Seattle struck a 'grand bargain' on housing. Now - Seattle Times, The: Web Edition Articles (WA) - July 26, 2021

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The "grand bargain" that Seattle politicians and developers struck for larger buildings and affordable **housing** is starting to yield some results.

Under the new Mandatory **Housing** Affordability program formulated in 2015, the city agreed to relax zoning restrictions in more than two dozen neighborhood hubs while requiring developers in those areas to either pay fees or include some affordable units in their own projects.

The zoning changes, which increased density and expanded some of the hubs known as "urban villages," took a long time to implement — they occurred in 2017 and 2019 — as opponents raised concerns about displacement, parking and other issues.

But now, with Seattle voters preparing to pick a new mayor and with City Council members laying the groundwork for additional zoning changes, there are substantial outcomes from MHA available to review at last, because the program was in effect in all of the urban villages throughout 2020.

A major take-away: The program raised $68 million in fees.

Among the 224 market-rate projects that were subject to MHA's requirements in 2020, 219 chose to pay fees, while five agreed to include some affordable **housing**, yielding 21 on-site units.

The top payer was a high-rise project at 1200 Stewart Street in Denny Triangle that contributed nearly $10 million in fees. The city distributes the fees to affordable-**housing** projects twice each year.

MHA's stated aim was to create more than 6,000 affordable units over 10 years through fees and on-site construction.

By that metric, 2020 exceeded expectations: Last year's $68 million could help fund about 850 affordable units, given that Seattle assumes each unit needs about $80,000 from the city. Such projects typically combine city dollars with financing from other sources.

For context, Seattle spent more than $115 million on affordable **housing** last year, including $52 million from MHA fees. The fees helped fund 698 units — more than were funded through the city's **housing** levy.

Whether on-site or elsewhere, affordable units created through MHA must have rents pegged to income levels well below the area median. Last year, Seattle invested in six projects, ranging from Lake City to Mount Baker, including projects for seniors and families by Mount Zion Baptist Church and First African Methodist Episcopal Church.

"The MHA program is on track," said Emily Alvarado, director of the city's **housing** office. "We don't know what will happen with the real estate cycle over the coming years, but our early production has been consistent with the overall vision."

By another metric, the program is less on track, because the program was supposed to create a healthy mix of affordable units on-site. Initially, City Hall projected that 1,500 could be created that way over 10 years.

MHA requires developers to dedicate 2% to 11% of their projects to affordable units when they choose the on-site option, depending on the location. The city didn't expect downtown developers to do that, and developers of small-scale projects like town houses warned they wouldn't either, so the 2020 results aren't a complete surprise. Most projects subject to MHA last year were under 10 units.

Still, 21 on-site units in 2020 is less than former Councilmember Mike O'Brien expected when he helped pass the program, he said. The on-site option yields mixed-income buildings "where development is happening," he said. "Maybe others had a more cynical view, but I genuinely hoped we would get a mix."

That doesn't mean O'Brien thinks MHA has failed. The ultimate mission is to create affordable **housing**, and the fees will do that, he said. "This is a success," he said.

The on-site option can be important politically, illustrating how development and affordable **housing** can work hand-in-hand, said Rick Jacobus, a consultant who worked with Seattle leading up to MHA's adoption. Yet there are significant advantages to the fees option, Alvarado said. Fees can be combined with non-city financing, yielding two or three times more bang for the buck, she said.

The city can distribute the fees to affordable-**housing** projects in strategic spots, like near transit stations, Alvarado added. The city also can help fund projects with units large enough to accommodate children and grandparents, whereas most market-rate buildings have small units, she said.

The fees option can cause problems when the affordable projects that receive the dollars are all sited in low-income neighborhoods, exacerbating economic segregation. But Seattle has a track record for distributing dollars across many urban villages, and research indicates that mixed-income neighborhoods matter more than mixed-income buildings, Jacobus said.

The scant on-site construction indicates City Hall set MHA's fees too low, said Leslie Morishita, the real estate director at InterIm Community Development Association. On the other hand, nonprofits like InterIm can use the fees to construct **housing** for residents with even lower incomes than the on-site units are required to serve, Morishita added.

The fees are supposed to roughly equal the cost of including units on-site, and the cost of including units on-site is supposed to balance out the value of the zoning changes. MHA was structured that way partly due to restrictions in state law.

Though MHA is imperfect and other steps are needed to combat displacement, the program's 2020 results are a "net gain" for Seattle that should be celebrated, said Laura Loe, a **housing** advocate with the organization Share the Cities.

"This is great. We found a way to extract community benefits," she said.

Development, displacement

When MHA was proposed, some critics said it would dampen development. It's hard to know whether that's happening, partly because there are many other factors at play, like the economy and building-code changes.

MHA certainly didn't halt development last year, even with the pandemic, and the city received a rush of permit applications late last year and early this year, according to the construction department. The **housing** office estimates the program may raise about as much this year as in 2020, though less has been collected to-date.

Not all developers are pleased. Eric Armbruster, who develops town houses, has mostly pulled out of the Seattle market due to MHA, because the fees mean his projects no longer pencil out, he said.

The zoning changes mean town houses can have four floors, rather than three, but not many buyers want four stories, Armbruster said. Fewer town houses will be developed in the years to come and those that are developed will be more expensive, he predicted.

Displacement concerns also were voiced when MHA was adopted. Critics predicted the zoning changes would spur disruptive development in urban villages where many low-income residents and people of color live. Proponents said development would happen even without MHA, attributing the squeezed situation to Seattle's apartment ban outside the urban villages.

Before the program was adopted, "We came to accept that MHA was not an anti-displacement policy" that would, on its own, keep longtime residents in their existing homes amid soaring rents and demolitions, Morishita said.

She and other advocates pushed the council in 2017 to pair MHA zoning changes in the Chinatown International District with a resolution that promised to provide the neighborhood with additional support.

City Hall followed through on aspects of the resolution, such as a "community preference" policy that allows nonprofits to reserve affordable units in new projects for people with ties to a particular neighborhood. Other aspects need more attention and investment, Morishita said.

Tracking a complex program like MHA to make sure regular people benefit can be difficult for community groups, noted Gregory Davis, who chairs the Rainier Beach Action Coalition and wants to see the program produce affordable **housing** in his organization's neighborhood.

MHA must be complemented by strategies that help existing residents stay, Puget Sound Sage policy director Howard Greenwich said, suggesting City Hall spend more money helping community groups save old apartment buildings from the wrecking ball and cap rents at such buildings.

"Sage would like to see more money spent on preservation," he said.

Since April 2019, about 1,180 **housing** units were demolished or slated for demolition on blocks where apartments are allowed, including at least 167 occupied by low-income renters (eligible for tenant-relocation assistance), the city's construction department said in April. In that two-year span, Seattle added about 20,000 new **housing** units.

Ruby Holland, a Central District homeowner, opposed MHA when the program was adopted. Seattle's urban villages encompass neighborhoods long occupied by people of color, while many wealthy white neighborhoods were untouched by the zoning changes, she noted.

The zoning changes have saddled some homeowners with higher property taxes because their properties are now worth more, she said. In theory, the changes mean the homeowners can redevelop their properties, but in practice, MHA fees and other soft costs may be a barrier, Holland said.

"We're paying the cost without getting the reward," the homeowner said. "They want us to sell our properties and go on our merry way."

Some **housing** advocates are wondering whether the city could exempt longtime homeowners from MHA fees or help them some other way.

A racial equity analysis of Seattle's urban village strategy for growth, released this month, recommends the city allow multifamily options on more blocks, including wealthy neighborhoods dominated today by single-family houses.

The city concurrently should bolster community development and homeownership programs aimed at residents of color, the analysis says.