized permitting aims to create a faster permitting and review process for affordable housing development. This has the dual benefit of reducing costs that affordable housing developers incur and shortening the development timeline so community members can move into their affordable home faster.

Implementation Considerations

When implementing an affordable housing prioritized permitting process, it is important to consider other types of projects that may have prioritization designation. If prioritization is too broad and too many projects are being prioritized, significant improvements in processing time would be minimal. It is important for jurisdictions to consider their overall development goals and prioritize accordingly. If affordable housing is the jurisdiction's top priority, those projects should be prioritized above all others.

Implementation Steps

- Executive directive
- Departmental priority designation

Local Examples

Pierce County has a program that fast tracks the permitting process for affordable housing projects for low-income residents: Code Sec. 18A.65.040(A).

Resources

Municipal Research and Services Center - Permit Streamlining

Puget Sound Regional Council - Housing Innovation Program - Regulatory Streamlining

Cross-Departmental Coordination

At A Glance

Policy Objectives

- Create more efficient permitting process
- Reduce development costs
- Bring affordable housing units online faster
- Increase predictability

Target Populations

- <80% AMI

Housing Types

- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Strong executive leadership

Description

During the permitting and review stages of an affordable housing project, developers navigate through multiple departments of local government to obtain multiple permits. It is common for a multi-family development to take well over a year to be issued a building permit, with some examples stretching as long as 24-36 months. This can easily add tens of thousands of dollars to the cost of each new unit. In order to effectively review and permit projects, it is essential that government departments collaborate and coordinate their work.

To improve coordination at the project concept phase, a local jurisdiction could require a roundtable discussion with all departments involved in the permitting process. This roundtable would outline the permitting and entitlement timelines, requirements and fees, and identify key contacts in each department. This early collaboration will increase predictability and identify any issues at early stages of the project.

A strategy to encourage interdepartmental coordination at the permitting and construction phase is to appoint an Affordable Housing Shepherd. This person could be empowered to coordinate across departments to expedite processes when bottlenecks arise. This Shepherd could push things forward from one department to the next and function as the point of contact/reference for the applicant in finding out the status of the project across multiple departments.

Other strategies, such as implementing quality management practices in the permitting and approval process of affordable housing projects and a singular online tracking tool for jurisdictions with online reviews, should be explored to increase cross-departmental coordination and streamline operations. Local governments should strive to coordinate the local permitting, entitlement, and review process and reduce obstacles that make it a burdensome process. These efforts could lead to faster construction of housing and lower its production cost.

Policy Objectives

Improving the coordination and collaboration between departments seeks to address a number of items throughout the project development process. It aims to create a more efficient and predictable permitting process for a developer. By creating an environment and culture conducive to coordination, departments' work on a project is not in isolation, and early obstacles can be identified and resolved before they become bigger issues. Improved coordination also leads to lower development costs and can help bring more affordable homes to a community in a more timely manner.

Implementation Considerations

Creating more interdepartmental coordination will take proactive leadership and strong support from the executive authority. As processes are modified, it is important for ongoing guidance to be provided so that individuals and departments adhere to adaptive changes. One way that this could occur is for permitting and regulatory staff to work alongside affordable housing developers to come up with shared solutions to speeding the development of affordable housing.

Implementation Steps

- Executive directive
- Administrative collaboration

Resources

Seattle Housing, Affordability, and Livability Agenda - Improve Interdepartmental Coordination

Waive Impact & Permit Fees

At A Glance

Policy Objectives

- Reduce development costs for affordable housing
- Incentivize affordable housing production

Target Populations

- At jurisdiction's discretion

Housing Types

- Multi-family
- Rental
- Homeownership

Ideal Conditions

- Staff capacity for analysis

Description

One way to encourage the production of affordable housing is by waiving or reducing impact and permit fees. These city-collected fees can vary based on size and scope of the project, creating a high fixed cost for new affordable housing developments.

Washington State laws authorize cities to exempt low-income housing from impact fees (RCW 82.02.060) and to reduce or waive development fees (RCW 36.70A.540). Examples include fees associated with permitting, planning, review, and inspection; utility connection costs; and school and transportation impact fees.

Policy Objectives

Waiving impact and permit fees can incentivize affordable housing production by making a project more financially feasible for affordable housing developers.

Implementation Considerations

A fee inventory analysis can help a local jurisdiction better understand the effect of fees on affordable housing projects. A fee inventory can also examine any existing discounts or waivers that are available and determine if they can be expanded. Fee waivers and reductions help to lower the overall development cost for the project, making it more feasible and affordable to produce. Local governments should consider the impacts of the reduced revenue generated from affordable housing project fees and identify an alternate funding source when applicable.

Implementation Steps

- Staff analysis
- Stakeholder outreach
- City Council adoption

Local Examples

Kirkland has adopted many types of fee waivers and exemptions, including those associated with road and park impact fees; planning, building, and electrical permit fees; and reduced infrastructure fees (Zoning Code Section 112.20).

Resources

Municipal Research and Services Center - Reduction/Waiver Fees

Puget Sound Regional Council's Housing Innovation Program - Fee Waivers of Reductions

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January 31, 2023

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