

# Strategies to Achieve Affordable Housing Objectives

(Adopted by Snohomish County Tomorrow, January 1994)

## LAND USE STRATEGIES

**Upzoning:** Over the past decade, land costs have increased faster than household income as well as most other housing development costs. Because lenders typically look for a 4:1 ratio between total housing value and land value, increases in land costs drive up all other housing costs as well. One of the most direct methods of reducing land costs is by reducing minimum lot sizes through upzoning.

Since high density land is equally suitable for market rate housing and low-cost housing, jurisdictions pursuing the upzone strategy should ensure that sufficient high density land is made available to meet the community's affordable housing needs as well as its market rate housing needs.

**Small Lot Districts and Overlays:** In some instances, broad brush upzones may endanger the character and vitality of established residential neighborhoods. Geographically-specific small lot districts offer the opportunity to exercise greater control over the incidental impacts of upzones, especially when such districts incorporate design guidelines that moderate the effects of higher density developments. Small lot districts and overlays may be applied to (1) residential land that serves as a buffer between commercial zones and detached, single-family residential neighborhoods, (2) residential land that fronts on collector roads, and (3) newly platted residential subdivisions.

**Minimum Densities:** Traditionally, zoning regulations establish maximum land use densities while builders' market-based decisions determine the extent to which maximum permitted densities are actually achieved. In some instances, residential land may become significantly under built. In order to discourage sprawl, maintain a steady supply of lower-cost land, and ensure the cost-effectiveness of capital finance plans, jurisdictions may find it necessary to ensure that new plats in some zoning districts

are designed to achieve minimum densities. Although this strategy would not prevent the construction of a single dwelling on several lots, it would provide the opportunity to build a single residence on a small lot.

**Density Bonus:** While upzoning can result in small lot sizes, higher building densities, and lower land costs, it will not necessarily lead to the production of less expensive housing, especially where market tastes will support the construction of high cost dwelling units or higher density building sites. Providing density bonuses in exchange for the construction of affordable housing is one means of ensuring that a jurisdiction's incentive of higher density building sites will actually result in the production of affordable units.

Jurisdictions pursuing this strategy should recognize that its effectiveness in stimulating low-cost housing production may be reduced if density bonuses are also offered in exchange for other types of development objectives, such as open space set asides or preservation of historic sites. To maximize the effectiveness of density bonuses for production of affordable housing, a greater bonus relative to incentives for other development objectives could be offered.

**Inclusionary Zoning:** Upzones and density bonuses represent opportunities for housing developers to produce less costly housing. However, if developers have concurrent opportunities to build more expensive housing that is either equally profitable or less administratively complex to process, it is not likely that less costly housing will be built.

For jurisdictions with a finite supply of residential land and the desire to ensure that a portion of its land supply supports low-cost housing, inclusionary zoning can be a tool for achieving that end. Inclusionary zoning programs typically require that a percentage of lots in a new subdivision or residential units in a new apartment project are set aside for low-cost

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housing. Density bonuses are often provided to offset the cost of the inclusionary requirement.

**Cluster Subdivisions:** As communities mature, the remaining parcels of vacant residential land tend to be less suitable for development on account of poor soils, steep slopes, the need to protect aquatic resources, and similar environmental constraints. The cost of developing housing on such “constrained” parcels tends to be disproportionately high as a result of additional site improvement expenses or the need to leave a portion of building site undeveloped.

Cluster subdivisions offer a means of keeping housing development costs down by reducing minimum lot sizes and confining development to the most suitable portion of a building site. In addition to providing a means of achieving greater land efficiency, other advantages that cluster subdivisions offer include: (1) lower infrastructure development and maintenance costs by reducing street lengths, sidewalks, and utility lines; (2) lower site grading and drainage costs when natural stormwater drainage features can be retained; and, (3) the preservation of open space, native vegetation, and other natural features for community use and enjoyment. If development regulations are designed to Permit cluster subdivisions without additional review and approval steps beyond normal platting requirements, this option may be more attractive to developers.

**Planned Unit Development (PUD):** A common objection to some low-income housing projects is that their sparse design and low-cost building materials intrudes on the prevailing (aesthetic) character of adjoining residences and lowers neighborhood property values. However, when low-income housing is relegated to other neighborhoods where community opposition may be less vocal, fair housing principles are compromised and problems associated with community segregation arise.

PUDs represent one means of addressing this problem by offering incentives to projects that integrate mixed-income housing into a single development plan. In addition to the advantages

discussed above in connection with clustering, other incentives PUDs may offer include mixing types of residences (detached, duplex, and multifamily), mixing land uses (residential and neighborhood commercial), and awarding density bonuses to help underwrite the cost of producing low-income housing. PUDs may be less successful as a means of fostering affordable housing development when density bonuses are also offered for other development objectives or administrative processing time is greater than a formal plat.

**Infill Development:** Some mature cities have numerous unutilized parcels located in older, built-up sections of town that were passed over for various reasons during previous development phases. Many such parcels offer unique opportunities for the development of low-cost housing. Because most infill sites are already served by public utilities and transportation services, infill housing development costs may be less and infill residents living on limited incomes may avoid the cost of buying and maintaining a private vehicle. Infill housing situated close to employment centers may also contribute to a reduction in traffic congestion and make more efficient use of the existing utility infrastructure and developable land supply.

Jurisdictions interested in pursuing this strategy may wish to incorporate it into a broader neighborhood revitalization program by providing density bonuses and land use variances to infill projects that incorporate low-cost housing into an overall urban redevelopment scheme. Projects such as this would be ideal candidates for use of federal CDBG and HOME funds.

**Conversion/Adaptive Reuse:** Many mature communities also have a supply of underutilized, surplus, or outmoded buildings that offer many of the same low-cost housing opportunities as infill development. Conversion of old schools, commercial buildings, warehouses, and factories to residential or mixed-use projects can result in housing that (1) is close to public transportation, shopping and employment centers, (2) can be less expensive than new construction, (3) makes

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more efficient use of the existing infrastructure and land supply, (4) may be eligible for both low-income housing and historic preservation tax credits, and (5) can achieve broader community redevelopment objectives. Adaptive reuse strategies would also be appropriate for the conversion of strip developments along major arterials (such as Highway 99) to more pedestrian friendly neighborhoods.

Jurisdictions can encourage adaptive reuse projects by offering flexible land uses in neighborhoods targeted for redevelopment, providing inventories of potential sites, and assisting financing arrangements by co-sponsoring applications for public funding assistance or identifying such projects to commercial lenders as projects worthy of support under their Community Reinvestment Act program.

### **ADMINISTRATIVE PROCEDURES**

**Streamlined Approval Processing:** Holding costs are one of the hidden expenses in a housing development budget. They include the variety of costs involved in carrying a project through the development phase, such as the monthly cost of insurance, office & staff, equipment, security patrols, landscape maintenance, the financing of land and construction, etc. As project development time passes, holding costs mount and housing becomes more expensive.

In some jurisdictions, the sheer time involved in issuing a complete set of zoning and building permit approvals drives up the cost of housing. Jurisdictions with a permit backlog of more than 90 days may consider implementing streamlined approval processing procedures, such as centralized counter services, pre-application conferences, printed information summarizing building permit and approval requirements, area-wide environmental assessments, reducing the number of residential zoning districts, reducing complicated administrative procedures, concurrent permit and approval processing, permit expeditors, fast tracking routine applications, permit and approval deadlines, and

elimination of multiple hearings for a single project.

**Use-By-Right:** In some cases, the difference between a successful and unsuccessful land use incentive may depend on whether it is a use-by-right or whether the incentive is a conditional use that will require additional processing time and risk before the requested land use approval is granted. In order to avoid the cost of additional permit processing, jurisdictions may consider establishing the following low-cost housing incentives as uses-by-right in many residential districts: mobile/manufactured housing, accessory dwellings, low-cost housing density bonuses, planned unit developments, cluster subdivisions, mixed-use developments, and single-room occupancy housing. In circumstances where use-by-right may be inappropriate, the substitution of administrative discretionary authority for public hearings may be considered.

**Priority Permit Processing:** Priority permit processing can reduce housing costs by minimizing the amount of time and expense involved in permit and approval processing. The more permits that receive priority attention, however, the less valuable the incentive may become if the priority waiting line is as long as the normal waiting line. Priority processing is most effective when used selectively, such as an inducement to develop a particular type of housing the market is not currently producing. If priority processing is offered as an incentive to develop low-cost housing, the jurisdiction should establish a means of ensuring the housing is actually occupied by persons in need of low-cost housing and the housing remains affordable for an extended period of time.

**Impact Mitigation Payment Exemption:** For jurisdictions with impact mitigation payment programs, impact fee exemptions offer a means of encouraging low-cost housing development and lowering housing production costs. As with priority permit processing, this incentive should be used selectively because of the statutory requirement that all exempted impact fees must be replaced with other public funds. To avoid creating a special impact fee replacement fund,

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jurisdictions may choose to limit their impact fee exemptions in any given year to an amount that does not exceed the amount of public funds that would be otherwise budgeted for the respective infrastructure development accounts.

Jurisdictions offering impact mitigation payment exemptions may want to maintain a monitoring program to ensure that housing produced with the help of the exemption is in fact occupied by persons in need of low-cost housing and the housing remains affordable for an extended period of time.

### **Impact Mitigation Payment Deferral:**

Jurisdictions can minimize the effect of impact fees on market rate housing by deferring the collection of impact mitigation payments from the permit approval stage of development to either final project approval or occupancy. Deferring the collection of impact fees can reduce project finance costs. Fees postponed until occupancy can be paid from project proceeds, rather than funds borrowed at interest. Jurisdictions can secure impact fee deferral agreements with a bank letter of credit or equivalent security that guarantees payment to the named infrastructure development account.

## **DEVELOPMENT STANDARDS**

**Front Yard Setback Requirements:** Many building costs are incurred on a lineal foot basis, such as water lines, sewer lines, sidewalks and driveways. Adjustments to front yard setback requirements, such as a shallower front yard, will reduce the length and cost of installing utility lines, sidewalks and driveways between the street and house and may result in an overall reduction in the cost of housing.

### **Side Yard ~Setback Requirements:**

Adjustments to side yard requirements can result in land cost savings through the elimination of wasted space in narrow side yards. Narrower yard widths may also reduce road and utility costs by increasing the number of housing units that can be served by a street or utility main.

**Zero Lot Line (ZLL):** Siting houses in a ZLL configuration may result in narrower overall lot

dimensions, with a single, functional yard area on one side of the house and no yard area on the opposite side. Under this arrangement, garages may be relocated to the front or rear of the house adjacent to the zero setback lot line. Privacy may be enhanced by requiring building facades along side lot lines to remain windowless. ZLL configurations may result in lower-cost housing on account of reduced land, road, and utility costs. Other adaptations of the ZLL configuration include the Z lot and zipper lot. See pages 37-38 in the MRSC Primer for a discussion and illustrations of the Z and zipper lot configurations.

**Street Design and Construction:** Traditional residential street design and parking requirements in single-family neighborhoods typically call for a paved street wide enough to accommodate two lanes of moving traffic, a lane for street parking on either side of the street, and off-street parking for two additional vehicles. Because street design and construction standards can account for up to 20% of the cost of a developed lot, some jurisdictions have sought to reduce the cost of housing by revising their street requirements.

Examples of such initiatives include: narrower street widths in order to reduce the costs of road construction, road maintenance, and the unnecessary use of land; road design and materials based on actual load requirements rather than general, city-wide standards; and, use of unpaved shoulders and alleys for parking to reduce paving costs and the rate of stormwater runoff. Reductions in street design standards may be most appropriate in low-density residential developments where streets are not as heavily used and represent a larger proportion of total lot costs. Any street design revisions should consider the minimum roadway and turnaround requirements of emergency vehicles.

**Alleys:** In some circumstances, the use of unpaved alleys combined with narrower residential streets may offer an appropriate means of reducing housing development costs. Moving driveways, garages, utility easements, and a traffic lane to a rear alley can result in a reduction in paving and utility costs, the

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elimination of numerous curb cuts and unsightly curbside garbage containers, and a decrease in the quantity of stormwater runoff.

Alleys are not likely to be cost effective unless the additional land, design and construction costs associated with their development are more than offset by the savings resulting from reduced street widths and development costs.

**Off-Street Parking Requirements:** The effect of parking requirements on housing affordability is primarily related to the amount of land needed to be set aside for off-street parking. Because parking requirements are typically the same regardless of the size or sales price of a housing unit, the effect of stringent or inflexible parking requirements is greater on low-cost housing than it is on larger or more expensive housing.

Jurisdictions can minimize the cost of parking requirements by ensuring the minimum parking stall size is not greater than the actual need, by counting all off-street driveway area towards the minimum parking space requirement, by adjusting parking requirements by the number of bedrooms per unit, and by reducing requirements for housing types with less need for parking, such as lower income and elderly households or housing complexes which have transportation demand management programs (e.g., bus passes, shuttle bus service, etc.). In areas served by public transportation, imposing maximum limits on the amount of parking provided on site may be appropriate in order to reduce housing costs as well as encourage higher levels of ridership.

### **Public Rights-of-Way & Easements:**

Traditionally, residential Street design requirements were based on general guidelines applied on a jurisdiction-wide basis, rather than flexible standards based on a detailed, project-specific traffic analysis. As a result, jurisdictions often found themselves accepting the dedication of broad, 60' street rights-of-way with improved roadway covering only about half the right-of-way width. The remaining right-of-way was usually reserved for sidewalks and utility lines that were often neither needed nor installed.

To make the most cost effective use of an increasingly scarce and expensive residential land supply, jurisdictions can reevaluate their actual right-of-way width needs, reduce design requirements when adequate alternate provisions are available for pedestrian circulation and buffering, and encourage the dedication of easements for sidewalks and utility lines in lieu of broader street rights-of-way. The use of utility easements in place of utility rights-of-way would also return the area covered by the easement to the property tax rolls.

**Curbs & Gutters:** Curbs and gutters are typically required to collect and carry away stormwater from impervious road surfaces. In addition to adding up to \$500 to the cost of a detached single family house, curbs and gutters increase the volume of stormwater that must be conveyed, retained, and sometimes treated by a municipal stormwater sewer system. A less costly alternative may be the construction of grassy swales adjacent to residential streets.

A grassy swale may be less expensive to install and maintain, reduce the jurisdiction's stormwater sewer capacity requirements, increase the volume of on-site stormwater dispersion, recharge the local aquifer, and result in the more effective removal of street runoff contaminants by means of bio-filtration.

Where curbs and gutters are deemed necessary, consideration can be given to whether the more costly vertical curb is needed in residential neighborhoods. Less expensive systems, such as the rolled curb (mountable curb) or extruded curb, could result in cost savings of several hundred dollars for a single-family house.

**Sidewalks:** Sidewalks can add up to \$1,000 to the cost of a detached, single-family house. In circumstances where high pedestrian traffic volume is likely, the expense of sidewalks can be justified. Sidewalk requirements could be made optional, however, where foot traffic is light, graded shoulders exist, alternative off-street pathways lead to frequented destinations, or adequate off-street parking is available. Where sidewalks are deemed necessary, requiring a sidewalk on only one side of a street

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may be adequate and could result in a 50% cost savings. A reduction in minimum sidewalk width from 5' to 4' could result in a further 20% cost reduction. Other savings can be found in permitting the use of a one piece curb and sidewalk system as described on page 68 of the HUD Development Guidelines.

**Sanitary Sewer Systems:** Costs associated with waste water collection and treatment are one of the larger expenses associated with new housing development. Although some of these expenses may be unavoidable, such as sewer hookup fees to finance additional waste treatment capacity, innovations in utility line material and construction techniques offer a variety of cost-saving opportunities. These opportunities may be particularly appropriate for jurisdictions whose public works departments have lacked the time or resources to update their utility requirements in light of new engineering innovations in the field.

Such innovations include pipe and materials made of PVC or other synthetics which can be less expensive to purchase and install, curved pipe that reduces the total length of pipe and manholes needed, and modern manhole clean-out equipment that may also reduce the quantity of manholes needed. Other savings may be available through more flexible design requirements, such as increased spacing between manholes, the substitution of clean-outs for manholes, the use of vertically flexible pipe in lieu of drop manholes, pipe sizing based on performance standards rather than generalized codes, the use of common laterals to serve individual residences, and the use of community drain fields in lieu of individual septic and drain field systems.

**Stormwater Drainage Systems:** Traditionally, stormwater sewer systems were designed to collect stormwater runoff as quickly as possible and convey it to a safe or convenient discharge point. As urban areas have grown more densely populated and less surface area is available to naturally absorb storm runoff, problems have arisen with traditionally designed “closed” stormwater systems. These problems include added costs associated with downstream

flooding and water table lowering resulting from stormwater diversion, increased demand placed on waste treatment facilities in jurisdictions served by combined storm and sanitary sewers, declining water quality where contaminant-bearing runoff is directly diverted to nearby water bodies without benefit of natural biofiltration, and on-going construction and maintenance costs.

As a result of these problems, modern engineering practices are moving toward more “open” drainage systems which favor grassy swales and detention basins that maximize local runoff filtration and dispersion. Because modern drainage systems may actually add to the cost of housing, jurisdictions can be alert to opportunities to apply the innovations in materials and construction techniques discussed above to closed sections of stormwater sewer systems. Other savings may result from encouraging project proponents to develop innovative stormwater drainage designs, such as siting park or open space land on top of a storm runoff detention facility.

**Water Supply Systems:** Water supply systems offer comparatively fewer cost savings opportunities than road and stormwater systems. In part, this is because some water system requirements are set at the state level, beyond the control of local jurisdictions. However, local officials can review design and material specification requirements to ensure that local regulations are as cost effective as possible.

For example, the use of plastic pipe and fittings can reduce material and installation costs of water mains and service lines. Other savings can result from serving more than one residence from a single service line, installing water and sanitary service lines in a single utility trench, basing pipe size requirements on the size and number of houses served, and using blow-off valves in place of fire hydrants when the latter are not needed for fire protection.

**Fire Safety Regulations:** Fire codes affect housing construction costs in several important respects, including sprinkler requirements, subdivision development standards regarding the

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number and spacing of fire hydrants, minimum roadway width and turnaround radii needed to accommodate fire and emergency vehicles, and the siting of fire lanes and fire access roads. Because fire codes can have the effect of setting the minimum design requirements for roads and fire hydrants, local jurisdictions can review fire safety regulations to ensure they are necessary and as cost effective as possible.

Fire sprinkler regulations can have a significant impact on both the cost of housing and the supply of low-cost housing. As a result of several widely publicized high-rise building fires, some jurisdictions in the region are strengthening sprinkler regulations for both new and existing apartment buildings. The cost of sprinkling a new apartment is estimated at \$1,200 to \$1,500 and up to twice that amount for retrofitting existing buildings. If care is not taken, costly fire safety regulation revisions can lead to the abandonment or demolition of scarce, low-cost housing stock. To avoid this outcome, jurisdictions considering upgrading fire safety requirements can establish a low-interest loan fund to help owners of low-cost apartments finance sprinkler installation.

### **LOW-COST HOUSING TYPES**

**Shared Housing:** In recent years, the proportion of single person households has grown faster than the total number of households in Snohomish County, resulting in a tendency to under utilize existing housing stock and increase the need for additional single person housing units. Shared housing arrangements offer a means of providing housing for the growing number of single person households while avoiding the added cost of constructing new housing units.

Jurisdictions that have implemented shared housing programs have found it especially attractive to single, elderly homeowners who desire help with household chores and the security that can be provided by a young adult “housemate.” Such housing arrangements also reduce the growing need for separate elderly housing facilities and compliment the “aging in place” approach to elderly care. Typically,

shared housing programs are implemented by means of a clearing house that matches suitable household members.

**Accessory Dwelling Units:** Suburban bedroom communities with little remaining vacant land and few multifamily buildings suitable for rehabilitation face a unique challenge in providing their fair share of low-cost housing. Accessory dwelling units offer a means of providing low-cost rental opportunities in more affluent communities while maintaining the look and scale of the neighborhood. They are also generally much less expensive to develop compared to new construction and can be produced more quickly.

Accessory dwelling units are independent, self-contained living units that are created out of surplus space in existing single-family homes. In addition to providing comparatively inexpensive rental housing, accessory units offer elderly homeowners on fixed incomes a stream of rental income that may enable them to remain in their homes longer. Accessory dwellings can also provide prospective first-time homebuyers extra income to finance a home purchase sooner than would otherwise be possible. Like shared housing arrangements, accessory dwellings encourage more efficient use of existing housing stock.

**Cottage Housing Developments (CHD):** Cottage housing developments have been proposed as one means of providing smaller and less expensive detached housing in single-family neighborhoods. Under a recent proposal prepared by the King County Housing Partnership, CHDs would allow the construction of more than one single-family unit on an existing single-family lot when strict design standards and-special review processes have been met. A CHD would be permitted as an administrative conditional use when the resulting intensified residential use is compatible with the character of single-family uses. Proposed CHD regulations authorize no more than 12 dwelling units per site and restrict each building’s footprint to less than 550 square feet—about one-half the area of the typical starter home. Other proposed development

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standards would control maximum lot coverage and density, minimum common open space, and landscaping.

**Mixed-Use Development:** The Growth Management Act requires all jurisdictions to identify sufficient land for low-income housing. For communities that lack enough high density land to meet their housing responsibilities, encouragement of mixed-use developments may provide one means of meeting their GMA responsibilities. Mixed-use developments integrate various land uses into a single development or district, such as office, commercial, and residential buildings [situated around a single site or along a transportation corridor] grouped together in a single building or around a single site.

Mixed-use developments may offer more politically acceptable sites for higher density housing than established single-family neighborhoods. Mixed-use developments situated along public transportation routes can help reduce dependency on private vehicles, provide housing opportunities for persons that require public transportation and may, in some circumstances, produce an income stream from commercial rents that help subsidize low-cost housing. Rezones that allow residential uses in commercial districts under a mixed-use scheme should not reduce overall commercial land capacity below what is needed to sustain economic development.

**Single-Room Occupancy (SRO) Housing:** Some jurisdictions have found success in addressing their affordable housing needs by encouraging preservation, rehabilitation, or construction of single-room occupancy housing. SROs are very small living units, usually no larger than 150 to 200 square feet that share some kitchen and bathroom facilities with other units in the building. Traditionally, SROs have operated as worker quarters located in commercial or industrial sections of older towns that offer low-cost housing to persons on limited incomes. In many jurisdictions, this type of housing has been lost due to redevelopment pressures.

Some jurisdictions have sought to maintain a share of SRO housing in their overall housing stock by implementing code and regulatory revisions that reduce the cost of SRO preservation and development. Examples of such revisions include reductions in parking requirements and utility connection fees based on actual need or usage and modifications to electrical, mechanical, building, and fire requirements.

**Mobile/Manufactured Housing:** Mobile home and manufactured housing is another form of low-cost housing with an established record of successfully addressing affordable housing needs. In the past decade, mobile home and manufactured housing represented 20% of all new housing created in Washington State. Like SRO housing, however, the supply of mobile home park housing has declined in some jurisdictions as a result of redevelopment pressures. In some instances, this has occurred without a one-to-one replacement of equally low-cost housing, resulting in a net loss to the affordable housing stock. Jurisdictions have sought to protect their supply of low-cost mobile home housing by rezoning existing mobile home parks, enacting mobile home park conversion ordinances, or exempting mobile homes relocated due to park closures from having to comply with new building regulations.

In the past, it has not been uncommon for manufactured housing to be relegated to only certain zones. Under GMA, however, jurisdictions are required to identify sufficient land for housing, including manufactured housing. Jurisdictions which have sought to place constraints on the siting of manufactured housing in the past may need to revise their regulations to offer more siting opportunities for manufactured housing, along with appropriate design review protections for established neighborhoods where manufactured housing is encouraged as an infill strategy.

### **HOUSING PRODUCTION & PRESERVATION PROGRAMS**

**Housing Preservation:** In addition to producing more affordable housing, it is important to

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preserve and enhance the existing stock of affordable housing. Each jurisdiction should assess its housing conditions and design appropriate strategies for housing preservation in their area. Active code enforcement can catch problems early and avoid extensive deterioration of housing units. Public and private sources of home improvement grants and loans for both owner-occupied and rental units can be used to address housing repair needs. Weatherization of housing units should also be encouraged and information disseminated regarding assistance available from the electric and gas utility companies, charitable organizations, and public agencies. Local tool banks and home repair classes can be established to help owners and renters improve their housing conditions. Free paint and some types of building materials can be obtained at various recycling and hazardous waste collection stations.

The County housing authority operates a rental rehab program which provides low-interest loans to landlords to finance improvements to low-income rental units. The Minor Home Repair Program operated by Senior Services of Snohomish County (see the Housing Resource Directory) provides free repair services to low-income elderly and handicapped homeowners.

Each jurisdiction should have a monitoring mechanism to track losses to the affordable housing stock through demolition, conversion of apartments to condominiums, and closure of mobile home parks. Policies regarding relocation assistance for low-income residents displaced by these activities may be considered. Incentives and regulations may be investigated and utilized to help minimize unnecessary reductions to the supply of affordable housing.

**Public Housing Authority:** With the enactment of the Housing Authorities Law in 1939, the legislature created a public housing authority in each city and county of the state. Under RCW 35.82, these housing authorities are authorized to conduct business when their respective governing bodies have passed a resolution declaring a need to address the existence of sanitary or unsafe living accommodations, a shortage of low-income rental housing, or a

shortage of senior housing. Determinations as to the need for a housing authority can be made either by the governing body upon its own motion or upon the filing of a petition signed by twenty-five residents of the city.

In addition to providing local jurisdictions a direct means of addressing its housing needs, housing authorities are able to underwrite the cost of low-income housing development by a variety of means, including eligibility to administer HUD housing assistance programs and payment contracts, exemption from paying property taxes on housing authority facilities, and authority to issue tax-exempt bonds and low-interest bond anticipation notes. Under state statute, bonds and other obligations of a housing authority are neither a debt of its respective city nor are cities liable for housing authority obligations.

**Public Development Authority:** Jurisdictions interested in coordinating their initiatives in the areas of economic development, community revitalization, and low-income housing may consider creating a public development authority (PDA) to achieve these ends. Under RCW 35.21.730-757, PDAs may be created by cities or towns to “improve general living conditions in the urban areas of the state” and “to perform all manner and type of community services.”

PDAs may exercise many of the powers of housing authorities, such as own and sell property, contract for services, loan and borrow funds, and issue bonds and other debt instruments. Any property owned or operated by a PDA that is used primarily for low-income housing receives the same exemption from taxation as the municipality that created it. By statute, all PDA liabilities must be satisfied exclusively from PDA assets and PDA creditors are denied any right of action against the municipality that created it.

**Public and Nonprofit Housing Developers:** Jurisdictions that prefer to remain less directly involved in housing production may establish cooperative arrangements with public or nonprofit housing developers to ensure adequate levels of low-income or special needs housing

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are available in their community. In addition to the Everett and County housing authorities, there are over a dozen nonprofit organizations in Snohomish County with a range of practical housing development experience that extends from the production of homeless shelters to special needs housing to low-rent senior housing and first-time home buyer programs.

Jurisdictions can encourage the production of these types of housing in their community by committing land use incentives, development standard variances, surplus land, or financial resources to housing authority or nonprofit sponsored projects targeted for their jurisdiction.

### **For-Profit Housing Builders and Developers:**

For-profit builders and developers produce virtually all middle and upper income housing in the County and a substantial share of moderate income rental housing that is affordable to households with incomes between 80% and 95% of median income.

Compared to past decades, however, the private sector currently produces relatively fewer small starter homes affordable to low and moderate income home buyers. This is because land and housing production costs have increased faster than the household income of many prospective first-time buyers, resulting in a dwindling market for small starter homes. The cessation of HUD's first-time homebuyer mortgage program in the early 1980s further reduced the number of low-income families able to finance home purchases.

Jurisdictions may encourage more first-time homeownership in their community by maintaining an adequate supply of smaller, less expensive building lots, offering builders and developers land use incentives to produce low and moderate income housing, reviewing the appropriateness and cost effectiveness of administrative procedures and development standards, and creating an interjurisdictional second mortgage lending pool to expand the first-time homebuyer market.

The private sector also builds fewer low-income rental units than in the past because of

increasing land and production costs, the cutbacks in HUD's apartment production programs, and the elimination of key federal tax incentives for passive investors.

Nonetheless, opportunities still remain for private builders and developers to produce low-income rental housing through the Washington State Housing Finance Commission's tax credit and tax-exempt bond financing programs, Farmers Home Administration's rural rental housing program, and the Washington Community Reinvestment Association's revolving loan pool. Jurisdiction's can encourage private sector builders and developers to increase the supply of low-income rental housing in their communities by combining these financial tools with the land use and procedural initiatives outlined in the preceding paragraph.

### **HOUSING FINANCING STRATEGIES**

**City/County resources:** There are a variety of means by which local government can provide financial support for the development of low-cost housing. In 1986, the state legislature formally authorized cities, towns and counties to use general funds for low-income housing: "A city or town may assist in the development or preservation of publicly or privately owned housing for persons of low income by providing loans or grants of general municipal funds to the owners or developers of the housing." (RCW 32.21.685) Local jurisdictions may also use general funds to underwrite general obligation or councilmanic bonds sold to support low-income housing.

With voter approval, local governments can enact special purpose housing levies, such as the \_\_\_-year, \$\_\_\_\_\_ senior housing bond levy approved by City of Everett voters in 198\_ or the eight-year, \$50 million low-income housing levy approved by Seattle voters in 1986. In order to minimize administrative costs and equalize the tax burden across the county, local jurisdictions could support an interjurisdictional levy effort, such as the countywide housing levy which fell about 4,500 votes short of voter approval in September 1991.

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Local governments can also provide financing for low-cost housing by contributing to the Snohomish County Housing Assistance Leverage Fund (HALF), endorsed by the Snohomish County Tomorrow Steering Committee in March 1993. Under the HALF proposal, local jurisdictions would annually contribute about \$2 per capita to a \$1 million county-administered housing finance program. It is estimated the HALF would leverage an additional \$40 to \$50 million dollars in housing financing over a five year period.

**State resources:** In 1986, the State Legislature created the Housing Trust Fund to serve as a renewable financing resource to assist low and very low income citizens and special needs populations. Since its inception, state trust fund dollars have helped finance more than 7,000 housing units statewide. In the 1993 legislative session, \$44 million was appropriated for state trust fund use over the following biennium. Local jurisdictions may apply for state trust fund resources, along with Indian tribes, housing authorities, and nonprofit housing organizations. In July 1993, the city of Raymond was awarded \$1 million in state trust fund resources to acquire and preserve the Willapa Hotel, an existing building with 34 units of very low-income housing and commercial space at street level.

The Washington State Housing Finance Commission administers a variety of programs that provide housing financing directly to multifamily housing lenders, developers and first-time, single-family homebuyers. Some of the commission's finance programs, such as the low-income housing tax credit program, are operated on a competitive basis wherein projects receiving strong statements of local government support receive preference over those that do not.

Altogether, an estimated \$16.5 million in state resources was committed for housing activities in all Snohomish County jurisdictions in 1992.

**Federal resources:** Although the federal government has cut back its housing finance effort by about 75% since the early 1980s, federal programs remain by far the largest single

publicly-funded housing finance resource in Snohomish County.

On a nationwide basis, an estimated three-quarters of the financial benefit of federal housing subsidy programs goes to existing homeowners in the form of mortgage interest and property tax deductions. In Snohomish County, other forms of federal housing assistance are provided to homeless populations through the McKinney Act programs, to housing authorities through HUD's public housing development programs, to low-income renters through HUD's Section 8 rental assistance programs, to the elderly and handicapped through HUD's Section 202 loan programs, to rural homebuyers and renters through various Farmers Home Administration programs, and to middle income homebuyers through FHA mortgage insurance programs.

Aside from mortgage interest subsidies and FHA mortgage insurance programs, in 1992 an estimated \$32.5 million in federal resources was committed for housing activities in all Snohomish County jurisdictions. Included in these resources was over \$2.5 million in federal CDBG and HOME funds administered through the City of Everett and the Snohomish County entitlement jurisdiction processes. Local governments are eligible to apply at the local level for CDBG and HOME resources to support the development of low-cost housing projects in their jurisdictions.

**Private resources:** Since the enactment of the Community Reinvestment Act (CRA) of 1977, federally-insured banks have taken a more proactive role in assisting the development of low and moderate income housing and the revitalization of low-income communities. To ensure compliance with the CRA Act, banks are periodically evaluated in terms of their effectiveness in meeting the credit needs of their community. In 1991, Seafirst Bank announced a 10-year, statewide CRA financing commitment of \$1.5 billion, including over \$1 billion targeted for lower-income housing. In 1992, Cascade Savings Bank received an "outstanding" rating by the federal Office of Thrift Supervision, a

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designation reserved for the top ten percent of the nation's banks and thrifts.

As a result of savings and loan "bailout" legislation enacted in 1989, the nation's 12 Federal Home Loan Banks were required to take a variety of steps to support the development of low and moderate income housing. Since 1990, the Federal Home Loan Bank of Seattle has helped house nearly 8,000 low and moderate income families by providing recoverable grants for predevelopment assistance, direct subsidies, and reduced-rate loans to member banks that finance affordable housing projects. In the past several years, Federal Home Loan Bank subsidized loans have helped underwrite the cost of housing projects developed by Housing Hope and Counterpoint Community Mental Health Services.

Another means by which some local financial institutions are carrying out their CRA responsibilities is through a newly organized nonprofit mortgage banking corporation known as the Washington Community Reinvestment Association (WCRA). The WCRA operates a \$75 million revolving loan pool that provides long-term financing for affordable housing projects throughout the state. Comprised of about 20 of the state's bank and thrift institutions, WCRA targets its financing to projects that guarantee long term affordability. The Colby Crest Apartments in Everett was one of the first low-income housing projects to receive WCRA long-term financing.

Local Initiatives Support Corporation (LISC) is a New York-based organization that provides financial support to nonprofit organizations involved in improving urban neighborhoods and the supply of affordable housing. Financial support for LISC comes from private philanthropic organizations and major corporations, including Boeing, Weyerhaeuser, Tramco, and a number of banks with branches in Snohomish County. Since initiating an office in Seattle in 1984, LISC has invested about \$6 million in the region. LISC is currently in the process of establishing a Snohomish county office and recruiting local government financial participation in a LISC-administered

Community Development Loan Fund (CDLF). The CDLF will provide recoverable grants and low-interest loans to nonprofit organizations to cover essential predevelopment costs associated with low-income housing and commercial development projects. In the past year, LISC has provided financial assistance for projects developed by Senior Services of Snohomish County, Cocoon House, and Housing Hope.