

A New Direction Housing Plan for Seattle: Development Without Displacement

Proposed by

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A New Direction Housing Plan for Seattle: Development Without Displacement

Executive Overview

As Seattle grows so does its wealth, and we are at a crossroads in deciding whether that prosperity is shared by all to build a culturally vibrant city, or if that wealth is transferred to the hands of the few to the detriment of our community. At the heart of this conflict is the immutable truth that everyone, everywhere, has the right to a home free from displacement or discrimination. With each passing decade we have seen unconscionable rent hikes and uncontrolled development pushing out long term residents, the net effect has been the loss of thousands of affordable housing units that has decimated many of Seattle's communities. The impact is stark and disproportionately harms women, communities of color, seniors, immigrants, and people with disabilities while furthering a pervasive system of wealth inequity. Downtown booms while our communities fail.

It does not need to be this way. Planning processes must be designed to preserve and build Seattle's communities so the current residents can share the benefits of new investment. Many cities have embraced "development without displacement" strategies to retain economically and culturally diverse communities who already live environmentally sustainable lives who use public transit, live near where they work, shop, worship, and socialize. Planning should promote investments to stabilize communities so they too can reap the benefits of growth, density, and development, rather than be pushed out by it.

The following is an aggressive housing proposal to reduce residential segregation, control housing speculation and demolition, expand affordable housing at an unprecedented level, require private developers to pay their fair share, ends unsheltered homelessness, and ensure Seattle continues to be an inclusive community for all. In particular this plan will:

- **Invest over 3.4 billion dollars over 10 years to rapidly expand affordable housing.**
- **Directs 20,000 units of affordable housing to the most cost burdened renters.**
- **Ends unsheltered homelessness in 5 years.**
- **Reduces the rent burden on working and low income tenants by almost 45%.**
- **Expands housing options for middle class households.**
- **Reduces home foreclosures.**
- **Dramatically expands tenants' rights & demands local authority to stabilize rents.**
- **Removes barriers to access housing and reduces residential segregation.**

Seattle has been at the forefront of policy innovation and tackling income inequality as we saw with the historic \$15 minimum wage legislation. We can build the political will to make this housing plan a reality, it is not just a choice but a necessity.

Affordable Housing Resources

Overview

We have been relying for too long on taxpayers alone to solve our housing problem through levies and other public sources, and it is time for private developers to pay their fair share by imposing a **robust housing linkage fee**. This new resource must be leveraged with federal, state, local, and private resources for a **3.4 billion** dollar investment in affordable housing over ten years. This investment will yield 20,000 affordable units, and allocates them to the most cost burdened residents. By dedicating 5,000 units for homeless housing, we will end unsheltered homelessness in 5 years.

The market alone will not provide affordability despite new records in increasing our housing supply. It is estimated 12,273 units in a two county region will be constructed in 2015, more than any other point since 1989. And yet rents continue to climb, increasing four times greater than inflation, while building operating expenses increased only four percent.¹

Seattle has consistently failed in securing new sources of funding as well as failed to require developers to build affordable housing. The most consistent funding source the city relies on is the Seattle Housing Levy which is a seven year property tax that brings in 145 million over its term. The city oversees about 12,000 rent restricted units that are resourced with these funds. This is clearly inadequate as over 45,000 households in our city pay more than half their income on housing alone. The City ended its Growth Related Fund where each year twenty percent of the incremental increase in property tax from new downtown construction was directed toward affordable housing. In 2013 the City passed its incentive zoning ordinance for new development in South Lake Union, however because the development fee was set so low at \$22/per square foot very few developers volunteered to build affordability onsite. This was a real lost opportunity to recapture value of the new development since the city's own consultant report found they could have charged a fee as high as \$85/per square foot without impeding new development. By not doing so the city left tens of millions of dollars for affordable housing on the table so developers could reap increasingly higher margins on their investments.

In order to mitigate the impact of our growth this proposal sets out numerous policies to recapture the increasing value of land due to development through a robust linkage fee, retains lost federal subsidies due to premium rents, and corrects poorly designed regulations that let developers off the hook from building affordable housing.

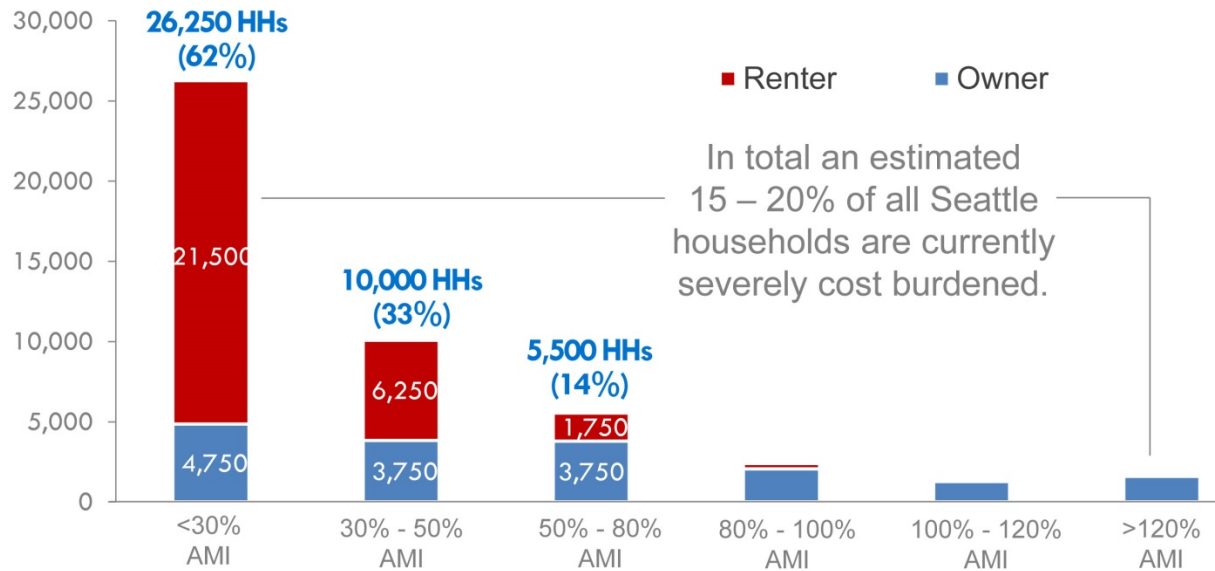
Prioritization of 20,000 Housing Units	
AMI	Units
0-30%	9,000*
31-60%	9,000
61-80%	2,000
TOTAL	20,000
* 5,000 units at 0-30% AMI are dedicated to homeless housing.	

¹ See Bhatt, Sanjay, "Rents surge, but a record number of new units may slow future hikes." *Seattle Times* (Dec. 29, 2014), available on-line at: <http://www.seattletimes.com/business/rents-surge-but-a-record-number-of-new-units-may-slow-future-hikes/>, last visited Feb. 24, 2015.

The above table is informed by the most cost burdened households for the allocation of 20,000 affordable units. According to data supplied by the City of Seattle the greatest need for affordable housing – 62% – is for households at the bottom of the income band for 0-30% Area Media Income (AMI). Based on the below data affordable units are prioritized toward households at the lower end of the income spectrum who are disproportionately cost burdened.

Severely Cost Burdened Households

About 26,250 very low-income households (or 62% of the households in the 0-30% of AMI income bracket) spend more than half of their income on housing.



Source: U.S. Department of Housing & Urban Development, CHAS, 2006-2010 5-Year American Community Survey, Seattle city. Note: these are rough estimates.

According to the most recent amendment to the city’s comprehensive plan drafted by the Department of Planning & Development (DPD), “[housing] shortages are likely worse for households with incomes of 60% of AMI, than for households at 80% of AMI, even though those incomes are included in the same category.²” According to the numbers provided by the DPD, there is actually a surplus of units affordable to households at 80% AMI.³ Public resources should be used to address the most severely cost burdened households first before any resources are directed higher up the income band.

Ending Unsheltered Homelessness

Ten years have passed since we first announced our plan to end homelessness. We cannot wait another ten. According to the One Night Count to End Homelessness in 2015 there were 2,813 unsheltered homeless people in Seattle alone, with a regional increase of homelessness by 21%. This number does not include the homeless who are in shelter, which is thousands more. This plan proposes 5,000 affordable housing units in 5 years to end unsheltered homelessness in Seattle. Housing anyone who earns less than 30% of the Area Median Income (~\$18,000/year) is incredibly resource intensive. That is why developers are more than happy to “solve” the affordable housing crisis by building units affordable

² Page 50, DPD Comp Plan Amendment 2014-15 and Periodic Update ATT 12, February 6th, 2015, found at: http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p2237692.pdf

³ *Ibid*

to someone earning 80% AMI (~\$45,000/year), it doesn't require a deep subsidy and actually is not that helpful since we actually have a surplus of units affordable at 80% AMI.

In order to expedite development of the 5,000 units the city would use its bonding authority to finance their production. This would allow us to break ground immediately rather than wait for some of these funding resources to accumulate over time. The city could then use its increased resources from the Seattle Housing Levy, in lieu linkage fees, supportive housing Medicaid benefits, and retained Section 8 vouchers to offer a deep enough subsidy to accomplish this goal.

This approach embraces a true "housing first" model, and priority would be given to the homeless housing providers with the expertise and services to help ensure a successful transition from the street to permanent housing.

Funding Sources (See attached for revenue amounts.)

Affordable Housing Linkage Fee

Given the building boom and job growth in our city we must require developers to share the cost of mitigating the demand on our affordable housing stock. The linkage fee would apply to all urban villages, commercial zones, low rise zones and newly constructed single family homes. Fees would be tiered along the zones identified in City Council Resolution 31444, and require 5-10% onsite performance or pay into the city's affordable housing fund. Fees would be tiered from low to high cost zones for \$14, \$18, and \$28 per square foot. There would be no phase in period for the fees to ensure the city does not incur opportunity costs.

Seattle Housing Levy

This plan calls on doubling the housing levy. Since 1981 Seattle voters have approved five ballot measures to create and preserve affordable housing for its lowest income residents, resulting in 12,000 units of affordable housing. Increasing this to about \$41M/year will result in a median cost of \$130 to a Seattle homeowner each year. This fund is critical as it is one of the few sources that can deeply subsidize very low income housing, and can be leveraged significantly with private resources.

Section 8 Housing Choice Voucher Retention

The Section 8 Housing Choice Voucher (Section 8, or HCV) program is administered by the Seattle Housing Authority (SHA). A Section 8 voucher is a tenant-based subsidy that ties rent to the tenant's income level, but also has a "payment standard" that caps how high SHA is willing to pay for rent. Given the skyrocketing rents in Seattle, almost fifty percent of voucher holders are economically segregated and live in SE Seattle where rents are below their voucher payment standard. However, each year approximately 1,800 voucher holders move outside of the City of Seattle with their voucher because they can't find somewhere affordable to live. This is called "porting" out of the city, and is a net loss in affordability to our housing stock of many millions of dollars. SHA has "Moving To Work" (MTW) authority which means it can change its policies outside of federal guidelines. The City should work with SHA to use its MTW authority to increase the payment standard for voucher holders, or project base the vouchers to supplement homeless housing affordability.

Real Estate Excise Tax (REET)

State law limits the excise tax on property that is conveyed to a new owner. Currently the law allows King County to tax at the maximum 1.78%, and the State legislature should increase this above the maximum cap by 0.25% to authorize local jurisdictions to reinvest the increased revenue specifically for affordable housing. This proposal assumes approximately two years to pass this in Olympia.

Hotel & Short Term Rental Tax

San Francisco has been pioneering the way to regulate and tax short term rentals like AirBnB, which has been swallowing up their housing supply and evading the regular hotel/motel taxation. Seattle should follow in its footsteps and tax these businesses and redirect the revenue toward affordable housing.

State Housing Trust Fund

The Washington State Housing Trust Fund provides the necessary dollars to make many affordable housing projects financially viable across the state, in particular in Seattle. The funding amounts can wax and wane based on the politics of Olympia, and this proposal assumes a modest average amount from year to year.

Reinstate Growth Related Fund

In 2002 the City of Seattle eliminated this program that was designed to address the large amount of affordable housing being lost to speculation. Funds were generated from property tax revenues related to new construction downtown and used to preserve our remaining affordable housing stock. The City should reinstate this program citywide and dedicate its revenue to preserve very low income housing.

Surplus Property Revenue

The City should direct twenty percent of the city's property sales toward affordable housing annually.

Voluntary Local Employers Fund

Seattle should partner with its major employers that are based locally to contribute to a voluntary affordable housing fund. Job growth is the primary macroeconomic factor that increases housing costs. Other cities have successfully created such programs with employers who recognize the value to their business of limiting commute times for workers by living in the city and reducing displacement.

Supportive Housing Medicaid Benefit

Thanks to the expansion of Medicaid due to the Affordable Care Act, states have the opportunity to innovate new policies to advance the goals of preventative medicine. Given that most chronically homeless people also qualify for Medicaid this is an exciting opportunity to include in the Washington State Healthcare Authority's 1115 Medicaid Waiver an option for supportive housing providers to include housing costs as part of the patient's treatment.

Multi-Family Tax Exemption (MFTE)

This program is set to expire in 2015. The program only requires developers to set aside a handful of units affordable to those earning up to 80 percent of median income - well above what low income and even working people can afford. The program should be renewed and developers receiving these tax breaks must be required to set aside at least 20 percent of their units affordable to those at or below 50 percent of the area median income. The program was intended to serve as a tool to stimulate low

income development and only in areas not seeing growth. The program must be limited only to areas and neighborhoods falling short of meeting their residential growth targets and it should not be expanded to incentivize developer acquisition of existing low income housing which would only cause further displacement and loss of these unsubsidized affordable units. While this is not technically revenue, the value of the tax exemption program provides enough incentive to encourage affordability for moderate income households.

Rent Stabilization & Tenants' Rights

Rent Stabilization

Over the next decade due to rising rents we will witness a multi-billion dollar transfer of wealth away from the 300,000 middle class to low income tenants of Seattle to about ten thousand landlords. The gains made from increasing the minimum wage could be lost if they are recouped by property owner's rent hikes. The city must begin the process to remove the state ban on regulating rents because the vast majority of tenants live in unregulated, non-subsidized rentals units and are subject to unconscionable rent hikes; in some cases as much as doubling their rent.

Nationally there are over two hundred cities and municipalities that have instituted some form of rent regulation that are still on the books. There is an important difference between "rent stabilization" and "rent control". Virtually no city in the country has true rent control which freezes rent in place, rather cities have a variety of models for rent stabilization. Rent control as a policy was introduced both in World War I and World War II most prominently in New York in response to a limited supply of housing for soldiers, who were receiving rent increases in excess of 100%⁴. These 'first generation' rent control laws generally froze rental costs, and over time can have negative effects on the quality of the housing stock, as well as impede supply.

When landlord lobbyists oppose rent control, they are critiquing a system of freezing rent from almost a century ago that does not exist anywhere in the country. As a result of these concerns, during the 1960's and 1970's, 'second generation' rent stabilization laws became more common as older rent control laws were phased out. Almost 1 million units of rental housing are currently rent stabilized in New York City, and constitutes the largest contingent of the city's affordable housing portfolio⁵. Rent Stabilization Ordinance's (RSO) took a more nuanced approach to address the concerns of previous era rent control laws. These changes ensured that property owners could receive a reasonable profit on their properties, ensure that buildings were well maintained, support growth in the private housing market, and that landlords and tenants had a fair system for adjudication to resolve disputes.

This is a model RSO:

- Annual rent increases tied to a percentage of the Consumer Price Index (CPI). This allows landlords to increase rents to keep up with building costs based on inflation. This would allow additional increases, taking into consideration other landlord costs such as increased taxes or utilities in adjusting the rent increase formula.

⁴ The Great Rent Wars: New York, 1917-1929, By Robert M. Fogelson

⁵ Changes to the Rent Stabilized Housing Stock in New York City in 2013. Found online at: http://www.nycrgb.org/downloads/research/pdf_reports/changes2014.pdf

- Rent Stabilization Board (RSB) to adjudicate disputes between landlords and tenants over disagreements on rent increases, rather than relying on an overburdened court system. RSB's are funded by property registration fees collected by the City.
- Allows rent increases for capital improvements in excess of the CPI/rent increase limits. Owners would justify capital improvement costs to impose additional rent increases on tenants to ensure the building is well maintained. Disputes would be adjudicated by the RSB.

Many point to San Francisco as the failed model of regulating rents. San Francisco now has the highest rents in the nation, but also a rent stabilization ordinance dating back to 1979. Why didn't its rent stabilization laws slow rising rents? The short answer is because the law has been slowly repealed by state deregulation and also a prohibition on expanding regulations to new housing that is causing rents to shoot up.

In 1995 California passed the Costa-Hawkins Act which prohibited the expansion of rent stabilization, similar to the ban in effect in Washington State, resulting in a decreasing affordable housing stock and bisected market not protected from rent hikes by regulation. In fact, the national real estate trade associations have successfully passed rent regulation bans in 35 states. San Francisco's rent regulated housing stock shrinks every year from demolition and the city can't expand regulations to newer housing due to the state ban.

The legislation also deregulated rental units that become vacant, allowing landlords to raise rents up to market in between tenancies. Known as "vacancy deregulation" this has led to astronomical rents even in "rent controlled" housing, and created the unfortunate problem of penalizing tenants from moving out of their units since they would not find another rental at the same level of affordability. This led to great inequities in rent amounts between neighbors even in the same building. California also passed the Ellis Act, allowing landlords to sell off their rent stabilized buildings and convert them to condominiums, and in recent years has led to at least 10,000 people being displaced.⁶ Before the state instituted deregulation the rent stabilization ordinance was a model to ensure affordability. New York State also suffers from deregulation, and just this year New York City Mayor de Blasio made the first call in decades to repeal vacancy deregulations in his state to bring costs under control.

Deposit Reform & Interest. When tenants move in they are paying thousands of dollars for a deposit, first and last month's rent; and the upfront cost is staggering. Total move-in costs that are not rent must be limited to the equivalent of one month's rent, and be broken up into a two month payment plan. All rental contracts will have required language for the interest accrued on tenant's deposits be either returned to the tenant, or pooled into an affordable housing and tenant services fund.

Deposit theft is also a huge concern for tenants. This would increase the penalty when a landlord illegally withholds funds up to three times the deposit amount. It would also require owners to include receipts relating to any withholding of the deposit along with the required written refund statement.

Late Fee Cap. All late fees are capped at \$25, and cannot be deducted from the following month's rent. Many tenants fall into pyramiding fees that continue from one month to another even after the full rent is paid because the landlord deducts the late fee from the following month's rent. This practice should be made illegal.

⁶ Ellis Act Evictions in San Francisco, 2014, Tenants Together: <http://www.seattlemet.com/news-and-profiles/publicola/articles/a-linkage-fee-for-an-affordable-and-just-seattle-march-2015>

Restore the Just Cause Eviction Ordinance. Right now a landlord can kick you out at the end of your lease for no reason, or if they sell a single family home. We must extend Just Cause protections to long term tenants, and limit home sale terminations.

Mandated Tenant Input on Seattle Housing Authority (SHA) Board Commissioners. Before any SHA Commissioner can be appointed it must be required that they are vetted by SHA tenants. When SHA proposed its “Stepping Forward” proposal that would have hiked rents by 400% on over 7,000 of its residents it became abundantly clear greater oversight is required. SHA is our city’s largest landlord, and must be accountable to the low income tenants it serves.

Full funding for tenants’ rights enforcement. The city must allocate \$750,000 to fund legal aid and tenant outreach services so renters know their rights.

Relocation Assistance. Developers are circumventing their legal obligations to pay low income tenants relocation assistance when they are displaced due to development. We must impose a hefty penalty on developers who attempt to economically evict tenants before applying for their relocation assistance permit. The City should also explore ways to offer tenants relocation assistance when faced with economic eviction even if there is no change of use to their apartment.

Open Access to Housing

Ban the box. In 2013 the City of Seattle passed the Jobs Assistance Legislation to allow rehabilitated offenders to fairly compete in the job market by “banning the box” on certain criminal records in job applications. This important legislation was designed to address the longstanding disparities in our criminal justice system that has resulted in African-Americans being arrested at six times the rate of Whites, even though they do not commit higher levels of crime. These criminal records result in a categorical ban from housing, regardless if the person has rehabilitated. We must institute similar measures in housing applications so we can undue the institutional racism that disproportionately denies people of color housing. Everyone deserves a second chance.

Portable Tenant Screening. Tenants pay over and over again on background checks, often paying multiple times for the same screening report only to be denied. Landlords will be required to accept portable screening reports that are verified by the screening company that produced them. This way the tenant can reuse the report for multiple housing applications, eliminating repetitive fees that can rack up to hundreds of dollars.

Truth in Evictions Reporting. Even if a tenant wins in eviction court, they ultimately lose because the lawsuit becomes a permanent court record that landlords use to deny housing. The city must pass a law to illegalize the use of eviction records in making rental decisions where the tenant prevailed. The current practice puts a chilling effect on every tenant’s ability to avail themselves of their rights since the court is the primary venue to enforce the law.

Limit Credit Report Screening to Housing. Many tenants are denied housing because of a low credit score, or because of debt that shows up on their Credit Report. It is not reasonable to use non-housing related debt in determining a qualified tenant. If a tenant has an outstanding debt to a landlord, like an unpaid utility bill or back rent, that is legitimate to use in screening applicants. But medical debt, student

debt, or anything that doesn't have a relation to their qualities as a tenant should be prohibited in making rental decisions.

Source of Income Protection. Seattle currently prohibits discrimination against tenants who have a Section 8 Housing Choice Voucher, however other sources of income are not protected. We must protect tenants on SSI and other state assisted income sources to offer the strongest protection against discrimination.

Financing & Preservation Tools

Housing Bond Program. The City of Seattle should issue at least \$500 million in long term bonds; staying within the current bond cap for low income housing and housing for homeless families and individuals at 0-50% of the area median income. The bonds can be issued in increments over multiple years and take advantage of low interest rates. The housing will be built on city-owned land or private property acquired by nonprofits.

The city is obligated to hold a minimum of \$100 million of its general obligation debt capacity in reserve "for emergencies." The city's "emergency reserve" now contains about \$228 million or \$128 million above the minimum. Given the housing crisis the city is in we can declare an emergency and authorize immediate issuance of at least \$100 million for low income housing.

The city has \$1.437 billion in City Treasury Investments. Some portion of these investments can be sold and returned to the General Fund for the council to appropriate for low income housing. This can be done without impairing reasonable liquidity needs and without significantly diminishing interest income for the General Fund. These investments earned less than half of one percent of the total General Fund revenues in 2013-2014 and are projected at the same low level for 2015-2016.

Opportunity to Purchase Ordinance (Right of First Refusal). The city must have the legal authority to buy an affordable building first before private speculators. Many cities allow a "right of first refusal" to purchase buildings such as Los Angeles, Baltimore, and the District of Columbia. In Washington State, there is an unfortunate court decision in the manufactured housing context that would limit how OPO could be implemented. Tenants would not be able to buy the building directly, instead the city would have to purchase it first and then convey it to a quasi-governmental entity. This ordinance would reduce the risk of redevelopment leading to displacement, as the city would have the right to match the price and material terms of any third party offer that the property owner receives in good faith. Currently, even if the City had the financing lined up, and a willing non-profit entity to preserve a low-income building, if the owner decides to sell it to a for-profit developer there is no leverage to compel them to sell to a preservation oriented non-profit. Once a building is lost to the market, it is a permanent blow to our lowest income residents.

Right of First Notice.

The city must enact a 120 day notice requirement for certain property owners who intend to sell their apartment buildings. The notice requirement would apply to any multifamily housing with eight or more units that have at least twenty percent of its units affordable to low-to-moderate income households. Notice would go to both the tenants and to the city. This would enable the city to develop a plan to preserve the building as affordable housing, and potentially use its Opportunity to Purchase Ordinance.

Public Benefits Administration

The city does not have a unified or systematic program to ensure the maximum public benefit is captured in handling its real estate transactions. There are too many examples of lost opportunities. The Department of Planning and Development (DPD) issued a permit for the massive 50-story R.C. Hedreen Hotel development and let them off the hook from paying into the city's affordable housing fund, to the tune of \$3 million dollars. After the city's Finance & Administrative Services offered a loan to the non-profit owner of the Squire Park Plaza apartments in the Central District, they then encouraged the owner to sell the building to a for profit developer to pay off the loan. This would have certainly caused rents to increase.

The City of Seattle is bleeding millions of dollars' worth of public benefits in its property transactions due to lack of oversight. The root of the issue is that any regulatory body inevitably becomes too acclimated to the business interests of the companies they are supposed to regulate. This happens at all levels of government, and how planners at the DPD start to see the logic of structuring a permit in such a way to create efficiencies for the developer to the detriment of the community.

The city needs its equivalent for a "Community Police Commission" for development. A Public Benefits Administration would have the authority to review permits for large scale projects to ensure the maximum value is being returned to the community in the form of living wages jobs and affordable housing. Until we have an oversight group that works in tandem with our planning department, we will continue to be denied millions of dollars in development fees and other opportunities that could be making Seattle a far more affordable place to live.

Unlike standard regulatory bodies, a Public Benefits Administration would be composed of both city staff and community members, affordable housing experts, union representatives, and others with technical skill and knowledge to ensure public land, permits for large developments, and preservation of unregulated affordable housing stock are prioritized and put to their best use.

This entity could also ensure density bonuses and upzones result in mandatory affordability outcomes in urban villages through inclusionary zoning. If low income housing is going to be demolished then the authority can require 1 for 1 replacement of the lost affordable units, or 2 for 1 replacement if height bonuses apply. It would have authority to facilitate nonprofit acquisition of buildings subject to a right of first notice law and be given power to recommend use of the opportunity to purchase ordinance to acquire vulnerable existing low cost units at risk due to redevelopment.

Homeowner Relief

Principal Reduction Program. A principal reduction program must be instituted and fully funded to save homeowners who are currently underwater on their mortgage. Over 16,500 Seattle families have lost their homes to foreclosure since 2008. The City has been dragging its feet to implement this crucial program, meanwhile more homeowners face impending foreclosure. This should have been instituted years ago, and must be fully funded before any more Seattle families lose their home.

Form a Municipal Bank. There are many reasons to create a municipal bank, but chief among them is to ensure that the city's principal reduction program isn't locked out of mortgage financing by corporate banks. The municipal bank could spur local economic development, offer low interest loans to small business and major infrastructure projects including affordable housing. One study indicated that loan products from corporate banks can account for as much as 30-50% of the costs for public works.

Community Land Trust for Foreclosure Inventory. The city should partner with established community land trusts to purchase foreclosed homes and add the properties to our land trust housing stock. This would create new homeownership opportunities within financial reach for moderate income households, and also ensure affordability in perpetuity. Not only will this increase affordable homeownership options it will reduce neighborhood blight. Currently non-profits lack the capacity to buy up bank-owned properties and the city should invest new resources to bring this to scale. Otherwise these currently affordable homes get bought by speculators who then flip the homes and sell them for twice what they purchased them, locking out middle class and moderate income people from homeownership.

Blight Penalties for Vacant Bank-Owned Homes. Between Everett and Tacoma there are 4,300 bank-owned homes that are being held back from the market, many in Seattle⁷. These properties stand vacant and contribute to neighborhood blight and crime. Furthermore, in a tight housing market moderate income and middle class families are waiting to buy these affordable homes. Imposing a penalty fee for vacant bank-owned homes would generate revenue to fix up the properties and also be used to purchase the properties to add to a community land trust. It would also incentivize banks to sell the properties at a faster rate, greatly expanding the supply of affordable homes on the market.

Summary

Together these proposals form a robust strategy to both ensure growth in our affordable housing stock and prevent displacement.

Between now and 2035 the city projects an increase of 115,000 new jobs in Seattle. Because it is far cheaper to buy an older building and raise the rent than it is to build new housing, many developers decide to do this first which prices the original occupants out of the city. This kind of rent hike does not result in an increase in units or density, it is simply a straight loss of affordability. This trend has left Seattle now among the nation's ten most expensive cities.⁸

Rent stabilization is the most systematic policy to address this kind of price gouging and displacement. Entire generations of Seattleites are being displaced due to this basic function of the market, and the

⁷ See Adolph, Carolyn, "Thousands Of Foreclosures Sit Off Market In Seattle Area," *KUOW* (July 9, 2015) available online at: <http://kuow.org/post/thousands-foreclosures-sit-market-seattle-area>

⁸ See Balk, Gene, "Census: Seattle saw steepest rent hike among major U.S. cities," *Seattle Times* (Sept. 18, 2014), available online at: <http://blogs.seattletimes.com/fyi-guy/2014/09/18/census-seattle-saw-steepest-rent-hike-among-major-u-s-cities/>, last visited Feb. 24, 2015.

impact falls on particular communities more so than others where now 35% of African-American households are paying more than half of their income toward rent.⁹

Developers will argue that the solution is to increase supply to lower costs; and yet all the new construction we see is far out of reach for most working or middle class people. The reality is that there are two housing markets – the older housing stock that hasn't been flipped into luxury housing, and the new construction with astronomical rents. Without any regulatory intervention, the older housing stock continues to shrink when it is flipped while the newer housing stock grows but remains unaffordable. With rent for new units climbing as high as \$3,000/month, how many more new units would need to be built citywide to bring rents down to \$662/month, the amount a minimum wage worker would need to afford? This clearly would never happen on its own, since the market is building units directed to higher income people who can afford premium rents.

Developers threaten they will stop building if regulations are imposed. But as we have seen, the market's own logic directs itself to be unaffordable. Because demand is high, developers will build here even with the imposition of new affordability regulations. The amount of money they would give up otherwise would be staggering; in 2014 investors spent over \$3.8 billion purchasing rental buildings in the Greater Seattle Area alone.

Because the demand is so high in our rental market due to the tremendous job growth the city has an incredible amount of leverage with developers to require affordability in new construction. For every upzone the city grants there is a correlating increase in the land value which translates into a windfall for the developer. Therefore, if existing communities are going to thrive in a hot rental market, the question then becomes how can the city recapture this value and redirect it toward more affordable housing. A robust development linkage fee is the best tool to achieve that goal.

Over the next ten years Seattle has an opportunity to redirect its wealth and opportunity to the middle out, rather from the bottom up. This proposal is a comprehensive effort to hold banks accountable, mandate affordability from developers, stabilize rents being pushed up by landlords, and transform the municipal institutions intended to oversee these efforts into true instruments for affordability. We must accomplish these goals so Seattle can be a diverse and inclusive community for many decades to come.

⁹ U.S. Dept. of Housing & Urban Development, CHAS, 2006-2010 5 Year American Community Survey, Seattle city data available at: <http://murray.seattle.gov/housing/seattle-housing-data/#sthash.BpzkF6iT.Jkq3J6Vz.dpbs>

Housing Funding Sources Appendix

2015-2025 Revenue

Source	Revenue
Housing Development Linkage Fee	\$ 1,170,000,000
* 117M/year	
* 5-10% on site performance	
* \$14/18/28 Per Square Foot Fee	
* Residential & Commercial Uses	
* Assumes immediate adoption, no phase in	
Seattle Housing Levy	\$ 368,000,000
* Double Existing Levy	
* \$20.5M/Year (2015-2016)	
* \$41/Year (2017-2025)	
Section 8 Housing Choice Voucher Retention	\$ 171,000,000
* ~1800 vouchers "port" out of Seattle annually	
* \$9,500 approx. value of each voucher annually	
* SHA has MTW authority to project base vouchers in rent restricted properties or raise payment standard	
Real Estate Excise Tax (REET)	\$ 150,000,000
* .25% increase REET on transactions	
* Assumes 2 Years to Pass Legislature	
Motel & Hotel Tax	\$ 30,000,000
* Assumes 3 million for Seattle from County annually	
State Housing Trust Fund	\$ 75,000,000
* Assumes an average based on previous years	
Growth Fund	\$ 50,000,000
* Total property tax revenue from new construction varies from \$2-6M year	
4% State Low Income Housing Tax Credits	\$ 1,200,000,000
* Washington State Housing Finance Commission	
9% Low Income Housing Tax Credits	\$ 150,000,000
* Washington State Housing Finance Commission	
Surplus Property Revenue	\$ 15,000,000
* Direct revenue from 20% of FAS property Sales	
* 1.5M per year for 10 years	
Voluntary Local Employers Fund	\$ 15,000,000
* Develop Program in 2016, begin using funds in 2017	
Supportive Housing Medicaid Benefit	\$ 2,000,000
* Reimburse provider's housing costs for Medicaid recipients	
Multi-Family Tax Exemption (MFTE)	\$ 20,000,000
* Value of forgone revenue over 10 years	
* Continuation at current rate of 40% of new project (~350 units / year)	
TOTAL	\$ 3,416,000,000