

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Affordable Housing as a Component of the Proposed Light Rail Development Regulations		
DEPARTMENT:	Planning & Community Development		
PRESENTED BY:	Rachael Markle, AICP Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

As the Council moves toward adoption of a Subarea Plan and associated implementing regulations for the 185th Street Station Subarea, there are a few recommendations for new regulatory programs. These new regulations implement existing Comprehensive Plan policies. The recommendation includes detailed provisions for affordable housing in the 185th Street Station Subarea. The purpose of this report is to provide for more in depth coverage and discussion with the Council about the proposed affordable housing regulations in advance of the Council’s consideration of the entire adoption package for the 185th Street Station Planned Action Ordinance.

RESOURCE/FINANCIAL IMPACT:

The community’s investment to facilitate change in support of national, regional and local goals to locate growth in close proximity to strong regional transit is being leveraged in this case to also attract private investment in affordable housing. The idea is that this opportunity to develop in the 185th Street Station Subarea is the financial incentive to developers to build in this area that will offset the cost associated with the required affordable housing provisions.

The financial impacts include:

- Increased staffing resources (internal or contract) to develop, implement and manage an affordable housing program.
- Possible reduction in private investment in the area if the mandatory housing requirements are viewed as disincentives.

RECOMMENDATION

No action is required. This meeting is intended to answer Council questions and to determine what if any additional information the Council may need to later act on proposed amendments to the Development Code related to affordable housing in the 185th Street Station Subarea.

Approved By: City Manager **DT** City Attorney **MK**

INTRODUCTION

Staff reviewed the affordable housing provisions found in several local codes and consulted with affordable housing experts from the Housing Development Consortium (HDC), Compass Housing Alliance and Enterprise Community Partners. The Planning Commission spent several meetings discussing and developing the code to implement an affordable housing program in the 185th Street Station Subarea. The Commission also received valuable testimony at these meetings from affordable housing advocates and developers that included open dialogue with many of these experts. The culmination of these efforts is found in Attachment A-Excerpts from Proposed 185th Street Station Subarea Code related to Affordable Housing.

Tonight, Kelly Rider, Policy Director, and Kayla Schott-Bresler, Policy Manager, from HDC will be in attendance. HDC's vision is that all people live with dignity in safe, healthy, affordable homes within communities of opportunity. HDC has been extremely helpful, knowledgeable and served as valuable resources as the Planning Commission and staff have learned about creating the regulatory framework for the City's affordable housing program. They will be available at the meeting to assist staff with answering any questions Council may have about Shoreline's proposed affordable housing regulations or other aspects of affordable housing programs.

BACKGROUND

The Council as a whole has not discussed the emerging affordable housing regulations for the 185th Street Station Area. Council members were updated by staff on the draft regulations including the proposed affordable housing provisions in small group or individual sessions in mid November to early December 2014. The affordable housing regulations have changed since those meetings in response to new information gained from working with Council, Planning Commission, the public and affordable housing advocates. Attachment A represents the culmination of this effort and is the subject of this agenda item.

DISCUSSION

Upon reviewing local affordable housing codes as identified by HDC, the City of Issaquah's Code was chosen by staff as the basis for Shoreline's proposed affordable housing regulations. Issaquah's Code was largely chosen based on its use of incentives to achieve targeted affordable housing goals; completeness of the regulations; and readability. There is no "one right way" to create inclusionary zoning. Key questions to answer when creating a program are:

- What percentage of the new housing units should be required to be affordable?
- Should the program be voluntary or mandatory?
- What income level will the program serve?
- What incentives will be provided?
- Will there be alternative ways to be inclusive; i.e., fees, off site construction, land trust, etc.?

It has not proven to be legally defensible to require a developer to provide affordable units without compensation. Compensation is most often provided in the form of increased development potential that offsets the cost differential of constructing and maintaining units as affordable. Therefore, it is imperative that the connection between the City's rezone of low density, maximum six (6) units per acre residential property and the value of the development potential created by the approval of the implementing zoning in combination with the other proposed cost offsetting incentives be approved concurrently. If the City rezones the property and does not concurrently adopt affordable housing requirements, then the nexus between the increased development potential as the compensation for providing affordable housing units becomes disconnected and could result in a claim against the City for exaction.

Proposed Code Section 20.40.235 (B)(1)

This proposed section contains a chart that specifies the following for each of the Mixed Use Residential (MUR) zones:

- Whether the inclusion of affordable units in MUR 85, 45 or 35 is mandatory or voluntary;
- What percent of the total units shall be affordable;
- What level of affordability is required; and
- Which incentives may be available to offset the cost of either being required to provide or voluntarily choosing to provide affordable units.

Mandatory vs. Voluntary

The proposed regulations stipulate that all residential development in the MUR 85' (with and without a Development Agreement) and MUR 45' zones shall have a percentage of the units be affordable. The provision of affordable units in MUR 35' is voluntary. The rationale for requiring affordability in the MUR 85 and MUR 45 zones is largely tied to the concept that a great deal of development potential is being created by rezoning property from R-6 to MUR 85' and 45' and that in return, the community requires the inclusion of affordable units. In the MUR 35' zone the number of units created per development will be fewer; therefore it should be voluntary.

What Percentage of the New Units Should be Required to be Affordable? What Income Level Should the City Try to Serve With This Program?

The proposed regulations require that 20% percent of the residential units created in the MUR 85' zone (with and without a Development Agreement), MUR 45' zone and voluntary projects in the MUR 35' zone be affordable.

Of the required affordable units in the MUR 85', MUR 45' and voluntary projects in the MUR 35' zone, studio and one bedroom units must be affordable to households making 70% or less of the King County area median income (KCAMI) and 2+ bedroom units must be affordable to households making 80% or less of the KCAMI. The shift from serving households making 70% of the KCAMI for studio and 1 bedroom units to households making 80% of the KCAMI for 2+ bedroom units is proposed as a method to further incentivize the construction of more family sized affordable units.

***Note:** These percentages and income levels were developed to align with those proposed as part of the revamped Property Tax Exemption (PTE) program Council will*

also be discussing tonight. The proposed PTE program would increase the commitment to provide affordable housing in all areas authorized to receive PTEs.

In the MUR 85' zone with a Development Agreement, 20% of the units must be affordable to households making less than 60% or less of the KCAMI, or 10% of the units must be affordable to households making 50% or less of the KCAMI. A greater level of affordability is required in these areas in exchange for the increased development potential and flexibility.

Note: *Attachment A has been updated to include the 1/15/15 Planning Commission recommendations regarding affordable housing. The Planning Commission voted to incorporate into its recommendation the HDC suggested revisions to proposed SMC 20.40.235(B)(1) "Affordable Housing Regulations" chart. This creates an option for developers to meet the City's affordable housing requirements by providing units to harder to serve lower income households at a lesser percentage of units (10% instead of 20%).*

Attached to this staff report is a spreadsheet that illustrates median income levels in King County by household size (Attachment B). Staff discussed several different options with HDC and the Planning Commission. The information that most influenced the percentage of affordable units and the income adjusted for household size contained in the draft Code are:

- Advice from HDC to consider affordable housing requirements for surrounding jurisdictions. Staff then chose the percent of units required to be affordable and household income levels to be served with the goal of being somewhere in the middle of the other cities that were examined. The idea is to be competitive; if development doesn't come to Shoreline because the requirements add too much to development costs, then neither do the affordable units. The cut-off seemed to be 70-60% of median income or below. Although those households making less than 70% have a more difficult time finding affordable options, inclusionary zoning programs alone cannot make up the affordability gap for these households. This is where subsidies from not for profits and fee in lieu funds for example are typically are needed to close the gap.
- Comparing the proposed program to other cities' programs in the region and nation to choose a balanced approach (Attachment C – East King County Cities: Incentive Zoning Chart; and Attachment D – Inclusionary Zoning Best Practices from Other Jurisdictions).
- Doing basic development cost scenarios to gain confidence that the affordable housing mandates were economically feasible in conjunction with other estimated development costs and proposed cost offsets.

Note: *One of the previous versions of the proposed affordable housing regulations included affordable homes/units for sale in addition to for rent units. While this would provide yet another affordable housing option, it seems complex to administer and would likely have greater financial implications for the City. Since the City does not yet have staff or budget to administer a full fledge housing program, we are recommending starting with a rental program and perhaps growing to include an ownership component. Once the affordable rental housing program, funding and staffing resources are better*

defined in the years immediately following adoption of the regulatory provisions the Council may want to revisit the inclusion of for sale units in the affordable housing program.

Incentives

The initial incentive zoning will be created with the rezone of most of the subarea from Residential 6 units per acre to MUR zones where density is only limited by form. Typically (if not exclusively), incentive zoning is provided through increased unit counts (density) or floor area ratio or height provided in exchange for affordable housing. Shoreline's model historically has been to zone and regulate for the desired development form with straightforward regulations that reduce regulatory "hoops". Therefore, this rezone is the biggest incentive. In fact, the need to clearly identify the nexus between the need for affordable units created in part by the rezone and the City's compensation provided for the provision of required affordable units by the increased development potential has been identified as necessary components of an inclusionary zoning program to avoid future legal challenges. This is stated in proposed SMC 20.40.235(3) and again under each of the "Incentives Provided" sections of the chart in SMC 20.40.235((B)(1). This has caused some confusion as it does not look like a traditional incentive program.

Note: *A catalyst program is included in the MUR 85' zone. This program is intended to "jump start" redevelopment by allowing the first 300 multi-family units to purchase Transfer of Development Rights (TDRs) instead of providing the required percentage of affordable housing. The TDRs are set at a percentage and sold at a price that would be substantially less than providing the affordable housing. This is not intended to undercut the provision of affordable housing. The catalyst program is intended to bring the first multi family developments into the area including some of the necessary infrastructure upgrades. Development will attract development (is the concept). Added bonuses include preservation of resource lands outside of the Urban Growth Boundary (also a Council policy) and potentially securing a municipal revenue source should the City decide to participate in the Landscape Conservation Land and Infrastructure Program (LCLIP) that could be applied in the Station Area in support of redevelopment.*

Additional Incentives

All projects in MUR zones that meet proposed section 20.40.235 would be eligible for a:

- Twelve (12) year Property Tax Exemption if authorized by City Council; and
- Permit Fee reductions in the MUR 45' and 35' zones if approved by the City Council based on the valuation of the affordable units.

Proposed Code Section 20.40.235 (C)

This section establishes requirements for the affordable housing that is created. These requirements include:

- Units must remain affordable (50 years);
- Location and mix of affordable units to be similar in terms of size and bedrooms to market rate units;
- Affordable units are to be constructed within the same time frame as market rate units;

- Reducing by 50% required open space percentages for units affordable to households making 60% or less of the King County median income; and
- Specifying that some affordable units may be exempt from transportation impact fees.

Proposed Code Section 20.40.235 (D)

This section establishes a requirement for the property owner/developer to record an affordable housing agreement as specified in this section with King County. This agreement runs with the land; addresses price restrictions; tenant qualifications; affordability duration; phasing of construction; monitoring of affordability; and any other topics related to the provision of the affordable housing units.

Proposed Code Section 20.40.235 (E)

This section sets up a process to propose alternatives to compliance such as construction of off-site units, or changing the mix of affordability, or adjustments in phasing. Paying a fee in lieu of constructing units is also contained in this section. The City can collect fee-in-lieu to contribute to a housing trust fund that would eventually pay for the development of affordable housing. The amount ranges from the full cost of building a unit as a part of the development to a percentage of that cost.

Staff has researched how to set this fee and will bring back a proposal for the Council’s discussion and adoption as an amendment to the fee schedule should the fee in lieu of option be approved by Council. The goal, unless directed otherwise, will be to establish a fee structure that results in payments that are equivalent to the cost of constructing the unit adjusted for the current economy.

Establishing an Affordable Housing Program

The regulatory framework is a recommended first step for establishing an affordable housing program. There are many details that the City will have to work through in the coming years to administer the program. However, now is likely the only time the City will be able to channel the value created through the rezone of the station areas to incentivize the development of affordable housing. We do not expect the affordable units to be constructed or fees in lieu to be paid within a few months of adopting the new zoning and regulations. This lag will allow time to develop the administrative framework to support the program if it is adopted. If the program is successful, the City will have to examine such aspects as long term staffing and management of the program.

COUNCIL GOAL ADDRESSED

This discussion is connected to Council Goal 3: Prepare for two Shoreline light rail stations. In addition to this yearly goal, the creation of an affordable housing program in Shoreline is also a long term Council goal supported by many long standing City policies. The following Goals and Policies from the Housing Chapter of the City’s Comprehensive Plan have guided the development of these requirements and incentives for affordable housing in the 185th Street Light Rail Station Subarea:

- **Goal H III:** Preserve and develop housing throughout the city that addresses the needs of all economic segments of the community, including underserved populations, such as households making less than 30% of Area Median Income.
- **Policy H2:** Provide incentives to encourage residential development in commercial zones, especially those within proximity to transit, to support local businesses.
- **Policy H8:** Explore a variety and combination of incentives to encourage market rate and non-profit developers to build more units with deeper levels of affordability.
- **Policy H9:** Explore the feasibility of creating a City housing trust fund for development of low income housing.
- **Policy H11:** Encourage affordable housing availability in all neighborhoods throughout the city, particularly in proximity to transit, employment, and/or educational opportunities.
- **Policy H12:** Encourage that any affordable housing funded in the city with public funds remains affordable for the longest possible term, with a minimum of 50 years.
- **Policy H13:** Consider revising the Property Tax Exemption (PTE) incentive to include an affordability requirement in areas of Shoreline where it is not currently required, and incorporate tiered levels so that a smaller percentage of units would be required if they were affordable to lower income households.
- **Policy H18:** Consider mandating an affordability component in Light Rail Station Areas or other Transit-Oriented Communities.

RECOMMENDATION

No action is required. This meeting is intended to answer Council questions and to determine what if any additional information the Council may need to later act on proposed amendments to the Development Code related to affordable housing in the 185th Street Station Subarea.

ATTACHMENTS

- Attachment A: Excerpts from Proposed 185th Street Station Subarea Code Related to Affordable Housing
- Attachment B: Median Income levels in King County by Household Size
- Attachment C: East King County Cities: Incentive Zoning Chart
- Attachment D: Incentive Zoning Best Practices from Other Jurisdictions

Definitions 20.20

Affordable Housing

Housing reserved for occupancy to households whose annual income does not exceed a given percent of the King County median income, adjusted for household size, and has housing expenses no greater than thirty percent (30%) of the same percentage of median income. For the purposes of Title 20, the percent of King County median income that is affordable is specified in SMC 20.40.235.

Housing Expenses, Ownership Housing

Includes mortgage and mortgage insurance, property taxes, property insurances and homeowner’s dues.

Housing Expenses, Rental Housing

Includes rent, parking and appropriate utility allowance.

Household Income

Includes all income that would be included as income for federal income tax purposes (e.g. wages, interest income) from all household members over the age of eighteen (18) that reside in the dwelling unit for more than three (3) months of the year.

Table 20.40.160 Station Area Uses

<u>NAICS #</u>	<u>SPECIFIC LAND USE</u>	<u>MUR-35'</u>	<u>MUR-45'</u>	<u>MUR-85'</u>
<u>Residential</u>				
	<u>Accessory Dwelling Unit</u>	<u>P-i</u>	<u>P-i</u>	<u>P-i</u>
	<u>Affordable Housing</u>	<u>P-i</u>	<u>P-i</u>	<u>P-i</u>

P = Permitted Use

C = Conditional Use

S = Special Use

-i = Indexed Supplemental Criteria

A= Accessory = 30 percent of the gross floor area of a building or the first level of a multi-level building.

20.40.235 Affordable housing, Light Rail Station Subareas.

A. The purpose of this index criterion is to implement the goals and policies adopted in the Comprehensive Plan to provide housing opportunities for all economic groups in the City’s Light Rail Station Subareas. It is also the purpose of this criterion to:

- 1. Ensure a portion of the housing provided in the City is affordable housing;
- 2. Create an affordable housing program that may be used with other local housing incentives authorized by the City Council, such as a multifamily tax exemption program, and other public and private resources to promote affordable housing;
- 3. Use increased development capacity created by the Mixed Use Residential zones to develop voluntary and mandatory programs for affordable housing.

B. Affordable housing is voluntary in MUR-35’ and mandatory in the MUR-45’ and MUR-85’ Zone. The following provisions shall apply to all affordable housing units required by, or allowed through, any provisions of the Shoreline Municipal Code:

1. The City provides various incentives and other public resources to promote affordable housing. Specific regulations providing for affordable housing are described below:

<u>Zone</u>	<u>Affordability Levels and Incentives</u>	<u>Mandatory or Voluntary Participation</u>
<u>Mixed Use Residential – 85’ w/ out Development Agreement</u>	<u>Twenty percent (20%) of rental units shall be-affordable to households making 70% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 20% of the rental units shall be affordable to households making 80% or less of the median income for King County adjusted for household size for two (2) or more bedroom units; or 10% of rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 10% of the rental units shall be affordable to households</u>	<u>Mandatory*</u>

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	<p><u>making 70% or less of the median income for King County adjusted for household size for two (2) or more bedroom units.</u></p> <p>Incentives provided: <u>May be eligible for twelve year (12) Property Tax Exemption (PTE) Program upon authorization by the City Council; and entitlement of 85 foot height and no density limits.</u></p> <p>Catalyst Program: <u>The first 300 multi-family units constructed for rent or sale in any MUR zone may be eligible for an eight (8) year Property Tax Exemption with no affordability requirement in exchange for the purchase of Transfer of Development Right (TDR) credits at a rate of one TDR credit for every four (4) units constructed upon authorization of this program by City Council.</u></p>	
<p><u>Mixed Use Residential – 45'</u></p>	<p><u>Twenty percent (20%) of rental apartment units are affordable to households earning 70% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 20% of the rental units shall be affordable to households making 80% or less of the median income for King County adjusted for household size for two (2) or more bedroom units; or 10% of rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 10% of the rental units shall be affordable to households making 70% or less of the median income for King County adjusted for household size for two (2) or more bedroom units.</u></p> <p>Incentive: <u>May be eligible for (12) year Property Tax Exemption Program and permit fee reduction upon authorization by the City Council for this zone.</u></p>	<p><u>Mandatory.</u></p>

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<p><u>Mixed Use Residential – 35'</u></p>	<p><u>Twenty Percent (20%) of rental units are affordable to families making 70% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 20% of the rental units shall be affordable to households making 80% or less of the median income for King County adjusted for household size for two (2) or more bedroom units; or 10% of rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size for studio and one (1) bedroom units; or 10% of the rental units shall be affordable to households making 70% or less of the median income for King County adjusted for household size for two (2) or more bedroom units.</u></p> <p>Incentive: <u>May be eligible for twelve (12) year Property Tax Exemption Program and permit fee reduction upon authorization by the City Council for this zone.</u></p>	<p><u>Voluntary</u></p>
<p><u>Mixed Use Residential – 85' w/ Development Agreement</u></p>	<p><u>Twenty percent (20%) of rental units are affordable to households earning 60% or less of the median income for King County adjusted for household size; or 10% of rental units are affordable to households earning 50% of the King County adjusted for household size; or 20% of rental units shall be affordable to households making 70% or less of the median income for King County adjusted for household size for two (2) or more bedroom units; or 10% of the rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size for two (2) or more bedroom units.</u></p> <p>Incentive: <u>Height may be increased above 85 foot limit; may be eligible for twelve (12) year Property Tax Exemption Program</u></p>	<p><u>Mandatory*</u></p>

	<u>upon authorization by the City Council for this zone.</u>	
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* Payment in lieu of constructing mandatory units is available. See SMC 20.40.235(E)(1)

C. Mixed Use Residential Zone Affordable housing requirements. The following provisions shall apply to all affordable housing units required by, or created through, any incentive established in the Shoreline Municipal Code unless otherwise specifically exempted or addressed by the applicable code section for specific affordable housing programs or by the provisions of an approved development agreement:

1. Duration: Affordable housing units shall remain affordable for a minimum of fifty (50) years from the date of initial occupancy. At the discretion of the Director a shorter affordability time period, not to be less than thirty (30) years, may be approved for ownership affordable housing units in order to meet federal financial underwriting guidelines at such time as the City creates an affordable ownership program.

2. Designation of Affordable Housing Units: The Director shall review and approve the location and unit mix of the affordable housing units, consistent with the following standards, prior to the issuance of any building permit:

a. Location: The location of the affordable housing units shall be approved by the City, with the intent that the units are generally mixed with all other market rate housing in the development.

b. Size (Bedroom): The affordable housing units shall consist of a range of the number of bedrooms that are comparable to the market rate housing units in the overall development.

c. Size (Square Footage): Affordable housing units shall be the same size as market rate housing units with the same number of bedrooms unless approved by the Director. The Director may approve smaller units when: (a) the size of the affordable housing is at least ninety (90) percent of the size of the market rate housing in the project with the same number of bedrooms; and (b) the affordable units are not less than five hundred (500) square feet for a studio unit, six hundred (600) square feet for a one (1) bedroom unit, eight hundred (800) square feet for a two (2) bedroom unit and one thousand (1,000) square feet for a two (2+) bedroom plus unit.

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3. Timing/Phasing: The affordable housing units shall be available for occupancy in a time frame comparable to the availability of the market rate housing units in the development unless a phasing plan is developed pursuant to SMC 20.40.235(D) or the requirements of this section are met through SMC 20.40.235(E).

4. Development Standards:

a. Off-Street Parking: Off-street parking shall be provided for the affordable housing units consistent with SMC 20.50.390.

b. Recreation Space: The recreation/open space requirements for housing units affordable to families making 60% or less of Adjusted Median Income for King County shall be calculated at fifty (50) percent of the rate required for market housing in SMC 20.50.240(G).

5. Depending on the level of affordability units provided by a not for profit entity may be eligible for transportation impact fee waivers as provided in SMC 12.40.070(G).

6. In the event of a fractional affordable housing unit, payment in lieu in accordance with SMC 20.40.235(E)(1) is allowed for the fractional unit.

D. Affordable housing agreement. An affordable housing agreement shall be recorded with the King County Recorder's Office prior to the issuance of a building permit for any development providing affordable housing pursuant to the requirements or incentives of the Shoreline Municipal Code.

1. The recorded agreement shall be a covenant running with the land and shall be binding on the assigns, heirs and successors of the applicant.

2. The agreement shall be in a form approved by the Director and the City Attorney and shall address price restrictions, tenant qualifications, affordability duration, phasing of construction, monitoring of affordability and any other topics related to the provision of the affordable housing units.

3. The agreement may, at the sole discretion of the City, establishes a monitoring fee for the affordable units. The fee shall cover the costs incurred by the City to review and process documents to maintain compliance with income and affordability restrictions of the agreement.

4. The City may, at its sole discretion, agrees to subordinate any affordable housing regulatory agreement for the purpose of enabling the owner to obtain financing for development of the property.

E. Alternative compliance. The City's priority is for residential and mixed use developments to provide the affordable housing on site. The Director, at his/her discretion, may approve a request for satisfying all or part of a project's on-site affordable housing with alternative compliance methods proposed by the applicant. Any request for alternative compliance shall be submitted at the time of building permit application and must be approved prior to issuance of any building permit. Any alternative compliance must achieve a result equal to or better than providing affordable housing on site.

1. Payment in Lieu of constructing mandatory affordable units – Payments in lieu of constructing mandatory affordable housing units is subject to the following requirements:

- a. The in lieu fee is set forth in SMC 3.01 Fee Schedule. Fees shall be determined at the time the complete application for a building permit is submitted using the fee then in effect.
- b. The fee shall be due and payable prior to issuance of any certificate of occupancy for the project.
- c. The City shall establish a Housing Program Trust Fund and all collected payments shall be deposited-in that fund.

2. Any request for alternative compliance shall demonstrate all of the following:

- a. Include a written application specifying:
 - i. The location, type and amount of affordable housing; and
 - ii. The schedule for construction and occupancy.
- b. If an off-site location is proposed, the application shall document that the proposed location:
 - i. Is within a 1 mile radius of the project or the proposed location is equal to or better than providing the housing on site or in the same neighborhood;
 - ii. Is in close proximity to commercial uses, transit and/or employment opportunities.
- c. Document that the off-site units will be the same type and tenure as if the units were provided on site.
- d. Include a written agreement, signed by the applicant, to record a covenant on the housing sending and housing receiving sites prior to the issuance of any construction permit for the housing sending site. The covenant shall describe the construction schedule for the off-site affordable housing and provide

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sufficient security from the applicant to compensate the City in the event the applicant fails to provide the affordable housing per the covenant and the Shoreline Municipal Code. The applicant may request release of the covenant on the housing sending site once a certificate of occupancy has been issued for the affordable housing on the housing receiving site.

2014 King County Median Income Levels by Household Size							
The following chart is only intended as an estimate of affordable rents and home prices based on present conditions. Current conditions and particular circumstances will be taken into account in determining actual affordable rents and home prices. See notes below for detail of assumptions about present conditions.							
Percent of Median Income	One Person Household	Two Person Household	Average Household (2.4 Persons)*	Three Person Household	Four Person Household	Five Person Household	Six Person Household
30%	\$ 18,550	\$ 21,200	\$ 22,260	\$ 23,850	\$ 26,450	\$ 28,600	\$ 32,800
Affordable Hsg Payment***	\$ 356	\$ 406	\$ 427	\$ 457	\$ 507	\$ 548	\$ 629
Affordable Rent	\$ 464	\$ 530	\$ 557	\$ 596	\$ 661	\$ 715	\$ 820
Affordable House Price***	\$78,000	\$89,100	\$93,600	\$100,200	\$111,200	\$120,200	\$137,900
40%	\$ 24,720	\$ 28,240	\$ 29,648	\$ 31,760	\$ 35,280	\$ 38,120	\$ 40,960
Affordable Hsg Payment	\$ 474	\$ 541	\$ 568	\$ 609	\$ 676	\$ 731	\$ 785
Affordable Rent	\$ 618	\$ 706	\$ 741	\$ 794	\$ 882	\$ 953	\$ 1,024
Affordable House Price	\$103,900	\$118,700	\$124,600	\$133,500	\$148,300	\$160,200	\$172,200
50%	\$ 30,900	\$ 35,300	\$ 37,060	\$ 39,700	\$ 44,100	\$ 47,650	\$ 51,200
Affordable Hsg Payment	\$ 592	\$ 677	\$ 710	\$ 761	\$ 845	\$ 913	\$ 981
Affordable Rent	\$ 773	\$ 883	\$ 927	\$ 993	\$ 1,103	\$ 1,191	\$ 1,280
Affordable House Price	\$129,900	\$148,400	\$155,800	\$166,900	\$185,400	\$200,300	\$215,200
60%	\$ 37,080	\$ 42,360	\$ 44,472	\$ 47,640	\$ 52,920	\$ 57,180	\$ 61,440
Affordable Hsg Payment	\$ 711	\$ 812	\$ 852	\$ 913	\$ 1,014	\$ 1,096	\$ 1,178
Affordable Rent	\$ 927	\$ 1,059	\$ 1,112	\$ 1,191	\$ 1,323	\$ 1,430	\$ 1,536
Affordable House Price	\$155,800	\$178,000	\$186,900	\$200,200	\$222,400	\$240,300	\$258,200
70%	\$ 43,260	\$ 49,420	\$ 51,884	\$ 55,580	\$ 61,740	\$ 66,710	\$ 71,680
Affordable Hsg Payment	\$ 829	\$ 947	\$ 994	\$ 1,065	\$ 1,183	\$ 1,279	\$ 1,374
Affordable Rent	\$ 1,081	\$ 1,236	\$ 1,297	\$ 1,390	\$ 1,544	\$ 1,668	\$ 1,792
Affordable House Price	\$181,680	\$207,700	\$218,100	\$233,600	\$259,500	\$280,400	\$301,300
80% (capped)**	\$ 44,750	\$ 51,150	\$ 56,250	\$ 63,900	\$ 63,900	\$ 69,050	\$ 74,150
Affordable Hsg Payment	\$ 858	\$ 980	\$ 1,078	\$ 1,225	\$ 1,225	\$ 1,323	\$ 1,421
Affordable Rent	\$ 1,119	\$ 1,279	\$ 1,406	\$ 1,598	\$ 1,598	\$ 1,726	\$ 1,854
Affordable House Price	\$188,100	\$215,000	\$236,400	\$268,600	\$268,600	\$290,200	\$311,700
80% (not capped)	\$ 49,440	\$ 56,480	\$ 59,296	\$ 63,520	\$ 70,560	\$ 76,240	\$ 81,920
Affordable Hsg Payment	\$ 948	\$ 1,083	\$ 1,137	\$ 1,217	\$ 1,352	\$ 1,461	\$ 1,570
Affordable Rent	\$ 1,236	\$ 1,412	\$ 1,482	\$ 1,588	\$ 1,764	\$ 1,906	\$ 2,048
Affordable House Price	\$207,800	\$237,400	\$249,200	\$267,000	\$296,600	\$320,400	\$344,300
90%	\$ 55,620	\$ 63,540	\$ 66,708	\$ 71,460	\$ 79,380	\$ 85,770	\$ 92,160
Affordable Hsg Payment	\$ 1,066	\$ 1,218	\$ 1,279	\$ 1,370	\$ 1,521	\$ 1,644	\$ 1,766
Affordable Rent	\$ 1,391	\$ 1,589	\$ 1,668	\$ 1,787	\$ 1,985	\$ 2,144	\$ 2,304
Affordable House Price	\$233,800	\$267,100	\$280,400	\$300,400	\$333,600	\$360,500	\$387,400
100%	\$ 61,800	\$ 70,600	\$ 74,120	\$ 79,400	\$ 88,200	\$ 95,300	\$ 102,400
Affordable Hsg Payment	\$ 1,185	\$ 1,353	\$ 1,421	\$ 1,522	\$ 1,691	\$ 1,827	\$ 1,963
Affordable Rent	\$ 1,545	\$ 1,765	\$ 1,853	\$ 1,985	\$ 2,205	\$ 2,383	\$ 2,560
Affordable House Price	\$259,700	\$296,700	\$311,500	\$333,700	\$370,700	\$400,600	\$430,400
115%	\$ 71,070	\$ 81,190	\$ 85,238	\$ 91,310	\$ 101,430	\$ 109,595	\$ 117,760
Affordable Hsg Payment	\$ 1,362	\$ 1,556	\$ 1,634	\$ 1,750	\$ 1,944	\$ 2,101	\$ 2,257
Affordable Rent	\$ 1,777	\$ 2,030	\$ 2,131	\$ 2,283	\$ 2,536	\$ 2,740	\$ 2,944
Affordable House Price	\$298,700	\$341,200	\$358,300	\$383,800	\$426,300	\$460,600	\$495,000
120%	\$ 74,160	\$ 84,720	\$ 88,944	\$ 95,280	\$ 105,840	\$ 114,360	\$ 122,880
Affordable Hsg Payment	\$ 1,421	\$ 1,624	\$ 1,705	\$ 1,826	\$ 2,029	\$ 2,192	\$ 2,355
Affordable Rent	\$ 1,854	\$ 2,118	\$ 2,224	\$ 2,382	\$ 2,646	\$ 2,859	\$ 3,072
Affordable House Price	\$311,700	\$356,100	\$373,800	\$400,500	\$444,900	\$480,700	\$516,500
150%	\$ 92,700	\$ 105,900	\$ 111,180	\$ 119,100	\$ 132,300	\$ 142,950	\$ 153,600
Affordable Hsg Payment	\$ 1,777	\$ 2,030	\$ 2,131	\$ 2,283	\$ 2,536	\$ 2,740	\$ 2,944
Affordable Rent	\$ 2,318	\$ 2,648	\$ 2,780	\$ 2,978	\$ 3,308	\$ 3,574	\$ 3,840
Affordable House Price	\$367,800	\$420,100	\$441,100	\$472,500	\$524,800	\$567,100	\$609,300

*Since the average KC household is about 2.4 persons, this column approximates the median for all households in the County.

**HUD caps the 80% category at the national level, so it represents less than 80% of median income in the King County area. Many federal programs use this capped 80% level.

***Affordable housing costs are based on 30% of monthly income. An affordable housing payment (principle and interest only) is calculated at 23% of monthly income. Taxes, utilities and/or condo or homeowner fees are estimated to account for an additional 7%, but could be as much as 10%. Affordable rent is calculated at 30% of

This chart currently calculates the affordable mortgage payment based on 10% down payment and fixed interest of 4.5%. These may change with market conditions. Many conventional mortgages now require a 20% down payment.



East King County Cities: Incentive Zoning Programs

Jurisdiction	Geographic Focus	Set Aside Minimum	Required Participation	Incentives Offered	Income Targeting (AMI)		In-Lieu Fee
					Rent	Owner	
Kirkland	Commercial zones, high-density residential zones, medium density zones, office zones	10% of units (including base)	Yes	Height bonus, bonus units, density bonus, and fee exemptions	60-70% AMI	70-100% AMI	Based on cost of construction vs. revenue generated
Bellevue	New multifamily residential developments	None	No	One bonus market-rate unit per affordable unit	Up to 80% AMI	Up to 80% AMI	
Bel-Red, Bellevue	All Bel-Red Land Use Districts	None	No	Density bonus	Up to 80% AMI	Up to 100% AMI	\$18/sq. ft
Central Issaquah Density Bonus Program	Central Issaquah*	20% of density bonus sq. ft.	No	Density bonus	50% AMI	60% AMI	\$15/sq. ft of density bonus
Central Issaquah Urban Core*	Central Issaquah Urban Core*	10% of units (including base)	Yes	Exemption from various impact fees	80% AMI for first 300 units, 70% after	90% AMI for first 300 units, 80% after	For fractional units only
Redmond: Overlake District	All new dwelling units	10% of units (including base)	Optional for first 100 units** Required after first 100 units**	Density bonus of up to one story	80% AMI (if 50% or less, counts as two affordable units)	80% AMI (if 50% or less, counts as two affordable units)	Administrative order needed to calculate formula
Redmond: Downtown	All new dwelling units	10% of units (including base)	Yes	Density credit equal to sq. footage of affordable units	80% AMI (if 50% or less, counts as two affordable units)	80% AMI (if 50% or less, counts as two affordable units)	Administrative order needed to calculate formula
Redmond: Willows/Rose Hill, Education Hill, Grass Lawn, North Redmond	All new single family attached and detached dwelling units	10% of units (including base)	Yes	1 bonus market-rate unit/affordable unit, impact fee waivers (depending on affordability)	80% AMI (if 50% or less, counts as two affordable units)	80% AMI (if 50% or less, counts as two affordable units)	Administrative order needed to calculate formula
Redmond: Affordable Senior Housing Bonus***	Any zoning district that allows retirement residents or multifamily housing	50% of housing or retirement residence units	No	Density bonus if 50% of units or more are affordable for seniors	50% AMI	50% AMI	

*Developers can use the Density Bonus Program in addition to the mandatory Urban Core program

**Requirements are optional for the first 100 housing units built in the district. Each proposed development site may qualify for waiver of no more than 25 units of affordable housing.

***Senior Housing Bonus program is a special incentive program that can be used in addition to other programs

*Central Issaquah & Central Issaquah Urban Core identified on page 34 of Central Issaquah Plan - <http://issaquahwa.gov/DocumentCenter/View/1139>

Incentive Zoning: best practices from around the country and Washington State

Jurisdiction	Set Aside	Income Targeting		Off-Site Development	In-Lieu Fee ⁺
		Rent	Sale		
Boulder, CO*	20% of units	60%	Boulder low-income limit	Yes	\$131,301-\$146,910 per unit (less for small units or buildings)
Burlington, VT*	15-25% of units	65%	75%	Yes, at 125% of obligation	No
Cambridge, MA*	15% of units	65%	65%	No	No
Denver, CO*	10% of units	n/a	80-95%	Allowed in adjacent or contiguous areas if units exceed set-aside	Half the sale price of each forgone unit
New York, NY	20% of residential floor area	160% of HUD very low income limit	Unknown	Yes, for substantial rehabilitation or preservation	No
San Francisco, CA*	12% of units	55%	90%	Yes but increases set aside to 20%	\$135,963-\$191,349 per bedroom
Bel-Red, Bellevue, WA	no minimum	80%	100%	No	Yes
Issaquah Urban Core, WA*	10% of units	70%	80%	Yes	No
Kirkland, WA*	10% of units	60-70%	70-100%	Yes	Limited
Redmond, WA*	10% of units	80%	80%	Yes	Yes

*Mandatory program in at least some areas of the city

+Even when an in-lieu fee is not allowed as an alternative compliance method, it may be allowed for fractional units.