



Department of Commerce

2017 Housing Affordability Response Team (HART) Recommendations

Affordable Housing Advisory Board

**June 2017
Report to the Governor
Brian Bonlender, Director**

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Executive Summary

Housing that is affordable is an essential part of every community's infrastructure, serving as a platform for individuals and families to stabilize and build their economic futures. It also creates jobs and attracts investment, making it a prerequisite to economic growth. Housing supply and affordability are issues that affect every community in Washington: as our state economy continues to rebound from the Great Recession, the resulting growth in population¹ and low housing vacancy rates² have produced a tight housing market in which existing inventory is priced at a premium³. Low and middle-income households feel this market pressure the most: they have the fewest number of housing options in the private market, and low-income households are increasingly more vulnerable to homelessness.⁴

The Washington State Department of Commerce (Commerce) is the lead state agency charged with enhancing and promoting sustainable communities and economic vitality in Washington. Commerce supports the state's Affordable Housing Advisory Board (AHAB), which advises Commerce on housing and housing-related issues. On January 16, 2017, Washington State Governor Inslee sent a letter to AHAB requesting that a work group be formed to:

- Examine existing systems that contribute to the state's housing stock.
- Examine how zoning and planning, permitting, development and financing, and construction processes can be improved to open increased opportunities for additional housing.
- Define where barriers exist and provide recommendations on how to remove barriers.
- Explore other areas that provide further insight on how to increase the affordable housing stock.

In response, AHAB formed the Housing Affordability Response Team (HART), with the strong recommendation that the team consider similar work from 2006 and 2013. The Governor requested an initial letter of findings and recommendations from AHAB by June 1, 2017. This report represents the work of an interdisciplinary team of housing development, construction, financing and planning experts that were brought together to learn about the broad spectrum of issues related to housing supply, and to identify possible solutions. One belief that underpins every recommendation in this report is that we can no longer afford to treat housing, transportation, and infrastructure as separate, unrelated silos. The public sector, non-profit agencies, and private developers, banks, and private equity providers are all needed to increase

¹ Office of Financial Management; "Population Change: Natural Increases and Net Migration"

² Census Bureau, American Community Survey, Median Contract Rents 1-year estimate, Table B25058

³ Census Bureau, American Community Survey

⁴ Washington State Department of Commerce "Why is Homelessness Increasing?"

<http://www.commerce.wa.gov/wp-content/uploads/2017/01/hau-why-homelessness-increase-2017.pdf>

the supply of housing types that are affordable to all income levels, with particular emphasis on low- and middle-income households.

Washington State's Growth Management Act (GMA) provides a clear framework for housing planning and development, but its application and implementation must be strengthened at the local level. Communities need to designate land and plan for higher-density housing that meets the needs of low- and middle-income households, and developers must be willing and able to produce it. Each step involves overcoming societal, regulatory, and financial barriers. This report includes seven recommendations that the committee members felt were key ideas the state should pursue to make immediate gains. More detail is included in the following sections.

- 1. Provide funding and support to local governments to plan for housing at every income level, especially for lower-income levels.**
- 2. Provide funding to local governments to assess land capacity through “buildable lands” reports.⁵**
- 3. Provide broad-based education to encourage communities to facilitate the development of more affordable housing.**
- 4. Seek responsible changes to development-related statutes and regulations to facilitate housing development. Small changes to statutes such as the Project Review Act, Subdivision Act, the State Building Code, impact fees, multifamily tax exemptions, community revitalization financing, and prevailing wage determinations could add up to make a difference.**
- 5. Provide stable and dependable state funding for housing by providing predictable funding to the Housing Trust Fund, making document-recording fees permanent, and encouraging local adoption of local housing levies.**
- 6. Encourage public agencies to consider underutilized publicly owned property as an opportunity for affordable housing.**
- 7. Continue this work into the future by finding opportunities to collaborate with existing work groups and projects to carry these ideas forward.**

Resolution of these issues requires active participation and coordination of multiple players within the private market and public policy arena.

⁵ “Buildable lands” reports are required in the six most populous counties in Washington as a tool to assess whether communities are meeting their density targets, and what the capacity is for future development (RCW 36.70A.215). They are to be completed before the review and update of comprehensive plans and regulations required every eight years by RCW 36.70A.130.

Introduction

Housing that is affordable is an essential part of every community's infrastructure, serving as a platform for individuals and families to stabilize and build their economic futures. It also creates jobs and attracts investment, making it a prerequisite to economic growth. Housing supply and affordability are issues that affect every community in Washington: as our state economy continues to rebound from the Great Recession, the resulting growth in population⁶ and low housing vacancy rates⁷ have produced a tight housing market in which existing inventory is priced at a premium⁸. In some areas, the demand for housing has significantly outpaced housing supply, placing additional upward pressure on rents and home prices.

Although household incomes have grown along with the economy, income increases for those with middle and lower incomes have not kept pace with rent and purchase price increases.⁹ These trends, in combination with other market factors, have created a deficit of affordable and available housing, particularly for Washingtonians within the low-to-middle income range.¹⁰ These households have the fewest options available in the private housing market. In strong housing markets, builders seek the highest achievable price to offset higher development costs, which means new production does not result in more affordable units. In weaker and rural markets, market rents do not serve lower-income households and yet are not high enough typically to make new production financially feasible.

The Washington State Department of Commerce (Commerce) is the lead state agency charged with enhancing and promoting sustainable communities and economic vitality in Washington. Key agency goals related to affordable housing and homelessness include:

- Increase the availability of affordable and market-rate housing.
- Increase the number of jobs that pay wages that can sustain housing.
- Reduce the number of unsheltered individuals.

Commerce has a diverse portfolio of more than 100 programs and several state boards and commissions focused on strengthening communities. Commerce supports the state's Affordable Housing Advisory Board (AHAB), which advises Commerce on housing and housing-related issues. On January 16, 2017, Washington State Governor Inslee sent a letter to AHAB requesting that a work group be formed to:

- Examine our existing systems that contribute to our housing stock.

⁶ Office of Financial Management; "Population Change: Natural Increases and Net Migration"

⁷ Census Bureau, American Community Survey; Median Contract Rents 1-year estimate, Table B25058

⁸ Census Bureau, American Community Survey

⁹ Census Bureau, American Community Survey one-year estimates; Bureau of Labor Statistics CPI-U

¹⁰ University of Washington Runstad Center; All-Buyer Housing Affordability Index 2009-2016 (Market Summaries); Affordable Housing Needs Assessment.

- Examine how zoning and planning, permitting, development and financing, and construction processes can be improved to open increased opportunities for additional housing.
- Define where barriers exist and provide recommendations on how to remove barriers.
- Explore other areas that provide further insight on how to increase the affordable housing stock.

As a result of this letter,¹¹ AHAB formed the Housing Affordability Response Team (HART), with the strong recommendation that the team look at similar work from 2006 and 2013. The Governor requested an initial letter of findings and recommendations from AHAB by June 1, 2017.

Guiding Statements

To guide its work, HART developed the following problem, vision, mission, and values statements:

Problem Statement: Rental and for-sale housing is unaffordable or unavailable for many income segments.

Vision Statement: Responsibly increase the supply and types of housing at all economic levels.

Purpose Statement: Lay the technical groundwork for future legislative, investment, and regulatory proposals to realize the vision statement.

Value Statements: HART members agreed that the following principles should guide the development of recommendations.

- All Washingtonians should be able to afford safe and dependable housing with access to opportunities, such as education, employment, transit, and amenities.
- Responsible housing policy respects the principles of growth management and takes into account economic, environmental, and societal stewardship.
- A variety of affordable housing types is needed to provide options for families of all sizes and stages of life.
- Total housing cost takes into account the costs of transportation and utilities.
- The private real estate market does not provide adequate affordable housing options for all economic segments, and therefore government assistance is needed to offer the full range of affordable housing options.
- Available and affordable housing is critical since it serves as a platform for better health, stable employment, and stronger communities.

¹¹ See Appendix A.

Areas for Consideration and Non-Consideration

Select members of AHAB, who formed the HART Executive Committee, decided HART would address the following issues insofar as they affect housing supply across Washington state:

- Land use planning, such as the housing element of the Growth Management Act, and land capacity analysis.
- Regulations and fees, such as impact fees, utility agreements, permit processing, the state’s Environmental Policy Act (SEPA), and other issues.
- Finance and funding, such as high-level recommendations on statewide financing tools, the relationship among funding supportive services, and the supply of housing.

While recognizing the interdependence of many housing-related issues, and given the short timeframe of this assignment, HART leaders agreed that the work would not focus on:

- Local government issues, such as local zoning decisions.
- Federal government issues, such as federal agency funding for affordable housing.
- Political strategies, such as how to advance certain recommendations through the legislature.

Terminology

Affordable housing is defined by statute as “residential housing that is rented or owned by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household’s monthly income.¹² The affordability of housing is a function of the income of the people in the household and the price of housing (monthly mortgage or rent payment plus utilities).

The terms “subsidized” and “government-assisted housing” will be used in this report to describe income-restricted housing that is publicly owned or assisted through direct housing subsidies, capital funding or rent supplements and intended to meet the needs of those households with low-to-extremely-low incomes (below 50 percent of the area median income) who would not be able to afford housing without assistance.

¹² RCW 43.185B.010(1)

Methods

HART Recruitment

Commerce staff and AHAB leaders convened an executive committee, whose members included AHAB Chair, MA Leonard; AHAB members Paul Trautman and Christina Pegg; Peter Orser, designated HART chair; and Commerce staff. The HART Executive Committee met in early February to develop a charter for the HART process and to identify types of expertise that would be helpful to the process. HART leaders invited members from private and not-for-profit building sectors, land use planning, finance, legal, and other expertise that would provide broad experience and perspectives. The following people were selected and convened to form HART:

Housing Affordability Response Team Members

Peter Orser, Runstad Center for Real Estate Studies, HART Chair*

M.A. Leonard, Enterprise Community Services, (AHAB Chair)*

Tess Colby, Pierce County Human Services, representing WA Association of Counties (WSAC)

Svenja Gudell, Chief Economist, Zillow

Nick Harper, Master Builders Association of King and Snohomish County

Kim Herman, Executive Director, Washington State Housing Finance Commission*

Mark McCaskill, Growth Management Services, Washington State Department of Commerce

Jeanette McKague, Washington Realtors

Rachael Myers, Executive Director, Washington Low Income Housing Alliance

Christina Pegg, Southwest Housing Authority *

Paul Purcell, Affordable Housing Developer

Tony To, Homesight

Paul Trautman, Community, Housing, and Human Services Department, City of Spokane*

Steve Walker, Director, Seattle Office of Housing, representing Association of Washington Cities

Bryce Yadon, Futurewise

* Affordable Housing Advisory Board Members

Meetings

To prepare to discuss these issues, HART members had access to a project website¹³ that staff continually updated, adding relevant meeting materials and reports throughout the process. In addition, subject matter experts were invited to attend many of HART's meetings.

Subject Matter Experts

Ryan Andrews, Planning Manager, City of Lacey

Dan Cardwell, Long Range Planning Supervisor, Pierce County

Elizabeth Chamberlain, Development Services Director, City of Walla Walla

Chandler Felt, Demographer, King County

Faith Pettis, Pacifica Law Group

Kurt Wilson, Soundbuilt Homes

¹³ http://www.ezview.wa.gov/site/alias_1961/overview/37021/overview.aspx

HART met five times between March 7 and May 19, 2017. HART's goal was to identify actions that the state might take to responsibly increase the supply and types of housing for all income levels. Three areas of focus emerged: (1) land use, (2) permitting and construction, and (3) funding and finance issues. Each meeting began with subject matter experts providing general background about the day's topic of discussion so that all members had requisite foundational information. Each topic is addressed in the following sections with background on the issues, a list of barriers to housing affordability, recommendations to move forward, and topics for further research.

Throughout the process, staff kept track of the recommendations carried forward from previous work in 2006 and 2013, and developed through the HART process. Over 80 recommendations were brought forward, ranging from very specific policy changes, to broad ideas that needed more refinement. These recommendations resulted from the direct experience of those at the table. This exercise was not intended to be a comprehensive study; however, the group extended an invitation to a broader group to gather feedback and additional ideas.

Stakeholder Outreach

HART members recognized that the racial and socioeconomic composition of this committee was not representative of the racially diverse and low-income individuals who typically rely on affordable housing. HART members also recognized that this committee did not represent all interest groups involved in the housing sector (i.e., labor, private financing, local planners, rural interests, etc.). Recognizing these "blind spots," staff and HART members identified a number of external stakeholders to provide feedback, comments, and the opportunity for additional suggestions. This input informed HART's final voting.

Open Public Meetings

As a subgroup of the Affordable Housing Advisory Board (AHAB), HART meetings were open to the public. The AHAB web page had a link to the HART web site. Public comment periods were on the agenda at the beginning and end of each meeting. Any public comments received via email between meetings were included in meeting packets, which were posted on the HART the web site.

Final Selection by Majority Voting

During the final meeting, HART members voted on all the recommendations generated during their preceding meetings. To accomplish this, staff printed out the full suite of recommendations and displayed them on the wall. HART members could indicate that they "supported" or "could live with" a recommendation by placing a sticker dot on the printed recommendation. HART members could only put a maximum of 1 sticker dot on each recommendation. The recommendations that received more than 10 out of 16 dots (or "votes") were grouped and formulated into the seven recommendations in this report. A full list of all recommendations is in Appendix D.

I. Land Use Factors Impacting the Housing Supply

A. Background

GMA Requirements for Planning for Housing

The Growth Management Act (GMA) includes a number of specific directives for how cities and counties should plan for housing, including housing affordable to lower-income households. The directives range from a requirement at the countywide level to address affordable housing to code requirements at the local level. The requirements apply in the 29 “fully planning” counties that are required to plan under the GMA. Implementation of the GMA is guided by 14 overlapping goals. The GMA housing goal calls for promoting a variety of residential densities and housing types, encouraging the availability of affordable housing for all economic segments of the population, and preservation of existing housing stock.¹⁴

Countywide Planning Policies

All GMA counties and the cities within them must agree on how they will address issues of a countywide nature, such as transportation, siting of public facilities, growth, and affordable housing, including housing for all economic segments of the population and parameters for its distribution. These countywide planning policies may include targets for affordable housing.

Comprehensive Plans

GMA cities and counties must include five elements in their comprehensive plans: land use, transportation, housing, utilities and capital facilities. Counties must also include a rural element. Each county receives 20-year population projection from the state Office of Financial Management.¹⁵ The county, cities, and towns work together to allocate the countywide population to individual jurisdictions based on local land capacity, availability of capital facilities, and local vision. The land use element is where population densities, building intensities, and estimates of future population growth are located. The majority of new growth should be planned inside designated urban growth areas, but the intensity and distribution of uses is left to local discretion.

The GMA states that the housing element should ensure the vitality and character of established residential neighborhoods and must contain at least the following features.¹⁶

¹⁴ RCW 36.70A.030 includes other goals that relate to affordable housing: (1) Encourage development in urban areas where adequate public facilities and services exist, or can be provided in an efficient manner. (2) Reduce the inappropriate conversion of undeveloped land into sprawling, low-density development. (12) Ensure that those public facilities and services necessary to support development shall be adequate to serve the development at the time the development is available for occupancy and use without decreasing current service levels below locally established minimum standards.

¹⁵ www.ofm.wa.gov/pop/default.asp

¹⁶ RCW 36.70A.070(2)

An inventory and analysis of existing and projected housing needs that identify the number of housing units necessary to manage projected growth. Cities should consider both the new households inside the city limits and those in any unincorporated areas intended to annex to that jurisdiction within the 20-year planning period.

- A statement of the goals, policies, and objectives for the preservation, improvement, and development of housing, including single-family residences.
- Identification of sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, group homes, and foster care facilities.
- Adequate provisions for existing and projected housing needs of all economic segments of the community.¹⁷

Each comprehensive plan is presumed valid upon adoption. There is no requirement for state certification of the comprehensive plan as a whole, or of the housing element.

Buildable Lands and Development Capacity

“Buildable Lands” requires six western Washington counties¹⁸ and the cities within them to analyze land use development trends and to compare those trends to the comprehensive plan, zoning, and growth targets. Traditional vacant land inventories, based only on theoretical zoned capacity, failed to measure the way land development actually occurs. Therefore, RCW 36.70A.215 requires counties to collaborate with cities, compiling data to determine the actual achieved densities of residential subdivisions and permits and commercial development in the preceding few years. Those densities are then applied to the measurement of vacant lands and lands for potential redevelopment, in order to determine if there is sufficient buildable land to accommodate forecasted growth over the 20-year planning period. Though counties use different methodologies, analysis accounts for steep slopes, wetlands and other critical areas, rights-of-way and other discounts, and includes a market factor to account for parcels that may not develop or redevelop within the planning period. If the report shows a shortfall of capacity, or that urban densities are not being achieved, measures must be taken that are “reasonably likely” to reduce the inconsistency between plans and actual development.

Subarea Planning

Some communities use “sub-area planning” to plan for more intense uses in a defined center or corridor, generally well-served by transit. Tools such as planned actions, multifamily tax exemptions, or other housing incentive programs can then be applied to the planned area to facilitate and incentivize development in a given area. More information on these tools is available in the next section.

¹⁷ WAC 365-196-410 provides advisory guidance on how to develop the housing element.

¹⁸ King, Pierce, Snohomish, Kitsap, Thurston and Clark counties.

B. Land Use Barriers to Housing Supply

State laws already in place require and promote planning for affordable housing, but there are some barriers to implementation at the state and local level.

- **Lack of resources at the state, county, and local levels to do the planning work.** Many local governments do not have the staff to adequately update the housing element of comprehensive plans or to complete buildable lands work. In recent years, state funding for the review and update of comprehensive plans has been extremely limited, and as a result, the housing element is often one of the last elements to be updated. In addition, funding for the six counties required to do buildable lands analysis has not been available in recent years.
- **Un-enforceable housing goals.** The Growth Management Act was designed to place planning decisions at the local level. City and county comprehensive plans are presumed valid upon adoption. There is no certification of comprehensive plans by the state, although notifying the state of the intent to adopt is required. Regional transportation planning organizations certify the transportation element of local plans for consistency with regional transportation plan. There is no agency that reviews local housing elements for consistency with regional or state housing needs assessments. Goals may be set at the countywide level, or are adopted at the city or town level; however, there is no penalty if jurisdictions fail to meet their affordable housing goals. Many see a need to add more accountability to ensure that housing affordability targets are met.
- **Housing options are limited in scope.** Comprehensive plans often do not cover the full range of housing options. Most land use designations are “single family” or multifamily.” Single family is the predominant form of development, most easily recognized by the real estate market, and favored by the construction industry. Multi-family zoning is generally understood to be made up of apartment buildings. However, there could be a broader range of development types that could provide more affordable dwelling units, such as cottages, apartments, townhouses, accessory dwelling units, and single-room occupancy units. These options may be harder to finance, sell, and manage under current market conditions. Even if a local code has language to permit and regulate these options, without incentives it is unlikely that the private market will provide a full range of housing choices.
- **Higher-end housing is more profitable.** During the development process for both market-rate and affordable housing projects, significant risk exposures exist for the developer and other parties. This is because the project must be complete before income and anticipated profit is generated. To compensate for this risk, the market-rate developer, investor, and other capital providers establish a minimum expected rate of return on their investment that must be achieved before they will go forward with the project. Thus, the market-rate developer applies a market demand approach, which

favors the more profitable housing types favored by high-income earners who tend to reside in urban areas. There is also a shortage of skilled labor within the construction industry, which means there are fewer firms working and competing for projects. The consequence of this combination of factors is that more affordable markets cannot compete with higher-priced markets, or less profitable but more affordable housing types are not produced to the extent they are needed.

- **Expensive lots lead to expensive housing.** Competition for a limited supply of buildable land, in addition to all these other barriers, leads to expensive lots. Land that requires redevelopment is even more expensive to use, as existing structures must be removed and the land may need to be remediated from environmental contamination before it can be developed. Ultimately, the way for a builder to proceed on a given lot is to build the largest and highest-end house that will be marketable.
- **Extending infrastructure is expensive.** In many communities, an assessment of land capacity shows that there is sufficient land to accommodate the local share of projected population growth. However, the ability to develop land may vary greatly, based on the availability of sewer, water, roads, and other public services. In many cases, to develop land outside the area currently served by urban services, the first developer is required to carry the cost of bringing infrastructure to serve the parcel. Where development is proposed in already developed areas, there may be concerns about the pressures it puts on existing infrastructure and services.
- **Resistance to growth at the jurisdictional and individual levels.** Local land use designations and zoning decisions may affect a jurisdiction's ability to ensure sufficient and affordable housing. When land use and zoning is reviewed, with an eye to adding high-density or multifamily housing, there may be resistance from the public due to negative perceptions about multifamily housing (which could be considered a "Not In My Backyard" or NIMBY attitude). Some communities have a strong anti-growth sentiment among the constituency or just don't want any high-density housing development due to concerns of changing the character of the community, or fears about the people this kind of development will bring. Consequently, multifamily-zoned land may be very limited, may be located at the edge of a community, or maybe in less desirable areas, where it is difficult to attract investors. Should a developer propose to build on such a site, he/she may want to request a change of zoning or a variance, and that request may be difficult to approve, based on the public process. As a result, the developer may not choose to build on the site, or the cost of development is increased due to the time, risk, and expense involved navigating these barriers.

C. Recommendations Relating to Land Use Planning

- 1. Provide funding to local government to plan for housing at every income level, especially for lower-income levels.** Approaches may include:
 - a. Provide funding to local governments to develop and update GMA housing elements, as well as the economic development and capital facilities elements that support them.
 - b. Clarify how city and county planning under the GMA should be accountable to reach growth and affordable housing targets, and monitor progress over time. Consider both “sticks and carrots” to address accountability at the local level.

- 2. Support local government to assess land capacity through buildable land reports.**
 - a. Standardize buildable lands requirements so that it is easier to analyze and compare information across jurisdictions. The use of GIS and other modern tools, even at the state level, may help to get better and more cost-effective information upon which to base land use decisions.
 - b. Provide dedicated and sufficient funding to the six “buildable lands” counties to develop new information on land capacity for development. Reports could include information that enhances the description of the development potential of land, e.g., analysis that identifies land suitable for development, such as land that is currently available with current infrastructure and land that is potentially available with funded infrastructure.

- 3. Provide broad-based education to encourage communities to facilitate the development of more affordable housing.**
 - a. Provide outreach and education to the development community, elected officials, city and county staff, financial institutions, and the public on the need for, and tools to address, affordable housing issues. Provide education on housing tools: how finance, marketing, regulations, and community entitlements work, and how multifamily tax exemptions and SEPA tools can help to provide diversity in housing. Actions could include professional workshops, community workshops, technical assistance or other guidance.
 - b. Encourage cities to up-zone within their borders and reform their development regulations to achieve minimum net urban densities and accommodate new growth.
 - c. Provide support to local government to address resistance to growth. This may include a policy at the state level, a requirement for minimum densities for certain types of development, or data that local jurisdictions can use to support a local decision.

D. Areas for Further Research

Below are topics that HART identified for further research by other taskforces, boards, or agencies.

- What are effective tools, data, and other information planners need when developing comprehensive plans and development regulations that encourage a broad array of housing types?
- How can communities learn about builders' business models so that they can designate land for uses that will be attractive to developers and meet community goals? How can builders work with the communities to develop product that meets community goals?
- How do land availability and development capacity affect the affordability of housing? What are strategies for ensuring a sufficient supply of buildable land to achieve affordable housing goals? How can GIS technology be used to improve information on buildability and redevelopment of parcels? This could also be useful for county assessors, even when buildable lands information is not required.
- How can the state help local governments address resistance to growth?
- How can public-private partnerships help address affordability? How can both the business sector and community-based, non-profit housing providers help communities develop affordable housing by bringing additional resources and skills to the development process?
- How can the state encourage transit-oriented development (TOD)¹⁹ as a way to increase housing densities around transit investments? To what extent can affordable housing developers build TOD and comply with requirements to include a ground-level commercial component with public dollars or through public-private partnerships? Can subsidized housing build at sufficient intensity to meet density goals for TOD areas?

¹⁹ TOD is a type of community development that clusters housing, office, retail and/or other amenities integrated into a walkable neighborhood located within a half-mile of quality public transportation.

II. Permitting, Construction, and Regulatory Factors Impacting the Housing Supply

A. Background

Cities and counties have broad authority to implement the comprehensive plan through land use controls addressing development intensity, height, setback, lot coverage, parking requirements, landscaping, and other aspects of development. They also have the authority to develop their own permit-processing systems, consistent with state law,²⁰ and to adopt a variety of tools to encourage the development of a variety of housing types, including affordable housing.

A development application is subject to a broad variety of regulations and fees. These may be set locally, based on implementing the vision for the community, recovering the costs of permit review, and/or providing infrastructure, such as roads, sewer and water. Other regulations may be required by the state or federal government, and are administered at the local or state level.

GMA Requirements for Regulating Affordable Housing

There are a few statewide regulatory provisions specifically intended to encourage GMA communities to allow certain types of affordable housing, as outlined below.

- If the city has a population of over 20,000, the local code must allow accessory dwelling units (ADUs) in single-family residential areas.²¹
- All jurisdictions must ensure that manufactured housing is not treated differently than site-built housing.²²
- Any city or county may enact affordable housing incentive programs for the development of low-income housing units through development regulations or conditions on rezoning or permit decisions, or both, on residential, commercial, industrial or mixed-use development. Jurisdictions must identify land use designations within a geographic area where increased residential development will help achieve local growth management and housing policies.²³

Legislation Authorizing Local Tools

While the state has limited authority over the kinds of regulations local governments adopt, it can authorize tools that local governments can use to incentivize the development of affordable and subsidized housing.

²⁰ RCW 36.70B Local Project Review Act, which governs permit processing.

²¹ RCW 36.70A.400, RCW 43.63A.215(3)

²² RCW 35.21.684, 35.63.160, 35A.21.312, and 36.01.225, Amended in 2004.

²³ RCW 36.70A.540, (2006) WAC 365-196-870

- **Multifamily tax exemptions** (MFTE) are helpful in encouraging the development of multifamily housing. Jurisdictions must designate certain areas in which the tax exemption may apply. New multifamily construction within the designated area may defer taxes on the value-added portion of new or rehabilitated property investment for eight years, if adding multifamily housing units, and up to 12 years, if 20 percent of housing units are “affordable” to low- and moderate -income households.²⁴
- **Impact fees** are one-time charges imposed by a local government on new development to pay for a reasonable portion of the costs of providing public services to the development. Impact fees may be reduced by up to 80 percent for housing units, which are designated as affordable by covenant. The other 20 percent must be paid from public funds. Impact fees on a limited number housing units (20 per applicant) may be deferred until final inspection, certificate of occupancy or closing of the first sale. Beginning in 2018, Commerce will report annually on the impact fee deferrals issued by local governments, and the Joint Legislative Audit and Review Committee will review the program in 2021.²⁵
- **Planned actions**, a tool of the state’s Environmental Policy Act (SEPA), assess environmental impacts within a defined sub-area, and reduce a layer of regulation for developments proposed within the area that meet the planned uses.²⁶ SEPA also allows a categorical exemption from SEPA review for development proposed to “fill in” an urban growth area, consistent with a GMA comprehensive plan.²⁷
- **Density bonuses** can be an incentive for desired housing types, such as affordable or senior housing. (An alternate strategy is inclusionary zoning, which requires that any proposed development include a certain component of affordable housing.)
- **Permit processing** for certain types of desired development can be expedited as an incentive, fees can be reduced for certain types of desired development, or reduced fees may be offered to non-profit or other developers.
- Local governments can choose to eliminate off-street parking requirements for certain developments, or relax other standards to reduce overall costs for developers, while balancing the intent of the regulations with the need for affordable housing.

²⁴ See RCW 84.14 for more detail.

²⁵ See RCW 82.02 for more detail.

²⁶ See RCW 43.21C.440 for the definition of a planned action.

²⁷ See RCW 43.21C.229 for more detail.

- The state constitution allows local governments that want to support the development of affordable housing²⁸ to provide gifts to the “poor and infirm.” They can choose to provide underused publicly-owned land or help with infrastructure to assist affordable housing.

Construction and Prevailing Wages

Washington State Department of Labor and Industries (L&I) regulations may also have an impact on the cost of developing government-assisted housing. State law requires state and local governments to pay prevailing wages to all workers for all “public works and maintenance contracts,” including contracts for the construction, renovation and/or maintenance of residential and commercial buildings. L&I makes determinations about the prevailing wage rate that will be applied to individual public works projects, depending on whether it classifies projects as “residential construction” in which a residential prevailing wage rate is applied, or a “mixed use” project in which a commercial prevailing wage rate is applied. Residential prevailing wage rates are typically lower than the corresponding commercial rate.

Government-assisted housing developments tend to have a small non-residential component, usually due to local zoning requirements or the service needs of future residents. When a project is assessed by L&I as having a non-residential component, the impact is that a commercial wage rate is applied to the entire project. This application increases overall development costs.

B. Permitting, Construction, and Regulatory Barriers to Housing Supply

- **Lack of land availability.** It takes a long time to identify land for development and work through the financing, subdivision, infrastructure development, and other steps to bring buildable parcels to market.
- **Shortage of skilled labor.** During the Great Recession many smaller builders went out of business. Now there is a shortage of laborers in skilled building trades. There may be too few developers in some parts of the state for a competitive building industry market. This is especially true in rural areas, where the distance to materials and skilled labor drives up the cost of development. Also, there may be missing skills within the industry, or missing links in the supply chain for materials and/or buildable lots.

²⁸ Article 8, Section 7 of the State Constitution provides: No county, city, town or other municipal corporation shall hereafter give any money, property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

- **Regulations can add costs.** Due to the individualized nature of development requirements adopted by communities, the perception among some in the development community is that permitting and regulations are overly complicated. This can contribute to development costs and consequently impact affordability. In addition, standards that require certain design attributes or open space can add to the cost.
- **Regulations differ widely among jurisdictions.** Within Washington there are few standardized “blueprints” for roads, zoning, and/or design. Though many jurisdictions turn to neighboring jurisdictions for sample code language, a developer hoping to build projects in several jurisdictions may expect to face different zoning, permit processes, other regulations, and fees at each permit counter.
- **Overlapping special districts.** Jurisdictions can have multiple overlapping special purpose districts (water and sewer districts) that can make connections to such public utilities more difficult. Merging of special districts may gain economies of scale. Normally, the first developer into an area must also extend water or sewer infrastructure.
- **Subsidized housing projects are especially burdened.** Non-profit housing developers often do not have funding streams to pay for impact fees at the beginning of the project, which is required when the units within the project are intended to be leased. In addition, prevailing wages can increase the cost of certain types of development, and some green regulations, such as the Department of Commerce Evergreen Sustainable Development Standards for affordable housing development, can add to development costs.

C. Recommendations Relating to Permitting, Construction, and Regulations

The following are key recommendations that HART developed to address these barriers. Additional recommendations are in Appendix D.

1. **Seek responsible changes to development-related statutes and regulations to facilitate housing development.**
 - a. Review the Project Review Act (RCW 36.70B) and identify opportunities to achieve efficiencies. For example, encourage jurisdictions to approve a single-family housing plan type to use multiple times within a single jurisdiction, if it meets all the land use and building code requirements.

- b. Review the impact fee statute (RCW 82.02) and consider additional revisions to yield more housing development.
- c. Review the Subdivision Act (RCW 58.17), for example, requiring jurisdictions to allow fee-simple ownership of attached units (unit lot subdivision) instead of condominium ownership, which is more difficult to finance.
- d. Review the State Building Code (RCW 19.27). Consider revisions to the state building code to account for emerging technologies, like cross-laminated timber (CLT) that reduce costs and improve sustainability.
- e. Review the State Environmental Policy Act (SEPA, RCW 43.21C) and find additional ways to streamline its application.
- f. Review the Multifamily Tax Exemption program (MFTE, RCW 84.14 to) to review how this program is meeting affordable housing goals, and if changes are needed to provide more flexibility to local government to extend the program's timelines.
- g. Review the Community Revitalization Financing tool (CRF, RCW 39.89), and similar tools to assess how they can be most useful in Washington.
- h. Ask Commerce to work with L&I to investigate the impact of commercial prevailing wages (RCW 39.12) created by *de minimus* commercial components in affordable housing projects.

D. Areas for Further Research

HART identified the following topics for further research by other taskforces, boards, or agencies.

- What are the barriers to converting raw land to developable land? What are the barriers to entry along the construction supply chain?
- Is there a sufficient number of builders to ensure there is healthy economic competition in the industry? Are there labor shortages in certain market segments? Where can we best invest in vocational training for skilled construction labor?
- Why is it financially difficult for the private market to develop housing (market rate and subsidized) that would be affordable to low and middle-income earners? What market segments are most attractive to the construction industry? What kinds of incentives, direction, encouragement, or assurances would be required to encourage developers to invest in a broader range of housing types?
- How are impact fees being used to fund infrastructure within communities? How is the exemption for affordable housing being used? Is this effective in enabling more affordable housing?

- Are latecomer agreements useful to spread the cost of infrastructure extension? What is the threshold for cost-effective latecomer agreements? How can this support housing?
- What is the role of “tax increment financing” (TIF) on affordable housing? How have the Local Infrastructure Finance Tool (LIFT) and Community Revitalization Financing (CRF) tools impacted affordable housing? Would a revised CRF tool be useful for the development of affordable housing and also benefit communities?
- Why are the costs of infrastructure connection and monthly utility fees so disparate across the state? Is there an optimized fee level? Is there another way for communities to build reserves for system maintenance?
- What are the regulatory requirements of government-assisted versus private market housing development? Can the private market provide housing units affordable to low-income households at the same or lower cost?
- How can the state support communities in the development, improvement, and retention of manufactured home parks, tiny homes, accessory dwelling units, and micro-housing as forms of affordable housing?
- What are the opportunities to support the manufactured and modular housing industry as an affordable form of housing?
- How can energy-efficiency technologies and weatherization help to reduce the utility component of housing cost?
- How can the Multifamily Tax Exemption (MFTE) program be changed to support long-term affordability?
- How can the state encourage more condominium development and other medium-density forms of housing development for rent or for sale?

III. Funding and Finance Factors Impacting the Housing Supply

A. Background

Addressing affordability across the full continuum of income levels requires the participation of many different types of entities. Generally speaking, the public sector is more directly active in subsidizing low-income housing needs; such as providing emergency shelters for homeless persons with no income and Section 8 vouchers for low-income households. Tax incentives and other market devices address affordability at the higher income levels, such as home mortgage interest deductions²⁹ on federal tax returns.

Federal Funding for Housing

The federal government supports affordable homes through the U.S. Department of Housing and Urban Development funding programs, the U.S. Department of Agriculture assistance, and the Low-Income Housing Tax Credit program (LIHTC), administered through the Washington State Housing Finance Commission (HFC). The LIHTC program works through a subsidy mechanism: the Internal Revenue Service allocates funds on a per capita basis to each state, and in Washington, the HFC allocates credits to developers. Investors buy income tax credits in qualified properties that have received state allocation, creating cash equity for owners that reduces project development debt burden. In exchange, the owner agrees to rent a specific number of units to qualified tenants at specified rents, usually below-market.

State Funding for Housing

At the state level, the two agencies that have primary responsibility for affordable housing and housing services are the Department of Commerce and the Washington State Housing Finance Commission (WSHFC). Commerce's Community Services and Housing Division manages the Housing Trust Fund, a state capital fund dedicated to the provision of low-income and special-needs housing. The Housing Trust Fund is the largest investment the state makes in providing funding for affordable housing. Every dollar invested in the Housing Trust Fund leverages nearly six additional dollars from other sources.³⁰ Commerce also administers the state's portion of real estate document recording fees, which are collected during real estate transactions, and allocated to fund implementation of the Homeless Housing and Assistance Act.

The Housing Finance Commission issues "private activity" tax-exempt bonds to finance affordable housing. It participates in federal, state, and local housing programs and makes additional funds available at affordable rates to help provide housing throughout the state. The WSHFC is also responsible for promoting homeownership opportunities for first-time home buyers.

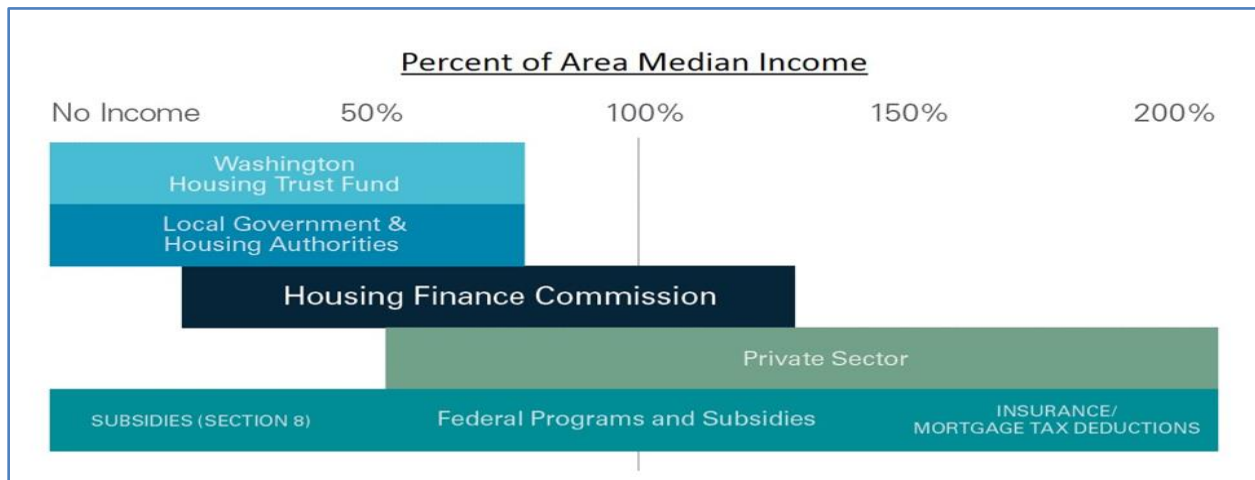
²⁹ The mortgage plus interest must be under \$1million or \$500, if married and filing separately.

³⁰ Affordable Housing Advisory Board Strategic Plan, 2004

Local Funding for Housing

An increasing number of local communities are also investing in affordable housing, including Vancouver, Bellingham, and Seattle, whose voters have approved a local housing levy. Additionally, East King County cities contribute to a regional housing trust fund called ARCH (A Regional Coalition for Housing).³¹ There are a number of other tools that are authorized at the state level that are not frequently used, including community revitalization financing, historic tax credits, commercial linkage fees and community land trusts.

The following image shows the key sources of funding for housing and the income segments they serve.



Credit: WSHFC

Subsidized Housing Preservation

Washington State faces many of the challenges that other states face in the effort to preserve existing affordable housing. One of the most critical issues relates to how to maintain the physical condition of affordable housing properties so that they continue to provide high-quality homes for low-renters. Publicly assisted affordable housing properties have unique challenges when paying for capital improvements. Project revenues are restricted due to required rent limits, so owners are typically not able to pay for major repairs from cash flow. Moreover, owners are often unable to take out loans to finance rehabilitation because revenues are insufficient to service the debt. Replacement reserves are typically not adequate to cover all costs.³² If public housing investments are not maintained and preserved, Washington will be further behind the mark in meeting the needs of low-income households.

³¹ Bringing Washington Home, 2016 Affordable Housing Report. Washington Low Income Housing Alliance, Washington Department of Commerce and Washington State Housing Finance Commission

³² Housing Trust Fund Portfolio Needs Study, 2015

Private Sector Financing

In addition to public sources, the private sector is a critical source of market rate and affordable housing. This takes the form of construction financing, permanent loans, and equity. Subject to conventional underwriting, private financing is a critical part of the capital stack in housing finance. In addition to traditional loans, the private sector provides capital through governmental incentives, including the purchase of tax-exempt bonds, equity through the syndication of low-income housing tax credits (LIHTCs), and special loans through the Federal Home Loan Bank (FHLB) Affordable Housing Program. In addition to these sources banks, corporations and foundations have been a regular and significant source of funding for affordable housing production.

B. Finance and Funding Barriers to Housing

HART members generated the following list of funding and finance barriers. Members noted that many barriers overlap affordable and market-rate housing providers.

- **Financial market barriers.** For potential developers, the financial market makes it difficult to finance the development of land, especially where non-traditional housing types are proposed. For homebuyers, rising interest rates and competition for a limited inventory of buildable lots and/or homes tend to put for-purchase housing further out of reach.
- **Incentivizing product diversity.** Single-family housing is the predominant form of housing, but other forms of housing could be more affordable. Currently there are insufficient market incentives to build a broader array of housing, such as duplexes and townhouses, attached or detached accessory dwelling units (ADUs), farmworker housing, and larger, multiple bedroom apartments.
- **Condominiums are hard to finance.** The rules around condominium development are very challenging, with regard to ownership and rental units, and financial management. These rules, coupled with the risk of construction defect litigation, make condominiums a less attractive development option as compared to single-family homes. The Runstad Center for Real Estate Studies report *“Incentivizing Condominium Development in Washington State: A Market and Legal Analysis³³”* suggests that current liability defect risks are inhibiting the construction of condos for middle-income and working-class families.
- **Complex “Capital Stacking.”** Affordable housing projects have additional layers of complexity in the areas of financing, construction, and regulatory control. In order to finance an affordable housing project, developers typically have to compile a “capital

³³ http://realestate.washington.edu/wp-content/uploads/2016/07/CondoReport_v7_FINAL.pdf

stack” of funding. It is common for up to five funding sources to be required to finance each project. The stack of funds means that there are layers of restrictions requiring specialized expertise to manage, as well.

- **More funds needed up front.** Affordable housing projects require reserves. Investors and some public sources strive to have capitalized reserves to protect the investment. There is also a perception that local governments may ask for added amenities due to public subsidies contained in the proposal, adding to existing financial challenges when funding projects.
- **Maintenance versus expansion.** There is a 30-plus year history of financing affordable housing in Washington, and there is a growing need for recapitalizing projects.³⁴ As such, there is a tension between maintaining the existing supply of affordable housing and building new units.³⁵
- **Lack of renter mobility.** There is often a lack of incentive to transition out of subsidized housing. Many people who live in subsidized housing may have minimum-wage jobs that limit their ability to transition to market rate housing, or they may have childcare and healthcare costs that take significant parts of households incomes. In some cases, especially where market rates are high, tenants on voucher programs may take steps to limit income because they are afraid of losing their housing voucher. Once the voucher is lost, tenants are unlikely to get a new voucher for many years because of closed or lengthy waitlists.
- **Administrative complexity increases costs.** Subsidized housing developments must be managed throughout the regulatory period, which can be as long as 40 years, and the administration of such projects is extremely complex, requiring specialized legal expertise to get contracts in place and to maintain compliance.
- **Additional capital investment is needed to maintain the current subsidized housing stock.** Subsidized housing units are required to maintain affordability only through the end of the regulatory period required by funders at the time of the initial capital investment. Many projects in Washington State are nearing the end of such regulatory periods. Without significant capital investments for maintenance, these projects can be lost to the private market due to feasibility concerns.
- **Geographic market differences.** Two levels of tax credits are available: one at 9 percent of depreciable basis, competitively allocated; the other at 4 percent of depreciable basis. The 4 percent option comes with state bond financing, capped and allocated by a

³⁴ Washington State Affordable Housing Portfolio Study, Department of Commerce and Washington State Housing Finance Commission, 2005.

³⁵ By 2020, at least 50 percent of previous projects will reach 20 years of age, which means subsidies for Section 8 projects are “coming due”. In turn, there will be increased demand on tax credits and NOPAL dollars that need to be renewed.

state agency, which is generally not a competitive program. The 9 percent Housing Tax Credit program works across the state due to its deep subsidy. The Tax Exempt Bond (4 percent) Housing Tax Credit program works best without additional public subsidies at the top end of the affordability spectrum on the west side of the state and in other metropolitan areas such as Spokane and the Tri-cities. When lower cost housing is desired, additional subsidies are needed.

- **Uncaptured benefits.** Public housing cannot benefit from use of appreciation and value like private investments can. The public does benefit from investment in housing (as a part of the public infrastructure), but the “positive externalities” are not quantified. Cap and trade mechanisms could be used for affordable housing.
- **Financial market changes.** As a result of the Great Recession, the Federal Reserve pursued a low interest rate monetary policy, which resulted in unprecedented low short-term and long-term interest rates. Recently, the Federal Reserve has started to raise interest rates. This means construction financing will cost more (adding to development costs); it also means developments will not be able to support as much long-term financing. Both of these factors increase the need for public subsidy for public housing projects. Similarly, the amount of equity generated by the Low-Income Housing Tax Credits (LIHTCs) has been at an all-time high. The specter of lower corporate tax rates through "tax reform" has chilled this market by 10-20 percent. In addition, some tax reform proposals seek to eliminate the LIHTC completely. Again, these trends have an increase the need for local and state funding for affordable housing.
- **Public policy imperatives and demand for subsidy.** As homelessness has increased in absolute numbers and complexity, and as the need for housing affordable to stable households at the lowest income levels has become more acute, state and local housing policy has responded by prioritizing these projects. However, homelessness projects, or those serving households earning 30 percent of area median income (AMI) can support no traditional private debt, and can support only modest debt at 50 percent AMI. This increases the per unit demand on local and state sources of funding for affordable housing.

C. Recommendations Relating the Funding and Finance

The following are the key recommendations that HART developed to address these barriers.

1. **Provide stable and dependable funding for affordable housing.**
 - a. Stabilize the Housing Trust Fund budget at \$200 million per biennium to allow for more predictable planning and development of low-income housing investments.
 - b. Make permanent and increase the document recording fees that address homelessness.

- c. Fund the Public Works Assistance Account and consider whether it could fund infrastructure to support affordable housing.
- d. Provide resources to help maintain existing housing, or incentives for landlords to maintain older, existing housing.
- e. Increase the initial allocation of bond cap to the housing category to 75 percent by lowering initial Student Loan, Small Issue and Remainder categories.³⁶
- f. Encourage cities to pass local housing levies, incentivized at the state level.

2. Encourage public agencies to consider underutilized public property as an opportunity for affordable housing. Affordable housing developers find it difficult to identify and purchase properties, whereas gifts, sale at a reduced price, or long-term leases of underutilized, publicly owned property help to stabilize and reduce the cost of a project. Inventories may be conducted by a variety of public agencies including state, county, city, transit agency, port or other agencies.

D. Areas for Further Research

The following are topics that HART identified for further research by other taskforces, boards, or agencies.

- If housing were framed as community “infrastructure”, what additional funding sources might become available? Is it possible to create a market for the benefits of affordable housing?
- Are there opportunities to add apartment units when developing publicly funded facilities such as day care centers, libraries, senior centers, community and recreation centers? How can residential development be considered in private developments, for example, over retail in urban areas?
- How can the state support and encourage employer-assisted housing, particularly for large urban employers?

³⁶ Housing currently receives 45 percent at the beginning of the year, but in recent years has used almost twice that amount. Increasing the initial allocation to the housing category would recognize this trend but would leave sufficient bond cap for the other most frequently used categories, exempt facilities and industrial revenue bonds.

Moving Forward

The final recommendation coming out of the HART process is to continue working with the recommendations and areas for further research identified in this report

1. Continue this work into the future by finding opportunities to collaborate with existing work groups and projects to carry these ideas forward.

Over the next few years, many people and groups in Washington will continue to work on housing affordability. These efforts may vary across local governments and across housing agencies, and some are contingent on legislated policy and funding. By strategically working together, and using the momentum provided by the current crisis of affordability, the recommendations in this report may be moved forward. While some elements of the work are already underway, others may require new policies or partnerships to move forward.

Actions Already Underway

Local governments are working on the problem. New sophisticated data tools are providing more detailed housing needs assessments. They help communities understand the current housing market, and identify which strategies might be most successful to help the market provide housing that matches the needs of current and future residents.

Washington's Affordable Housing Advisory Board has identified several policy priorities for 2017 that have synergy with HART recommendations. One priority is to improve opportunities to site more affordable housing throughout the state. This can be done by:

- 1) Promoting a comprehensive assessment of processes for measuring the buildable land supply;
- 2) Facilitating the use of under-utilized public or tax-exempt property for affordable housing development;
- 3) Looking for efficiencies and cost cutting in the areas of permitting and impact fees for affordable housing projects; and
- 4) Preserving the Housing Trust Fund (HTF) portfolio.

A second priority is to support policies that stabilize funding for housing and homeless programs, including the Housing Trust Fund and document-recording fees.

Finally, AHAB wants to support local efforts to incentivize affordable housing and preserve existing inventory through supporting local options for real estate excise taxes, source of income discrimination legislation, more opportunities to utilize property tax exemptions, and incentivizing condominium development.

Commerce is addressing housing affordability as a strategic priority within the agency. The agency is taking a broad look at all programs, and how administrative choices within these programs could support housing affordability.

Roadmap to Washington’s Future. The Ruckelshaus Center is starting a detailed study of the Growth Management Act and related statutes, which will very likely have a housing component. Regional “vision” workshops are planned, along with interest groups interviews, and university-assisted research. The expected outcomes include best practices, advice for state agencies, and areas where further study is needed. Partners provided basic funding to get the project started. Additional funding is requested from the legislature in the 2017 session.³⁷

The Master Builders Association of King and Snohomish County is planning to propose regulatory changes in the 2018 legislative session.

Legislature-Dependent Actions

Continue HART-like work. Funding is proposed in some versions of state budgets for Commerce to continue the work of HART, implement the recommendations in this report, and explore areas for further research.

Grants to local governments to implement infill and affordable housing strategies, and to monitor and assess affordable housing trends statewide. Such funds are already in proposed state budgets to fund these activities.

New state guidance on buildable land “review and evaluation” program (proposed in SB5254 in 2017 session).

Joint Legislative Audit Review Committee (JLARC) Study Proposed. In some versions of state budgets, funds are allocated to compare the costs of publicly subsidized housing with market rate projects.

³⁷ <http://ruckelshauscenter.wsu.edu/a-roadmap-to-washingtons-future/>

Appendix A: Letter from Governor Inslee

Appendix B: HART Charter

Appendix C: List of Publications Considered

Appendix D: Full List of Recommendations

JAY INSLEE
Governor



STATE OF WASHINGTON
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January 16, 2017

M.A. Leonard, Chair
Affordable Housing Advisory Board
Department of Commerce
1011 Plum Street SE
Olympia, WA 98504

Dear Chair Leonard:

Thank you for the recommendations from the Affordable Housing Advisory Board (AHAB) on strategies to address homelessness and the affordable housing crisis in our state. I have incorporated several of the AHAB's requests in my proposed 2017-2019 budget.

In order to make meaningful progress on this issue, we require a more thorough analysis of the root causes affecting the lack of affordable housing in our state. Within the next 60 days, I am asking you to convene a work group within the Affordable Housing Advisory Board (AHAB) along with necessary subject matters experts from outside the organization to examine our existing systems that contribute to our housing stock. Please examine how the zoning and planning, permitting, development and financing, and construction processes can be improved to open increased opportunities for additional housing. Define where barriers exist and provide recommendations on how to remove these barriers. If you have other areas of consideration that will provide further insight and recommendations on how to increase the affordable housing stock in the state, please include that in the workgroup's efforts. An initial letter of findings and recommendation should be submitted to the Department of Commerce and my office by June 1, 2017.

Recognizing this work will require more regular meetings for AHAB and external partners in order to produce findings and recommendations, consult with the Department of Commerce should it be necessary for additional support.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jay Inslee".

Jay Inslee
Governor





Housing Affordability Response Team (HART) Charter

Background

On January 16, 2017 Washington State Gov. Jay Inslee sent a letter to the state's Affordable Housing Advisory Board (AHAB), requesting that a work group be formed to address the following issues:

- Examine root causes affecting the lack of affordable housing in Washington.
- Examine how zoning and planning, permitting, development and financing, and construction processes can be improved to open increased opportunities for additional housing.
- Define where barriers exist and provide recommendations on how to remove barriers.
- Explore other areas of consideration that provide further insight.

As a result of this letter, AHAB formed the Housing Affordability Response Team (HART). The governor requested an initial letter of findings and recommendations from AHAB by June 1, 2017.

Problem Statement

Rental and purchase housing is unaffordable or unavailable for many income segments.

Purpose Statement

Based on the governor's letter, the HART Executive Committee developed this purpose statement:

HART will lay the technical groundwork for future legislative and regulatory proposals that will responsibly increase the supply of housing at every economic level.

Areas for Consideration and Non-Consideration

HART will address the following issues insofar as they affect housing supply across Washington State:

- **Land use** (e.g., permitting, zoning, land use regulations, the Housing Element of the Growth Management Act, buildable lands, etc.);
- **Finance and funding** (e.g., *high-level* recommendations on statewide financing tools, the relationship between funding supportive services and the supply of housing, etc.)
- **Construction** (e.g., construction regulations, stormwater regulations, etc.)
- **Other** (e.g., prevailing wages, environmental reviews, etc.)

While recognizing the interdependence of many housing-related issues and given the short timeframe of this assignment, HART will not focus on the following:

- **Local government issues** (e.g., local rezoning in specific jurisdictions)
- **Federal government issues** (e.g., Housing and Urban Development (HUD) support)
- **Political strategies** (e.g., *how* to advance certain recommendations through the legislature)

To prepare to discuss these issues, HART members will have access to an EZ View website ¹with relevant documents and reports. In addition, subject matter experts will attend some of HART's meetings to provide additional insight.

Outcomes

Using the 2006 Affordable Housing Task Force work as a starting point, HART will develop the following deliverables for AHAB's review:

- Recommendations for an initial letter to the governor on June 1, 2017, which may include legislative recommendations for the 2018 state legislative session.
- Areas needing more study in the coming months.
- Areas for additional outreach and education efforts to a broader audience.

Roles and Responsibilities

Below are the roles and responsibilities associated with HART:

- The Affordable Housing Advisory Board (AHAB) advises the Department of Commerce on housing and housing-related issues. HART is a workgroup of AHAB, and AHAB will approve HART's recommendations.
- The HART Executive Committee will make all final decisions regarding meeting content, objectives, and goals for HART. See Attachment A for a list of Executive Committee members.
- The HART Chair will be Peter Orser from the Runstad Center for Real Estate Studies. The Chair will work with the Executive Committee to set meeting agendas and help run the meetings.
- The HART Core Team will be composed of a range of stakeholders from the housing sector. The Core Team will develop recommendations and areas for further research for AHAB's consideration. Core Team member responsibilities include:
 - Attending all the meetings if possible.
 - Assigning an alternate if unable to attend all meetings.
 - Making a commitment to between-meeting work, which may include editing draft documents, conducting research, sending reference materials, etc.
 - Voting on recommendations to AHAB during the fifth HART meeting.

See Attachment A for a list of HART Core Team members.

- HART alternates will be assigned to represent HART Core Team members who cannot attend. HART alternates are welcome to attend all HART meetings, but alternates will be asked to sit in the public gallery if their primary Core Team members attend. Alternates can vote only on final HART recommendations if their primary Core Team members are absent.
- Subject matter experts will be invited to HART meetings on an as-needed basis to provide information to inform HART's recommendations and identification of areas for further research. Subject matter experts are allowed to sit at the table and provide their ideas during meetings.

¹ https://www.ezview.wa.gov/site/alias_1961/37020/default.aspx.

However, subject matter experts will not be allowed to vote on HART's recommendations during the May 5, 2017 meeting.

- Members of the public are welcome to attend HART meetings. There will be two opportunities for public comments, once at the beginning of the meeting, and once at the end of the meeting. Members of the public will be asked to sit in a public gallery section to observe meetings. Members of the public will not be allowed to vote on HART's recommendations during the voting meeting. Members of the public can also submit written comments that will be summarized at the start of each HART meeting.
- The Washington Department of Commerce will provide a note taker.
- A neutral² facilitator will be Sophie Glass from Triangle Associates. The facilitator will:
 - Help create equitable meeting environments by addressing power dynamics and other factors that might prevent all members from speaking up and being heard.
 - Encourage committee members to move toward their meeting objectives by asking questions and reframing issues.
 - Provide summaries of the wall charts and list of outcomes and next steps from each meeting.
 - Support the Department of Commerce in developing the final report.

HART members may provide any feedback about the facilitator to the Department of Commerce or directly to the facilitator.

Discussion Guidelines

The HART Executive Committee and Core Team will adhere to the following discussion guidelines:

- Listen when others are speaking.
- Seek to understand before seeking to be understood.
- Let the facilitator know if you feel like another participant is behaving disrespectfully or preventing you from speaking up.
- Focus on constructive problem-solving, not personalities.
- It's okay to disagree.

Making Recommendations

HART members (or their alternates) will be involved with making recommendations for AHAB to consider. At the end of each of the first four meetings, HART members will propose recommendations that they will vote on during their fifth meeting. These recommendations may be new or build off the 2006 recommendations. While developing potential recommendations, HART members will identify any subject areas that require further study before bringing the recommendation to a vote.

² In this context, the term "neutral" means that the facilitator does not have a stake in the *outcomes* of this committee and is focused on ensuring a *fair process*.

During HART’s fifth meeting, HART members (or their alternates if needed) will vote on which recommendations to provide to AHAB. Recommendations will be those supported by the majority of the group, but will not be consensus-based. For the record, any individual may request to have their name identified associated with their vote or provide a written statement of support or opposition to be included as an appendix to HART’s recommendations to AHAB.

Meetings

- The HART Executive Committee will meet in person at the start of the HART process and then meet as necessary to guide the process.
- The HART Core Team will meet five times between March and May 2017.
- HART Core Team members will be invited to observe a special AHAB meeting in May 2017.
- Agendas and materials will be sent to HART members in advance of meetings.
- The facilitator will review the Department of Commerce’s short summaries of each meeting; HART members will review these summaries at their subsequent meetings.

Stakeholder and Public Engagement

To reach a wider range of stakeholders beyond HART’s membership alone, HART will conduct the following outreach to stakeholders across Washington State:

- Gather responses to HART’s list of recommendations on how to “responsibly increase the supply of housing at every economic level.” HART will use this feedback to guide selection of the final recommendations.

If any stakeholder or member of the public would like to provide comments or feedback on the HART process, they may do so by contacting Anne Fritzel with the Washington Department of Commerce (anne.fritzel@commerce.wa.gov or 360.725.3064).

Media

If approached by a media outlet, HART members will speak on behalf of themselves and not on behalf of HART as a whole. HART members will refer detailed media inquiries to Penny Thomas with the Department of Commerce (Penny.Thomas@commerce.wa.gov or 206.256.6101).

Open Public Meetings

As a subcommittee of a governor-appointed board, HART meetings are subject to the Open Public Meetings Act³. This means that all discussion involving a quorum of members must take place within the context of an open public meeting. Emails to all members of the committee from staff are permitted,

³ For more information on Open Public Meetings please refer to <http://mrsc.org/Home/Explore-Topics/Legal/Open-Government/Open-Public-Meetings-Act.aspx> and/or this 27-minute video on the Open Public Meetings Act: <https://youtu.be/2YzyuOWmPrU>

however “reply-all” responses may be considered a meeting. HART’s agendas and materials will be available via HART’s website: https://www.ezview.wa.gov/site/alias_1961/37020/default.aspx.

Attachment A: HART Core Team Members

Name	Affiliation
Peter Orser (HART Chair)*	Runstad Center for Real Estate Studies
Nick Harper	Master Builders of Snohomish King Counties
Tess Colby	Washington State Association of Counties
Svenja Gudell	Zillow, Chief Economist
Kim Herman (<i>Rich Swicker, alternate</i>)	Housing Finance Commission
M.A. Leonard (AHAB Chair)*	Enterprise
Mark McCaskill	Commerce, Growth Management Services
Jeanette McKague	Washington Association of Realtors
Rachael Myers	Housing Alliance
Chris Pegg*	SW Washington Housing Developer
Paul Purcell	Beacon Development Group
Tony To	Homesite
Paul Trautman*	City of Spokane
Steve Walker (<i>Carl Shroeder, alternate</i>)	Association of Washington Cities
Bryce Yaden (<i>Chris Wierzbicki, alternate</i>)	Futurewise

* HART EXECUTIVE COMMITTEE MEMBERS

Department of Commerce Staff:

Diane Klontz	Assistant Director for Community Services and Housing*
Anne Fritzel (HART Coordinator)*	Growth Management
Emily Grossman (AHAB Staff)*	Housing Policy

Appendix C: List of Publications Considered

The Cost of Housing

[The Affordable Housing Crisis in Los Angeles: An Employer Perspective](#), LA Business Council Institute, March 2017

[California's High Housing Costs: Causes and Consequences](#), LAO, 2015

[Bending the Cost Curve- Solutions to Expand the Supply of Affordable Rentals](#), Urban Land Institute, 2014

[California Affordable Housing Cost Study](#), Cal HFA, 2014

[Return on Investment in Supportive Housing](#), Minnesota, 2012

[Cost of Homelessness: Cost Analysis of Permanent Supportive Housing](#), Maine, 2007

[2006 Affordable Housing Task Force Report](#), AHAB, 2006

Housing Planning

[Homelessness and Housing Toolkit](#), MRSC, 2017

[Understanding the Small and Medium Multifamily Housing Stock](#), Enterprise, USC Prices, 2017

[Incentivizing Condominium Development in Washington State](#), WCRER, 2016

[White House Housing Development Toolkit](#), 2016

[Housing Tools Matrix](#), Puget Sound Regional Council

Infrastructure

[Building the Economy: Infrastructure Needs in Washington](#) AWB and partners, 2017

[Infrastructure Financing: A Guide for Local Government Managers](#), ICMA, 2017

[Tax Increment Financing in Washington](#), MRSC, November 2016

[Latercomer Agreements 1](#), MRSC, 2013 legislation

[Latercomer Agreements 2](#), MRSC, 2015 legislation

[Washington's Infrastructure Needs, Washington Research Council 2005](#)

[Special Purpose Districts in Washington State](#), MSRC, 2003

Permitting and Construction

[SEPA Handout on Planned Actions](#), Department of Ecology

[Prevailing Wage Policy Memorandum](#), L&I, 2012

[Housing Attainability: Finding a Path Forward for Housing](#), Master Builders of King and Snohomish County, 2017

[Incentivizing Condominium Development in Washington State: A Market and Legal Analysis](#), WCRER, 2016

Housing Affordability Response Team (HART)

Draft Recommendations 4-20-2017

In January 2017, Governor Inslee requested that a task force be formed to conduct "a more thorough analysis of the root causes affecting the lack of affordable housing in our state." He asked that this task force "examine our existing systems that contribute to our housing stocks...and define where barriers exist and provide recommendations on how to remove these barriers." As a result of the Governor's request, the Department of Commerce formed the "Housing Affordability Response Team" (HART) as a work group of the Affordable Housing Advisory Board (AHAB).

From March 7 - April 27, 2017, HART was to discuss barriers and opportunities related to responsibly increasing the supply of housing at all economic levels. Using prior work in 2006, 2013, and the 2017 meetings, HART developed more than 80 recommendations organized by (a) Land Use Planning (b) Regulations and Fees; (c); Funding and Finance; and (d) Other. This is the list of draft recommendations for review by HART members in preparation for their April 27 meeting. **Bolded recommendations were selected by majority voting to include in the HART report.** Some became outright recommendations, some were grouped and some were not yet ready for implementation, and were included as areas for further research.

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LAND USE PLANNING

GMA Planning Requirements

Recommendation	Source	Comment
1. Identify a way that cities/ counties can be held <u>accountable to plan for and encourage the development of their share of the region's housing units, and their share of affordable housing.</u>	2013 Idea	The GMA (RCW 36.70A.070(2)(d)) requires that the Housing Element <i>make adequate provisions for existing and projected needs of all economic segments of the community.</i> RECOMMENDED
2. Clarify how cities /counties planning under the GMA should plan to accommodate growth targets and monitor progress over time.	2017 HART	The GMA (RCW 36.70A.070(2)(a)) requires that the Housing Element include an inventory and analysis of existing and projected housing needs and identifies the number of housing units necessary to manage projected growth.
3. Make RCW 36.70A.540 <u>required</u> instead of at local choice. (This statute authorizes GMA cities and counties to enact affordable housing incentive programs)	HART 2017	Local governments would be required to adopt some components of an affordable housing program. This appears to be already required by the housing element. RCW 36.70A.070(2)(d) <i>make adequate provisions for existing and projected needs of all economic segments of the community</i>
4. <u>Require</u> locally approved development to attain a minimum density, to make most efficient use of designated urban land.	2017 HART	"Requiring" would require an amendment to the GMA; there are currently no "brightlines" for densities in the GMA. (Another recommendation would <u>encourage</u> minimum densities.)
5. Require local governments to analyze existing demographics in the housing element and maintain demographic balance as development occurs to minimize displacement.	2017 HART	Help local governments understand local demographics (even at a neighborhood level), to watch for gentrification /displacement.
6. Reduce the Growth Management Act plan update interval so that local jurisdictions can implement their prior work.	2017 HART	The interval is currently every 8 years on a 20-year plan. Land capacity analysis is needed before each update.
7. Standardize Buildable Lands requirements so that it is easier to do the analysis and compare information across jurisdictions. Use GIS and other modern tools to provide better information.	2017 HART	Would require same approach by all 6 buildable lands counties: King, Pierce, Snohomish, Kitsap, Thurston and Clark. RECOMMENDED

<p><i>8. Reduce land capacity analysis review requirements in smaller areas (slower growing cities), to focus on larger, high-growth cities. Focus on forms and tools to make analysis easier, and share best practices</i></p>	<p>2017 HART</p>	
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Funding for Housing Planning and Buildable Lands Assessments

<p><i>9. Provide state funding specifically for development of housing elements.</i></p>	<p>HART 2017</p>	
<p><i>10. Provide incentives to local governments to meet affordable housing goals in GMA plans.</i></p>	<p>HART 2017</p>	<p>Incentive funding could be used for staff work to add more specific affordable housing goals to countywide planning policies, add goals to city county plans, or adopt specific tools. Cities and counties could focus on annual housing analysis reports, updating progress and identifying trends that can be addressed through finer-grained changes to their development regulations, fees, etc</p>
<p><i>11. Provide resources for local governments to develop and update GMA plans, and other plans that facilitate development, such as economic development and capital facilities elements.</i></p>	<p>HART 2017</p>	<p>RECOMMENDED</p>
<p><i>12. Provide dedicated and sufficient funding to the "Buildable Lands" counties to develop and produce the Buildable Lands Reports already required by statute to have more certainty in the results, such as for conversion potential.</i></p>	<p>AHAB 2006</p>	<p>RECOMMENDED</p>
<p><i>13. Provide dedicated and sufficient funding to "Buildable Lands" counties to develop <u>new information on land capacity for development</u>. Reports should include information that enhances the description of the development potential of land, e.g., analysis that identifies land suitable for development, such as land that is currently available with current infrastructure and land that is potentially available with funded infrastructure.</i></p>	<p>AHAB 2006</p>	<p>See Bill 5254 (laws of 2017)</p> <p>RECOMMENDED</p>

<p><i>14. Provide resources to improve county assessor’s data to help provide better information for the 23 GMA, but non-buildable lands counties.</i></p>	<p>HART 2017</p>	<p>Research how modern GIS can be used to improve information on buildability and redevelopment potential of parcels.</p>
<p><i>15. Fund the Planning and Environmental Review Fund (PERF) to provide grants as a way to encourage local governments to do up-front environmental planning on an area-wide basis.</i></p>	<p>AHAB 2006</p>	<p>PERF grant and local program already established in RCW 36.70A.490</p>
<p><i>16. Provide funding for a revolving loan fund to expand the use of up-front SEPA (and NEPA) review for the development of designated areas inside urban growth areas.</i></p>	<p>HART 2013</p>	<p>PERF grant and local program already established in RCW 36.70A.490</p>

Technical Assistance for Land Use Planning

<p><i>17. Provide education for the development community, elected officials, planners and the public on how to address affordable housing issues.</i></p>	<p>AHAB 2006</p>	<p>Provide education on housing tools and how finance, marketing, regulations, community entitlements work. Could include professional workshops, community workshops, technical assistance or other guidance. RECOMMENDED</p>
<p><i>18. Provide state level support to local government to address NIMBY issues.</i></p>	<p>2017 HART</p>	<p>Provide focused technical assistance for local governments as they work through housing issues, to support local government adoption of affordable housing measures. RECOMMENDED</p>
<p><i>19. Identify how to encourage cities to up-zone within their borders and reform their development regulations to achieve minimum net urban densities and accommodate new growth.</i></p>	<p>2013 Idea</p>	<p>RECOMMENDED</p>
<p><i>20. Provide information on best practices for design standards and review processes statewide.</i></p>	<p>AHAB 2006</p>	<p>This was implemented, but the web site was taken down, as Commerce did not have the on-going resources to keep it up to date.</p>
<p><i>21. Provide state funding for plans and zoning that require or encourage a diversity of housing choices and types – e.g., minimum densities, bonus densities for affordable housing, cottage housing, accessory dwelling units (ADUs), and mixed-used development.</i></p>	<p>AHAB 2006</p>	<p>RECOMMENDED</p>

REGULATIONS AND FEES

Impact Fees

<p>22. <i>Require local governments to charge impact fees on a per-square-foot basis for multi-family housing development.</i></p>	<p>AHAB 2013</p>	<p>Change RCW 82.02 Impact fees charged on a per-unit basis may have the unintended consequence of encouraging larger, more costly units, especially in the context of multi-family development.</p>
<p>23. <i>Eliminate the "replacement rule" that requires counties and cities to pay the remaining 20% from public funds for low-income housing impact fee exemptions (RCW 82.02.060(2))</i></p>	<p>AHAB 2006</p>	<p>The impact fee statute was amended to allow local governments to waive 80 percent of Impact fees for affordable housing projects (30-80% AMI), but the remaining 20 percent still must be paid from public funds. RCW 82.02.060</p>
<p>24. <i>If <u>not</u> getting impact fee exemptions, affordable housing projects should be allowed to defer impact fee payment until the certificate of occupancy.</i></p>	<p>HART 2017</p>	<p>ALREADY ALLOWED: RCW 82.02.050 requires any city or county imposing impact fees to allow deferral of fees until final inspection, certificate of occupancy or first sale of the property.</p>

SEPA Amendments

<p>25. <i>Explore a categorical exemption for projects in areas within urban growth areas that are designated by local jurisdictions and are generally characterized by a mix of uses, higher density and access to public services, including transit, if the jurisdiction has done an adequate environmental impact statement (EIS) for the designated area. (for greenfield areas).</i></p>	<p>AHAB 2006</p>	<p>ALREADY ALLOWED: SEPA allows GMA counties and cities to establish categorical exemptions for "...new residential or mixed-use development proposed to fill in an urban growth area designated according to RCW 36.70A.110, where current density and intensity of use in the area is lower than called for in the goals and policies of the applicable comprehensive plan." (RCW 43.21C.229, 2003) An EIS must have been completed for the plan.</p>
<p>26. <i>Expand SEPA exemptions to apply to subdivisions where an EIS has already been done.</i></p>	<p>HART 2017</p>	<p>ALREADY ALLOWED: RCW 43.21C.240, enacted in 2010 (ESHB 2538) allows SEPA review that leads to up-front development conditions and mitigation requirements. For 10 years after an EIS is completed, projects consistent with the comprehensive plan element or subarea plan and development regulations do not require additional SEPA review and are not subject to administrative or judicial appeals under SEPA. Cities are allowed to recover a portion of the costs of the non-project EIS by assessing developer fees.</p>

<p>27. <i>Explore alternatives to Environmental Impact Statements (EISs) for planned action areas or categorical exemption areas.</i></p>	<p>HART 2017</p>	
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Permit Processing

<p>28. <i>Work toward greater consistency across jurisdictions in project application review and approval timelines.</i></p> <p><i>Define "complete application" for a development permit at the statewide level.</i></p>	<p>HART 2017</p>	<p>RCW 36.70B.060 addresses the permit process. RCW 36.70B.090 did include timelines, but this section expired in 2000. RCW 36.70B.070 covers the "determination of completeness" for local project review.</p>
<p>29. <i>Provide incentives and a timeline for local governments to simplify and standardize local development standards and regulations.</i></p>	<p>AHAB 2006</p>	<p>The Regulatory Reform Act, adopted in 1995, required every city and county to adopt standard timelines and clear procedures for permit review. There are no requirements for standardizing road standards, zoning, etc.</p>
<p>30. <i>Provide a waiver for the 28-day period for the determination of completeness if there is a preliminary meeting.</i></p>	<p>HART 2017</p>	<p>Revisions to RCW 36.70B.070. Some stakeholders commented that a preliminary meeting may not be sufficient to ensure a complete application, and they may still need a period for determining completeness, though could explore making it a shorter period.</p>
<p>31. <i>Change the final plat approval process for subdivisions in RCW 58.17 from a legislative approval process to one that is administrative.</i></p>	<p>HART 2017</p>	<p>ADOPTED IN 2017</p> <p>SB 5674 was passed in the 2017 legislative session, amending RCW 58.17 to allow this.</p>
<p>32. <i>Allow for subdivision of attached units (unit lot subdivision) to allow for fee-simple ownership instead of condo ownership, which is difficult to finance. This is specifically for detached and attached housing units in multifamily zones.</i></p>	<p>HART 2017</p>	<p>Many Puget Sound jurisdictions already have fee simple code provisions. Some HART members noted a need to check into coverage restrictions and how mortgages will work.</p> <p>RECOMMENDED</p>
<p>33. <i>Encourage local governments to adopt a "basic program" so that one development plan type could be approved in multiple places within a single jurisdiction, and minor changes to the plan can be easily permitted under the basic plan.</i></p>	<p>HART 2017</p>	<p>Multiple permits and conditional use permits take a lot of time to go through the process. State-supported "e-permit" program would help with this, or some kind of pilot program for certain types of affordable housing types.</p> <p>RECOMMENDED</p>

Utility Agreements

<p>34. Provide funding for affordable housing to cover the up-front cost of utility extensions and hook-up fees. Spread the cost of the fees. 1) Have the developer pay something up front, 2) finance the balance through a loan fund, and 3) repay through latecomer agreements.</p>	<p>HART 2017</p>	<p>Research whether existing statute allows this kind of scheme.</p>
<p>35. Require latecomer agreements to be mandatory for all infrastructure investments, including roads and utility districts (expanding the requirement for construction of water and sewer facilities to other infrastructure for a 20- year period per HB 1717 (laws of 2013 - 2014).</p>	<p>AHAB 2013</p>	<p>A latecomer fee is a fee charged by a municipality, either as a separate fee or as part of a connection fee for providing access to a municipal system. The fee is charged to other property owners who connect to or use a facility that was constructed or improved pursuant to a contract between a municipality and a property owner.</p> <p>A 20-year late-comer agreement is an option in certain instances and not mandatory. However, latecomer agreements may not be efficient in all circumstances; administrative costs for managing them may exceed the benefit in some situations</p>

Prevailing Wages

<p>36. Review 5-story rule that triggers commercial prevailing wage rates for whole buildings.</p>	<p>AHAB 2006</p>	<p>The prevailing wage issue is considered very important for the development of affordable housing. The height determination was intended to differentiate between wood frame and steel frame buildings, but wood can now go taller. The residential rate should follow.</p>
<p>37. Have Commerce work with L&I to investigate the impact of commercial prevailing wages created by <u>de minimus</u> commercial components in affordable housing projects.</p>	<p>HART 2017</p>	<p>If federally funded, a housing project could also have to comply with federal prevailing wage law, which differs from state prevailing wage.</p>

Other

<p>38. Require all cities to allow accessory dwelling units (ADUs) Granny flats, mother-in-law apartments, etc..</p>	<p>AHAB 2006</p>	<p>Currently only cities above 20,000 are required to allow ADUs, though many smaller cities allow them.</p>
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<p>39. Require cities/counties to quantify the impact on the supply and price of market rate housing from new regulations.</p>	<p>HART 2017</p>	
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FINANCE AND FUNDING

Grant and Loan Funds for Affordable Housing

<p>40. Make permanent and increase document recording fees.</p>	<p>HART 2017</p>	<p>RECOMMENDED</p>
<p>41. Stabilize the Housing Trust Fund budget to allow for more accurate planning and development for affordable housing</p>	<p>HART 2017</p>	<p>RECOMMENDED</p>
<p>42. Fund the Public Works Assistance Account and be sure that the criteria reflect housing affordability. Consider whether this fund could fund infrastructure to support affordable housing.</p>	<p>HART 2017</p>	<p>RECOMMENDED</p>
<p>43. Create a revolving loan fund for preservation, in order to leverage other funds, such as weatherization.</p>	<p>HART 2017</p>	<p>The legislature passed ESB5647 (2017-2018) , which creates within Commerce the Low-Income Home Rehabilitation Revolving Loan Program for rural property owners.</p> <p>HB 1980 (2017-2018) was to create a low-income home rehabilitation revolving loan fund within Commerce for rural homeowners. (did not pass)</p>
<p>44. Provide resources to assist in maintaining existing housing, or incentives for landlords to maintain older, existing housing.</p>	<p>HART 2017</p>	<p>One proposal is to provide a property tax exemption for a significant number of years to incentivize owners/landlords to preserve older, existing rental housing.</p> <p>RECOMMENDED</p>

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<p>45. <i>Increase the initial allocation of bond cap to the housing category to 75% by lowering initial Student Loan, Small Issue and Remainder categories.</i></p>	<p>HART 2017</p>	<p>Housing currently has a right to 45 percent at the beginning of the year, and by the end of the year has used most of it, as there is an uptake in the other categories.</p>
<p>46. <i>Add a prohibition on capital dollars, unless meeting a threshold for providing affordable housing. (Locally determined goals)</i></p>	<p>HART 2017</p>	<p>Would have to be out of compliance to use existing GMA limitations. Would be difficult to determine the threshold. May require that certain policies are in place, to allow funding.</p>
<p>47. <i>In reviewing local government applications for state grants and loans (e.g., Public Works Trust Fund (PWTF), Transportation Improvement Board (TIB), Community Economic Revitalization Board (CERB), Job Development Fund), the State of Washington should award bonus points to applications that clearly address state housing goals.</i></p>	<p>AHAB 2006</p>	
<p>48. Encourage cities to pass local housing levies, incentivize at the state level by matching a percentage of local funds with state funds for the same purpose, or give priority to Housing Trust Fund (HTF) dollars that meet other HTF criteria.</p>	<p>AHAB 2006</p>	<p>RECOMMENDED</p>
<p>49. <i>Create a Growth Management Infrastructure Account to fund projects in which the proponents will clearly address state housing goals.</i></p>	<p>AHAB 2006</p>	
<p>50. <i>Provide funding for Housing land trusts.</i></p>	<p>HART Stakeholder</p>	
<p>51. <i>Increase funding for brownfields redevelopment and explore ways to reduce burdens of environmental review process</i></p>	<p>HART Stakeholder</p>	
<p>52. <i>Pursue Private Public Partnerships to secure and build more affordable housing by utilizing tax increment redevelopment bonds or other similar mechanisms</i></p>	<p>HART Stakeholder</p>	

Property Tax Exemptions

53. Extend multifamily housing property tax exemption time for projects that include more affordable housing than currently required.	HART 2017	RCW 84.14 authorizes cities to provide property owners a tax exemption on residential portions of buildings for up to 12 years in return for designating at least 20% of the units for affordable housing. RECOMMENDED
54. Preservation tax exemption, builds off the MFTE to preserve existing stock.	HART	84.14 currently allows the tax exemption for conversion and rehabilitation of properties. RECOMMENDED
55. Allow cities to use the MFTE abatement for affordable housing development on small lots and low-density conversions--for example for several dwelling units from a single lot. Tax averaging across all the units.	HART 2017	This would allow affordable housing developers and owners to not pay property taxes on smaller developments as an incentive to invest in smaller projects, which are not as easy to develop and cost more per unit than larger developments. RCW 84.14
56. Expand MFTE abatement to larger projects that convert a single family lot to multiple units for less than 60% AMI.	HART 2017	This would be an abatement for converting single-family building lots to development of an affordable multifamily project. RCW 84.14
57. Provide a partial property tax exemption for affordable rental or for sale units for households at 80% of median income or less (per RCW 84.36.560).	AHAB 2006	HART changed from 50% to 80% or less of area median income for sales units.
58. Provide a "holding time" property tax exemption for property purchased for the purpose of developing affordable housing (no tax between purchase and development).	HART 2017	HB 1532 and HB 5143 (2017-18) proposed to exempt non-profit homeownership development from state and local taxes, for Community Land Trusts. These bills did not pass 2017 session
59. Allow cities to retain the state's 20% of the taxes collected during the abatement period (on the incremental increase in value of land and non-housing improvements) for use with ADU and flex-lot programs.	AHAB 2006	

<p>60. <i>Authorize a voter-approved local option regular property tax using the unused portion of the state regular property tax levy within a specified county or city. The funding may be used for purposes for which Growth Management Act (GMA) impact fees are currently imposed, such as firefighting facilities, roads and parks. This funding source would replace GMA impact fees in counties and cities where it is levied.</i></p>	<p>AHAB 2006</p>	
<p>61. <i>Offer property tax relief to homeowners when they rent a portion of their home.</i></p>	<p>AHAB 2006</p>	<p>Such space could accomplish the same goals as ADUs, without requiring new construction (faster, cheaper!). This increase in rental space capacity would appeal to military service members, students and others. Additionally, the income could help some households remain in place, rather than having to move away from the community after selling (because of sharply rising prices on "downsizer" properties).</p>

Funding for Housing from New or Reallocated Taxes

<p>62. <i>REET tax or surcharge, based on the hold period, to discourage "flipping", and use the funds for affordable housing.</i></p>	<p>HART 2017</p>	<p>REET 1 RCW 82.46.015 authorizes all cities and counties to levy a 0.25% real estate excise tax to apply to a broad variety of capital projects.</p> <p>REET 2 RCW 82.46.035 authorizes GMA cities and counties to levy a second 0.25% REET for a limited list of capital projects.</p>
<p>63. <i>REET 3, 0.25% additional tax on real estate authorized for the purpose of affordable housing.</i></p>	<p>HART 2017</p>	<p>REET 3 is authorized by RCW 82.46.070 "Additional excise tax—Acquisition and maintenance of conservation areas." This recommendation could expand the authorization for the purpose of affordable housing.</p>
<p>64. <i>Sin Taxes: In recognition that stable housing is a major contributor to stable communities, a portion of marijuana, sweetened beverage taxes, or lottery proceeds should be directed to the development and preservation of affordable housing and ending homelessness.</i></p>	<p>HART 2017</p>	
<p>65. <i>Reallocate a portion of the state sales tax on construction activity to local jurisdictions (where collected) to use for infrastructure projects that increase capacity necessary to accommodate growth and provide affordable housing opportunities. Reallocation could be based on: -Anything above the rolling 10-year average of collections;</i></p>	<p>AHAB 2006</p>	

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<i>-Collections above the projected revenues in the revenue forecast; or a fixed fraction/share that captures a rise in revenue.</i>		
<i>66. Authorize a sales tax exemption on building materials and services for affordable housing.</i>	HART 2017	
<i>67. Consider a cap and trade /carbon tax to fund affordable housing and transit oriented development, similar to the California program.</i>	HART 2017	
<i>68. Authorize a voter-approved local option regular property tax using the unused portion of the state regular property tax levy within a specified county or city. The funding may be used for purposes for which GMA impact fees are currently imposed, such as firefighting facilities, roads and parks.</i>	AHAB 2006	This funding source would replace GMA impact fees in counties and cities where it is levied.
<i>659. Extend councilmanic sales tax for affordable housing to all counties.</i>	HART 2017	Proposed in HB 1797 (2017-2018) Cities and counties authorized to: <ul style="list-style-type: none"> • Use councilmanic authority to impose affordable housing sales tax • Use REET taxes to support affordable housing.
<i>70. Authorize the development of affordable housing tax credits at the local level. For example, social impact bond, environmental credit, transfer of development rights.</i>	HART 2017	Already in place for farmworker housing, yielding 10% more units.

Tax Increment Financing

71. Update Washington State’s tax increment financing (TIF) legislation so that it is more effective.	HART 2017	TIF was found to be unconstitutional in Washington. However a similar tool (Community Revitalization Financing, RCW 39.89) should be reviewed for potential use. RECOMMENDED
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Underutilized Public Property for Housing

<p>72. <i>Provide guidance or encouragement to help cities identify locations that could be useful for affordable housing.</i></p>	<p>HART 2017</p>	
<p>73. Require public agencies to consider underutilized public property as an opportunity for affordable housing (at a reduced price) if a city is not meeting its affordable housing target</p>	<p>HART 2017</p>	<p>See MRSC’s Sale of Surplus City or Town Property for Guidance RECOMMENDED</p>
<p>74. <i>Research and identify a tool to allow cities and counties to dispose of public land in an efficient way.</i></p>	<p>HART 2017</p>	<ul style="list-style-type: none"> • RCW 39.33 provides a method for the sale, exchange, transfer, or lease of public property. • RCW 36.35.150(c) allows county tax –title property disposal for affordable housing • RCW 43.83.400 and 43.83.410 allow transfers of property to nonprofits benefitting disabled individuals and providing social and health services.

OTHER ISSUES

Data Needs / Technical Assistance

<p>75. <i>Provide tools to understand the impact of jobs on housing and travel, and improve jobs housing balance through economic development strategies.</i></p>	<p>HART 2017</p>	<p>Understand how people are travelling, where they live and where they work. Identify locations where jobs/housing balance could be adjusted to reduce travel and improve housing choice.</p>
<p>76. <i>Provide tools at the local level to help understand economics, demographics, to understand the types of housing that will be needed within the planning period.</i></p>	<p>HART 2017</p>	<p>Provide data for local governments that help local planners understand current housing market and what may be needed in the future. This is required in the housing element; providing it statewide or regionally would make this analysis easier.</p>
<p>77. Research and identify what is needed to increase the development of larger multifamily affordable housing units in more expensive markets.</p>	<p>HART 2017</p>	<p>It is difficult to find apartments to house larger families with many children, or multigenerational families. RECOMMENDED</p>
<p>78. <i>Ask the citizens of Washington to vote on a constitutional amendments which would allow public jurisdictions to donate, sell, or lease surplus property to a non-profit or public entity for the development of affordable housing meeting certain qualifications.</i></p>	<p>HART 2017</p>	

Building Supply Chain

<p>79. Invest more money in vocational training to train builders, and other skilled construction labor.</p>	<p>HART 2017</p>	<p>Research the programs that exist and the number of people trained for building trades. RECOMMENDED</p>
<p><i>80. Explore ways to facilitate more construction of manufactured and modular wood homes in Washington as a way to provide affordable housing.</i></p>	<p>HART 2017</p>	<p>Research is needed.</p>
<p><i>81. Pursue a statewide economic development marketing strategy to recruit more builders into Washington State in order to provide economic competition to existing builders and drive down the cost through market competition.</i></p>	<p>HART Stakeholder</p>	<p>Focus on recruiting builders who specialize in housing types that are under represented by current builders such as: town homes, row houses, low rise multifamily, condos, accessory dwelling units, etc.</p>

Continue this work with Stakeholders

<p>82. The Task Force recommends that a longer-term process be convened in which key stakeholders further explore issues related to the impacts of land availability and capacity on the affordability of housing, and recommend strategies for ensuring a sufficient supply of buildable land is available to achieve affordable housing goals. Some of the recommendations should also address issues of land capacity and availability in eastern Washington and rural communities, even though they are not buildable lands reporting counties.</p>	<p>AHAB 2006</p>	<p>RECOMMENDED</p>
<p><i>83. Continue this work, learn across sectors, and identify actionable steps.</i></p>	<p>HART 2017</p>	