



ARCH EXECUTIVE BOARD AGENDA

July 13, 2023

Bellevue City Hall, Room 1E-110

<https://kirklandwa-gov.zoom.us/j/96905200722>

9:00 a.m. – 10:30 a.m.

- 1) Call to Order
- 2) Approval of the Agenda
- 3) Approval of the June 2023 Meeting Minutes
- 4) Public Comment
- 5) Reports / Action Items
 - a) ARCH Rental Program Update
 - b) Rent Policy Work Group Recommendation
 - c) Middle Housing Engagement Report and Presentation by CBO Partners
(Guillermo Rivera and Debbie Lacey, Eastside for All; Larissa Chuprina; Qiong Chen and Winston Lee, United Hub; Kathy Falzeta and Daiane Ferreira, Brazillian Community Services; Adam Dibba, Africans on the Eastside; Mercedes Cordoba, King County Promotores Network)
 - d) Middle Housing and HB 1110 Opportunities Report
- 6) Other Business
 - a) Verbal Updates
 - Strategic Planning Workshop: Aug. 3rd, 12-3pm
 - Legislative Priorities Workshop: Aug. 10th, 11-2pm
 - ARCH/Urban Land Institute Developer Engagement: Aug. 1st and 15th
- 7) Adjournment

ITEM 3: Approval of the June Meeting Minutes

Approval of the June 2023 Executive Board Meeting minutes

Attachments

- A. Summary Minutes to Executive Board Meeting (June 8, 2023)

A REGIONAL COALITION FOR HOUSING (ARCH)

Summary Minutes to Executive Board Meeting

June 8, 2023
9:00am

Hybrid Meeting

Present:

Diane Carlson, City of Bellevue, Deputy City Manager
Kyle Stannert, City of Bothell, City Manager
Carol Helland, City of Redmond, Director of Planning and Community Development
David Pyle, City of Sammamish, Director of Community Development
Kurt Triplett, City of Kirkland, City Manager
Maia Knox, City of Clyde Hill, Assistant City Manager
Brandon Buchanan, City of Woodinville, City Manager
Alison Van Gorp, City of Mercer Island, Director of Development Services
Steve Burns, City of Medina, City Manager

Absent:

Wally Bobkiewicz, City of Issaquah, City Administrator
Kelly Rider, King County, Government Relations DCHS
Scott Pingel, City of Newcastle, City Manager
Debbie Bent, Kenmore, Community Development Director

Others Present:

Lindsay Masters, ARCH, Executive Director
Raquel Rodriguez, ARCH, Program Coordinator
Diana Heilman, ARCH, Senior Administrative Assistant
Elsa Kings, ARCH, Housing Trust Fund Manager
Mallory Van Abbema, King Co. Regional Homelessness Authority, East KC Subregional Planning Specialist
Kathy Gerla, Bellevue City Attorney's Office (CAO), City Attorney
Ian Lefcourte, City of Redmond, Senior Planner

1. CALL TO ORDER

Ms. Helland called the meeting to order at 9:02 am.

2. APPROVAL OF THE AGENDA

Ms. Helland asked for changes to the agenda of June 8, 2023. No changes were made.
Mr. Triplett moved that the agenda be approved. Seconded by Mr. Burns. Approved 9 – 0.

3. APPROVAL OF THE MINUTES

Ms. Helland asked for approval of the meeting minutes from May 11, 2023. No corrections were made.
Mr. Pyle moved that the minutes be approved. Seconded by Mr. Triplett. Approved 9 – 0.

4. PUBLIC COMMENT

No public comments.

5a) 2024 Annual Budget and Work Program Approval (continuation of briefing in April and follow up to direction provided in May)

Ms. Masters introduced new ARCH Senior Administrative Assistant, Diana Heilman.

Ms. Masters said there are a few small edits to the Work Program that affect the local planning efforts in Kenmore. These will be sent to the Board immediately after the meeting, and changes do not affect the budget.

Ms. Helland introduced the motion authorization for funding for outside legal counsel. Kathy Gerla, Bellevue City Attorney, is present to answer questions. The total budget is \$250,000, with \$95,000 for ongoing legal fees and \$155,000 funded from reserves for one-time legal support for document updates. Ms. Masters expressed appreciation for the Board's early support and described parameters in the motion to address Board members' comments.

Mr. Stannert said that he is satisfied with the motion. He would like to see it revisited in the fall in case the funding level is not adequate. Ms. Helland said they did add language for the CAO and Ms. Masters to bring back informational briefings on the expenditures at regular intervals.

Mr. Buchanan asked for more discussion regarding the \$155,000, and specifics of how this figure was generated. Ms. Gerla said that outside counsel is very expensive. The estimate came from talking to in-house counsel at Seattle that used to provide these services in private practice, and discussions with other attorneys that generated a range of hourly rates from \$700 to \$475 an hour. She used a \$500 rate for the estimate. CAO will only use outside counsel when needed. The Board will have to approve the templates. The second item involves using outside counsel to review each city's documents (MFTE program and land use incentive program).

Ms. Helland called for a motion to approve funding for ARCH legal services, as detailed in the Board packet. *Mr. Triplett moved that the draft motion be approved authorizing funds for ARCH legal services. Mr. Pyle seconded the motion. Approved 9-0.*

At this time Ms. Gerla left the meeting.

Ms. Helland called for a motion to approve the 2024 ARCH Administrative Budget. *Mr. Triplett moved that the motion be approved. Mr. Pyle seconded the motion. Approved 9-0*

Ms. Helland called for the 2024 ARCH Work Program to be approved with the edits from Kenmore. *Ms. Carlson moved that the 2024 Work Program be approved with the edits. Mr. Triplett seconded the motion. Approved 9-0*

Mr. Buchanan left the Executive Board meeting at this time.

5b) Community Advisory Board (CAB) Appointments

Ms. Helland introduced the topic, explaining the Board is tasked with appointing 2 to 5 individuals to serve on the CAB out of the 12 applicants. Ms. Masters recapped the purpose of the CAB and noted the ILA has recently been amended to allow appointments above 15 members for the purpose of expanding the diversity of the Board. Appointments can be made on a provisional basis that become permanent as vacancies are created. The CAB chair, the HTF manager and Ms. Masters interviewed as many candidates as possible. Ms. Masters shared which candidates stood out in the interview process for technical skills, professional skills, life experience and community involvement. Discussion was opened up for the Board to address the candidates' qualities and backgrounds.

Mr. Triplett made a motion for an initial slate of three candidates: Heather Sanchez, Rawan Kilani, Jeff Ginsberg. Mr. Stannert seconded the motion.

Mr. Pyle proposed a motion for an amendment to the motion to add Sarah Gustafson to the slate. Mr. Triplett seconded the motion. The motion amendment did not pass.

Discussion continued regarding candidates' qualifications. Ms. Masters indicated support for filling more seats due to the time involved in recruitment.

Ms. Helland called the question on the original slate proposed of three candidates. Approved 8-0 to add: Heather Sanchez, Rawan Kilani, Jeff Ginsberg.

Ms. Helland asked if there was a motion to add any additional applicants. Ms. Masters shared some observations about a potential additional candidate with real estate experience.

Ms. Carlson moved to add Justin Robbins to the slate. Ms. Knox seconded the motion. Approved 8-0

Mr. Hill asked if any current members were CPAs. Ms. Masters answered the CAB doesn't have CPAs, though generally CAB members are able to rely on staff to vet project finances. Ms. Helland asked if going into the weeds would be a distraction for the CAB members. There were no concerns.

Ms. Knox spoke in favor for holding spaces for better geographical distribution.

Mr. Triplett asked if there is anything that prohibits adding people later. Ms. Masters says there is no restriction and there is an option to add members at any time. Ms. Helland pointed out that there is one member from Bothell that will be terming out next year. She asked again if the Board was happy with the slate. Board members affirmed.

5c) 2023 Housing Trust Fund Priorities

Ms. Helland noted that over 4,000 households signed up for the ARCH mailing list last year.

Ms. Masters says they have been able to finalize the expected contributions for this year knowing that there will be more requests than available funds. We are estimating \$3.6 million available. Estimate for applications is around \$16 million. They will try to minimize those requests and look to other funding sources. Will try to keep the projects going even though they don't have all the resources available. She thanked the City of Kirkland for authorizing an additional \$800,000 for a project that will close Friday. This project had run into some additional funding gaps because of an increase in interest rates. We may not see some fee in lieu contributions that we normally see. There is a TBD in the chart there. They will not add any dollars in that column. We will see an additional 300 units in affordable housing built in Totem Lake. We will be looking into legislative strategies and looking to other local funding options.

Ms. Masters addressed priorities by saying they have developed a holistic list of priorities that allows flexibility to address a diverse set of needs. It also calls out some of the values of the Board and of the coalition. She said they have not added any recommendations as a staff this year, but there was a request from the CAB (not unanimous) to consider adding a priority around environmental sustainability. Language developed by the CAB chair is included in the packet. Ms. Masters requested the approval of the Board of the priorities which include standard carryover priorities from previous years and will need additional discussion on the proposed new priority.

Ms. Helland opened discussion on the new proposed priority. Mr. Pyle says there is already some of this baked into each city's permit process and codes and land use standards. He proposed that the Board and CAB focus on whether the project has taken advantage of the incentives or other programs that cities offer. Ms. Carlson suggested that Mr. Pyle's language be incorporated with the CAB language. It would be good to have a balance between environmental sustainability with the other priorities. Ms. Masters said staff needs the direction today in order to publish the guidelines next week to go out to the development community. She said that the staff has struggled with the CAB deliberations due to the fact that the state energy codes have ramped up and increased costs significantly. They want to address CAB's enthusiasm but keep up with existing codes. They appreciate the value but there is a challenge with the details.

Ms. Helland asked Mr. Pyle if he had suggested language. Mr. Pyle said he is looking for it. He says each City is in process of updating their codes. All are facing the difficulty that the state building code council delayed

implementation of state building codes. There is some discussion of mandating electrification. Maybe include language that ARCH encourages project sponsors to design with environmental sustainability in mind and advocates that projects incorporate reduction of carbon footprint in design such as electrification. Also include trans-oriented development. Language should reflect electrification to some degree though we can't require it. This is where most climate action programs go. Ms. Helland said that calling out electrification goes back to the issue of letting cities decide where their incentives are. She suggested taking it to a higher level and encouraging project developers to design with environmental sustainability in mind. She liked the last sentence that talks about having an eye towards promoting long-term durability and reducing operational costs.

Ms. Helland asked for an indication of whether the Board is interested in adding this policy. There was some tentative positive response. She asked if the Board would be in favor of something acknowledging that it is difficult for the staff but providing a sense of encouragement for project sponsors to design with a view to environmental sustainability. We could relate that to the city in which the project is located. Also, to include promoting long-term durability and reducing operational costs. Ms. Masters said they could work with that. Mr. Triplett suggests taking out the middle sentence.

Ms. Helland asked for a motion to approve the funding priorities adding the innovative sustainability environmentally friendly solutions as modified per this discussion.

Mr. Stannert moved to approve the draft funding priorities to include the innovative sustainability environmentally friendly solutions as modified per this discussion to remove the middle sentence. Ms. Carlson seconded the motion. Approved 8-0

5d) Q4 2022 Report

Ms. Helland asked Ms. Masters if she would prefer to move on to the Legislative Priorities. Ms. Masters agreed, the Q4 2022 Report is attached in the packet for review and Board members are free to reach out with any questions.

No further action is required from the Executive Board at this time.

6) OTHER BUSINESS

a. Legislative Priorities (continued discussion from May meeting)

Ms. Masters reminded Board members of the newly adopted Work Program, which include a new priority to advance one or two legislative priorities that we can try to find some consensus among the members and support coordinated advocacy. There was a good discussion last month with unified consensus to continue to elevate real estate excise tax as one of those two priorities, understanding there could be changes with councils. We want to renew that engagement or be sure we are staying aligned considering there could still be changes with the bill. We want to hear consensus on how we go about doing that, including who we can engage from your cities in this discussion. If there is time, we want to talk about whether we should convene a different kind of conversation around the TOD bill.

At this time Mr. Burns left the Executive Board meeting.

Ms. Masters emphasized the bill would have a significant impact on cities if passed, and affordability will be a significant part of the discussion. There may be less opportunity for alignment among all the jurisdictions but we could engage with your staff to identify common principles to bring back to the Board.

Ms. Helland put the question to the Board as to whether to include the TOD bill as a legislative priority for the coming session.

Mr. Triplett agreed it should be discussed. There were two big issues for Kirkland with the bill: first was the mandate for density that takes away the ability to get affordable housing out of it; second, transit today is not necessarily transit tomorrow. We need to find a way to recognize that in the state legislation.

Mr. Hill said that Woodinville found the TOD bill to be problematic because cities don't control the transit service but are required to upzone around transit. Woodinville is also the end of the transit line, and the definition of frequent transit counts trips both to and from.

Mr. Stannert said from a Bothell perspective they will probably not be going to have room for new legislation in a short session, but these both will be discussed. Their process will start in the summer. He encouraged working with Jason Greenspan, Community Development Director. He will be the primary contact.

Ms. Helland summarized the discussion, confirming there is interest in continuing discussion on REET. On TOD, ARCH can be in a real position for technical expertise on consequences and implications. Everyone believes that housing should be where transit is developed, but that definition of major transit stops is problematic for many jurisdictions because of the unreliability of Metro funding. We need to address that issue and figure out how to create a system we can rely on. ARCH can a role in helping us collect that information and sharing it with legislators.

Ms. Helland asked Ms. Masters if she has what she needs. Ms. Masters affirmed and said she would appreciate specific direction on which individuals from each city should be involved in this discussion. She requests that the appropriate contacts be sent to her.

b. Verbal Updates

- **2023 ARCH Rental Limits**
HUD released new income data which is the basis on which affordable rents are calculated. This year the increase is 8.8%. ARCH will be publishing those new income and rent limits in the coming weeks. This will result in significant rent increases.
- **Strategic Planning Committee Update**
The committee will have its first meeting on June 9 in preparation for a first stakeholder workshop. Board members should save the date for August 3 in the afternoon. We would like to have as much of the Board as possible participate. We will cancel the August Board meeting.
- **Rent Policy Update**
The workgroup had one more meeting last month and got a proposal from developers to modify the recommendation; rather than a single 3% cap, the proposal is to have a cap that scales up and down depending on the tenant's particular rent relative to the maximum program rent. There is likely to be concern about how high the cap goes, as the initial proposal ranges from 3 to 10 %. We are still hoping for a consensus but it is taking time.

7) ADJOURNMENT

Ms. Helland adjourned the meeting at 10:31 am.

ITEM 5A: ARCH Rental Program Annual Report Overview

Report on compliance monitoring efforts from the ARCH Rental Program 2022 annual reporting process

Background

The ARCH Rental Program is made up of the collective affordable rental units created through local incentive programs and development agreements, which currently total 1,926 units in 77 developments. More properties are added each year, with over 800 affordable units in the pipeline (see **Attachment 1** for a list of completed projects and pipeline projects ARCH is aware of). In 2019, ARCH cities created their first dedicated rental compliance position, responsible for overseeing compliance with affordable housing contracts and covenants. Compliance monitoring is essential to preserving the stock of affordable housing, and ensuring that existing affordable rental housing serves eligible populations. The position is focused primarily on the properties monitored solely by ARCH, with secondary emphasis on properties subject to monitoring by multiple other public funders.

From 2019 to present, ARCH staff have continued to build out a work program that has involved developing a compliance monitoring plan, producing and updating reference materials (e.g., policy guides, application forms, supplemental documentation for non-standard applicants, etc.), generating a program database, and providing recurring trainings and other technical assistance to property owners and managers. An overview of the monitoring process is provided below.

Annual Compliance Report (ACR) Procedure

The primary vehicle for compliance monitoring is the Annual Compliance Report (ACR). ARCH undertakes annual monitoring for all projects through the submission of an Annual Compliance Report (ACR), cyclical on-site audits, and quarterly reporting reviews for new lease-ups. For the 2022 compliance year, ARCH carried out the ACR process as follows:

- Property managers were sent the ACR Template with instructions February 10, 2023 (as well as all training materials, updated forms for eligibility, and a Compliance Calendar).
- Properties were asked to complete an Acknowledgement of Receipt (a Google form to identify who will be completing ACR and contact information for Compliance point person) by February 15, 2023.
- Question & Answer Sessions were held February 17 and 21, 2023, to help catch avoidable issues and answer questions preemptively.
- Completed ACRs were due March 31, together with itemized rent rolls; extensions were allowed upon request if needed for legitimate business reasons.
- ARCH staff reviewed reports, evaluating them against the ACR Review Checklist (shown below).
- The checklist was returned to PMs outlining next steps and timeline to address any compliance issues. This form also serves as a certification of compliance.
- ARCH staff verified that identified issues were addressed, or followed up with PMs that did not respond in the requested timeline.

ARCH Annual Compliance Report (ACR) Review

General Information	
Date Report Submitted	
Property Name	
Covenant	
Property Information	___ units ___ AMI %
Submitted By:	Reviewed By: Adam Matza

Compliant	Yes	No	N/A	Comments
Submitted Materials				
Submitted on time				
Submitted ACR, filled out entirely and correctly				
Submitted most recent Rent Roll with Lease Charges				
Report Content				
Number of units reflects covenant				
Affordable units match covenant/approved changes				
Tenant names match what is on rent roll				
Rent levels are at or below maximums set in Guidelines (factoring in utility allowance deductions)				
Rents reported match rent roll				
Households are income eligible (initial eligibility and recertification)				
Recertification of households is occurring once every 12 months or at lease renewal (whichever occurs first)				
All HH/Vacancies for units during the reporting time period (1/1/2021 – 12/31/2021 OR current units for lease-up) reflected in ACR (move-ins/move-outs)				

Additional Commentary:	
Follow-Up Required:	

On-Site File Audits

ARCH initiated the use of on-site file audits to verify information reported in ACRs in 2020. This year, 5 properties have been selected for auditing following ACR submission. During the audit, ARCH will review tenant files, drafts a written report, and meet with the property to discuss any issues and establish a timeline for addressing any issues. In addition to properties flagged for auditing during ACR reviews, ARCH also selects additional properties

to audit on a rotating basis during the fall. Last year, 11 properties were audited in total. Of these, 3 were found to have monthly rent amounts greater than the chargeable rent amounts, 1 property was found to have missing documentation for an initial certification, and 1 was missing documentation for the recertification of an ARCH tenant.

Summary of Compliance Issues

Several properties reported being short on staffing, staff turnover or otherwise needing additional time due to changes in property management. These issues appear to have impacted the overall rate of compliance issues. A total of 29 properties out of 77 had some level of compliance issues.

Following is a summary of the range of issues flagged during ARCH's review:

- 7 properties made late submissions without an approved extension. One of these projects had changed management teams and not provided new contact information. 6 submitted 1-10 days late post submission deadline with no explanation.
- 21 properties were charging above maximum rent and needed to provide refunds/credits to affected tenants.
- 5 properties utilizing RealPage Compliance Services submitted reports that were missing significant amounts of information.
- 8 instances were found of household size not meeting the minimum occupancy requirement (e.g. 1-person household in a 2-bedroom unit)
- 7 households were found to be over-income at recertification.
- 2 projects using outdated utility allowance amounts created overages in monthly rent for the entire property
- 3 properties submitted reports with one or more missing units
- Recertification did not occur within a 12-month window (this was present for several MTM units and households with residents over 65+). One project with new property management needed to perform income recertifications for the majority of affordable units in order to maintain records for 12-month recertifications.
- Unit numbers reported did not match those in the covenant (this required reviewing emails from the PMs to ARCH teams over the years to confirm unit changes were agreed OR fire marshals renumbered buildings)
- General data entry errors (e.g., utility charges, most recent contract rent, additional fees not included in base rent)

The average turnaround time to resolve issues from initial submission was 42-55 days. Several properties still have outstanding compliance issues requiring further action to be in compliant status.

Other Issues: High Rent Increases, Expanded Notice Requirements

In addition to managing compliance, ARCH interacted with properties on a variety of other challenges this year including high rent increases that were allowed based on the increases in the King County Area Median Income. To provide support to both tenants and property managers, ARCH took the following steps in 2023:

- Communicated to properties that rent limits in the ARCH Rental Program are maximum limits, but properties can always opt into charging less.
- Maintained an up to date list of East King County rental assistance resources on ARCH's website.
- Encouraged property managers and leasing staff to connect tenants struggling to pay rent with renter resources and community resources.
- For those jurisdictions who passed local tenant protections, worked with properties to ensure compliance with required minimum written notice periods for qualified rent increases.
- Initiated a policy process to identify alternative rent increase policies.

ARCH aims to provide as much support to properties and tenants as possible, and will continue providing regular trainings for properties to mitigate increases in staff turnover. ARCH also plans to develop a Renter Resources Brochure for property managers to keep onsite which will include rental assistance resources, senior resources, and community resources available in East King County.

As new projects are added to the program every year, it will be important for ARCH to monitor staffing ratios to keep up with the growing workload and manage expectations for the level of support staff can provide to properties and tenants.

Staff Recommendation

N/A

Attachments

1. List of ARCH Rental Program Properties (July 2023)

Attachment 1

List of ARCH Rental Program Properties (July 2023)

	Pipeline (not yet recorded)	Projects in development	Completed projects	Grand Total
Bellevue	218	65	350	633
888 Bellevue			32	32
Bellevue 10			21	21
Bellevue Heights			4	4
Bellevue Station	58			58
Big 1 Residential		11		11
Brio			20	20
Broadstone Gateway	38			38
Cerasa			31	31
Crossroads Residential	45			45
Elements			3	3
Ellington at Bellevue			22	22
Hanson			1	1
Hyde Square			35	35
Milano			5	5
Northup Way Mixed-Use		54		54
Nuovo	27			27
Park East			1	1
Park Highlands			82	82
Redmond Park			24	24
Soma Towers			15	15
Vue 22			54	54
Vulcan Bel-Red	50			50
Issaquah	13		100	113
Angela Dews House (LEO adult family home #3)			1	1
Discovery Heights			51	51
Julia Pritt House			2	2
Milano Issaquah	13			13
Monti House			2	2
The Highlands at Wynhaven			33	33
Vale			11	11
Kenmore	1		56	57
Hiatt Springs	1			1
Spencer 68			56	56
King County			478	478
Reunion Senior			278	278
The Lodge			200	200

	Pipeline (not yet recorded)	Projects in development	Completed projects	Grand Total
Kirkland	151	14	189	354
9040 NE Juanita Dr			2	2
Bayshore View Apartments			4	4
Bloom		14		14
Boardwalk			17	17
InStyle Homes	2			2
Jefferson House			8	8
Kirkland Crossing			3	3
Lakehouse Apartments	34			34
Morningstar			15	15
Plaza			23	23
Rose Hill Cottages (City Ministries)			6	6
SK Apartments			5	5
Slater 116			11	11
Slater Mixed-Use	39			39
Swyft	62			62
The Bower			34	34
The Pine	14			14
Uplund			42	42
Uptown at Kirkland Urban			19	19
Mercer Island	16		13	29
Hadley			13	13
Xing Hua	16			16
Newcastle			46	46
Newcastle Commons 2, 3, and 5			19	19
Newcastle Commons 4 and 6			15	15
The Notch			8	8
Tria			4	4
Redmond	166	160	646	972
162TEN			9	9
16771 Redmond Way-AMLI	40			40
Allez			12	12
Aria Apartments			10	10
AVA Esterra Park			29	29
Avalon Esterra Park			24	24
Bell Marymoor Park			27	27
Blackbird			15	15
BonTerra			6	6
Broadstone Redmond	36			36
Core 83			10	10

	Pipeline (not yet recorded)	Projects in development	Completed projects	Grand Total
Delano			7	7
Eaves Redmond Campus		11		11
Edge			10	10
Elan			13	13
Heron Flats & Lofts			9	9
Milehouse			16	16
Modera Redmond			14	14
NLG Project One		25		25
Old Town Lofts			15	15
Parc Square			9	9
Parkside			60	60
Piper (LMC South Park)		28		28
Pixel Apartments	18			18
Porch and Park		10		10
Proctor Willows Phase 2	20			20
Radiate Apartments			36	36
Ravello			5	5
Red 160			25	25
Redmond Grand		31		31
Redmond Grand, Phase II	31			31
Redmond Square Apartments			14	14
Redmond Sunrise		10		10
Riverpark			32	32
Spectra		45		45
Station House Lofts			16	16
Talisman			13	13
The Bond			12	12
The Carter			16	16
The Luke			18	18
The Spark	21			21
The Triangle			18	18
Urbane			1	1
Veloce			64	64
Verde Esterra Park			63	63
Zephyr			18	18
Sammamish			48	48
SAMM			18	18
Sky			30	30
Grand Total	565	239	1,926	2,730

ITEM 5B: Rent Increase Policy Development Update

Report on work group recommendation regarding increases in rental rates within members' affordable housing programs and projects

Background

In 2022, the ARCH Executive Board provided direction to initiate a policy development process in response to rent increases on low- and moderate-income tenants in affordable housing. The process is grounded in a range of policy objectives that balance the competing interests within affordable housing programs and is designed to incorporate a wide range of stakeholder perspectives. Staff have been providing regular updates to the Board since the process was launched last fall. A summary of outreach and analysis completed in the first phase of the process is attached.

Rent Policy Work Group Discussions and Recommendation

Following the first phase of outreach, the Board approved convening a smaller work group to bring together diverse perspectives in a smaller setting that could narrow and refine potential policy options. Members included private developers, legal aid attorneys, property managers, and housing authority/nonprofit housing provider representatives.

The work group was provided with a starting point of several options already identified in the first phase of the process. Among these, the work group reached a preliminary preference for a tenant-based 3% rent cap, a policy that was adopted for the Bellevue MFTE program in 2021. However, developers in the work group expressed concerns about potential unintended consequences of the policy over the long-term, which are detailed in the attached memo.

To address these concerns, developers proposed a variation on Bellevue's policy that would graduate the percentage between 3-9%, depending on how a tenant's capped rent compared to increases in the HUD median income. This proposal did not achieve a consensus with the rest of the work group, so staff solicited additional comments on potential variations on this policy, such as a graduated cap between 3-5% or a single cap of 5%. Work group members did not come to a final consensus on a specific proposal, but did provide a range of thoughtful comments that highlight risks and opportunities with various policy options. Overall, the group did remain focused on a tenant-based cap as the best structure for balancing competing objectives. A copy of the work group's final recommendation is attached, noting areas of consensus and areas of disagreement.

Comment Period

Per the Board's prior direction, ARCH plans to initiate a public comment period to collect additional input. Because the work group didn't land on a single proposal, ARCH plans to request input on different versions of the policy, including:

- Tenant-based 3.0% cap
- Tenant-based graduated cap of 3-9%
- Tenant-based graduated cap of 3-6%
- Tenant-based 5.0% cap

Staff are aware that the complexity of the issue and proposed policy options could make it difficult for the public to provide meaningful input. Therefore, staff will be working on descriptions of the policy in plain language to make the issue accessible to more stakeholders. This information will ultimately be posted on ARCH's website and shared with the list of stakeholders generated in the first phase of outreach. (The stakeholder list was previously circulated to Board members and city staff for additional input.) Following the close of the comment period, staff will report the results back to the Board.

Staff Recommendation

Staff recommend the Board discuss the results of the work group recommendation and provide direction to initiate a public comment period. Specific guidance may include:

- Affirm the policy options identified above for further comment
- Specify the length of the desired comment period
- Identify opportunities to publicize the proposal through various city channels

Attachments

1. Rent Policy Outreach and Analysis Completed in First Phase
2. ARCH Rent Policy Work Group Recommendation Memo

Attachment 1

Rent Policy Outreach and Analysis Completed in First Phase

- Contacted all market rate property owners, developers and managers with completed or active projects in development
 - Shared background paper with initial policy options
 - Held two meetings to present options and host small group discussions
 - Issued a survey to collect written feedback.
 - Several stakeholders offered to continue weighing in on refined options; staff from OneRedmond also volunteered to assist with further outreach.
- Held meetings with initial contacts in the lending and investing communities
- Presented to the Eastside Affordable Housing Coalition (EAHC)
- Conducted outreach to other public/regulatory agencies
 - Held discussion with King County public funders group
 - Conducted interviews with staff from other state agencies with experience in rent increase policies
 - Discussed rent increase notice periods with Texas
 - Discussed senior and family rent cap policies with Missouri, which has 20 years of experience with rent caps
 - Discussed rent increase process with North Carolina, which approves increases on a case by case basis for properties with an Agency loan
 - Continued discussion with the Washington State Housing Finance Commission, which is also considering this policy issue and researching other states' policies
- Held initial discussion with Imagine Housing staff
- Facilitated a discussion with stakeholders representing tenant perspectives
- Contacted all affordable housing developers, owners and service providers who have historically utilized the ARCH Trust Fund program
 - Facilitated a meeting to discuss operational issues and gather feedback on options
 - Issued a survey to collect written feedback
- Facilitated an additional policy discussion with property management stakeholders to get focused feedback on the administrative implications of various options
- Initiated outreach to assemble volunteers for a smaller stakeholder working group, which will include a variety of stakeholders.
- Conducted research into other benchmarks to compare to changes in HUD median income (CPI-U, CPI-W, Social Security COLA, etc.)



A Regional Coalition for Housing

Celebrating 30 years of bringing cities together to house East King County

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Redmond, WA 98052
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MEMORANDUM

To: ARCH Executive Board
From: Rent Policy Work Group
Date: July 3, 2023
Subject: Rent Policy Recommendation for Local Affordable Housing Programs

Background

In February of 2023, A Regional Coalition for Housing (ARCH) formed a volunteer working group to assist with developing a rent policy recommendation for local affordable housing programs. ARCH has supported member jurisdictions in East King County with the design and administration of these programs for many years, including programs that provide land use or tax incentives to market rate developments that set aside affordable units, as well as a Trust Fund program that invests funding in affordable developments. Under most program regulations, affordable rents are set each year based on the rate of change in the Area Median Income or “AMI”, which is published by the U.S. Department of Housing and Urban Development (HUD).

This policy process was initiated by the ARCH Executive Board in July of 2022, following a 16.3% increase in the HUD AMI for the Seattle region that led to significant rent increases within members’ affordable housing programs. The Board directed staff to conduct a robust stakeholder process, and established the following objectives for the policy:

- Reduce the trend toward increasing cost burden among renters of affordable units
- Provide greater predictability for tenants and owners
- Create regulations that support financial feasibility based on common underwriting standards among investors and lenders
- Minimize administrative burden for property managers and ARCH to oversee compliance
- Avoid unintended consequences

A wide range of stakeholder outreach was conducted in the fall of 2022, including focus groups with developers, property managers, nonprofits and tenant advocates. The work group was then formed with the purpose of aligning diverse stakeholders around a preferred ARCH recommendation and refining the proposal to address stakeholders’ concerns.

ARCH MEMBERS

BEAUX ARTS VILLAGE ♦ BELLEVUE ♦ BOTHELL ♦ CLYDE HILL ♦ HUNTS POINT ♦
ISSAQUAH ♦ KENMORE ♦ KIRKLAND ♦ MEDINA ♦ MERCER ISLAND ♦ NEWCASTLE ♦ REDMOND ♦
SAMMAMISH ♦ WOODINVILLE ♦ YARROW POINT ♦ KING COUNTY

Options Considered by Work Group

The following policy options were discussed by the work group, along with comments collected on each option through prior outreach. These options were presented by ARCH staff and initially identified through researching models used in other affordable housing programs. Stakeholders were also invited to generate other options, or discuss variations on these options.

- 1) **HUD Section 8 Limits.** Adjust rents based on changes in income limits for the HUD Section 8 program, or the Multifamily Tax Subsidy Program (MTSP) limits.
- 2) **Tenant-Based 3.0% Cap.** Limit individual tenant's rent increases to 3.0%, but allow unit rents to re-set to maximums based on the HUD medium income at turnover. This policy was adopted for Bellevue's MFTE program in 2021. (See Attachment B, Example Code Language.)
- 3) **Program-Based 4.5% Cap.** Adjust all program rent limits annually up to a cap of 4.5%. This policy was adopted for Seattle's MFTE Program 6 in 2019.
- 4) **Other Program Floor/Cap.** Program rent limits could be adjusted based on combining other floors or caps, such as a 2% floor or 5% cap, provided that limits would not exceed those based on the HUD median income.

Options that were not available for consideration by the stakeholders, as they were discussed in other settings and rejected, included maintaining the status quo, setting rents based on 30% of actual tenant income, and establishing an approval process for rent increases based on annual evaluation of properties' financial information against established criteria. The latter option has shown promise in other states, but would require significantly more administrative capacity to implement at the local level. The first two options were discussed by the ARCH Board after the first phase of feedback from stakeholders and determined to fall short of the established objectives for the policy, so these were not presented to the work group for consideration. Some work group members still expressed a preference for these two options, as described in Attachment C.

Initial Recommendation: Tenant-Based Cap

Among the options 1-4 above, a majority of the work group indicated the **Tenant-Based 3.0% Cap** as the preferred policy for balancing the needs of tenants and owners and creating greater overall stability and predictability within local affordable housing programs. However, while some members supported setting the cap at 3.0% cap based on alignment with Bellevue's MFTE program, as well as historic averages in CPI and AMI growth, there was no consensus on 3.0% being the right percentage cap. Further discussion of alternatives to 3.0% is described below.

Overall advantages of a tenant-based cap include:

- Tenants will have relatively stable housing costs and be able to plan ahead for their financial future, helping to limit involuntary economic displacement. This is especially true with a fixed cap, but even a graduated cap could increase stability, if the range of potential increases was limited.
- The policy could help contribute to longer tenancies and reduced expenses associated with turnover/eviction.
- Owners will be able to re-set rents as new tenants move in so that long-term unit rents still follow the HUD AMI. In addition, the policy has the effect of allowing owners to “bank capacity” or spread out annual increases/decreases at a more consistent and predictable pace. An example is shown below to illustrate this concept.

	% HUD AMI change	% Adjusted AMI change	HUD 80% 1BR rent	Adjusted Rent
Year 0			\$ 2,154	\$ 2,154
Year 1	7.7%	3.0%	\$ 2,320	\$ 2,219
Year 2	4.8%	3.0%	\$ 2,432	\$ 2,285
Year 3	0.3%	3.0%	\$ 2,440	\$ 2,354
Year 4	-3.0%	0.6%	\$ 2,368	\$ 2,368
Year 5	1.4%	1.4%	\$ 2,400	\$ 2,400
Year 6	6.7%	3.0%	\$ 2,560	\$ 2,472

In year 1 and 2, the HUD AMI change is greater than 3%, creating a bank of capacity that the property can apply to its rent increases in years 3 to 5, when the HUD AMI change is less than 3%.

If the cap was set at 3.0%, it would have the benefit of aligning with regulations that have been adopted in some East King County cities that require longer notice periods for rent increases above 3.0%. Because increases would never exceed 3.0%, no extraordinary notice requirements would apply, but both tenants and owners could still plan far in advance of future increases.

It is important to balance the advantages with the disadvantages. The developers in the work group expressed concern that, while a 3.0% cap was set on the Bellevue MFTE program renewal in 2021, the 3.0% cap was based on a historic trend in the HUD AMI increases over the last 20 years, and there is risk that the low inflationary environment of the last 20 years may not persist in future years. If current high inflationary trends continue, the result may be that banked capacity cannot be utilized during the term of tenancy. Operating expenses, including in particular property taxes and insurance, could grow at a faster rate than capped affordable unit rent increases, creating a significant financial risk for the building owner over time. Accordingly, a 3.0% cap may not be a high enough cap in the future, particularly for programs such as on-site incentive zoning or inclusionary zoning covenants with significantly longer program time horizons than the 8 or 12-year term of MFTE programs.

Graduated Cap and Other Alternatives to 3.0% Cap

Accordingly, developers in the work group presented a solution that could address these concerns, with a “graduated cap” proposal. This cap would move between 3% and 9% per year, based on the difference between a resident’s current rent and the then-current AMI-adjusted rent at lease renewal. This would provide the flexibility needed to respond to potential longer term shifts in inflationary trends:

Rent increase Limits:	
Difference between resident’s current rent and applicable current HUD AMI-based program rent	Renewal rent may be Increased a maximum of:
Less than 5%	3%
Greater than 5%	4%
Greater than 10%	5%
Greater than 15%	6%
Greater than 20%	7%
Greater than 25%	8%
Greater than 30%	9%
Greater than 35%	The greater of a) 9% or b) an increase to a new rent equal to 35% below current HUD AMI-based program rent

Some work group members found this to be a creative and promising concept that allowed the cap to respond to a dynamic environment, but other comments and concerns were also expressed, including:

- The wide range of increases up to 9% does not create enough stability for renters.
- The proposal loses the benefit of predictability for tenants to plan for increases.
- The multiple tiers are complicated and likely be difficult to explain to tenants. Use of terms like “HUD AMI-Based Program Rent” will also be a confusing term to explain.
- The complexity of the policy will create increased workload for property managers and compliance staff.
- With staff turnover on the property management side, compliance could be challenging since it requires greater record-keeping and referring back to prior years’ records.
- Tying increases to AMI does mitigate longer-term concerns about operating costs, however AMI is not necessarily always linked with operating costs.
 - *Note: increases in AMI have historically outpaced CPI in the Seattle region.*

To further explore potential areas of consensus, ARCH staff collected comments from the work group on potential variations of the graduated cap, however no one specific policy emerged as the top preference for the entire group. A summary of these options and comments provided is shown below:

Alternative Proposal	Comments
Apply the simple 3% cap, but add the minimum floor that rises with HUD AMI (e.g., cap may never be less than 35% below HUD AMI rent).	Some preference for this proposal, but not unanimous. Developers expressed concerns it does not do enough to mitigate high inflation.
Apply a simple cap of 4% or 5%.	<p>Some preference for this proposal, but not unanimous. Similar to the 3% cap, it is easier for managers to implement and for residents to understand, but less risk of not keeping up with inflation.</p> <p>Policy could be amended to allow owners to request higher increases up to 8% or 9% if certain financial conditions are met, demonstrating that the property is performing poorly and at risk (ex: prior year operating deficits, primary DSCR below 1.05 or 1.10, etc.). If these were objective measures with a high bar for poor performance, staff impacts would be limited.</p> <p>Even with higher cap, may still not be enough to mitigate high inflation.</p>
Apply a graduated cap with fewer tiers – for example, a 3%, 4% and 5% tier.	<p>Some preference for this proposal, but not a first preference for anyone.</p> <p>Could have support of developers if the tiers go up to 6%, and the “floor” ensures the cap is no less than 15% of HUD AMI rent (rather than 35% in the original proposal)</p> <p>Similar to above, policy could be amended to allow owners to request higher increases if certain financial conditions are met.</p>
Clarify the soft cap so it is forward looking to the following year’s rent increase (i.e., maximum increase for following year is based on the difference between the tenant’s rent and HUD rent in the current year). This gives tenants more time to plan.	No significant support for this – concern that it would be more difficult for property management to manage/implement and for residents to understand.

The work group is supportive of developing better affordable housing strategies through incentives which align all parties' interests. Given that our region is in a housing crisis and additional development is required to address housing needs at all levels of income spectrum, it is prudent to document the financial risk associated with any proposed policy. A well-calibrated program should not disincentivize new development and/or participation in the program, whether it is an optional incentive or a requirement of development. To minimize unintended consequences, developers suggested that jurisdictions considering implementation should work with local developers to ensure that any impacted program is appropriately calibrated to the unique development conditions of that locality. This may include increases in AMI levels or other modifications, similar to how Bellevue recently updated its MFTE policy, in order to achieve housing production and/or affordability targets. Other work group members expressed that any further policy development should also make sure to capture the voices and interests of renters.

Applicability

Work group members discussed that the scope of its recommendation should initially apply only to affordable units produced through local incentive programs, where affordable units are a minority of the total units in a given project and covenants are typically only required to satisfy local rules and regulations, as compared with projects that are 100% affordable and often subject to multiple federal, state and local financing regulations. For publicly financed projects, the work group supported ARCH deferring any a recommendation until such time as a coordinated policy proposal can be advanced among the relevant public agencies. If a higher cap was proposed for those projects, some work group members expressed that the number be applied to incentive projects as well.

In addition, this policy would not apply to existing projects with already executed covenants, or projects already under development and with submitted MFTE, land use or building permit applications, unless those projects elected to opt in. This policy will not apply until individual jurisdictions proceed with appropriate code updates to facilitate implementation.

Additional Policy Recommendations

Work group members acknowledge that no policy option could perfectly address the interests of all stakeholders, but some refinements can be made to ensure a more successful outcome. Specifically, the work group recommends the following:

- ARCH should create clear and accessible guidelines and compliance tools for property managers, and consider a naming convention to distinguish properties subject to the revised policy (for example, Program 2)
- The policy should be expanded to ensure that tenants have the right to renew their lease so long as they remain in compliance with their existing lease agreement. Cities

should include this in their affordable housing covenants, but make sure that owners retain their typical rights to convert properties to other uses.

- ARCH should establish appropriate regulations for annual tenant requalification.
- After three (3) years of the policy being in effect, ARCH should conduct an evaluation to identify any unintended consequences or potential improvements that need to be made. The evaluation should seek to understand:
 - Whether the policy has in fact helped promote greater housing stability among affordable housing tenants
 - Any increased administrative burden of overseeing compliance (for both properties and ARCH cities)
 - Whether properties have been able to operate with sufficient income to keep up with the growth in property expenses
 - A comparison of trends in key benchmarks, including the HUD AMI, Consumer Price Index and Social Security COLAs.
 - Participation rates in areas with voluntary programs
 - A holistic policy review at the jurisdictional level in each jurisdiction to evaluate potential incentives or code changes that could be made to encourage new development in areas with mandatory program and/or increased participation in voluntary programs. Jurisdictions implementing the cap should have a sunset date for the policy so that there is an action forcing mechanism to evaluate its success and impact on the pipeline of housing production.

If this evaluation demonstrates any unintended consequences, ARCH should recommend a coordinated update to the policy across its member jurisdictions. Any recommended change or update would not affect projects with executed covenants.

In addition to the areas of consensus reflected in the above recommendation, some members of the work group expressed additional comments that did not generate a clear consensus or were beyond the scope of the work group's purpose. These additional comments are shown in Attachment C to help capture the nature of the discussion.

Given the variety of comments and potential concerns, the workgroup recommends that the range of proposals generated by the work group, including a simple tenant based cap as well as alternative graduated caps, be considered with a larger variety of stakeholders.

Conclusion

Producing, operating and maintaining safe, quality housing that is affordable to people of different incomes is a shared goal of all members of this work group. The work group thanks the ARCH Executive Board for the opportunity to share risks and opportunities associated with this policy and strike the right balance between the needs of many housing stakeholders.

Attachments

- A. Rent Policy Work Group Members
- B. Example Code Language
- C. Additional Discussion / Comments Not Included in Recommendation

Attachment A

Rent Policy Work Group Members

Name	Organization/Company
Eric Amado	Thrive Communities
Nathaniel Aquino	Housing Justice Project
Andrew Calkins	King County Housing Authority
Amy Cabbage	Imagine Housing
Angel DeAsis	Greystar
McKenzie Darr	Grand Peaks
Amy Kangas	Housing Justice Project
Brad Machat	Quarterra
Brandon Morgan	Vulcan Real Estate
Kyle Pierce	King County Housing Authority
Tram Tran-Larson	Housing Justice Project
Steve Yoon	Mill Creek Residential Trust

Attachment B

Example Code Language

BCC 4.52.095 Rent Stabilization

For the duration of any exemption authorized under this chapter, any rent increase for any existing tenant remaining in the same affordable unit, or in a similar type of affordable unit (e.g., very small dwelling unit, studio, one-bedroom, two-bedroom, etc.) within the same project, shall not exceed three percent in any given year as described herein:

A. When the King County median income increases by more than three percent in a given year, the project shall be permitted to increase affordable rents up to three percent that year.

B. When King County median incomes increase by three percent or less in a given year, the project shall be permitted to increase affordable rents by (1) the amount of the corresponding increase in median income; or (2) three percent, to allow the project's affordable rents to begin to catch up with King County median income calculations after having been capped due to conditions set forth in subsection A of this section. Under no circumstance may affordable rents exceed the current King County median income calculation.

The provisions of this subsection shall not apply to new tenants that move into affordable units, or existing tenants who move into a different type of affordable unit. In such an event, the rent and income qualifications shall be calculated based on the current, applicable King County median income at the time a lease agreement is executed. (Ord. 6582 § 14, 2021.)

Attachment C

Additional Discussion / Comments Not Included in Recommendation

The following table includes additional comments from work group members that go beyond the scope of the group's recommendation. These are intended to help capture the broader discussion.

<i>Topic</i>	<i>Comment</i>
<i>Eviction protections</i>	One work group member offered that broader eviction protections be considered. For example, landlords in properties financed with Low Income Housing Tax Credits (LIHTC) may evict tenants and refuse to renew their lease at the end of the lease term only for good cause.
<i>Additional development incentives</i>	One work group member suggested that cities should consider offering additional development incentives when requiring this new policy to help alleviate any concerns over potential costs.
<i>Emergency declarations</i>	One work group member expressed that any policy could become problematic if there is a future emergency declaration or other circumstance that leads to another moratorium on rent increases, such as the one established during the COVID-19 pandemic.
<i>Notice of rent increases</i>	While the current policy aligns with existing local notice requirements, some work group members expressed concern about future regulations of rent increase notices, expressing for example that a blanket 180 day notice requirement could be problematic when paired with the variable timing of HUD data releases.
<i>Adjustment of 3.0% in executed covenants</i>	Work group members discussed the idea of adjusting the cap in an existing property based on future economic trends, such as if long-term inflation trends were to continue. However, work group members did not achieve a consensus on what the adjustment would be based on or how it would be implemented, given the significant diversity in properties' financing and operations. Others expressed that certainty at the outset of the agreement would be the most important consideration, and a fixed rate would be easier to explain to project investors and underwriters.

<p><i>Preference for options not considered.</i></p>	<p>Stakeholders wished to note a preference for options that were removed from consideration by the ARCH Board. Specifically, private developers in the work group indicated that maintaining the status quo would be preferable to making any changes. In addition, during meetings with tenant stakeholders there was a unanimous preference for setting rents based on actual tenant incomes.</p>
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ITEM 5C: Middle Housing Engagement Report

Report on Middle Housing Engagement by Community-Based Organizations (CBOs) in Bellevue, Bothell, Kenmore, Newcastle and Redmond

Background

In the 2022 legislative session, the Department of Commerce was directed to develop a grant program to support planning for the promotion of more “middle housing types”, which include duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, courtyard apartments, cottages, and stacked flats. The grants were intended to facilitate new Growth Management Act requirements aimed at expanding the inclusion of moderate density housing options within city and county Comprehensive Plans, and development of policies and regulations to address racially disparate impacts, displacement and exclusion caused by past policies and planning.

Five ARCH member cities (Bellevue, Bothell, Kenmore, Newcastle and Redmond) successfully applied for the Middle Housing planning grants, which included \$20,000 per jurisdiction for subcontracting with community-based organizations (CBOs). CBO partnerships were intended to support outreach to populations that have not historically participated in public planning processes, or who have been disparately impacted by past planning and zoning policies and practices. The five cities decided to pool CBO-related funds through ARCH, in part because many CBOs operate across jurisdictional boundaries, but also for efficiency purposes and to reduce contracting barriers. A Memorandum of Agreement (MOA) was executed by the five cities to facilitate this cost-sharing, and in January, the Board approved accepting these funds through a budget amendment action.

Since January, ARCH and city staff conducted outreach to a range of CBOs, and invited proposals for groups of CBOs to respond to the opportunity. Eastside for All (EFA) was selected as the lead CBO, with thirteen other CBOs joining as partners, including:

- Africans on the Eastside
- BizDiversity
- Brazilian Community Services
- Hopelink
- Immigrant Women's Community Center
- Indian American Community Services
- Islamic Center of Bothell
- King County Promotores Network
- Larissa Chuprina
- Pride Across the Bridge
- Team TEAD
- United Hub
- YES, Latine Youth & Family Services, Community-Based Program

The combined efforts of these organizations are summarized in a [Middle Housing Engagement Report](#), which provides data and narrative input from roughly 650 participants who were convened by trusted community partners to learn about middle

housing and then complete survey questions about their housing experiences and needs, and their views of middle housing. EFA worked with several partners to co-design the process, crafting a survey and presentation that was translated into Spanish, Russian, Chinese, Portuguese, Japanese, Hindi, Arabic, Vietnamese and Korean. Approximately 44% of the submitted surveys were ultimately completed in languages other than English.

More information about the process and results can be found in the report. Staff from Eastside for All and select CBO partners will also be in attendance at the July Board meeting to share more about their work on the project, including methods of engagement and how these practices could be applied in future planning processes. This information is particularly timely as jurisdictions take up Comprehensive Plan updates and code amendments to comply with recent State mandates on middle housing.

Staff Recommendation

N/A

Attachments

1. Missing Middle Housing: Tell Your City, Engagement Report for A Regional Coalition for Housing and East King County Partner Cities (June 2023)

Missing Middle Housing: Tell Your City

Engagement Report for A Regional Coalition for Housing and East King County Partner Cities

June 2023



Partner Cities:
Bellevue
Bothell
Kenmore
Newcastle
Redmond

“Affordable housing feels impossible to find, especially when you are a single-income household. Whatever is affordable is far away from work or family and friends and is simply not where I want to live. I want to be able to have the option to stay in East King County but the price of living is too high for what I earn.”

-18-25-year-old Redmond worker who lives in another city in King County (English speaker)

Community Voices: About this Report

Community members and city leaders alike recognize that King County, like many urban, suburban, and rural counties throughout the United States, faces a major crisis in affordable housing. Too many residents struggle with housing security, cost burden, and displacement from the communities in which they work, shop, and send their kids to school. The five East King County cities that commissioned this report – Bellevue, Bothell, Kenmore, Newcastle, and Redmond – know that the historical approach to housing must change. Driven by market forces and with a heavy focus on single-family housing, this approach tends to exclude BIPOC and low-income community members. Cities must invest in new housing options to retain their residents and workers and to thrive.

This report summarizes a concerted effort to engage people in the five Partner Cities who have historically been excluded from decision-making about housing policies. People from a wide range of ethnic and social communities came together to learn about *middle housing* (housing options more dense than single-family homes, but less dense than multi-story apartments) in meetings convened by trusted community organizations. Individuals from 651 households shared their personal experiences, responding to questions and providing detailed comments in English and five other languages.

Many of these participants were homeowners (40%) and/or business owners (15%). And many were struggling to afford to keep their housing within the East King County communities they preferred.

Some of the participants in this process could imagine themselves in middle housing. And some might have been unable to look past the urgent need for housing help right now, to the construction of moderate-income units perhaps many years in the future.

Almost half (46%) of participants had already been displaced at least once due to the high costs of housing. The voices of others previously displaced from the Partner Cities, and perhaps the region as a whole, are absent from this report, but deserve the consideration of its readers.

As the Partner Cities continue their planning and partnership with community members, they must listen for answers to questions both asked and unasked, and facilitate a balanced landscape of housing welcoming to all.

“Esta es la primer vez que se me pregunta sobre esto. En mi comunidad no conozco a nadie que haya hablado con ningún representante de la ciudad. Estos procesos son muy importantes y deberíamos de tener mejores formas de comunicación, especialmente si se trata de asuntos relacionados al futuro de nuestras familias y comunidades emigrantes.

This is the first time I have been asked about this. I don't know anyone in my community who has spoken to any city representative. These processes are very important, and we should have better ways of communication, especially when it comes to issues related to the future of our immigrant families and communities.”

- 46-55-year-old employed Newcastle renter (Spanish speaker)

Background

A Regional Coalition for Housing (ARCH) is a partnership of King County government and East King County Cities working to preserve and increase the supply of housing for low- and moderate-income households in the region. In 2022, five of ARCH’s member cities (Bellevue, Bothell, Kenmore, Newcastle, and Redmond, collectively the “Partner Cities”) initiated a series of planning processes to explore expanding the types of housing (collectively known as “middle housing”) that may be built in neighborhoods that currently allow only single-family or low-density residential housing types. At the same time, each city is conducting a racial equity analysis to address displacement of very low-, low- or moderate-income households, and/or individuals from racial, ethnic, and religious communities that have been subject to discriminatory housing policies in the past.

The Partner Cities were interested in hearing about displacement and affordability concerns, preferred housing types/locations, and other input to inform planning and policy decisions.

As part of these planning processes, the Partner Cities provided funding through ARCH to contract with Eastside For All to assist with engaging underrepresented populations whose voices and perspectives have not historically been part of public planning processes in East King County.

Such populations may include, but are not limited to:

- Renters
- BIPOC (Black, Indigenous, and other people of color) individuals, families and communities
- Immigrant and non-English-speaking communities, including cultural communities from the top-spoken languages in East King County
- Low-, very low- and moderate-income persons, including people who work in East King County but live elsewhere
- People with disabilities
- Religious minority communities
- People experiencing housing instability and homelessness

A detailed methodology of this engagement is provided in Appendix A: Methodology.



Middle Housing

Middle housing refers to a range of housing types that are compatible in scale, form, and character with single-family houses but offer more *housing density* (see right) than single-family homes. The term “missing middle” describes the relative lack of this type of housing in many American communities. Common types of middle housing include:

- **Duplexes, triplexes, fourplexes, fiveplexes, or sixplexes.** These buildings contain between two and six separate living units. On the outside, they sometimes look like single-family homes and sometimes look like small apartment buildings.
- **Townhouses.** These buildings are at least two stories tall and include three or more separate living units that share at least one wall.
- **Accessory Dwelling Unit (ADU or DADU) or backyard cottage.** This is a living unit that is added to the same lot as a single-family home. These can be either attached to a single-family home (such as an addition that shares walls or a developed second story with a separate entrance) or detached (i.e., a separate structure).
- **Garden style apartments, courtyard apartments, or cottage housing.** These living units may or may not share common walls and are arranged around a shared garden or courtyard.
- **Stacked flats.** These living units each span a single story of a multifamily building of up to three stories, with each unit having windows on all sides of the building and its own front door.

Exhibit 1 illustrates some examples of middle housing.

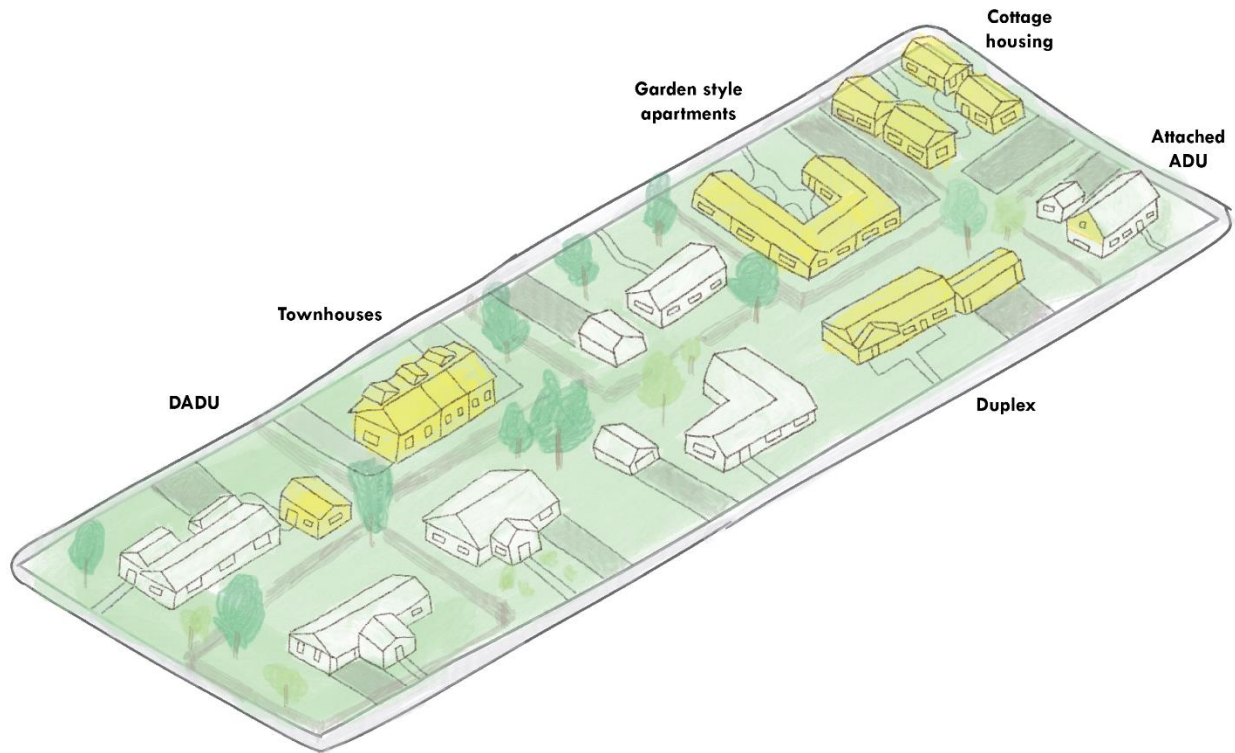
In 2023, [a new law](#) passed in Washington state that will allow many types of missing middle housing throughout many cities in the state, including in neighborhoods that have historically only allowed single-family homes, making the public engagement and review conducted by the Partner Cities especially timely and relevant. The law also removes off-street parking requirements for development of middle housing within a 1/2-mile walk of a major transit stop. The law comes into effect on July 23, 2023 and offers different types of zoning by city size.

- **Cities with at least 75,000 residents.** All residential lots will be zoned to allow two or more units. Residential lots that are within a 1/4-mile walk of a major transit stop or that include at least two affordable housing units will be zoned to allow six or more units.
- **Cities with between 25,000 and 74,999 residents.** All residential lots will be zoned to allow two or more units. Residential lots that are within a 1/4-mile walk of a major transit stop or that include at least one affordable housing unit will be zoned to allow four or more units.
- **Cities with fewer than 25,000 residents.** If the city is within a continuous urban growth area with another city that is the largest in a county of at least 275,000 residents, then all residential lots will be zoned to allow two or more units.

This law defines “affordable housing” as affordable to households with incomes at 60% of area median income (AMI) for rental units and 80% of AMI for ownership. Cities can alternatively comply by ensuring that three-quarters of lots allow the densities described above, with the remaining one-quarter of lots including environmentally critical areas that have not previously had any exclusionary covenants.

Housing density describes the number of individual housing units within a given amount of space: a higher housing density means that there are more housing units in an area. Large apartment buildings are examples of high housing density, while single-family homes, which often have space-consuming features like yards, driveways, and/or garages, are typically examples of low housing density.

Exhibit 1. Examples of Middle Housing



Source: BERK, 2023.

About Eastside For All

[Eastside For All](#) (EFA) is a nonprofit organization founded in 2019 to advance racial equity and social justice in East King County. EFA organizes and mobilizes within communities of color and immigrant communities who are most impacted by racial disparities and inequities.

EFA provides training and consultation to city partners, school districts, King County departments, and other large institutions on co-creation frameworks for public participation and decision-making. One of EFA's core priorities is housing justice.



Outreach Approach and Planning

Together with trusted partners, EFA connected with impacted community members and leaders in Bellevue, Bothell, Kenmore, Newcastle, and Redmond. This work was designed and implemented using racial and cultural equity approaches to ensure broad participation among the populations prioritized by ARCH for the outreach project.

In collaboration with ARCH and Partner Cities, EFA coordinated drafting the format, process, and materials needed for community engagement activities, the translation of materials, and the development of data/input collection tools. A subset of community-based organizations were essential advisors in the co-development of background materials, survey questions, review of translations, and other engagement design aspects. Preparation and onboarding with community-based organizations took place throughout the month of March and into early April 2023.

Engagement via community events, small group conversations, and individual meetings took place from April to May 2023. Each organization was encouraged to conduct outreach in ways that best suited their communities. Although people were able to fill out the survey without other engagement, the focus was on gathering input as part of individual and group conversations where people could ask questions, share their experiences more fully, and be supported when housing issues were raised.

The final report was prepared by [BERK Consulting](#), a public sector consulting firm in Seattle, summarizing data collected by community-based partners and compiled by EFA.

An important aspect of this work will be following up with all the communities who participated. In addition to sending the summary report to participants and partners, EFA will work with ARCH and the Partner Cities to provide updates on how the communities' input was applied, next steps, and other ways for community members to be involved. These community gatherings will launch in the summer and are intended to support bridge-building and ongoing relationships between cities and communities.

Community-Based Partners

The community-based organizations that engaged with Eastside For All (EFA) as partners include the following:

- [Africans on the Eastside](#)
- [BizDiversity](#)
- [Brazilian Community Services](#)
- [Hopelink](#)
- [Immigrant Women's Community Center](#)
- [Indian American Community Services](#)
- [Islamic Center of Bothell](#)
- [King County Promotores Network](#)
- [Larissa Chuprina](#)
- [Pride Across the Bridge](#)
- [Team TEAD](#)
- [United Hub](#)
- [YES, Latine Youth & Family Services, Community-Based Programs](#)

Information and invitations to participate were also sent by the Partner Cities, posted on EFA's website, and shared with additional groups, organizations, and at events.

It is important to acknowledge the organizations and leaders who contributed their time, energy, and expertise to this initiative. It is also important to acknowledge that there are many more community-based organizations and groups that were invited but could not participate or did not respond. Many of our community members are struggling to meet basic needs, cope with mental health issues, and navigate other stressors. Local organizations are lifelines are helping community members address a range of critical needs. Although they have a strong interest in housing justice, and often advocate in other ways, they do not have the time to add an outreach project like this to the many priorities they are focused on.

Community Participants

This section provides an overview of the characteristics of attendees of community meetings and other survey respondents (broadly called participants throughout the report).

About three-quarters of all participants lived in the five Partner Cities, with just a small percentage (4%) outside of King County. Exhibit 2 shows the detailed distribution, with the highest number of participants (228) in Bellevue, and the smallest number among the Partner Cities in Newcastle (26, or 4%). While this project identified participants by their current city of residence (and also asked about work location, discussed in the Employment subsection of the section Our Experiences, Our Stories), some of the people most impacted by housing cost burden may already have been displaced from the Partner Cities, and may have been unavailable to participate due to this impact.

Exhibit 2. Geographic Distribution by City of Residence

Q: What city do you live in?

City / Geography	Number of Participants	Percentage
Bellevue	228	35%
Bothell	99	15%
Kenmore	40	6%
Newcastle	26	4%
Redmond	101	16%
Seattle	21	3%
Other in King County	109	17%
Outside of King County	27	4%
Grand Total	651	100%

Source: Eastside For All, 2023.

Through the community-based partners, this project sought to engage a broad range of people of color who live or work in the Partner Cities. Exhibit 3 shows the distribution of racial categories with which participants identified. The largest number of responses (198, or 30% of responses) identified the participant as Latino/Hispanic, followed by East Asian (127 responses) and White/Non-Hispanic (113 responses). However, these categories may be overlapping, given the choices provided (“mix race” as well as other categories which are non-exclusive).

Exhibit 3. Self-Identified Race(s)/Ethnicit(ies) of Participants

Q: (Optional) Race/Ethnicity (check all that apply for mixed race/ethnicity)

Race/Ethnicity	Number of Participants Self-Identifying in Category
African	54
Arab or North African	21
Black/African-American (U.S. born)	28
East Asian	127
Eastern European	12
Indigenous, Native Alaskan	8
Latino/Hispanic	198
Mix Race	34
Native Hawaiian or Pacific Islander	1
South Asian	41
Southeast Asian	24
Western European	7
White, non-Hispanic	113
Grand Total	668

Note: There were 551 individual respondents to this question. Respondents could select all answers that apply, so the total number of responses is higher (668) than the number of respondents.

Source: Eastside For All, 2023.

“Надо помочь старшему поколению оставаться в своих домах и их делить с другими семьями.

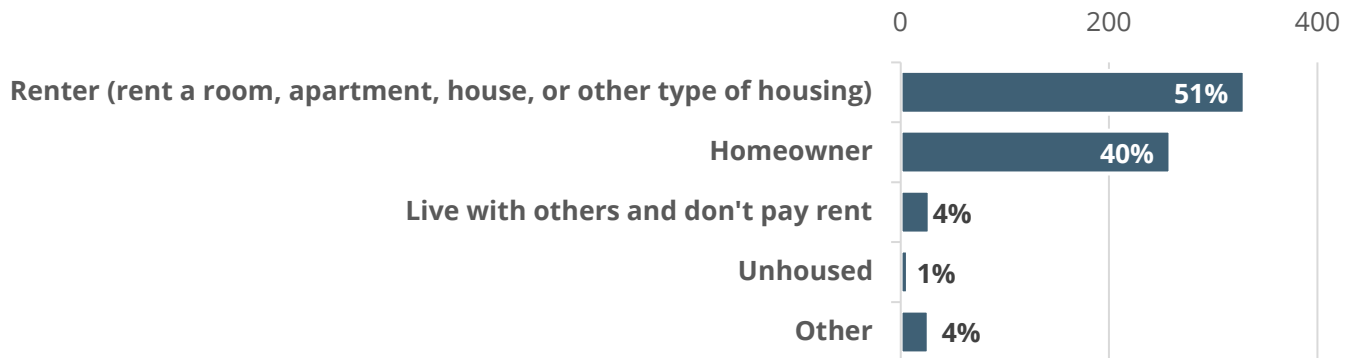
There is a need to help the older generation to stay in their homes and share them with other families.”

- Self-employed homeowner who commutes to Bellevue, Bothell, and Redmond (Russian speaker)

Exhibit 4 shows the situation in which respondents currently live (sometimes known as “housing tenure”). Slightly more than half of respondents (51%) currently rent their housing and 40% are homeowners. The remaining respondents live with others without paying rent or live in other housing types including manufactured homes (commonly called mobile homes) and transitional housing. One percent of respondents (seven people) are unhoused.

Exhibit 4. Housing Situation

Q: “Are you currently...” [with response options as noted]

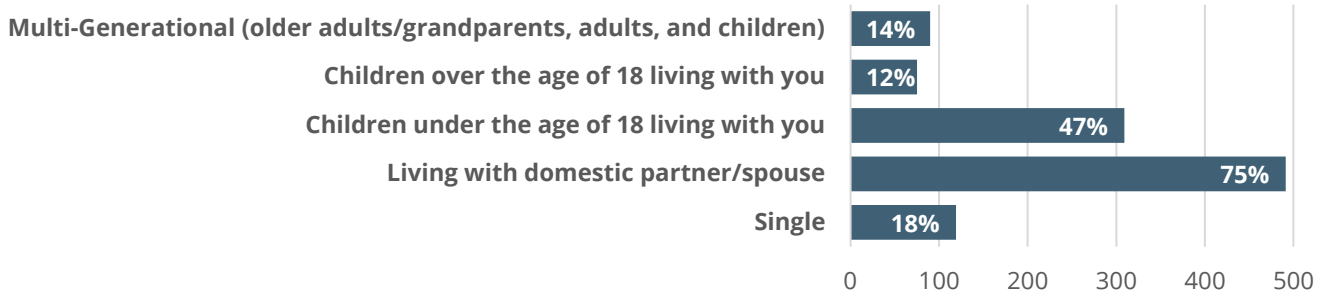


Note: 651 respondents.
Source: Eastside For All, 2023.

Exhibit 5 shows that three-quarters of participants lived with spouses or partners, and almost half (47%) had children under 18 living in their households. However, nearly one in five (18%) lived alone. The question did not include an option for living with roommates or “other,” so this percentage is unknown.

Exhibit 5. Household Composition

Q: "Please describe your household. Check all that apply."

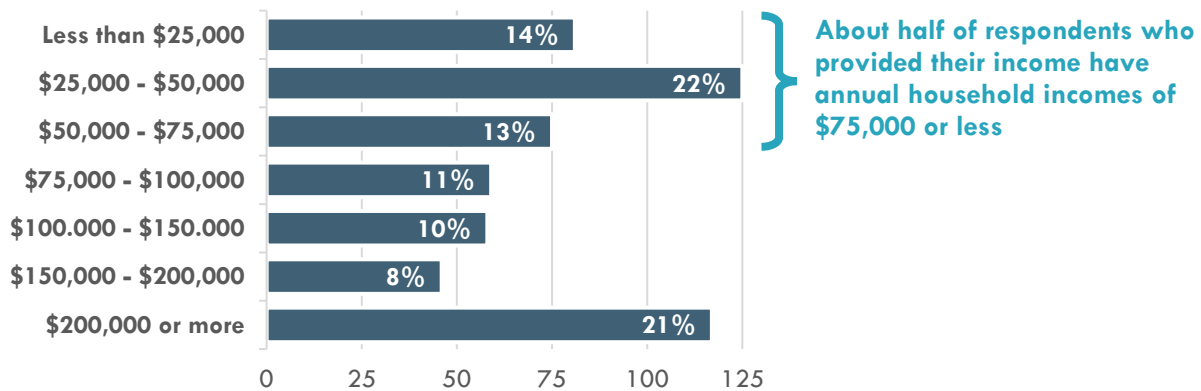


Note: 651 respondents.
Source: Eastside For All, 2023.

When asked about household income, as shown in Exhibit 6, 1 in 7 (14%) of participants said they were not sure or preferred not to answer. Of the 561 participants who did provide a household income, half (281 people) said that their income was \$75,000 or less. One in five said that their household income was higher than \$200,000.

Exhibit 6. Household Income

Q: "What is your annual household income level? (Counting all those who work)"



Note: 561 respondents provided household income. 90 respondents selected "Not sure or prefer not to answer."
Source: Eastside For All, 2023.

"Tired of you ... tearing down historical things in cities, to build homes that people that have helped the community and have lived there for years can't afford. You are taking away [the] culture of cities to put [in] insanely high priced houses."

-18-25 year old employed renter who commutes to Bellevue, Bothell, Redmond, and Kenmore (English speaker)

Our Experiences, Our Stories

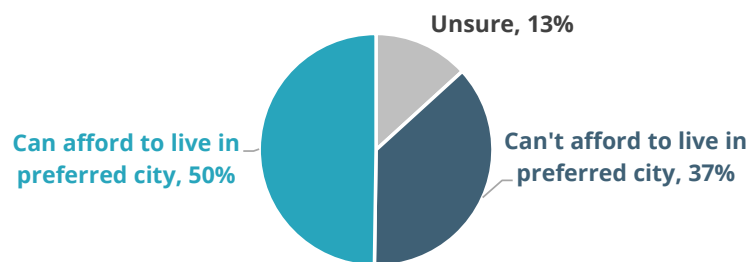


Current and Preferred Housing

Exhibit 7 shows how participants felt about whether they can afford to live in their preferred city. Half of respondents (50%) reported that they can afford to live in their preferred city, while over one-third (37%) reported that they cannot. The rest (one in eight respondents) were unsure of whether they can afford to live in their preferred city. Notably, the survey and community meetings primarily engaged residents and workers in Partner Cities, rather than people who may have already been displaced to locations outside of those cities.

Exhibit 7. Perceived Ability to Afford to Live in Preferred City

Q: "Are you able to afford to live in the city you want to live in?"

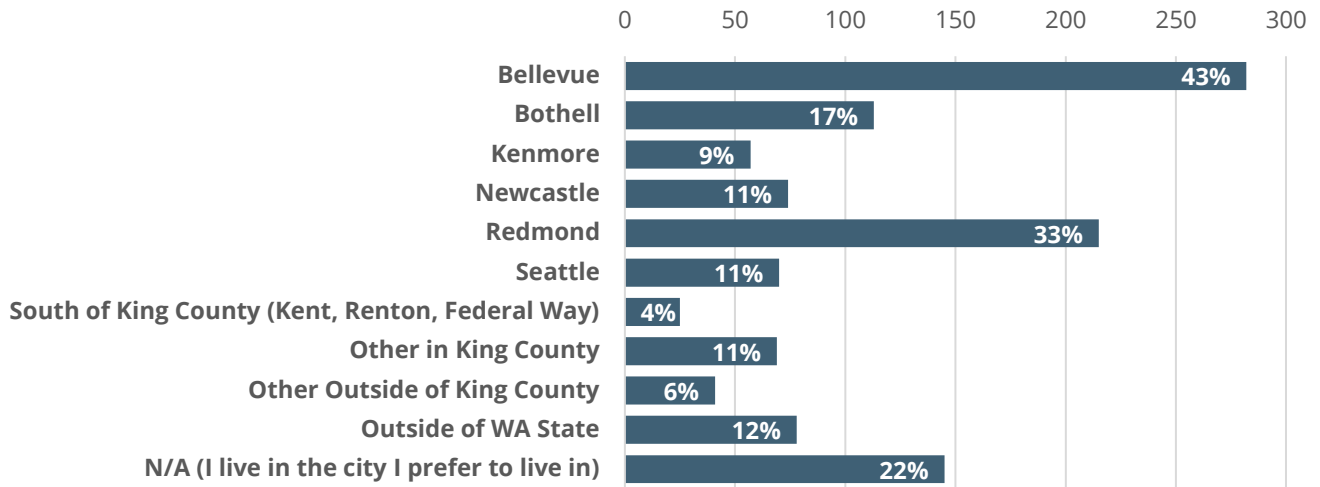


Note: 651 respondents.
Source: Eastside For All, 2023.

Exhibit 8 shows the cities in which participants would like to live if they could afford to do so. The largest proportions of respondents would want to live in Bellevue (43%) and/or Redmond (33%). One in five respondents (22%) reported that they currently live in their preferred city.

Exhibit 8. Preferred Cities to Live In

Q: "If you could afford to live in a different city, where would you like to live? Check as many cities/regions as you want."



Note: 651 respondents. Percentages do not sum to 100% because respondents could select multiple options.

Source: Eastside For All, 2023.

“Eu trabalho todos os dias na região de Kirkland mais os altos preços me fazer ter que dirigir muito todos os dias, diminuindo assim o meu tempo de qualidade com minha família.

I work every day in the Kirkland area but the high prices make me have to drive a lot every day, decreasing my quality time with my family.”

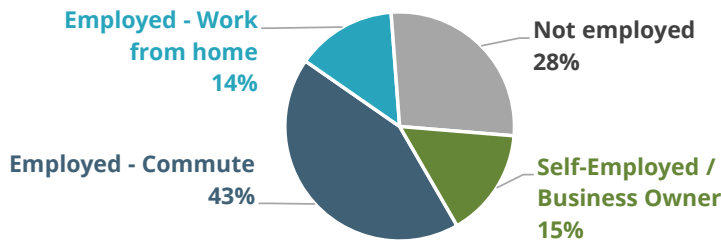
- Self-employed 26-35 year old who would like to live in Redmond (currently commutes to multiple Eastside cities, Portuguese speaker)

Employment

Exhibit 9 shows participants' employment status. Nearly three-quarters (72%) of respondents are employed, including in a location other than their home (43%), working from home (14%), or with self-employment or business ownership (15%). Slightly more than one-quarter (28%) of respondents are not employed.

Exhibit 9. Employment Status

Q: "Employment"

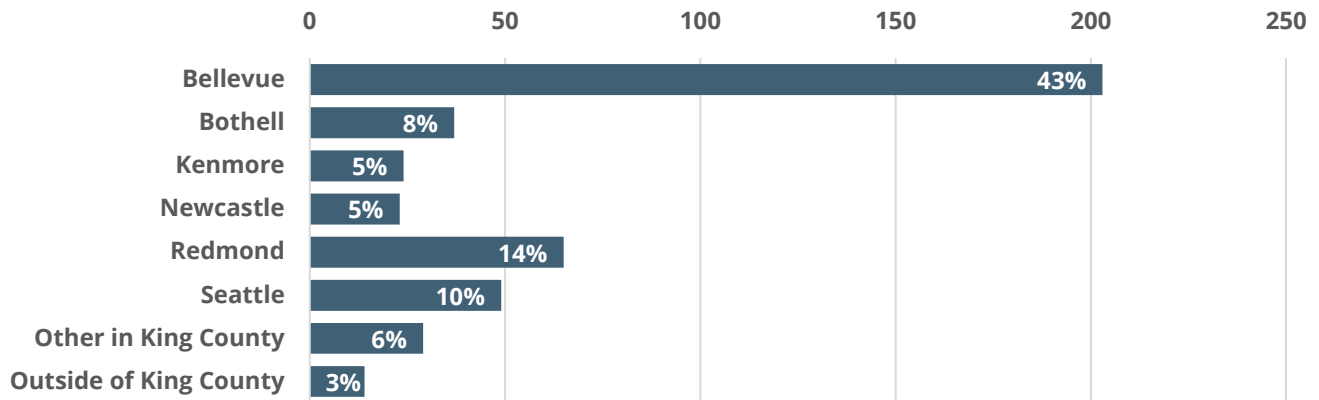


Note: 651 respondents.
Source: Eastside For All, 2023.

Exhibit 10 shows the locations to which participants who work in a location outside of their home commute to work. The largest proportion of respondents (43%) commute to Bellevue, and the next highest proportion of respondents (14%) commute to Redmond. This aligns with participants' preferred cities of residence as shown in Exhibit 8.

Exhibit 10. Locations of Employment

Q: "If you are employed and you commute to work, what city do you work in? Check all that apply."



Note: 467 respondents. Percentages do not sum to 100% because respondents could select multiple options.
Source: Eastside For All, 2023.

"We are [a] hardworking family and it pains me to say that we still can't afford to buy a house in the place we want to live in because of the outrageously high housing markets."

- 26-35 year old, employed Bothell renter (English speaker)

Middle Housing: Aspirations and Preferences

The survey presented respondents with sample price ranges from Zillow to rent and own middle housing versus a single-family home, as shown in Exhibit 11. The survey then then asked participants if they thought they would be able to afford middle housing, given these price ranges, shown in Exhibit 12.

Exhibit 11. Zillow Cost Estimates for Rental and Ownership of Single-Family Homes and Middle Housing

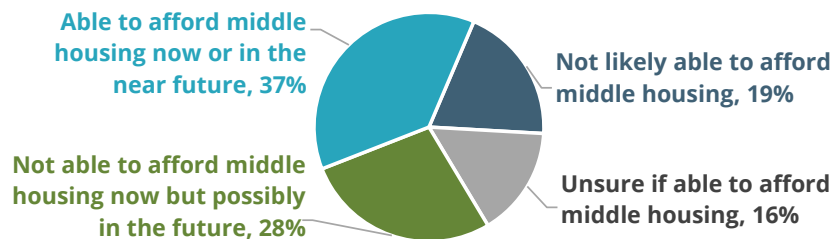
	Estimated Rent Range			Estimated Cost to Own Range		
	Minimum	Maximum	Median	Minimum	Maximum	Median
Single-family Home	\$1,995	\$9,800	\$4,725	\$824,000	\$9,850,000	\$2,662,500
Middle Housing	\$2,200	\$4,600	\$3,593	\$510,000	\$980,000	\$732,000

Source: Zillow, April 2023.

Exhibit 12 shows that more than one-third (37%) of respondents thought that they could afford to rent or own middle housing now or in the near future and more than one-quarter (28%) reported that they could not afford middle housing now but that they possibly could in the future. One in five respondents (19%) reported that it is not likely that they could afford to rent or own middle housing and one in six (16%) were unsure.

Exhibit 12. Perceived Likelihood of Being Able to Afford Middle Housing for Themselves

Q: “Considering the above price ranges to rent or own middle housing, would middle housing be affordable for you?”



Note: 651 respondents.

Source: Eastside For All, 2023.

“No middle housing please in our Newcastle neighborhoods.”

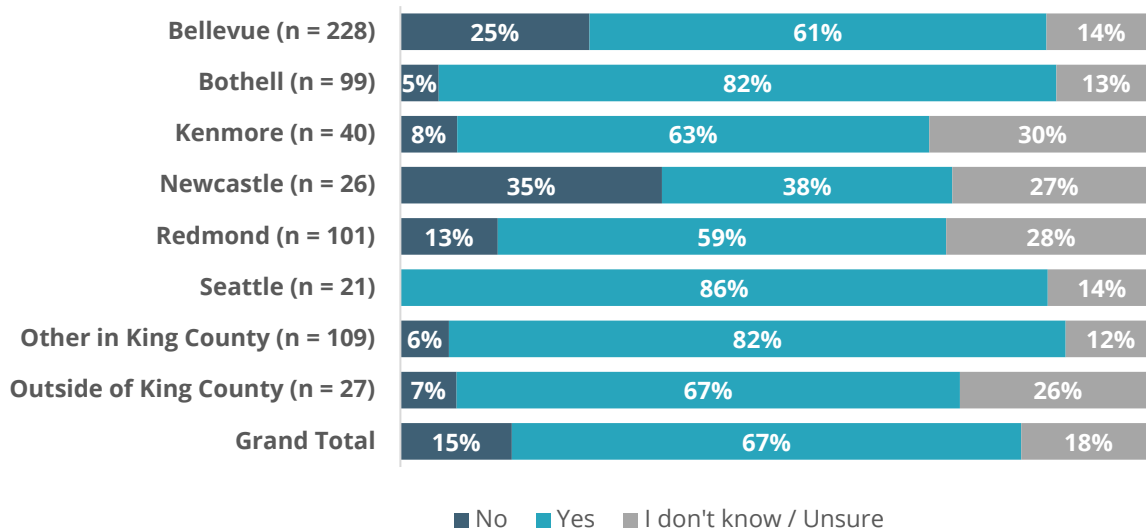
- 45-54-year-old employed Newcastle home owner (English speaker)

Across all participants, two-thirds (67%) expressed support for having middle housing options in their city; 15% did not support middle housing options, while the rest (18%) were unsure.

Exhibit 13 shows the support by city of residence. Among residents in Partner Cities, support was lowest in Newcastle (38%) and highest in Bothell (82%), and hovered around 60% in the other three Partner Cities.

Exhibit 13. Support for Middle Housing by City of Residence

Q: “Do you support having Middle Housing options in your city even if you may not be able to afford it?”



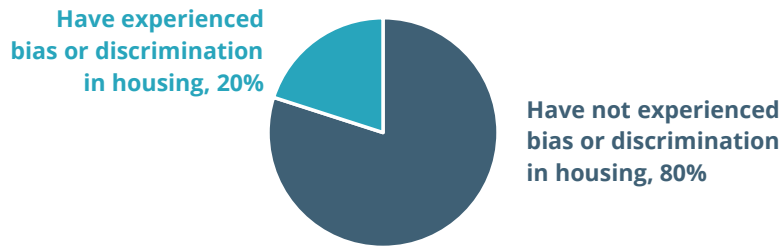
Note: 651 respondents. “n” refers to the number of people who responded in the category shown to the left, for example, 228 Bothell residents.

Source: Eastside For All, 2023.

Exhibit 14 shows that one in five respondents had previously experienced discrimination in housing. These experiences may cause distrust of authorities that guide or enforce housing policy, and make respondents less likely to expect that middle housing would be accessible to them, whether or not they could afford it.

Exhibit 14. Experiences with Bias or Discrimination in Housing

Q: “(Optional) Have you or someone in your household experienced bias or discrimination in housing?”

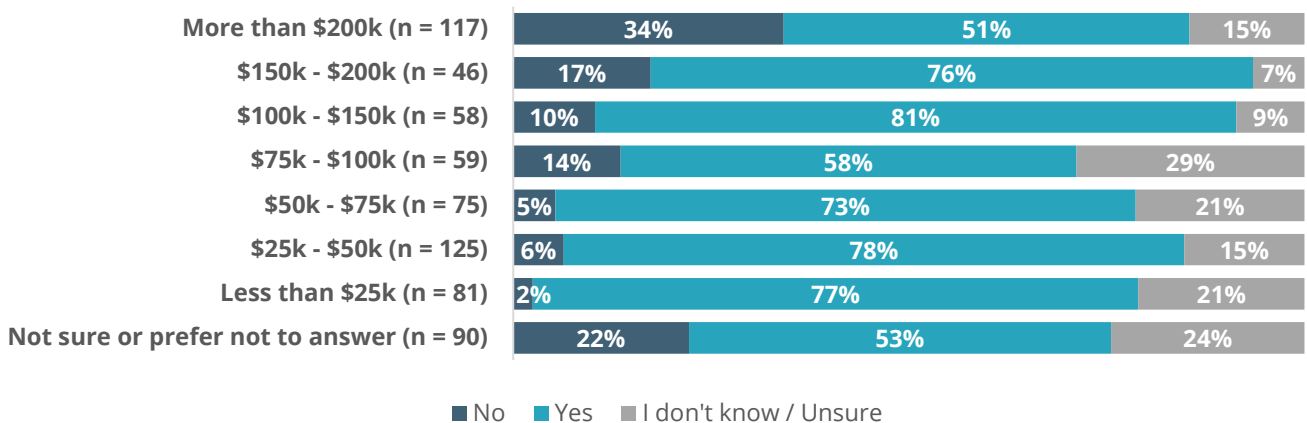


Note: 584 Respondents
Source: Eastside For All, 2023.

Participants also showed support for middle housing across all income levels, as shown in Exhibit 15. Support was lower at the highest income level (51% of households with incomes above \$200,000 supported middle housing options) but was only 58% among households with incomes between \$50,000 and \$75,000, and was 53% among people who preferred not to answer. Eastside For All believes that some participants may have responded not supporting middle housing because they think of it as competing with the need for affordable housing for people at lower income levels.

Exhibit 15. Support for Middle Housing by Income Level

Q: “Do you support having Middle Housing options in your city even if you may not be able to afford it?”



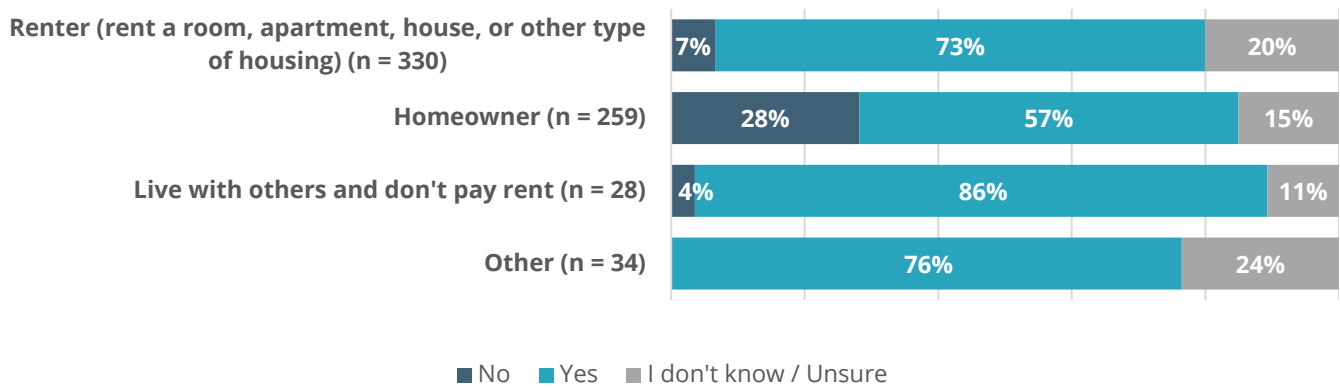
Note: 651 Respondents
Source: Eastside For All, 2023.

“Bellevue is really amazing but extremely expensive. Is a great place but not accessible for most of the community around. To live there you must have a very good income and prove you are very financially stable, otherwise almost not possible.”

- 18-25 year old self-employed Bellevue renter (English speaker)

As shown in Exhibit 16, respondents who owned their homes were less likely to support middle housing (57% supporting) than others. Almost three-quarters of renters (73%) and even higher proportions of people living with others without paying rent or in other housing situations (including being unhoused) supported middle housing.

Exhibit 16. Support for Middle Housing by Current Housing Situation



Note: 651 Respondents
Source: Eastside For All, 2023.

There was broad support for middle housing across self-identified racial categories, although the limited number of respondents of some ethnicities and races make this data less reliable. More detail is available in Appendix

B. Full Results.

Business Owner Experience

Because the BIPOC communities engaged through this project include many small business owners (15% of participants), EASTSIDE FOR ALL and its partners sought information from their unique perspective. The survey provided instructions that asked only business owners to respond to the questions shown in this section.

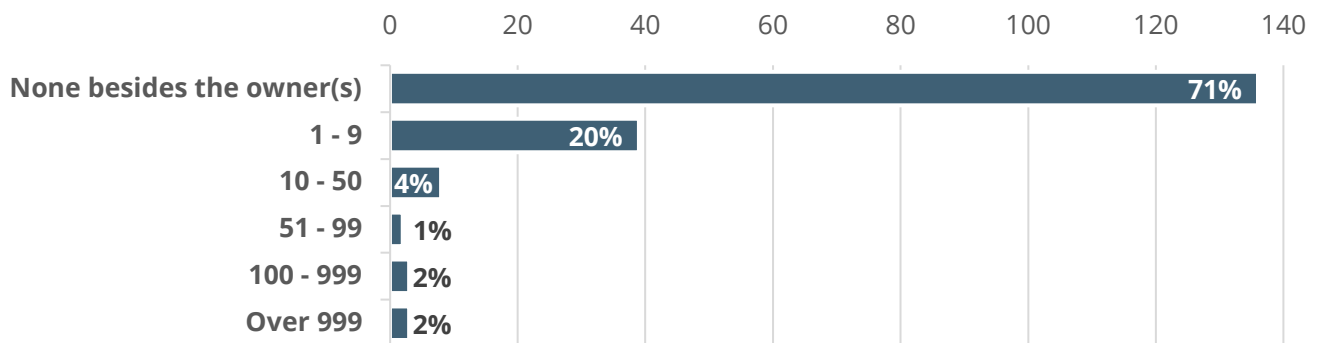
Exhibit 17 shows the number of employees at respondents' businesses. Nearly three-quarters (71%) of respondents are the sole employee at their businesses. One in five respondents (20%) have between one and nine employees, and the remaining 5% of business owner respondents have 10 or more employees. These limited numbers of employer respondents suggest that Partner Cities should use caution in relying on this data to guide decision-making.

"Housing is becoming more and more expensive. I am afraid the younger generations cannot afford to buy their own house at all. We need a change."

- 46-55 year old self-employed Redmond business owner, home owner (English speaker)

Exhibit 17. Number of Employees at Respondents' Businesses

Q: "How many employees do you have?"

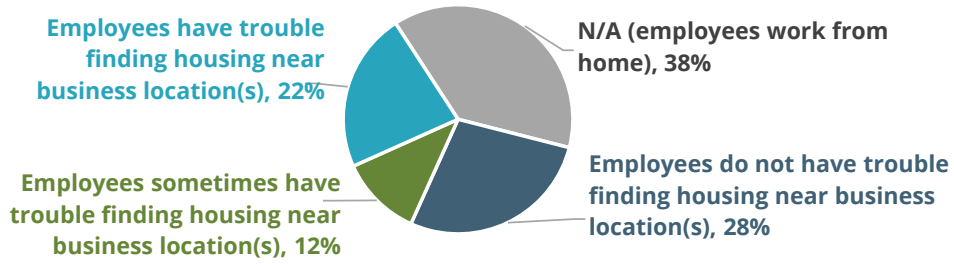


Note: 191 Respondents
Source: Eastside For All, 2023.

Exhibit 18 shows how participants assess their employees' difficulty in finding housing near their business location(s). One-third (34%) of respondents reported that their employees have trouble or sometimes have trouble finding housing near their business location(s). The remaining two-thirds of respondents reported that their employees do not have difficulty with this or work from home. There is an unexplained discrepancy in the number of people who responded to this question (173) given that only 55 people reported having employees besides themselves in the previous question (as shown in Exhibit 17).

Exhibit 18. Employer Assessment of Employee Difficulty Finding Housing Near their Business Locations

Q: “Do your employees have trouble finding housing near your business location(s)?”



Note: 173 Respondents
Source: Eastside For All, 2023.

“Me siento muy frustrada, preocupada y triste. Necesitamos precios accesibles para personas de bajos recursos.”

I feel very frustrated, worried and sad. We need affordable prices for low-income people.”

- 36–45-year-old employed Bellevue renter (Spanish speaker)



Reflecting Community Priorities

ARCH and Partner Cities have taken meaningful steps to equitably involve community members in housing policymaking. ARCH and Partner Cities have engaged with a broad cross-section of community members to shape housing policy and investment at the local level, and have conducted racial equity analysis to address displacement of lower-income households from communities that have historically been subject to discriminatory housing policies. Nonetheless, there are still significant barriers to meaningful participation in this work for populations whose voices and perspectives have not historically been a part of public planning processes in East King County.

As noted in the Background section above, despite a strong interest in housing justice, many members of these underrepresented communities are struggling with basic needs and do not have the time to add an outreach project like this to the many priorities they are focused on. For these same reasons, middle housing can seem unattainable to many lower-income households. For the many residents in our communities struggling with housing cost burden and housing insecurity, it may be hard to form meaningful opinions about new housing production, even for units costing less than traditional single-family homes. Future townhouses and duplexes can seem far off to people in a housing crisis.

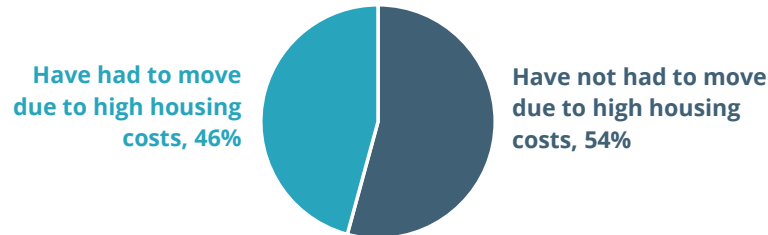
This section describes respondents' experience with displacement and highlights their homeownership aspirations and hopes for themselves.

Displacement

Exhibit 19 shows the proportion of respondents who have previously had to move due to the high costs of renting or owning a home. Nearly half (46%) of respondents have had to move due to high housing costs.

Exhibit 19. Prior Displacement due to Housing Affordability

Q: “Have you had to move because of the high costs of renting and/or owning a home?”



Note: 651 Respondents
Source: Eastside For All, 2023.

“住宅增加，人口稠密，也许会给交通、治安和教育带来一些麻烦

The increase in housing and population density may indeed bring about some challenges in terms of transportation, public safety, and education.”

- 56–65-year-old employed Bellevue homeowner (Chinese speaker)

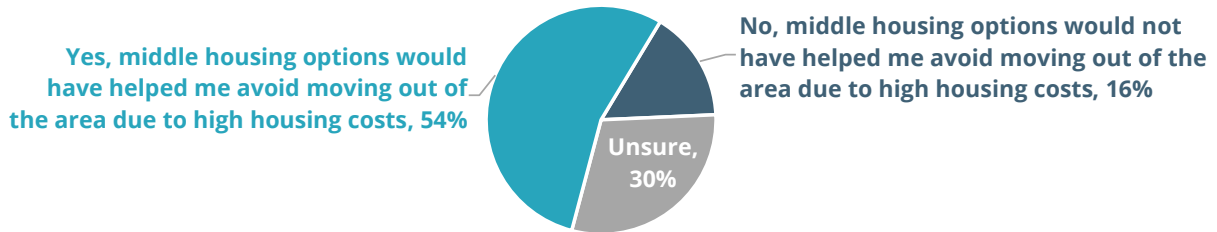
Exhibit 20 shows whether respondents thought more middle housing options could have prevented their displacement. Notably, 523 survey participants responded to this question, while only 298 participants reported that they had previously had to move due to high housing costs in response to the question shown in Exhibit 19. More than half (54%) of the 523 respondents reported that the availability of more middle housing options would have helped them stay in the area, while one-third (30%) were unsure. One in six respondents (16%) noted that middle housing options would not have helped them stay in the area during prior displacement events.

“I dislike your housing policies. These cost-reducing middle housing options are simply exacerbating factors like traffic congestion and community insecurity.”

- 36-54-year-old self-employed Bothell homeowner (English speaker)

Exhibit 20. Can Middle Housing Options Help Residents Avoid Displacement?

Q: “(Optional) If in the past you had to move for financial reasons, would more Middle Housing options have helped you stay in the area?”



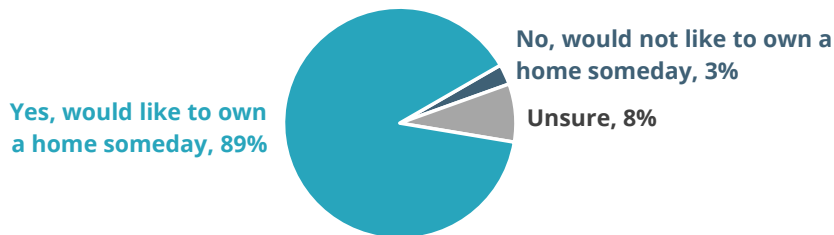
Note: 523 Respondents
Source: Eastside For All, 2023.

Housing Aspirations and Interest

While many of the people who provided input have experienced displacement or other challenges with basic housing affordability, they largely do aspire to own homes. Exhibit 21 shows that among those who did not respond that they already owned a home, almost 90% of respondents said that they would like to own a home someday. (Since only 195 respondents to this question said that they already owned a home, versus 259 who said that they were homeowners in Exhibit 4, some homeowners must have said that they were unsure, would, or would not like to own a home someday if it is financially possible.)

Exhibit 21. Homeownership Status and Aspirations

Q: “Would you like to own a home someday if it is financially possible?”

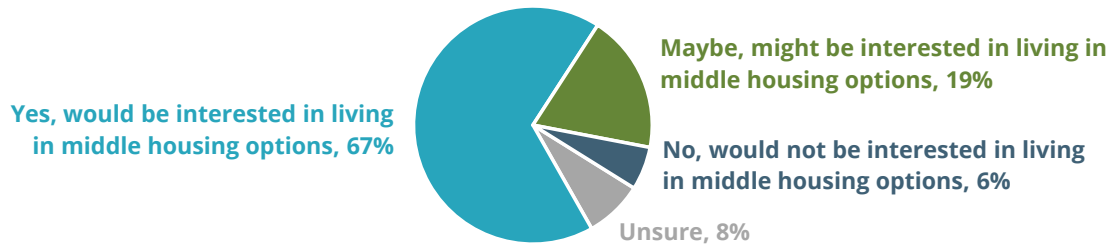


Note: 456 Respondents. An additional 195 respondents indicated they already own a home.
Source: Eastside For All, 2023.

Given descriptions of middle housing types (see Background) and estimated cost ranges for middle housing (see Exhibit 11. Zillow Cost Estimates for Rental and Ownership of Single-Family Homes and Middle Housing), participants were asked if they would be interested in middle housing *if it was affordable to them*. Exhibit 22 shows the responses from people who did not say that they already own a home. While two-thirds said that they would be interested in middle housing, it’s important to reflect on how this is qualified. Nearly 300 of 651 respondents said they had experienced displacement due to high housing costs. For these and other people under significant financial pressure simply to stay in their current housing, even homeownership of lower-cost middle housing might be too high to be affordable.

Exhibit 22. Interest in Middle Housing Among Non-Homeowners

Q: “If these types of middle housing options would be affordable to you, would you be interested in them for your home?”



Note: 392 Respondents. An additional 259 participants said that they were already homeowners. “These types” refer to middle housing examples provided in the survey, as described in the Background and in Exhibit 12.
Source: Eastside For All, 2023.

“No conozco los líderes de mi ciudad y la mera verdad no sé si este tema se toque con ellos.”

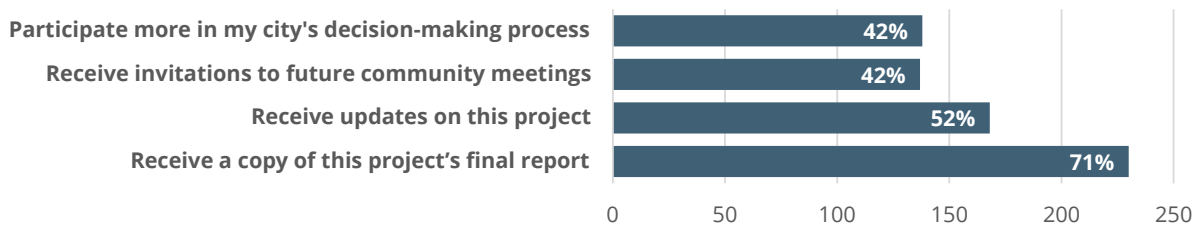
I do not know the leaders of my city, and to be truthful I don't know if this issue is something they deal with.”

- 36–45-year-old employed Bellevue renter (Spanish speaker)

This was the first time some participants were asked about the topic of housing, and others said that they didn't know whether their city leaders cared about this topic. Almost three-quarters (71%) asked to receive a copy of the report, but a smaller percentage (just 42%) expressed interest in participating more in their city's decision-making process or receiving invitations to future community meetings. One possible explanation for this discrepancy is the need to connect more concretely with participants on their priorities: to reflect their contributions in city policies, and to build further trust.

Exhibit 23. Interest in Further Engagement about this Project

Q: “Interest in further engagement”



Note: 326 respondents. Percentages do not sum to 100% because respondents could select multiple options.
Source: Eastside For All, 2023.

Eastside For All (EFA) wishes to acknowledge ARCH and the Cities of Bellevue, Bothell, Kenmore, Newcastle, and Redmond for investing in community-based outreach efforts to ensure participation from people whose opinions are typically lacking in city forums, surveys, and other engagement efforts. Building bridges between community members and the city governments was an important desired outcome, beyond gathering input on middle housing.

By supporting and compensating each community group to co-design the process and facilitate outreach in culturally specific ways that are most relevant and meaningful, the network of organizations and leaders were successful in engaging diverse opinions and experiences. (See Appendix A, Methodology, for details on the community-centered approaches.) Trusted messengers, who share similar cultures and backgrounds to those they work with, extended personal invitations to their community members in the context of existing relationships, conversations, and priorities - as opposed to a one-time isolated outreach effort. This aligned with community-based groups' desire to have ongoing influence and impact on decision-making, with more opportunities to share their voices in their own languages and in supportive settings that nurture future civic involvement and leadership opportunities.

EFA extends deep gratitude to the community-based organizations and leaders who took time out of their many priorities to partner on this project. Their insights and guidance were essential to the project's success and most importantly, to ensuring that a broad range of community members were given the opportunity to voice their needs and suggestions for regional decision-making. Thank you to each community member who came to learn about middle housing, shared their personal experiences about the local housing crisis, and provided thoughtful input in hopes that their participation would help others or future generations, regardless of whether they would be able to personally benefit.

EFA also wishes to thank BERK Consulting, Inc. for developing the written report in a way that closely aligned with the focus and spirit of the outreach effort.

Appendices

A. Methodology

Typically, engagement efforts with cities or other large institutions do not include local community groups and leaders in the co-creation process, which often means that the first time community organizations are aware of the outreach is when they receive an email to invite their community members to a focus group or to complete a survey. While these engagement activities are often provided in other languages, the translations are not consistently vetted for accuracy and cultural meaning. The information shared in the invitations often requires community organizations to craft messaging to convey the importance of the topic and the relevance to their community members. Most organizations do not have the time or bandwidth for this work, nor are they compensated for it.

Nonprofit leaders are mindful about what they ask of their communities. Without taking part in the planning and design, many organizations are reluctant to encourage their community members to participate, not knowing what to expect, how people will be treated, who is facilitating the meeting or survey, and how their opinions will be received.

The methodology and approach sought to address these challenges by including community partners at the beginning of the process and supporting the engagement methods they recommended. While the input to ARCH and the Partner Cities about middle housing was important, the network of community-based partners emphasized the opportunity to support their communities who are struggling with housing options. They wanted to have conversations, understand how cities make decisions, and have a supportive space to share their experiences, needs, and ideas. Organization partners were encouraged to have individual and group conversations alongside sharing the survey.

Timeline and Key Activities

February 15, 2023

Eastside For All was selected as the lead organization for the outreach effort.

February 22, 2023

Initial meeting with ARCH and the Partner Cities (5 additional meetings of this group took place through May 24).

March 2023

Eastside For All contacted Eastside-based organizations who have been involved in housing issues or other community engagement projects, as well as additional organizations that may not have been involved, but serve populations that the project intended to reach. An overview of the project, including compensation information, was sent out and invitations to participate were extended to community-based organizations and local community leaders.

March-April 2023

- 21 individual and small group meetings took place with potential community-based partners to provide more details about the project including what would be expected and the desired outcomes.
- As partner organizations were identified, subcontractor agreements were prepared and finalized.
- A subgroup of the partners participated in the early co-design process, providing input on the materials about middle housing that would be most helpful for community members, identifying their desired outcomes, and drafting questions that would be best to ask of their communities.

- Eastside For All compiled the input and created an initial survey draft and presentation materials in English and Spanish. These were reviewed and edited by the subgroup.
- Updates to the English and Spanish versions were completed. The final English version of the presentation and survey was translated into Russian, Chinese, Portuguese, Japanese, Hindi, and Arabic by professional translators. The survey was also translated into Vietnamese and Korean to reach additional communities that would potentially be impacted by middle housing policies. (There are many more language and cultural groups in the region; however, without a community-based group to engage for each cultural community, the project was limited to the community's current capacity for the type of outreach required to support full engagement from participants.)
- Outreach partners vetted the translations and made corrections.
- A list of community resources related to housing was developed and translated into the primary outreach languages, to be shared with participants throughout the engagement project who needed housing help.
- The event host survey was created and shared to be completed by organizations after each event they facilitated. It captured basic information about attendees and overall themes discussed.
- Partner organizations were provided with information on how to distribute and document stipends to community members to support their participation in events. Most provided \$25 in the form of Visa gift cards.

Mid-April to May 25, 2023 (survey closed on May 25)

The bulk of the outreach activities took place following spring break and the end of Ramadan. Community-based organizations and leaders engaged in a range of outreach efforts including:

- Virtual and in person group meetings/events, either as part of existing gathering times or as additional ones.
- Individual phone calls and meetings.
- Tabling at community events.
- Sharing via social media and emails.

Outreach partners hosted 22 events with a total of 12 languages spoken at the various events. Because events were hosted in language by community-based partners – some of whom are multilingual – it was common to have events in multiple languages. Organization staff and leaders facilitated the events, which contributed to the welcoming and safe space as well as allowed each community to put the topic in context of their community's priorities.

Most events were attended by 8-15 participants; there was one large group with 98 participants and a tabling event at the United Festival in Redmond with several organizations who shared information about the middle housing effort with over 1,000 event attendees.

Along with Eastside For All, four community-based organizations jointly hosted an event with some of the Eastside cities on May 3, 2023 called *Let's Build for All*. This interactive community engagement workshop invited community members to share ideas about their ideal neighborhoods. Although not specifically part of the middle housing outreach project, event partners shared a handout with the survey links in multiple languages at their tables and spoke about the middle housing effort. There were 75 attendees.

Eastside For All was in regular communication with the outreach partners throughout the project to provide support, answer questions, process payments, and send reminders about due dates.

May 26 to June 15, 2023

- Eastside For All compiled the raw data from the spreadsheets, highlighting data per the co-design input from the community partners as well as the data requested by ARCH and the Partner Cities.
- Community-based organizations assisted with the translation of a small number of quotes to be featured in the report.
- Eastside For All engaged BERK Consulting, Inc. to draft the report summary, including the design layout.
- Eastside For All organized detailed data to post online.
- Drafts of the report were shared with ARCH, the Partner Cities, and the community-based partners.
- Final report prepared and published.

Next Steps

Eastside For All's proposal to serve as the lead community-based organization included engaging community members after the project to build ongoing relationships with city staff and leaders. The community-based partners will again be involved in co-planning, working on a series of gatherings where community members can hear how their input is being used and other ways they can get involved. As part of that planning process, there will be a debrief of the outreach effort. The group will highlight what went well and what can be improved. This information will be shared with ARCH, the Partner Cities, and others interested in engaging community members from a range of races and cultures in large initiatives.

B. Full Results

Full survey results are available online at <https://eastsideforall.org/middle-housing-outreach/>.

ITEM 5D: Middle Housing and HB 1110 Opportunities Report

Report and presentation on opportunities to create affordable housing through HB 1110

Background

In April of 2023, the Washington State legislature adopted HB 1110, a bill that is intended to increase “middle housing” in areas traditionally dedicated to single-family detached housing. Middle housing spans a range of different housing types, including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, courtyard apartments, cottages, and stacked flats. The legislation sets minimum guideposts for how to accommodate more dense housing throughout jurisdictions of all sizes, specifying minimum allowed densities based on a jurisdiction’s size and local proximity to transit.

Affordable housing provisions are also included in the bill, with specific flexibility allowed for jurisdictions applying RCW 36.70A.540, which provides the authority for local affordable housing requirements to be established in concert with land use and other development incentives. Many ARCH members have already adopted programs under this statute, including Bothell, Bellevue, Issaquah, Kenmore, Kirkland, Mercer Island, Newcastle, Redmond and Sammamish. The expansion of allowed housing types, together with significant density increases and other incentives created by HB 1110, provides an important opportunity to promote more affordable homes.

The attached report provides an overview of the requirements established in HB 1110, examples of successful programs and projects already established in the region, and policy tools that local jurisdictions can consider to encourage the inclusion of affordability in future low density “middle” housing developments.

Staff Recommendation

N/A

Attachments

1. Middle Housing and Affordability Opportunities from HB 1110 (July 2023)



Middle Housing and Affordability Opportunities from HB 1110 Implementation *(July 2023)*

Background

In April of 2023, the Washington State legislature adopted HB 1110, a bill that is intended to increase “middle housing” in areas traditionally dedicated to single-family detached housing. “Middle housing” has become a popular way to describe a range of housing types that are compatible in scale, form, and character with single-family houses but offer more housing density than single-family homes. These can include duplexes up to six-plexes, townhouses, cottages, stacked flats, and courtyard apartments. To promote these housing types, the bill established various rules for local jurisdictions, most significantly requiring residential densities from 2 to 6 units per lot depending on the size of a city’s population and other factors.

To achieve these densities, cities must allow at least 6 of the defined middle housing types described in the bill and must allow zero lot line short subdivisions. Some exceptions are allowed, such as for lots that are designated with critical areas or their buffers, and areas at high risk of displacement. Cities may also request extension based on inadequate infrastructure. As an alternative to these requirements, cities may authorize the above densities on 75% of residential lots, subject to certain conditions, including that the excluded 25% includes all environmentally critical areas, and areas that are temporarily exempted due to infrastructure inadequacy. The bill also includes other measures to ease development of middle housing, including:

- Allowing only administrative design review
- Requiring the same permit and SEPA review processes as single-family homes
- Eliminating off-street parking requirements within a half mile of a major transit stop
- Barring requirements of more than 1 off-street parking space per unit on lots smaller than 6,000 SF, and 2 off-street parking spaces on lots greater than 6,000 SF
- Establishing a SEPA categorical exemption for removal of any other parking requirements for infill development

Importantly, the bill allows cities with affordable housing incentive programs authorized under RCW 36.70A.540 to apply the requirements of their own local program, even if those vary from those called for in the bill. These provisions create a significant opportunity for cities to expand existing affordable housing programs and promote more diverse homeownership opportunities.

This paper provides information on how existing affordable housing incentive programs have been implemented in lower-density residential areas, including case studies of various types of housing developments that have helped to create affordable homes in East King County. These examples shed light on the economics of mixed income developments, and important policy options that cities may wish to consider to maximize affordable housing as they implement HB 1110.

Affordable Housing Framework within HB 1110

One of the core purposes of HB 1110 was to increase housing options that are more affordable to various income levels. The bill itself directed cities to allow an additional density for units affordable at 60% AMI for rental housing and 80% AMI for ownership housing for at least 50 years. During the initial debate over HB 1110, housing advocates pointed out that these provisions would not be effective to entice most developers, since they additional density arguably does not allow enough additional market rate homes to offset the cost of the affordable homes, as shown in the chart below. Cities also raised concerns that the bill could preclude the use of local tools that allow cities to adopt affordable housing requirements when granting upzones.

Jurisdiction Size	Required Density - All Residential Lots	Required Density - Lots within 1/4 mile of a major transit stop	Required Bonus Density for Affordable Housing	Affordability Issues	City	2022 Population Estimate
Population of at least 75,000	4 units per lot	6 units per lot	6 units per lot if 2 units are affordable housing	In transit areas there is no bonus. In other areas there are 2 bonus units but both must be affordable.	Bellevue	153,900
					Kirkland	93,570
					Redmond	75,270
Population of at least 25,000 but less than 75,000	2 units per lot	4 units per lot	4 units per lot if 1 unit is affordable housing	In transit areas there is no bonus. In other areas there are 2 bonus units and 1 must be affordable.	Sammamish	68,150
					Issaquah	40,950
					Bothell	48,940
					Mercer Island	25,780
Population of less than 25,000	2 units per lot	N/A	N/A	No required affordability provisions even though allowed density may be doubling.	Kenmore	24,090
					Newcastle	13,560
					Woodinville	13,450
					Clyde Hill	3,110
					Medina	2,915
					Carnation	2,160
					Yarrow Point	1,125
					Hunts Point	460
Beaux Arts Village	315					

Because of these concerns, legislators adopted amendments allowing jurisdictions to vary their affordable housing requirements and adopt different requirements that expand or modify local programs. Specifically, Section 3(2) of the bill, which spells out qualifications for the affordable units required to be eligible for additional density, includes the following provision: “(c) If a city has enacted a program under RCW 36.70A.540, the terms of that program govern to the extent they vary from the requirements of this subsection.”

In addition to the explicit authorization to vary the terms of affordable unit requirements, Section 3(3) includes language calling out jurisdictions’ authority to set the terms of their local affordable housing programs and requirements, noting: “If a city has enacted a program under RCW 36.70A.540, subsection (1) of this section does not preclude the city from requiring any development, including development described in subsection (1) of this section, to provide affordable housing, either on-site or through an in-lieu payment, or limit the city’s ability to expand such a program or modify its requirements.

Incorporating Affordability into Low Density Housing Developments

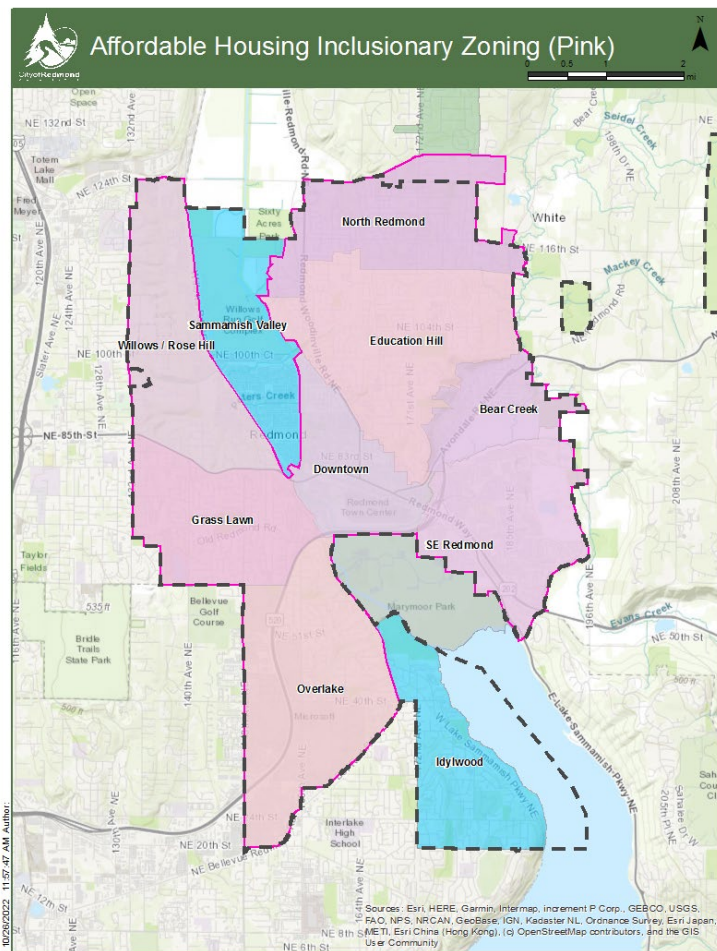
Many ARCH member cities have adopted affordable housing incentive programs under RCW 36.70A.540, including Bothell, Bellevue, Issaquah, Kenmore, Kirkland, Mercer Island, Newcastle, Redmond, and Sammamish. King County has also utilized development incentives to require affordability through development agreements in unincorporated areas. Some ARCH cities have had notable success applying these policies to homeownership developments of varying scales. Collectively, the result has been the creation of one of the largest regional shared equity homeownership programs on the West Coast, with roughly 800 homes affordable to buyers between 50% to 120% AMI. These homes were created without public investment and are stewarded by ARCH so that homes remain affordable while allowing owners to build equity.

Redmond

The city of Redmond adopted inclusionary zoning in the city center (Downtown) in 1993 when the City Council raised building height limits and eliminated units-per-acre density limits. Ten (10) percent of all new units in projects of 10 units or more must be affordable at or below 80 AMI. Before the city required affordability in other neighborhoods, Redmond also used development agreements to gain 11 affordable homeownership units, a combination of flats and townhomes, at three properties.

Redmond established incentives for duplexes as early as 1996. Duplexes affordable at or below 80 AMI having at least three bedrooms were allowed in R-4, R-5, and R-6 zones and exempted from certain design and development standards. The first inclusionary zoning – mandatory affordability – in a single-family neighborhood was adopted for Willows/Rose Hill in 2002, following a neighborhood planning process. This required at least 10 percent of the units in new housing developments of 10 units or more to be affordable at or below 80 AMI. Developments were entitled to one bonus market-rate unit for each affordable unit provided, up to 15 percent above the maximum density allowed on the site. This code amendment also allowed builders to substitute one unit affordable at 50 AMI for two 80 AMI units required in a development. Another provision allowed the affordable units to be duplex or cottage units. These same

Redmond Neighborhoods with Inclusionary Zoning



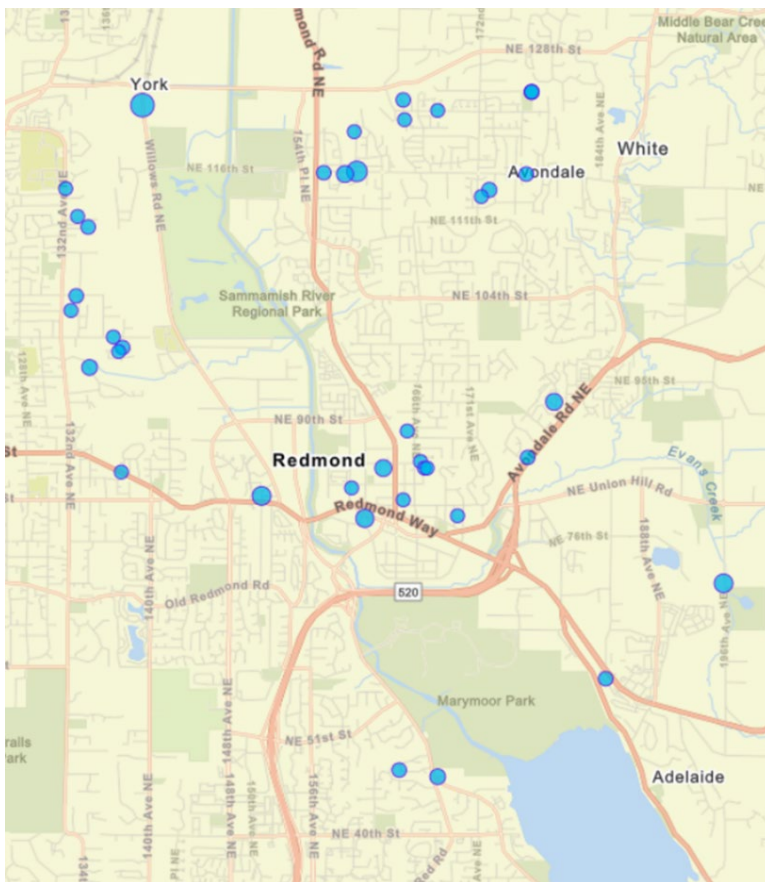
code amendments were extended, after neighborhood planning projects, to North Redmond in 2006 and to Education Hill, Grass Lawn, and Southeast Redmond in 2007.

The result of these policies has been the creation of a significant number of affordable ownership homes in private developments throughout Redmond. The table to the right shows a breakdown of the range of affordable middle housing units created from inclusionary zoning in Redmond, totaling 112 long-term resale restricted affordable ownership homes. **Exhibits 2** provides more detail on each of the 28 development projects with affordable units specifically provided in middle housing types. Projects with affordable flats are projects that also have townhomes. All other projects are a mix of middle housing and detached homes.

Affordable Middle Housing Types Created in Redmond

Affordable Units	Affordability	Housing Type
8	50 AMI	Carriage Homes
2 3	50 AMI 80 AMI	Cottages
8 26	50 AMI 80 AMI	Duplex Homes
2 11	50 AMI 80 AMI	Flats
5 25	50 AMI 80 AMI	Townhomes
1 8	50 AMI 80 AMI	Triplex Homes
112	Total	

Location of Affordable Ownership Units in Redmond



Because Redmond’s policy only applies to developments of 10 units or more, a fee in lieu policy has not been implemented to address fractional units. Nonetheless, the widespread application of Redmond’s inclusionary policy has been an important tool in distributing affordable housing opportunities throughout the city. The projects already completed to date in Redmond and other cities could provide important insights into what development conditions are needed to support feasible projects, and how affordable housing outcomes are shaped by local policy decisions. It should be noted that once inclusionary policies are put in place, affordable homes are required to be included whether or not a developer chooses to construct middle housing or traditional single family detached homes.

Kirkland

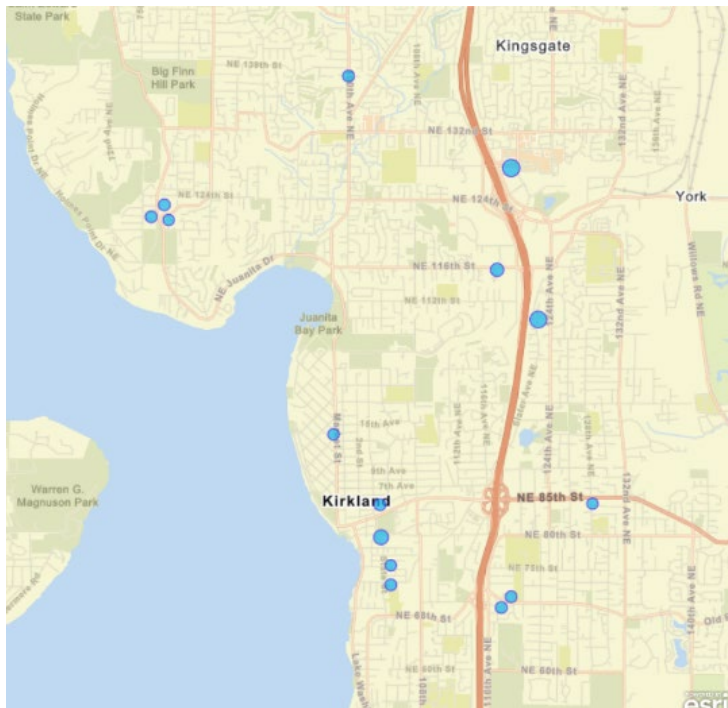
The city of Kirkland used voluntary incentives for affordable housing, with limited success, until 2009 when the City Council approved inclusionary zoning. This essentially “converted” the voluntary program to mandatory by changing certain bonuses to as-of-right increases to development capacity. Kirkland’s program is not as geographically extensive as Redmond’s and, where lake views command significantly higher prices, the affordability level is adjusted accordingly. In all middle- and higher-density zones except the Totem Lake Village project and parts of Central Kirkland, 10 percent of new housing in projects of four or more units must be affordable at or below 100 AMI where density is limited and at or below 80 AMI where development capacity is limited by building height. In density-limited zones, projects can earn two bonus units for each affordable unit. **Exhibit 2** shows the locations of these zones.

Because these are middle- and higher-density zones, no additional provisions have been needed to permit affordable middle housing types. Even without applying inclusionary policies in single family areas, the city has experienced lower-density projects that have included affordable for sale homes. Eight townhouse projects provide five units at 70 AMI, 13 at 80 AMI, and 12 at 100 AMI. (The builder of the 70 AMI units used a sliding scale in the code to set aside 8 percent at 70 AMI instead of 10 percent at 80 AMI.) These are shown in the **map** below.

Vareze Townhomes, Kirkland



Location of Affordable Ownership Units in Kirkland









While Kirkland’s inclusionary policy has not been applied in as many neighborhoods in Redmond, one important feature of Kirkland’s code has been to require developers to pay fees in lieu of fractional units below 0.66. Twenty-four (24) projects have paid more than \$4.8 million through this provision, which the city has invested in other projects across the community. The vast majority of these serve households earning 30 to 60 AMI.

Policy Tools to Accommodate Affordable Housing Outcomes

The programs and projects in this report highlight a range of policy tools cities have already utilized to ensure lower density developments can feasibly incorporate affordable homes. Significant flexibility can be provided to developers and property owners, as listed in the graphic below, to ensure that affordable housing requirements don't discourage development overall, but that some of the additional value created by increased density is captured for affordable housing. The most basic tools involve setting thresholds for participating developments, and adjusting income levels relative to market rate prices.

One tool worth highlighting that allows cities to capture value from smaller scale developments is a **fee in lieu** of providing affordable units. Even in developments with fewer than 10 units that may not be large enough to accommodate an affordable unit, payment of a fee can contribute valuable resources that may be pooled and leveraged to create affordable housing in the same region. Down payment assistance programs, for example, could readily be scaled up to support more affordable homeownership opportunities.

Flexible Options for Affordable Housing Requirements

-  Adjust income levels (up to 100% AMI for ownership and 80% AMI for rental housing)
-  Allow payment of a fee in lieu of fractional units
-  Vary unit types and square footage from affordable to market rate homes (with comparable bedrooms/bathrooms and exterior finishes)
-  Exempt smaller developments of less than four (4) units
-  Flexible phasing; allow affordable units required in multiple projects to be consolidated into a single development
-  Create sliding scale to select from a range of income levels

Cities may also choose to consider **additional incentives** beyond those mandated in HB 1110 that could further motivate developers to take advantage of newly allowed density rather than building more single-family homes. These may include modification of basic regulations such as allowed height, lot coverage/required open space, minimum lot size and setbacks. To further tip the balance toward middle housing types, cities may even consider reducing the scale of allowed single family homes. Each jurisdiction will need to evaluate existing barriers and weigh the policy goals of more housing against other considerations.

Conducting basic feasibility analyses and testing different affordability policies will be an important exercise for local jurisdictions to understand the value of additional capacity and the cost of an affordability requirement. Simply adjusting target income levels can make a significant difference in cost, as shown in the range of affordable prices in the table below.

2023 Household Incomes at 80% AMI to 100% AMI										
Household Size:	1 person		1.5 people		3 people		4.5 people		6 people	
80% AMI	\$82,040		\$87,900		\$105,480		\$117,200		\$131,264	
100% AMI	\$102,550		\$109,875		\$131,850		\$146,500		\$164,080	
Sample Affordable Prices based on Unit Size										
Interest Rate:	Studio		1 Bdrm		2 Bdrm		3 Bdrm		4 Bdrm	
	80% AMI	100% AMI	80% AMI	100% AMI	80% AMI	100% AMI	80% AMI	100% AMI	80% AMI	100% AMI
3.00%	\$351,296	\$448,609	\$369,610	\$473,874	\$453,021	\$578,138	\$508,629	\$647,648	\$575,358	\$731,059
5.00%	\$269,346	\$374,778	\$283,389	\$395,885	\$347,342	\$482,990	\$389,978	\$541,060	\$441,140	\$610,744
7.00%	\$247,972	\$316,663	\$260,900	\$334,498	\$319,778	\$408,096	\$359,030	\$457,161	\$406,133	\$516,039

Testing the Value of Additional Development Capacity

While new incentives are no guarantee that development will be able to overcome other difficult conditions such as high interest rates and limited availability of capital, the scale of potential upzones contemplated by HB 1110 has the potential to create significant value that cities have a one-time opportunity to capture for affordable housing. The table below is a hypothetical illustration of how the development value of a single site can change as density increases, given certain fixed assumptions (right) such as construction cost per SF.

Site SF (0.5 acres)	21,780
Soft Cost per unit	\$75,000
Construction Cost per SF	\$425
Sale price per SF	\$625
Affordable Sale Price (80% AMI)	\$375,000

	One Unit	Two Units	Four Units	Four Units (Three Market, One Affordable)	Four Units (with fee in lieu of 0.4 units)	Six Units (with fee in lieu of 0.6 units)	Ten Units (Nine Market, One Affordable)
SF per unit	3500	1800	1600	1600	1600	1500	1300
Total Building SF	3500	3600	6400	6400	6400	9000	13000
Construction Cost	\$1,487,500	\$1,530,000	\$2,720,000	\$2,720,000	\$2,720,000	\$3,825,000	\$5,525,000
Fees, Soft costs	\$75,000	\$150,000	\$300,000	\$300,000	\$300,000	\$450,000	\$750,000
Land	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Total Development Cost	\$1,862,500	\$1,980,000	\$3,320,000	\$3,320,000	\$3,320,000	\$4,575,000	\$6,575,000
Market Sale Price per Unit	\$2,187,500	\$1,125,000	\$1,000,000	\$1,000,000	\$1,000,000	\$937,500	\$812,500
Market Sale Proceeds	\$2,187,500	\$2,250,000	\$4,000,000	\$3,000,000	\$4,000,000	\$5,625,000	\$7,312,500
Affordable Sale Proceeds				\$375,000			\$375,000
Fee in Lieu Payment					-\$250,000	-\$337,500	
Net Profit	\$325,000	\$270,000	\$680,000	\$55,000	\$430,000	\$712,500	\$1,112,500

While this example is purely hypothetical, it does illustrate how the added value of additional units could allow for the inclusion of an affordable unit once development reaches the 4 to 10-unit scale. At the 4- to 6-unit scale, a fee in lieu payment is also likely to be reasonable (with the fee amount based on the difference between the market and affordable sale price times a fractional unit). This example also does not account for a potentially lower construction cost for an affordable unit if a city chooses to allow the affordable home to be built with less square footage.

A more rigorous analysis of real-world development conditions with input from builders who are active in the region would shed additional light on the potential value of new regulations. Engagement of home builders would also be worthwhile to learn what additional incentives would help ensure that future projects actually take advantage of allowed densities.

Conclusion

Understanding how to take advantage of the flexibility provided by HB 1110 will be critical for jurisdictions to maximize affordable housing opportunities over the long-term. ARCH expects that further study and analysis will be needed to determine the appropriate affordability provisions to apply in concert with upzones to allow middle housing. These will likely vary depending on what current codes already allow, how land values compare in different areas, which middle housing types cities decide to allow, and whether cities decide to add other development incentives to encourage these housing types. That said, the profiles of successful programs and projects presented in this paper demonstrate that a simple 10% requirement has been achievable, particularly with the significant value that will be unlocked by new development capacity, together with the range of flexible options that can be offered to developers.

Note: HB 1110 gives local jurisdictions until six months after their next required periodic comprehensive plan update to update their regulations (or twelve months after they have reached the population threshold in the bill, whichever is later). Significant questions remain to be answered about the intended application of various provisions in the bill, such as how subdivisions that create new lots interact with the basic requirements establishing minimum densities per lot. ARCH expects that updates to this report may be made as further guidance from the Department of Commerce is made available.

Exhibit 1

Middle Housing Developments with Affordable For Sale Homes in Redmond

Project Name	Neighborhood	Year Approved	Affordable Units	Affordability	Total Units
Development Agreements					
Ashford Park	Bear Creek	1995	2 Flats 4 Townhomes	85 AMI	101
The Meadows at Marymoor	Overlake	1998	4 Flats	85 AMI	62
Panorama Village	Education Hill	2005	1 Flat	50 AMI	25
Inclusionary Zoning					
Conover Commons	Willows/Rose Hill	2004	1 Carriage Home	50 AMI	13
Element	Willows/Rose Hill	2006	9 Townhomes	80 AMI	94
Urbane	Downtown	2006	2 Flats	80 AMI	
Indigo	Willows/ Rose Hill	2007	1 Townhome	50 AMI	26
Portulaca	Downtown	2007	1 Townhome	50 AMI	24
Marymoor Ridge	Southeast Redmond	2012	2 Flats	50 AMI	44
Woodlands Ridge	North Redmond	2012	2 Duplex Homes	80 AMI	25
Sycamore Park	North Redmond	2013	1 Duplex Home	80 AMI	12
Greystone Manor	North Redmond	2014 – 2018	2 Duplexes 8 Duplexes	50 AMI 80 AMI	124
Heathers Ridge	North Redmond	2014	4 Duplex Homes	80 AMI	41
The Retreat	Downtown	2014	1 Townhome	80 AMI	14
Benjamin Willow	Willows/Rose Hill	2015	1 Duplex Home	80 AMI	15
Sequoia Glen I	North Redmond	2015	1 Triplex; 5 Triplexes	50 AMI 80 AMI	28
Hedgewood East	North Redmond	2016	1 Duplex Home	50 AMI	15
Sequoia Glen II	North Redmond	2016	2 Cottage Homes	80 AMI	24
English Landing	North Redmond	2017	2 Duplexes; 2 Duplexes 1 Detached	50 AMI 80 AMI 80 AMI	75
Hawthorne Park	North Redmond	2017	3 Triplex Homes	80 AMI	38
Marymoor Vistas	Overlake	2017	2 Duplex Homes	80 AMI	19

Ray Meadows	North Redmond	2017	1 Duplex Home	50 AMI	28
66 Degrees	Downtown	2018	1 Townhome	50 AMI	18
Prelude at Rose Hill	Willows/Rose Hill	2019	1 Duplex; 1 Duplex	50 AMI 80 AMI	29
Versant	Willows/Rose Hill	2019	2 Duplex Homes	80 AMI	24
Soleil	Willows/Rose Hill	2020	1 Duplex Home	80 AMI	14
Croquet Club Cottages	Willows/Rose Hill	2022	1 Cottage 1 Cottage	50 AMI 80 AMI	33
Penny Lane II	Downtown	2022	1 Townhome	80 AMI	14
Rose Hill Cottages	Willows/Rose Hill	2022	1 Cottage	50 AMI	26
Woodside	Southeast Redmond	2022	7 Carriage Homes 2 Townhomes	50 AMI	170
Willows 124	Willows/Rose Hill	2023	17 Townhomes	80 AMI	170

The table above excludes three other single-family developments with detached affordable homes and three mid-rise, multifamily condominium properties in which all the units are flats.

