To: Planning Commission
From: Elliott Barnett, Planning Services Division
Subject: Application #2014-06 – Affordable Housing Policy & Code Amendments (Phase 2)
Meeting Date: November 6, 2013
Memo Date: October 31, 2013

At the next meeting on November 6th, the Planning Commission will review the proposed scope of work and preliminary draft amendments to the Comprehensive Plan and Tacoma Municipal Code (TMC) intended to implement the next phase of the Affordable Housing Planning Work Program established by the City Council. The focus of this phase is voluntary and incentive-based approaches to achieve affordable housing goals.

This application is one step in a multi-year, multi-departmental effort, spearheaded by the Council-appointed Affordable Housing Policy Advisory Group (AHPAG). In 2010, the AHPAG released its Policy Recommendations To The City Council, which recommends a range of actions to meet affordable housing goals in Tacoma. In 2012 the Council divided the recommendations into three groups: 1. Referred to the Neighborhood & Housing Committee (NHC) for additional policy development and discussion; 2. Forwarded to the City Manager for evaluation and implementation; and 3. Referred to the Planning Commission for the development of affordable housing regulations.

In regards to the Planning Commission tasks, on May 15, 2012 the City Council adopted Resolution Number 38489, which referred specific recommendations to the Commission for the development of policies and regulations. The resolution also divided the Commission’s review items into four tasks. In 2012, the City Council adopted updates to the Comprehensive Plan to implement Task 1: “Comprehensive Plan Policy”, with the adoption of the Affordable Housing Principles and Acknowledgments in the Housing Element. This year, the Planning Commission is asked to consider Task 2: “Incentive, Bonus, and Inclusionary Programs”, and Task 3: “Rezones”. Task 4: “Affordable Housing Infill Development” recommendations will be considered as part of the 2015 Annual Amendment cycle.

The AHPAG has agreed to collaborate on this effort and will provide input on Commission proposals and questions. The City Housing Division, which would play a role in administering Affordable Housing Incentives, has also agreed to participate. We have asked Michael Mirra and Gary Pederson, Co-chairs of the AHPAG, as well as Carey Jenkins, City of Tacoma Housing Division Manager, to participate in the November 6th meeting.

At this stage, staff are requesting the Commission’s guidance on the proposed approach. We have prepared an issues analysis summary, and preliminary draft amendment language intended to spur the discussion. Our intent is to gain the Commission’s direction, then continue to work with the AHPAG, the City Housing Division and other key stakeholders to refine the approach. We intend to return to the Commission in November or December.
If you have any questions, please contact me at 591-5389 or elliott.barnett@cityoftacoma.org.

Attachments (5)

A – Project Overview and staff analysis
B – Preliminary draft Comprehensive Plan amendments
C – Preliminary draft Land Use Regulatory Code amendments
D – RCW 36.70A.540 Affordable housing incentive programs – Low-income housing units
E – AHPAG Policy Recommendations To The City Council report

c: Peter Huffman, Interim Director
SUMMARY:

As part of the 2014 Annual Amendments, the Planning Commission will consider amendments to the Comprehensive Plan and Land Use Regulatory Code to implement Affordable Housing incentive, bonus, and inclusionary strategies recommended by the Affordable Housing Policy Advisory Group (AHPAG), and referred by the City Council to the Commission for analysis.

Proposed Scope

Based on the AHPAG recommendations and the Council-adopted Affordable Housing Planning Work Program, staff are recommending consideration of the following:

- Approaches to strengthen incentives for affordable housing:
  - Require voluntary residential upzones to include 10% affordable housing
  - Review existing affordable housing incentives
  - Create new development bonuses/incentives
  - Create financial incentives including expedited permits and fee waivers
  - Create an Affordable Housing Incentives code section

- Approaches to remove barriers to affordable housing types:
  - Establish “Mini-flats” as a new land use Downtown and in Mixed-Use Districts
  - Update design and development requirements for Accessory Dwelling Units (ADUs)

In formulating this proposed scope, staff considered that several AHPAG recommendations which were part of the tasks referred to the Planning Commission, have already been implemented. These include increasing SEPA thresholds, reducing minimum residential lot size, increasing short plats from 4 to 9 lots, developing subarea plans and area-wide SEPA determinations, and the adoption of a Transfer of Development Rights (TDR) ordinance. Other items on the Commission’s list were non-code actions in the purview of the Planning and Development Services (PDS) Department (such as developing permit-ready affordable housing plans). Finally, some items will be considered next year, per Council direction.

Outreach and Collaboration

The AHPAG will collaborate on the project. Staff will work with the AHPAG Co-chairs to facilitate regular meetings to provide the Planning Commission with input. In addition, the City Council NHC will receive updates, and PDS is working closely with the City Housing Division.
Affordable Housing Amendments
Project Overview – Annual Amendments #2014-6
November 6, 2013

Key Strategies

Affordable Housing Incentives (AHPAG Recommendation #’s 3.2.1, 3.2.2, 3.2.3 and 3.3)
The goal of this strategy is to review existing affordable housing incentives and bonuses, and to consider refinements or the addition of new tools. As part of this discussion, the Commission may consider actions, including:

- Review current affordable housing incentives and bonuses, including MUC height bonuses and permit fee waivers (when funding is available)
- Consider additional financial and/or development incentives or bonuses
- Create inclusionary affordable housing requirements for voluntary residential upzones
- Other potential incentives/bonuses may also be identified

In addition, the Growth Management Act (RCW 36.70A.540) gives local governments the authority to enact code intended to promote affordable housing through offering locally-determined incentives and bonuses, and sets requirements and guidelines. The project includes consideration for utilizing this authority to create a new code section that would serve as the framework to support affordable housing incentives. The new code would enact standards including duration of affordability, the process and requirements to qualify developments for incentives, and monitoring procedures. It could also serve as a consolidated reference for affordable housing incentives offered in the TMC.

Accessory Dwelling Units design (AHPAG Recommendation #3.5.1)
ADUs offer an approach to increase residential densities and the range of housing choices in a manner consistent with neighborhood character. ADUs are currently allowed in all zones where residential development is permitted. However, Detached ADUs are not currently allowed in single-family zoning districts. This year, new ADU design standards and development requirements may be considered, intended to reduce barriers and cost, and increase flexibility, including:

- Allow Detached ADUs to go to 25 feet in height with design standards (rather than the current Conditional Use Permit requirement)
- Reduce minimum ADU size to 200 sf (currently 300 sf)
- Remove the existing parking requirement
- Allow ADUs on Small Lots meeting design standards (4500-5000 sf in R-2 Districts)
- Allow Attached ADUs on substandard lots (with no increase to building footprint)
- Allow Home Occupations (businesses) in both the main dwelling and ADU
- Provide some flexibility for pedestrian walkways (share space with driveways)
- Relax design requirements for Detached ADUs (allow them to “complement” rather than “match” design features of the main building)
- Remove the current 10% limit on Detached ADU building footprint (rely instead on Accessory structure limits already in place)

DISCUSSION DRAFT POLICY AND CODE PROVIDED
Mini-flats (based on AHPAG Recommendation #3.5.5)
Mini-flats, or Efficiency Apartments, are small multi-family dwellings located in designated mixed-use areas in proximity to transit service. While small multi-family dwelling units are already permitted, this amendment would lay out standards and establish that no vehicular parking would be required. The intent is to provide an affordable housing option in locations where owning a car is not necessary (also reducing cost of living). Mini-flats are also intended to support transit-oriented-development and Mixed-Use Centers goals. Standards could include:

- Allowed Downtown and within Mixed-Use Centers
- Must be within 1,200 feet of a transit station
- 250-500 sf size range
- Maximum of 20, or 50% of the total units (whichever is greater) in a single building
- No vehicular parking required (except accessible parking)
- Bicycle parking required (0.75 spaces per unit in an indoor, locked location)

Group Housing and Student Housing – these two existing Land Uses are similar to Mini-flats, but incorporate shared kitchens and/or bathrooms
- Apply the parking exemption to Group Housing and Student Housing within 1,200 feet of a transit station, when secured bike storage is provided

DISCUSSION DRAFT POLICY AND CODE PROVIDED

Policy Support

These proposals are consistent with and implement the Housing Affordability Principles and Acknowledgements added to the Housing Element in 2012 (pages H-13 and 14). In summary, these principles direct and state that affordable housing is vital to the City’s welfare, civic interests and economic development, and that the City will prioritize, promote and welcome its development; that attractive, well-managed affordable housing is a desirable feature of every neighborhood; that the City needs to enlist the engine of private development by promoting the inclusion of affordable units in market rate developments; and that affordable housing should incorporate innovative design.

In addition, by supporting affordability, housing choices, transit-oriented-development, and infill development, the proposals are consistent with Tacoma’s and the regional growth and transportation strategies. Consideration should be given to ensure that infill is achieved without negative impacts to neighborhood character and adjacent properties.
H-NQ-4 Residential Zoning Code Protection
Any changes in land use designation away from residential zoning must be consistent with the Generalized Land Use Element (GLUE), the Neighborhood Element and any other applicable policies. Also, support zoning code enforcement to protect residential areas from illegal land uses.

H-NQ-5 Neighborhood Design Concepts
Develop standards to buffer the edges of residential areas from impacts of nonresidential uses and mixed-use center developments such as noise and glare.

Housing Preservation (HP)

Intent
The policy intent is to preserve and enhance the value and character of neighborhoods by improving and extending the life of existing housing stock. This intent shall be met by: (1) preserving existing housing stock including using normal preventative maintenance; (2) promoting conservation and rehabilitation to help prevent urban deterioration and blight; and (3) undertaking demolition of unsound housing when rehabilitation is not feasible. As existing housing continues to age in older residential areas, it is generally assumed there will be an increased need to maintain or upgrade existing housing.

Policies

H-HP-1 Existing Housing Stock
Promote the maintenance and improvement of the existing housing stock as the primary tool to meet the housing needs of the city. Continue to support the maintenance, repair and rehabilitation of existing housing stock using public and private funding sources.

H-HP-2 Substandard Housing
Support a strong housing code enforcement program to reduce substandard housing through repair and rehabilitation. Eliminate substandard housing that cannot be improved.

H-HP-3 Housing Conditions Survey
Periodically assess housing conditions to identify areas needing rehabilitation and to monitor previous rehabilitation efforts, contingent upon funding availability.

H-HP-4 Housing Improvement Legislation
Pursue legislative changes that provide financial incentives and new authority for the maintenance and rehabilitation of affordable housing.

H-HP-5 Energy Conservation Assistance
Provide housing improvement programs that conserve energy resources for the benefit of the entire community. Provide support to low income residents (e.g. elderly).

Housing Choice (HC)

Intent
The policy intent is to promote a range of housing types that meet the diverse needs of all households in the city. While the general housing preference continues to be single-family detached homes, future residential development must take into consideration less available land as well as the demands of a population that includes students, aging “baby boomers”, low income and persons with special needs. Specifically, the City will encourage a mixture of housing types ranging from higher density apartments and condominiums located in or near major employment centers such as downtown and within other mixed-use centers, to single family homes in neighborhoods. One consequence of this changing population has been a gradual reduction in the average household size with more people living alone. Many “baby boomers” that are approaching retirement are starting to reduce the size of their housing increasing the demand for smaller housing units that are located near transit, parks, shopping and many other conveniences. It is important the City begins to address this changing demographic and provide a variety of housing options for the community.

The City supports the provision of innovative housing types that help reduce housing costs while increasing the supply of housing. This innovation can take many forms including: “infill” housing, cottage housing, townhouses, zero lot
line lots, “zipper” lots, accessory dwelling units (ADUs), conversion of nonresidential structures, Planned Residential Development (PRDs) as well as numerous variations in site, design and lot standards. It is also important that additional residential structures be compatible with overall density, intensity and character of established residential neighborhoods. The City’s designated mixed-use centers are a priority location for higher intensity, innovative housing types.

In particular, the use of ADUs is expected to become a significant option in the housing toolbox. This type of housing is useful since it can address a number of needs such as (1) extra income for homeowners who wish to stay in their home; (2) housing for “mother-in-law” family situations; (3) added affordable housing and (4) a less visible accommodation of density.

The City also supports housing development that considers environmental factors such as critical areas (e.g. steep slopes, wetlands, gulches), minimizes the negative impacts on air, soil and water quality and considers factors as limited energy resources, “green” construction and sustainability in the design of new housing.

H-HC-1 Adaptive Reuse for Housing
Support the conversion of nonresidential buildings (e.g. schools, hotels, storage buildings) to residential uses.

H-HC-2 Low Impact Development
Promote housing development that considers environmental factors (e.g. steep slopes, wetlands, gulches) to minimize erosion and reduce negative impacts on air, soil and water quality.

H-HC-3 “Green” Housing Construction
Promote “green” housing construction methods that support more sustainable, affordable and healthier home design and landscaping through use of low toxic materials and better ventilation, especially in mixed-use centers.

H-HC-4 Land Use Incentives
Provide consideration of land use incentives (e.g. density or development bonuses, lot size reductions, transfer of development rights, height or bulk bonuses increases, fee waivers, accelerated permitting, parking requirement reductions, and tax incentives) to facilitate the development of housing in designated areas, particularly within mixed-use centers.

H-HC-5 Other Construction Factors
Promote new housing that maximizes nuisance abatement techniques, is designed to provide safety and security from natural and manmade hazards, and encourages privacy from nearby units and public areas.

H-HC-6 Housing Affordability (HA)

Intent
The policy intent is to increase the amount of housing that is affordable, especially for lower income families and special needs households. The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual gross income on housing. Families that pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. The challenge for Tacoma is that there is a mismatch between the cost of housing in the City and the incomes of Tacoma’s populations. Large portions of Tacoma’s
population do not have sufficient income to afford the housing available in Tacoma’s private market at a cost of no more than 30 percent, or even 50 percent or more, of their income. Due to an aging population and other factors, this mismatch is likely to increase in the future, resulting in a significant increase in the need for additional affordable housing.

The City, through its policies and programs, is supportive of increasing the supply of housing that is affordable to its citizens. While the City recognizes the ongoing need by government and nonprofit corporations to provide housing and community support services, especially for households who pay more than 30% of their income for housing, it also recognizes the need to enlist the engine of private market rate developments to include a measure of affordable units.

As a general rule, the need for affordable housing extends along a housing continuum that extends from basic emergency shelter for the homeless to temporary transitional housing to permanent rental housing and for some households to home ownership. Each segment of this continuum requires ongoing financial support for both public agencies and individuals. In addition, there are individuals and families with special needs (e.g. disabled, frail elderly, large families, female heads-of-household) that often require additional assistance.

It is the intent of the City to: (1) recognize the housing needs of, and provide housing programs for, low income and special needs households and (2) promote housing opportunities and the reduction of isolation of these groups by improving housing and community services delivery.

Further, it is the intent of the City to apply the following principles and acknowledgments to the formulation of policies and support of programs that will increase the amount of affordable housing available to the community.

Principles and Acknowledgements

1. **Affordable Housing is Vital to Important Civic Interests**
   
The City’s welfare requires an adequate supply of well built and well managed affordable housing serving the full range of incomes appearing among its residents. An adequate supply of this housing is vital to the following important civic needs or values:
   
   • The City’s prosperity, economic development and growth of employment opportunities;
   
   • The appropriate management of the City’s projected population growth and transportation needs;
   
   • The City’s fulfillment of its legal obligations under the Growth Management Act to make “adequate provisions for existing and projected [housing] needs of all economic segments of the community” and to comply with the related directives of the Pierce County Countywide Planning Policies.
   
   • The survival of green spaces throughout the City and Pierce County;
   
   • The success of the City’s schools;
   
   • The effectiveness of the City’s emergency services;
   
   • The City’s ability to continue its accommodation of a population that is increasingly diverse by income, race, ethnicity, ability, disability and age;
   
   • The City’s ability to accommodate a population that, in the aggregate, is getting older; and
   
   • The City’s values of social justice.

2. **Affordable Housing is Attractive, Innovative and Well Managed**
   
   Affordable housing developments by nonprofit developers, public and private, in the City, region and nation have been among the most attractively designed, most environmentally innovative and best managed in the market place.

3. **The City Needs to Enlist the Engine of Private Development**
   
   Nonprofit developments of affordable housing will never likely be adequate to meet the City’s need. The City also needs a companion strategy to enlist the engine of private market rate developments to include a measure of affordable units. These
strategies also provide the added benefit of economic and demographic integration.

4. Affordable Housing Developments Spur Other Investments
Affordable housing developments have spurred the revitalization of neighborhoods, encouraging both public and private investment, helping the City attain its desired density, and furthering a neighborhood’s economic development.

5. The City Should Welcome Affordable Housing Developments
Affordable housing is an asset to be encouraged and not a detriment to be tolerated and controlled.

6. Every City Neighborhood Needs Affordable Housing Developments
The City should promote the development of affordable housing in every City neighborhood.

7. Affordable Housing as Innovative Design
In seeking the appropriate balance, the City should not have to compromise important neighborhood design standards in order to promote affordable housing. Instead proper design should allow affordable housing to show the way for all developments serving all incomes toward a greener, more sustainable urban future that accommodates the appropriate density that the City’s planning documents anticipate to be necessary for the City’s projected population allocations.

8. Affordable Housing as a High City Priority amid Competing Interests
In a complex community like Tacoma, interests and policies often clash. Good governance is the effort to balance them appropriately. In doing so, the City should give a very high priority to the promotion of affordable housing development.

Policies

H-HA-1 Affordable Housing Supply
Support both public and private sector development and preservation of affordable housing (e.g. Section 8, LIHTC) especially for lower income and special need households.

H-HA-2 Home Ownership
Facilitate home ownership (both single-family homes and condominiums) for all segments of the community, including lower income households.

H-HA-3 Public-Private Partnership
Work in partnership with for-profit and non-profit housing developers to facilitate the provision of new permanent affordable rental and owner housing.

H-HA-4 Special Needs Housing/ Support Services
Encourage and support emergency and transitional housing as well as needed support services for persons with special needs (e.g. frailty, family size and disability).

H-HA-5 Affordable Housing Incentive Program
Offer incentives to for-profit and non-profit developers of new construction and rehabilitation of pre-existing housing so they include units affordable to a range of incomes. The incentives could include, but would not be limited to, the following:

- density bonuses;
- lot size reductions;
- height or bulk bonuses;
- fee waivers;
- accelerated permitting; and
- parking requirement reductions.

H-HA-6 Inclusionary Requirements for Voluntary Residential Upzones
Condition rezone proposals that would permit a higher residential density to include at least 10% affordable units in the market rate mix.
Chapter 13.06 - Zoning

13.06.100 – Residential Districts
13.06.150 – Accessory Dwelling Units
13.06.XXX – Mini Flats (new section)
13.06.510 – Off-Street Parking and Storage Areas
13.06.650 Application for Rezone of Property

Chapter 13.06A – Downtown

13.06A.065 – Parking Standards

Note: These amendments show proposed changes to existing Land Use regulations. The sections included are only those portions of the code that are associated with these amendments. New text is underlined and text that has been deleted is shown as strike-through. Text highlighted in blue summarizes the AHPAG recommendations that provide the foundation for the proposed amendments. This language is provided for informational purposes only and should not be considered text amendments.
13.06.150 Accessory dwelling units.
A. Intent. Accessory dwelling units (hereinafter referred to as “ADUs”) are intended to:

1. Provide homeowners with a means of providing for companionship and security.
2. Add affordable units to the existing housing supply.
3. Make housing units within the City available to moderate income people.
4. Provide an increased choice of housing that responds to changing needs, lifestyles (e.g., young families, retired), and modern development technology.
5. Protect neighborhood stability, property values, and the single-family residential appearance by ensuring that ADUs are installed in a compatible manner under the conditions of this section.
6. Increase density in order to better utilize existing infrastructure and community resources and to support public transit and neighborhood retail and commercial services.

B. Procedures. Any property owner seeking to establish an ADU in the City of Tacoma shall apply for approval in accordance with the following procedures:

1. Application. Prior to installation of an ADU, the property owner shall apply for an ADU permit with Planning and Development Services. A complete application shall include a properly completed application form, floor and structural plans for modification, fees as prescribed in subsection B.2 below, and an affidavit of owner occupancy as prescribed in subsection B.3 below.

2. Fees. Fees shall be required in accordance with Section 2.09.020. Upon sale of the property, a new owner shall be required to sign a new affidavit and to register the ADU, paying the applicable fee in accordance with Section 2.09.020.

3. Affidavit. The property owner shall sign an affidavit before a notary public affirming that the owner occupies either the main building or the ADU, and agrees to all requirements provided in subsection C.

4. Notice on title. The owner of any property containing an ADU shall record with the Pierce County Auditor a notice on title of the ADU. Such notice shall be in a form as specified by Planning and Development Services, and shall include as a minimum: (a) the legal description of the property which has been permitted for the ADU; and (b) the conditions necessary to apply the restrictions and limitations contained in this section. The property owner shall submit proof that the notice on title has been recorded prior to issuance of an ADU permit by Planning and Development Services. The notice on title shall run with the land as long as the ADU is maintained on the property. The property owner may, at any time, apply to Planning and Development Services for a termination of the notice on title. Such termination shall be granted upon proof that the ADU no longer exists on the property.

5. Permit. Upon receipt of a complete application, application fees, a notarized affidavit, proof of recorded notice on title, and approval of any necessary building or other construction permits, an ADU permit shall be issued.

6. Inspection. The City shall inspect the property to confirm that minimum and maximum size limits, required parking and design standards, and all applicable building, health, safety, energy, and electrical code standards are met.

7. Violations. A violation of this section regarding provision of ownership shall be governed by subsection C.8, and a violation of provision of legalization of nonconforming ADUs shall be governed by subsection C.14. Violations of any other provisions shall be governed by Section 13.05.100.

C. Requirements. The creation of an ADU shall be subject to the following requirements, which shall not be subject to variance.

1. Number. One ADU shall be allowed per residential lot as a subordinate use in conjunction with any new or existing single-family detached dwelling in the City of Tacoma. The lot must meet the standard minimum lot size requirement for a single-family detached dwelling in the applicable zoning district (for example, in the R-2 zoning district a single-family lot must be at least 5,000 square feet to be eligible to have an ADU).
2. Occupancy. The maximum number of occupants in an ADU shall be 4 persons. Maximum occupancy may be further limited by the Minimum Building and Structures Code in Title 2.

3. Location. The ADU shall be permitted as a second dwelling unit added to or created within the main building or, when allowed, permitted as a detached unit preferably located in the rear yard and/or adjacent to alleys. A detached ADU shall not be located in front of the main building or in the side yard setback area.

4. Composition. The ADU shall include facilities for cooking, living, sanitation, and sleeping.

5. Size. The ADU, excluding any garage area and other non-living areas, such as workshops or greenhouses, shall not exceed 40 percent of the total square footage of the main building and the ADU combined, after modification or construction. In addition, the maximum square footage of a detached ADU shall not exceed 10% of the square footage of the lot. An ADU shall not contain less than 300 square feet or more than 1,000 square feet.

6. Height. The maximum height limit for detached ADUs shall be the same as for other detached accessory structures (see Section 13.06.100.D); provided that two-story structures, where a detached ADU is located on the second floor, may be allowed up to 25 feet in height with the approval of a conditional use permit.

7. Setbacks. Detached ADUs shall be setback a minimum of 5 feet from the side and rear property lines, except when the detached ADU abuts an alley where no setback along the alley shall be required.

8. Ownership. The property owner (i.e., title holder or contract purchaser) must maintain his or her occupancy in the main building or the ADU. Owners shall sign an affidavit which attests to their occupancy and attests that, at no time, shall they receive rent for the owner-occupied unit. Falsely attesting owner-residency shall be a misdemeanor subject to a fine not to exceed $5,000, including all statutory costs, assessments, and fees. In addition, ADUs shall not be subdivided or otherwise segregated in ownership from the main building.

9. Design – Attached ADUs. An attached ADU shall be designed to maintain the architectural design, style, appearance, and character of the main building as a single-family residence. If an attached ADU extends beyond the current footprint or existing height of the main building, such an addition must be consistent with the existing facade, roof pitch, siding, and windows. Only one entrance for the main building is permitted to be located in the front facade of the dwelling. If a separate outside entrance is necessary for an attached ADU, it must be located either off the rear or side of the main building. Such entrance must not be visible from the same view of the building which encompasses the main entrance to the building and must provide a measure of visual privacy. For units with a separate exterior entrance, a pedestrian walkway, which shall be at least 4 feet wide and composed of materials that are distinct from any adjacent vehicle driving or parking surfaces, shall be provided between the ADU and the nearest public sidewalk, or where no sidewalk exists, the nearest public street right-of-way.

10. Design – Detached ADUs. A detached ADU shall be designed to match the architectural design, style, appearance, and character of the main building by utilizing complimentary colors and finish materials, window styles, and a roof design similar to the main building. The entrance door to a detached ADU shall not face the same property line as the entrance door to the main building except when the entrance door to the ADU is located behind the rear wall of the main building. A pedestrian walkway, which shall be at least 4 feet wide and composed of materials that are distinct from any adjacent vehicle driving or parking surfaces, shall be provided between the detached ADU and the nearest public sidewalk, or where no sidewalk exists, the nearest public street right-of-way.

51. Parking. No additional One off-street parking space is shall be required for the ADU, in addition to the off-street parking required for the main building, pursuant to Section 13.06.510. If additional ADU parking is provided, such parking shall be located in the rear portion of the lot and shall not be accessed from the front if suitable access to the rear is available, such as an abutting right-of-way that is or can practicably be developed. If access is not practicably available to the rear yard, subject to determination by the City Engineer, then vehicular access to the front may be developed subject to the limitations in Section 13.06.510.A.6.

612. Home occupations. Home occupations shall be allowed, subject to existing regulations, in either the ADU or the main building, but not both.

713. Legalization of Nonconforming ADUs. Nonconforming ADUs existing prior to the enactment of these requirements may be found to be legal if the property owner applied for an ADU permit prior to December 31, 1995, and brings the unit up to
Minimum Housing Code standards. After January 1, 1996, owners of illegal ADUs shall be guilty of a misdemeanor and, upon conviction thereof, subject to a fine not to exceed $1,000, including all statutory costs, assessments, and fees, plus $75 per day after notice of the violation has been made. All owners of illegal ADUs shall also be required to either legalize the unit or remove it.

D. Bulk, Location and Design Requirements. The creation of an ADU shall be subject to the following requirements.

1. The lot must meet the standard minimum lot size requirement for a single-family detached dwelling in the applicable zoning district (for example, in the R-2 zoning district a single-family lot must be at least 5,000 square feet, or 4,500 with Small Lot Design Standards, to be eligible to have an ADU). Attached ADUs that do not increase the building envelope of the existing structure are exempt from this requirement.

2. Size. The ADU, excluding any garage area and other non-living areas, such as workshops or greenhouses, shall not exceed 40 percent of the total square footage of the main building and the ADU combined, after modification or construction. An ADU shall not contain less than 200 square feet or more than 1,000 square feet. In addition, detached ADUs shall meet the standards of 13.06.100.F. Accessory building standards.

3. Height. The maximum height limit for detached ADUs shall be the same as for other detached accessory structures (see Section 13.06.100.D). However, two-story ADU structures may be allowed up to 25 feet in height provided that the structure shall not intercept a 45-degree daylight plane inclined into the ADU site from a height of 15 feet above existing grade, measured from the inside edge of the required 5 foot setback line; and, second story windows facing abutting properties, and within 10 feet of the property line, shall be constructed in a manner to prevent direct views into the neighboring property, through such methods as clerestory windows, or semi-translucent glass.

4. Location. The ADU shall be permitted as a second dwelling unit added to or created within the main building or, when allowed, permitted as a detached unit located in the rear yard and/or adjacent to alleys. A detached ADU shall not be located in front of the main building or in the side yard setback area.

5. Setbacks. Detached ADUs shall be setback a minimum of 5 feet from the side and rear property lines, except when the detached ADU abuts an alley where no setback along the alley shall be required.

6. Design - Attached ADUs. An attached ADU shall be designed to maintain the architectural design, style, appearance, and character of the main building as a single-family residence. If an attached ADU extends beyond the current footprint or existing height of the main building, such an addition must be consistent with the existing facade, roof pitch, siding, and windows. Only one entrance is permitted to be located in the front facade of the dwelling. If a separate outside entrance is necessary for an attached ADU, it must be located either off the rear or side of the main building. Such entrance must not be visible from the same view of the building which encompasses the main entrance to the building and must provide a measure of visual privacy. For units with a separate exterior entrance, a pedestrian walkway shall be provided between the ADU and the nearest public sidewalk, or where no sidewalk exists, the nearest public street right-of-way. The walkway shall be at least 4 feet wide and composed of materials that are distinct from any adjacent vehicle driving or parking surfaces. The walkway area may function as a shared pedestrian/vehicle space provided that it is located along an exterior edge of a driving surface, where vehicles are permitted to cross but not to park.

7. Design - Detached ADUs. A detached ADU shall be designed to complement the architectural design, style, appearance, and character of the main building by utilizing complementary colors and finish materials, window styles, and roof design to the main building. The entrance door to a detached ADU shall not face the same property line as the entrance door to the main building except when the entrance door to the ADU is located behind the rear wall of the main building. For units with a separate exterior entrance, a pedestrian walkway shall be provided between the ADU and the nearest public sidewalk, or where no sidewalk exists, the nearest public street right-of-way. The walkway shall be at least 4 feet wide and composed of materials that are distinct from any adjacent vehicle driving or parking surfaces. The walkway area may function as a shared pedestrian/vehicle space provided that it is located along an exterior edge of a driving surface, where vehicles are permitted to cross but not to park.
13.06.**XXX** Mini Flats.

A. Purpose. These regulations are intended to:
1. Add affordable units to the existing housing supply.
2. Support the creation of housing units that meet the needs of people who constitute one to three person households, who are living on fixed incomes or are working but on modest incomes, and who depend upon modes of transportation other than the automobile.
3. Increase density in order to better utilize existing infrastructure and community resources and to support public transit and mixed-use development in designated locations.

B. Locational Criteria. Mini flats are allowed within designated Downtown and Mixed-Use Districts, as indicated in TMC 13.06.300 and 13.06A, on parcels within 1,200 feet of a bus, light rail or other transit station.

C. Standards.
1. Maximum Unit Size. 500 square feet, not including a sleeping loft.
2. Minimum Unit Size. 250 square feet. Maximum occupancy may be limited by the Minimum Building and Structures Code in Title 2.
3. Development Size. There shall be no more than 20 Mini flat units, or 50% of the dwelling units (whichever is larger), within any individual building.
4. Room requirement. Each unit shall have its own kitchen and bathroom.
5. Parking. No off-street parking is required. However, accessible parking shall be provided per the standards of the Building Code as adopted in TMC Chapter 2.02, or calculated as if one general parking space was provided for each dwelling – whichever is greater. If off-street parking is provided, there shall be a maximum of .75 stalls per unit.
6. Storage. There shall be a secured storage room on the ground floor for bicycles, with a minimum .75 bicycle parking space provided per unit.
7. Building Envelope and Design Requirements. The development shall comply with the building envelope and design standards and guidelines specified for the underlying zoning classification.

13.06.700 Definitions and illustrations.

For the purposes of this chapter, certain words and terms are defined as follows: words used in the present tense include the future, words in the singular number include the plural, and words in the plural number include the singular; the word “building” includes the word “structure”; the word “shall” is mandatory and not directory. For words that are not defined in this chapter, or that do not incorporate a definition by reference, refer to a Webster's Dictionary published within the last ten years.

13.06.700.A  

Mini flat. A small multi-family dwelling unit intended to provide an affordable housing option, and meeting the standards of TMC 13.06.**XXX**.

Group housing. A residential facility designed to serve as the primary residence for individuals, which has shared living quarters without separate bathroom and/or kitchen facilities for each unit. This classification includes uses such as convents, monasteries, and multiple-family developments incorporating shared bathroom and/or kitchen facilities but does not include uses that are otherwise classified as special needs housing or student housing.

13.06.510 Parking

Add footnote to Table 2 MUC Parking Requirements:

No parking shall be required for Mini-flats, Group Housing and Student Housing located within 1,200 feet of a transit station, when a secured storage room is provided on the ground floor for bicycles, with a minimum 0.75 bicycle parking space provided per unit.

13.06A.065 Parking Standards

C. Parking Quantity Standards Outside of the RPA
13.06.650 Application for rezone of property.

A. Application submittal. Application for rezone of property shall be submitted to Building and Land Use Services. The application shall be processed in accordance with the provisions of Chapter 13.05. Final action on the application shall take place within 180 days of submission.

B. Criteria for rezone of property. An applicant seeking a change in zoning classification must demonstrate consistency with all of the following criteria:

1. That the change of zoning classification is generally consistent with the applicable land use intensity designation of the property, policies, and other pertinent provisions of the Comprehensive Plan.

2. That substantial changes in conditions have occurred affecting the use and development of the property that would indicate the requested change of zoning is appropriate. If it is established that a rezone is required to directly implement an express provision or recommendation set forth in the Comprehensive Plan, it is unnecessary to demonstrate changed conditions supporting the requested rezone.

3. That the change of the zoning classification is consistent with the district establishment statement for the zoning classification being requested, as set forth in this chapter.

4. That the change of the zoning classification will not result in a substantial change to an area-wide rezone action taken by the City Council in the two years preceding the filing of the rezone application. Any application for rezone that was pending, and for which the Hearing Examiner’s hearing was held prior to the adoption date of an area-wide rezone, is vested as of the date the application was filed and is exempt from meeting this criteria.

5. That the change of zoning classification bears a substantial relationship to the public health, safety, morals, or general welfare.

C. Amendment of boundaries of districts.

1. Whenever this chapter has been, or is hereafter, amended to include in a different district, property formerly included within classified district boundaries of another district, such property shall be deemed to thereupon be deleted from such former district boundaries.

2. Right-of-way, which has had prior approval for vacation pursuant to Chapter 9.22 or which is hereafter approved for vacation, shall be deemed to be added to the district boundaries of the property which the vacated right-of-way abuts. In instances where a vacated right-of-way is bordered on one side by a district which is different from the district on the other side, the right-of-way shall be deemed to be added apportionately to the respective districts.

D. Limitation on rezones in downtown districts. After the area-wide reclassification establishing the downtown district boundaries has occurred, no property shall be reclassified to a downtown district, except through a subsequent area-wide reclassification.

E. Limitations on rezones in Mixed-Use Centers. After adoption of the area-wide reclassifications establishing and confirming the Mixed-Use Center zoning district boundaries in 2009, no property shall be reclassified to or from a Mixed-Use Center zoning district (X-district) except through a subsequent area-wide reclassification.

F. Limitations on rezones in certain overlay zoning districts. The boundaries of the following area-wide zoning overlay districts can only be amended through another area-wide reclassification: view-sensitive, groundwater protection, manufacturing/industrial center, and historic and conservation overlay districts.

G. Area-wide reclassifications adopted by the City Council supersede any previous reclassifications and any conditions of approval associated with such previous reclassifications.

H. Affordable housing inclusion for voluntary residential upzones. Applications to rezone properties to increase residential density are required to provide for the inclusion of 10% affordable housing, in accordance with the provisions of RCW 36.70A.540 and the City’s Affordable Housing Incentives guidelines.
RCW 36.70A.540
Affordable housing incentive programs — Low-income housing units.

(1)(a) Any city or county planning under RCW 36.70A.040 may enact or expand affordable housing incentive programs providing for the development of low-income housing units through development regulations or conditions on rezoning or permit decisions, or both, on one or more of the following types of development: Residential; commercial; industrial; or mixed-use. An affordable housing incentive program may include, but is not limited to, one or more of the following:

(i) Density bonuses within the urban growth area;

(ii) Height and bulk bonuses;

(iii) Fee waivers or exemptions;

(iv) Parking reductions; or

(v) Expedited permitting.

(b) The city or county may enact or expand such programs whether or not the programs may impose a tax, fee, or charge on the development or construction of property.

(c) If a developer chooses not to participate in an optional affordable housing incentive program adopted and authorized under this section, a city, county, or town may not condition, deny, or delay the issuance of a permit or development approval that is consistent with zoning and development standards on the subject property absent incentive provisions of this program.

(2) Affordable housing incentive programs enacted or expanded under this section shall comply with the following:

(a) The incentives or bonuses shall provide for the development of low-income housing units;

(b) Jurisdictions shall establish standards for low-income renter or owner occupancy housing, including income guidelines consistent with local housing needs, to assist low-income households that cannot afford market-rate housing. Low-income households are defined for renter and owner occupancy program purposes as follows:

(i) Rental housing units to be developed shall be affordable to and occupied by households with an income of fifty percent or less of the county median family income, adjusted for family size;

(ii) Owner occupancy housing units shall be affordable to and occupied by households with an income of eighty percent or less of the county median family income, adjusted for family size. The legislative authority of a jurisdiction, after holding a public hearing, may establish lower income levels; and

(iii) The legislative authority of a jurisdiction, after holding a public hearing, may also establish higher income levels for rental housing or for owner occupancy housing upon finding that higher income levels are needed to address local housing market conditions. The higher income level for rental housing may not exceed eighty percent of the county area median family income. The higher income level for owner occupancy housing may not exceed one hundred percent of the county area median family income. These established higher income levels are considered "low-income" for the purposes of this section;
(c) The jurisdiction shall establish a maximum rent level or sales price for each low-income housing unit developed under the terms of a program and may adjust these levels or prices based on the average size of the household expected to occupy the unit. For renter-occupied housing units, the total housing costs, including basic utilities as determined by the jurisdiction, may not exceed thirty percent of the income limit for the low-income housing unit;

(d) Where a developer is utilizing a housing incentive program authorized under this section to develop market rate housing, and is developing low-income housing to satisfy the requirements of the housing incentive program, the low-income housing units shall be provided in a range of sizes comparable to those units that are available to other residents. To the extent practicable, the number of bedrooms in low-income units must be in the same proportion as the number of bedrooms in units within the entire development. The low-income units shall generally be distributed throughout the development and have substantially the same functionality as the other units in the development;

(e) Low-income housing units developed under an affordable housing incentive program shall be committed to continuing affordability for at least fifty years. A local government, however, may accept payments in lieu of continuing affordability. The program shall include measures to enforce continuing affordability and income standards applicable to low-income units constructed under this section that may include, but are not limited to, covenants, options, or other agreements to be executed and recorded by owners and developers;

(f) Programs authorized under subsection (1) of this section may apply to part or all of a jurisdiction and different standards may be applied to different areas within a jurisdiction or to different types of development. Programs authorized under this section may be modified to meet local needs and may include provisions not expressly provided in this section or RCW 82.02.020;

(g) Low-income housing units developed under an affordable housing incentive program are encouraged to be provided within developments for which a bonus or incentive is provided. However, programs may allow units to be provided in a building located in the general area of the development for which a bonus or incentive is provided; and

(h) Affordable housing incentive programs may allow a payment of money or property in lieu of low-income housing units if the jurisdiction determines that the payment achieves a result equal to or better than providing the affordable housing on-site, as long as the payment does not exceed the approximate cost of developing the same number and quality of housing units that would otherwise be developed. Any city or county shall use these funds or property to support the development of low-income housing, including support provided through loans or grants to public or private owners or developers of housing.

(3) Affordable housing incentive programs enacted or expanded under this section may be applied within the jurisdiction to address the need for increased residential development, consistent with local growth management and housing policies, as follows:

(a) The jurisdiction shall identify certain land use designations within a geographic area where increased residential development will assist in achieving local growth management and housing policies;

(b) The jurisdiction shall provide increased residential development capacity through zoning changes, bonus densities, height and bulk increases, parking reductions, or other regulatory changes or other incentives;

(c) The jurisdiction shall determine that increased residential development capacity or other incentives can be achieved within the identified area, subject to consideration of other regulatory controls on development; and

(d) The jurisdiction may establish a minimum amount of affordable housing that must be provided by
all residential developments being built under the revised regulations, consistent with the requirements of this section.

[2009 c 80 § 1; 2006 c 149 § 2.]

Notes:

Findings -- 2006 c 149: "The legislature finds that as new market-rate housing developments are constructed and housing costs rise, there is a significant and growing number of low-income households that cannot afford market-rate housing in Washington state. The legislature finds that assistance to low-income households that cannot afford market-rate housing requires a broad variety of tools to address this serious, statewide problem. The legislature further finds that absent any incentives to provide low-income housing, market conditions will result in housing developments in many areas that lack units affordable to low-income households, circumstances that can cause adverse socioeconomic effects.

The legislature encourages cities, towns, and counties to enact or expand affordable housing incentive programs, including density bonuses and other incentives, to increase the availability of low-income housing for renter and owner occupancy that is located in largely market-rate housing developments throughout the community, consistent with local needs and adopted comprehensive plans. While this act establishes minimum standards for those cities, towns, and counties choosing to implement or expand upon an affordable housing incentive program, cities, towns, and counties are encouraged to enact programs that address local circumstances and conditions while simultaneously contributing to the statewide need for additional low-income housing." [2006 c 149 § 1.]

Construction -- 2006 c 149: "The powers granted in this act are supplemental and additional to the powers otherwise held by local governments, and nothing in this act shall be construed as a limit on such powers. The authority granted in this act shall extend to any affordable housing incentive program enacted or expanded prior to June 7, 2006, if the extension is adopted by the applicable local government in an ordinance or resolution." [2006 c 149 § 4.]
CITY OF TACOMA

AFFORDABLE HOUSING POLICY ADVISORY GROUP

POLICY RECOMMENDATIONS TO THE
CITY COUNCIL

December 2, 2010

Affordable Housing Policy Advisory Group
City of Tacoma
Room 1200
747 Market Street
Tacoma, WA 98402
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Appendix A: City of Tacoma Resolution 38017, April 27, 2010

Appendix B: Chart of Policy Recommendations

Appendix C: Photographs of Affordable Housing Developments

Appendix D: Memo to the Affordable Housing Advisory Group from its co-chairs discussing the Miller Amendment, November 1, 2010
1. **INTRODUCTION AND SUMMARY**

The City Council of Tacoma, by Resolution 38017 on April 27, 2010, created the Affordable Housing Policy Advisory Group. See Appendix A. The resolution appointed the following persons to serve on the Advisory Group:

**Co-Chairs**
- Michael Mirra Tacoma-Pierce County Affordable Housing Consortium
- Blaine Johnson Market Rate Developer

**Committee Members**
- Connie Brown Tacoma-Pierce County Affordable Housing Consortium
- Sandy Burgess Burgess LLC
- Lyn Messenger Belay Architects
- Tom O’Connor O’Connor & Associates; Tacoma Planning Commission
- Gary Pedersen Builder Consultant
- John Purbaugh Pierce County Planning Commission
- Mike Pyatok Pyatok Architects
- Tiffany Speir Master Builders of Pierce County
- Walter Zisette Common Ground

The resolution assigned the following duties to the Advisory Group:

1. review the work of the Council’s Neighborhood and Housing Committee on affordable housing and the work of the Pierce County Housing Affordability Task Force;

2. review demographic data and identify data development needs in order to inform planning efforts;

3. provide input and consultation necessary to refine the Committee’s affordable housing policy recommendations;

4. recommend a series of policy actions that are consistent with or complimentary (sic) to the City Comprehensive Plan; and,

5. build a consensus of Advisory Group members.

The Resolution also directed the Group to provide its final report to the Council’s Neighborhood and Housing Committee by December 15, 2010.

This is the Advisory Group’s report to the Council’s Committee. It comes in parts.

Part 1 is an introduction and summary.

Part 2, Statement of the Problem, reviews data measuring the scope and nature of the City’s present unmet need in Tacoma for affordable places for its residents to live. In general,
the data show that the City has a very serious shortage of affordable housing. That section also projects the significant increased future need the City faces for additional affordable housing.

Part 3, Recommendations to the City Council, contains the Group’s twenty-five (25) policy recommendations in the seven (7) categories listed here with their section numbers in Part 3 of this report. Appendix B is a chart summarizing the recommendations.

- 3.1 City Policy and Leadership
- 3.2 Housing Incentive or Inclusionary Programs
- 3.3 Regulatory Assistance To Developers Of Affordable Housing
- 3.4 Financing Tools
- 3.5 Affordable Building Design Practices
- 3.6 Preservation, Acquisition, Conversion and Rehabilitation of Existing Housing
- 3.7 Community Development Incentives
- 3.8 Planning And Zoning Tools

The policy recommendations would have the City focus its efforts in four main ways:

1. **Non-Profit Development**: This report recommends how the City can become a more effective source of financial and regulatory assistance to nonprofit developers of affordable housing. The housing that these organizations develop are a principal source of affordable housing in the City. This part of the housing stock is also the most effective at serving the neediest households, including those with special needs. Helping these nonprofit developers succeed in their mission, and become more competitive for financing from other sources, is one of the report’s two principal themes.

2. **For-Profit Development**: The report’s second principal theme is to harness the engine of private, for-profit developers and make it financially worthwhile for them to include affordable units in market rate projects. For this purpose, the report recommends a range of incentive and limited mandatory inclusionary programs. Enlisting for-profit development efforts in this way is important for three reasons. **First**, nonprofit development efforts will not likely ever be enough. There is not enough financing available to do the job. **Second**, for-profit developers can usually build at a lower per-unit cost because their financing sources do not impose expenses common with non-profit financing. **Third**, including affordable units into market rate projects also promotes economic and other demographic integration. The report also notes, however, that such incentive and inclusionary programs generally do not serve the lower income tiers. For this reason, both the for-profit and the non-profit development efforts are necessary to address the range of the City’s housing needs.

3. **Reduce Cost of Housing Development**: The report recommends ways that the City can reduce the cost of housing development generally. These measures would make all housing more affordable, including housing for low-income households.
Accommodation of Appropriate Density: The report also recommends how the City can accommodate the increased density it will need for the additional 43,353 households it projects to be living in Tacoma by 2030. Increased density is not only necessary for growth management goals. It is also an important element for affordable housing for all income tiers, including low income households. A crucial theme of these recommendations is that increased density can be attractive and congenial to the values that make neighborhoods vibrant and appealing. This is mainly a design challenge. The recommendations focus on ways to meet it.

This report designates the priority of its recommendation as “high”, “medium” or “low”. It also indicates for each recommendation the income tier it is more likely to benefit and whether it is focused on renters or owners or both.

The Advisory Group has two expressions of thanks and gratitude to offer. First, throughout this effort it has enjoyed the very able and amiable support and expertise of City staff. We particularly acknowledge the help of Ric Teasley, Housing Division Manager, and Ian Munce, Urban Planner, both in the City’s Community and Economic Development Department. The City is fortunate to have such talented, expert and interested professionals working on such complex and important topics.

The Advisory Group also offers thanks to the City Council and the City Manager. The Group appreciates the interest and leadership they have already shown in addressing the City’s housing needs. The adoption in 2009 of an enhanced mixed-use center ordinance, for example, is a very good step forward. The City’s affordable housing needs, however, will require further efforts. Those needs are dire. They are worsening. The Group understands that its convening denotes the City’s intent to further enhance policies to address these needs. We hope this report is helpful for that purpose.

The Group is very pleased to report that all of its recommendations enjoy the consensus of its members. This is a notable achievement among the diverse voices that the Group represents. This consensus is one of the main gifts the Group’s report offers the City Council. It should help the Council make its own policy choices, perhaps by a consensus as well.

All the members of the Advisory Group were pleased to serve our City in this way.
2. STATEMENT OF THE PROBLEM

This section summarizes the affordable housing challenges facing the City of Tacoma currently and over the next twenty years. The Advisory Group did not conduct additional research or compile new data. Doing so was not necessary because adequate data and information is already available from a variety of sources. In particular, this report uses those sources and estimates that the City of Tacoma uses for planning purposes. In particular, it uses data and information from the Consolidated Plan for Housing and Community Development 2010 – 2015 (Tacoma-Lakewood HOME Consortium)(hereinafter referred to as the "Consolidated Plan").

These data offer estimates only and the estimates vary by source. However, this variance does not obscure the scale and nature of the affordable housing needs of the City. In summary the City of Tacoma currently has a very serious shortage of affordable housing for its residents. This shortage will likely worsen over the next twenty years.

2.1 Summary of the Problem and Limitations of this Report

The City of Tacoma does not have enough housing affordable\(^1\) to many of its residents. The extent and nature of the problem are evident in ways that this section describes. The problem, in broad terms, arises from a mismatch between the cost of housing in Tacoma and the incomes of Tacoma's residents.\(^2\) Large portions of Tacoma’s population do not have enough income to afford the housing available in Tacoma’s private market at a cost of no more than 30% or even 50% or more of their income. The sections below, and the cited sources, show the following aspects of the problem:

- In 2009, Fair Market Rent (FMR)\(^3\) for a one bedroom apartment in Tacoma is about $776 a month. The FMR for a two bedroom apartment is $926 a month. To afford the FMR for the two bedroom apartment a household would need an annual income of about $37,040, or the full time equivalent of $17.81/hour. Yet, the average Tacoma renter income is only $12.35/hour.\(^4\) The state’s minimum wage is $8.55/hour.

- As of the 2000 census, 73% of Tacoma’s very low income households and 77% of its extremely low income households are paying more than 30% of their gross

\(^1\) “Housing is considered to be affordable when the cost of housing plus utilities equals no more than 30% of household [gross] income.” Consolidated Plan at page 58.

\(^2\) Consolidated Plan at 58 -63.

\(^3\) HUD conducts surveys every year to calculate Tacoma’s Fair Market Rent. It seeks to identify the amount needed to pay the “gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing or a modest (non-luxury) nature with suitable amenities.” Furthermore, it seeks to identify this amount for the 40th percentile of the rental market (lower 40%). See 74 Fed. Reg. 50551 (September 30, 2009).

\(^4\) Out of Reach 2009 for Tacoma, WA (National Low Income Housing Coalition 2010) at http://www.nlihc.org/oor/oor2009/
income for housing and utilities; 22% of its very low income households and 61% of its extremely low-income households are paying more 50% of an already low income.

- It is estimated that between 4,440 and 5,550 persons experienced homelessness in Tacoma during 2009; members of families homeless with minor children constituted more than 80% of this total.

- Tacoma presently needs approximately an additional 14,096 affordable housing units for its present population of low-income households who are paying unaffordable amounts for housing. To accommodate the additional households Tacoma expects between now and 2030, Tacoma will require an additional 8,174 affordable units.

This assessment of need already recognizes the approximately 4,106 subsidized apartment units serving low-income households in Tacoma, as well as the 2,666 tenant-based housing vouchers serving them. Households in these units or with these vouchers have affordable housing. The data in this section refer to those additional low-income households who do not.

Solutions require attention to both the inadequacy of income and excessive housing cost. This report and its recommendations address only those City policies that would address the cost and availability of affordable housing. It does not address the equally important need for Tacoma to produce higher income jobs and residents qualified to fill them. This report also focuses on the problem as it appears in the private rental market. The purchase housing market poses its own challenges, which this report describes as well. However, as it explains, the main problem appears among lower-income households. They are largely renters and the likely solutions relate to the rental market.

This report also does not recount the consequences that result when significant portions of the City’s population lack affordable housing or, for some, any housing at all. These consequences are covered by an extensive literature. The City’s Consolidated Plan discusses them as well. The lack of affordable housing causes problems for major areas of civic concern that will determine the City’s future health and prosperity, including economic development, growth management, transportation policy, child welfare, education, and emergency services.

Taken altogether, the City of Tacoma has an affordable housing crisis. This section describes its scope and nature.

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1 Consolidated Plan at 78, Appendix Table A-1
### 2.2 City of Tacoma’s Estimated Housing Need By Income Groups: 2010 - 2030

<table>
<thead>
<tr>
<th>Work Force Housin g Needs</th>
<th>No. of renter households</th>
<th>Affordable Monthly Housing Payment</th>
<th>2010 Monthly Rental Housing Costs</th>
<th>% of rent burdened households</th>
<th>Affordable Units Needed for Rent Burdened Households</th>
<th>Totals (existing and future need)</th>
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</thead>
<tbody>
<tr>
<td>Computer Programmer ($79,800/year)</td>
<td>1,767</td>
<td>31%</td>
<td>$1,164</td>
<td>$1,587/4 BR rental (FMR)</td>
<td>5%</td>
<td>1%</td>
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<tr>
<td>Area Median (AMI) Income ($23.56/hour;$48,996/year)</td>
<td>11,767</td>
<td>31%</td>
<td>$1,225</td>
<td>$1,410/3 BR rental (FMR)</td>
<td>5%</td>
<td>1%</td>
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<td>Executive Secretary/Admin. Asst. ($22.39/hour;$46,570)</td>
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<td>22%</td>
<td>$980</td>
<td>$968/2 BR rental (FMR)</td>
<td>29%</td>
<td>4%</td>
</tr>
<tr>
<td>Medical Lab Technician ($19.35/hour;$40,248)</td>
<td>673</td>
<td>22%</td>
<td>$931</td>
<td>$790/2 BR rental (AVG)</td>
<td>29%</td>
<td>4%</td>
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<tr>
<td>Low Income: 80% AMI ($18.84/hour;$39,197/year)</td>
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<td>$694/1 BR rental (AVG)</td>
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<td>Bookkeeping Clerk ($17.90/hour;$35,400/year)</td>
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<td>$642</td>
<td>$665/0 BR rental (FMR)</td>
<td>30%</td>
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<td>$790/2 BR rental (AVG)</td>
<td>29%</td>
<td>4%</td>
</tr>
<tr>
<td>Average Rent (12.35/hour;$24,986/year)</td>
<td>606</td>
<td>18%</td>
<td>$612</td>
<td>$665/0 BR rental (FMR)</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Computer Programmer ($79,800/year)</td>
<td>1,767</td>
<td>31%</td>
<td>$1,164</td>
<td>$1,587/4 BR rental (FMR)</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Area Median (AMI) Income ($23.56/hour;$48,996/year)</td>
<td>11,767</td>
<td>31%</td>
<td>$1,225</td>
<td>$1,410/3 BR rental (FMR)</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Executive Secretary/Admin. Asst. ($22.39/hour;$46,570)</td>
<td>7,603</td>
<td>22%</td>
<td>$980</td>
<td>$968/2 BR rental (FMR)</td>
<td>29%</td>
<td>4%</td>
</tr>
<tr>
<td>Medical Lab Technician ($19.35/hour;$40,248)</td>
<td>673</td>
<td>22%</td>
<td>$931</td>
<td>$790/2 BR rental (AVG)</td>
<td>29%</td>
<td>4%</td>
</tr>
<tr>
<td>Low Income: 80% AMI ($18.84/hour;$39,197/year)</td>
<td>1,685</td>
<td>22%</td>
<td>$673</td>
<td>$694/1 BR rental (AVG)</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Bookkeeping Clerk ($17.90/hour;$35,400/year)</td>
<td>7,500</td>
<td>22%</td>
<td>$642</td>
<td>$665/0 BR rental (FMR)</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Average Rent (12.35/hour;$24,986/year)</td>
<td>606</td>
<td>18%</td>
<td>$612</td>
<td>$665/0 BR rental (FMR)</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Home Care Aide (11.06/hour;$23,005/year)</td>
<td>930</td>
<td>8%</td>
<td>$575</td>
<td>$551</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Federal Poverty Line for Family of 4 ($10.60/hour;$22,050/year)</td>
<td>930</td>
<td>8%</td>
<td>$575</td>
<td>$551</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Dishwasher ($9.95/hour;$20,696)</td>
<td>551</td>
<td>8%</td>
<td>$517</td>
<td>$517</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>State Minimum Wage ($8.55/hour;$17,793/year)</td>
<td>551</td>
<td>8%</td>
<td>$445</td>
<td>$445</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Extremely Low Income: 80% AMI ($14,698/year)</td>
<td>8,931</td>
<td>26%</td>
<td>$367</td>
<td>$202</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>SSI Disability ($674/month;$8,088/year)</td>
<td>551</td>
<td>8%</td>
<td>$202</td>
<td>$202</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>TANF for Family of 4 ($661/month; $7,932/year)</td>
<td>551</td>
<td>8%</td>
<td>$198</td>
<td>$198</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Total Affordable Units Needed</td>
<td>14,096</td>
<td>7,204</td>
<td>8,174</td>
<td>7,147</td>
<td>22,270</td>
<td>11,371</td>
</tr>
</tbody>
</table>

**NOTES:**


2. Consolidated Plan at page 67.

3. Tacoma has 34,364 renter households. Id. The % of that total in each income tier derives from dividing the number in each tier by that total. The % and number for the top tier are households at or above 80% AMI.

4. “Housing is considered to be affordable when the cost of housing plus utilities equals no more than 30% of household gross income.” Id. at page 58.

5. HUD calculates Fair Market Rents (FMR) annually. “In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.” FMRs reflect the rent for the 40th percentile of the market. 74 Fed. Reg. 50551 (September 30, 2009); average rents WA Center for Real Estate Research, WSU.

6. Consolidated Plan at page 67. Households paying >30% of their income include those paying >50%.

7. The City projects that 43,253 additional households will join the city by 2030. City of Tacoma Vision 2030 Geography for Housing Unit Allocation, October 22, 2009. 45% of current city households rent. Consolidated Plan at page 52. Applying that percentage to the new households means that 18,901 of them will rent. Applying the percentages of the current renter population in each income tier and rent burden categories estimates the number of the new renter households in each income tier that will be rent burdened.
2.3 Supply vs. Need: Misalignment

An interesting and exacerbating aspect of Tacoma’s shortage of affordable housing arises from the mismatch within its unsubsidized housing market between need and cost. “Units are not allocated on the basis of need – just because there are units renting or sold at a price affordable to low-income households does not mean those are the households actually occupying the units.”\(^1\) HUD data estimate that only about “half of the rental units within the appropriate affordability range were actually occupied by households with incomes in that range in 2000.” \(\text{Id.}\) Of the units affordable to households at or below 30% of AMI (extremely low income), “only 61% were occupied by households with incomes in that range. The others were occupied by households with higher incomes.” \(\text{Id.}\) This mismatch is greater in owner-occupied homes, which more than rentals are occupied by households with incomes higher than what is necessary to afford the home. \(\text{Id.}\) This misalignment works to further limit the availability of units affordable to the lower income households. It means that the estimates in the previous section on the City’s need for more affordable units are an undercount.

2.4 Other Indications that Tacoma Needs More Affordable Housing

Tacoma’s inadequate supply of affordable housing is evident in other ways, including the following.

2.4.1 Homelessness

The number of homeless persons and families continues to grow. The primary measure of homelessness in Tacoma and Pierce County is the annual “count” during a 24 hour period in January of persons found in shelters, other transitional programs, other settings not fit for human habitation or on the street.

<table>
<thead>
<tr>
<th>Annual Homeless County 2006-2009: Pierce County(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheltered</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Unsheltered</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

\(^1\) Consolidated Plan at page 66.

\(^2\) Consolidated Plan at pages 85 -86; Pierce County Homeless Survey 2009, page 4 (Pierce County 2009)
Members of families who are homeless with minor children constituted 84% of the total. *Id.*

These numbers are better understood as indications of trends and not as estimates of the size of the homeless population. In particular:

- These numbers significantly undercount the number of homeless persons.¹ The count misses people who sleep in cars, the woods or in shelters that do not participate in the count.²

- “National studies estimate that 4 to 5 times more people will be homeless during the year than are homeless on a given night.”³ Using this measure would translate the one time count into an estimate that annually between 4,440 and 5,550 persons experienced homelessness in Tacoma during 2009. The vast majority are members of families who are homeless with minor children.

2.4.2 *Low Income Senior Households*

Households headed by people 65 years of age and older have significantly lower incomes than households headed by people between the ages of 25 and 65.⁴ This is not surprising since most seniors are retired and many are disabled. For this reason most rely on fixed incomes that will not increase significantly in their remaining lifetimes.

Most pertinent to the City’s affordable housing needs is the projection that the elderly portion of the City’s population, and the nation’s, will significantly increase in the next two decades in both the gross number and percentage of the total population. In 2007, people of this age constituted about 11% of Tacoma’s population, or about 22,000 persons.⁵ By 2020, they will be 14% of a larger population, or about 35,000 persons. By 2030, their percentage will rise to 18% of a still larger population, or about 50,000.⁶ This will mean a substantial increase in a population that will necessarily be among the City’s lowest income households.

¹ See Consolidated Plan at page 86.
² *Id.*
³ *Id.* at 85.
⁴ See Consolidated Plan at page 42.
⁵ *Id.* at page 23.
⁶ *Id.* at 25; Vision 2030 Housing Unit Allocation (October 22, 2009).
2.4.3 Home Owners

About 42,000 households in Tacoma own the home they occupy. The data below, from 2000, shows that the low-income portion of this population has its share of problems affording this housing. According to this data, in 2000, about 29%, or 11,986, of all homeowners pay more than 30% of their income for housing costs and about 10%, or 4,235, pay more than 50%. As expected, the lower the owner household income the greater the percentage of that income it spends on housing costs.

<table>
<thead>
<tr>
<th>Income Tier of Homeowners</th>
<th>% of All Homeowners</th>
<th>% of Homeowners in Income Tier Paying &gt;30%</th>
<th># of Homeowners</th>
<th>Total % / # of Homeowners in Income Tier Paying &gt;30% and &gt;50% of Household Income for Housing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;80% A.M.I.</td>
<td>70%</td>
<td>16%</td>
<td>29,441</td>
<td>16% / 4,711 / 2% / 588</td>
</tr>
<tr>
<td>51%-80% A.M.I.</td>
<td>16%</td>
<td>52%</td>
<td>6,732</td>
<td>52% / 3,501 / 15% / 1,015</td>
</tr>
<tr>
<td>31% - 50% A.M.I.</td>
<td>7%</td>
<td>62%</td>
<td>3,034</td>
<td>62% / 1,881 / 36% / 1,092</td>
</tr>
<tr>
<td>&lt; 30% A.M.I.</td>
<td>6%</td>
<td>75%</td>
<td>2,524</td>
<td>75% / 1,893 / 61% / 1,540</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>99%</strong></td>
<td><strong>28.7%</strong></td>
<td><strong>41,731</strong></td>
<td><strong>28.7% / 11,986 / 10.1% / 4,235</strong></td>
</tr>
</tbody>
</table>

This problem has likely worsened since 2000.

Household income spent on homeownership, however, differs from household income spent on rental housing in some ways pertinent to assessment of affordability. Both expenditures purchase shelter. Yet a home purchase buys additional benefits. First, the household will gain equity if the value of the home increases. In this way, the household builds assets. Second, a home confers substantial tax benefits. Third, a home purchase provides an added measure of security and reassurance that ownership provides. These benefits may justify a larger percentage of household income for purchase than it could justify for rental expenses.

2.4.4 Transportation Expenses

Estimates of housing costs should also include expenses for transportation to work, school, and shopping. The Consolidated Plan cited a recent study that “determined that when housing and commute costs are combined, the combination of the two is considerably greater than 30% of income for working families.” That study surveyed information from 28 metropolitan areas, including Seattle. “Working families with incomes between $20,000 and $50,000 spent 57% of their earnings for the combination of transportation and housing, split about evenly between housing and transportation.”

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1 Id. at page 69.
2 Consolidated Plan at page 63.
3 Id.
The transportation costs of housing have a special pertinence to Tacoma. City residents who work in Tacoma have an advantage of a short commute. The significant number of Tacoma residents, however, who work in King County may lose any savings from Tacoma’s lower housing costs in the higher transportation costs they incur in their commute. In this way, Tacoma’s lack of jobs for more of its residents is part of the housing affordability problem it faces.

2.5 Special Needs Housing

Tacoma’s need for more affordable housing appears in distinct ways for discrete groups within the city’s low-income population who have special needs. Like other low-income portions of the population, households within these groups require affordable places to live that are not available on the private market. They face other challenges as well. Two in particular are pertinent to this report. First, they need other kinds of assistance and supportive services located within an easily accessible distance from where they live to be successful even if housing is affordable. Second, their history of need or institutionalization makes it harder for them to find private landlords willing to rent to them. This chart outlines those groups and the challenges they face.

<table>
<thead>
<tr>
<th>Subpopulation of Special Need</th>
<th>Number</th>
<th>Needs in Addition to Affordable Housing</th>
</tr>
</thead>
</table>
| Disabled persons and frail elderly | The 2000 census reported that 22.9% of Tacoma’s population or 40,198 persons between the ages of 5 and 64 had disabilities.1 The frail elderly will grow as a part of the City’s disabled population. Presently, about 6% of Tacoma’s residents are 75 years of age or older. Consolidated Plan at 95. This percentage will grow significantly. Id. | • supportive services both out of home and in-home to allow a person to live independently  
• assisted living housing |
| Homeless families | See Section 1 above. Between 8,332 and 10,415 persons experienced homelessness in Pierce County during 2009; and of them between 5,373 and 6,716 were members of families with minor children. Veterans appear in this population to a disproportionate extent. | • prevention services  
• shelter  
• supportive services, especially for victims of domestic violence |
| Homeless single adults, including veterans | | • prevention services  
• shelter  
• services, especially for those afflicted with mental illness and drug or alcohol addiction. |

---

1 See U.S. Census 2000 at http://factfinder.census.gov/home. See also Consolidated Plan at 97. This compares with 19.3% of the nation’s population that is disabled. See U.S. Census 2000.
<table>
<thead>
<tr>
<th>Subpopulation of Special Need</th>
<th>Number</th>
<th>Needs in Addition to Affordable Housing</th>
</tr>
</thead>
</table>
| Domestic violence victims                     | Domestic violence appears as a significant factor among homeless persons and households. The estimates range. *E.g.*, 14%, 27%, 36%. | • confidential shelter  
• protective services  
• counseling |
| Persons afflicted with alcohol/drug addiction | Alcohol and drug addiction is widespread among the population of homeless single adults. *E.g.*, 42% of single homeless adults are chronic substance abusers. | • treatment  
• supportive housing |
| Persons coming from institutions:             | The Tacoma area hosts sizeable institutions that house persons who are then released: Western State Hospital; McNeil Island Correctional Facility (which may be closing); Purdy Correctional Institution for Women; Pierce County Jail. Tacoma also has a sizable population of youth aging out of foster care. | • supportive services both out of home and in-home to allow a person to live independently  
• assisted living housing |
| - corrections                                  |                                                                        |                                                                                  |
| - psychiatric                                  |                                                                        |                                                                                  |
| - nursing homes                                |                                                                        |                                                                                  |
| - foster care                                  |                                                                        |                                                                                  |
| Persons coming from these institutions and settling in Tacoma have notable housing needs. First, they generally have very low incomes and share the challenge facing all low-income households. Second, their institutional record will make landlords less interested in renting to them. Third, some of them will need a structured or supervised type of housing. |                                                                                  |
| Unaccompanied homeless youth                  | Unaccompanied youth appear among the county’s population of homeless persons. Efforts to count them give varying estimates. The school districts of Bethel, Sumner, Clover Park and Tacoma reported a total of 87 enrolled homeless youth. Most sources agree that all counts understate the problem. | • shelter  
• family services  
• health care  
• protection services  
• counseling |

3 Pierce County Homeless Housing Plan, 19 (Pierce County 2008)  
4 Consolidated Plan at page 100.  
5 Pierce County Homeless Housing Plan, 22 (Pierce County 2008)
2.6 Conclusion to the Statement of the Problem

The data and information in this section show that the City of Tacoma has an affordable housing crisis. It will only worsen as the City's population grows and ages over the next two decades unless Tacoma takes immediate action to ensure an adequate supply of affordable housing for its existing and anticipated residents at all income levels. Identifying the policies useful for this purpose is the subject of the following section.
3. POLICY RECOMMENDATIONS TO THE CITY COUNCIL

3.1 City Policy and Leadership

### Potential for Creating/Preserving Affordable Units

<table>
<thead>
<tr>
<th>Population Served By Income Tier</th>
<th>Owner/Renter</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low &lt;30% AMI $14,698</td>
<td>Renter***</td>
<td>High</td>
</tr>
<tr>
<td>Very Low &lt;50% AMI $24,498</td>
<td>Owner***</td>
<td></td>
</tr>
<tr>
<td>Low &lt;80% AMI $39,197</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mod. &lt;100% AMI $48,966</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The City should incorporate the following principles and acknowledgements in pertinent and authoritative policies and planning documents. In its exercise of civic leadership, the City should make concerted efforts to help residents, neighborhood councils and other civic groups understand and appreciate them:

(1) **Affordable Housing is Vital to Important Civic Interests**

The City’s welfare requires an adequate supply of well built and well managed affordable housing serving the full range of incomes appearing among its residents. An adequate supply of this housing is vital to the following important civic needs or values:

- the City’s prosperity, economic development and growth of employment opportunities;
- the appropriate management of the City’s projected population growth and transportation needs;
- the City’s fulfillment of its legal obligation to make “adequate provisions for existing and projected [housing] needs of all economic segments of the community” (RCW 36.70A.070(2)), and to comply with the related directives of the CountyWide Planning Policies for Pierce County. The new draft of those Policies direct Tacoma and other Pierce County general purpose local governments to arrange that 25% of its housing development be affordable to low-income households;
- the survival of green spaces throughout the City and Pierce county;
- the success of the City’s schools;
the effectiveness of the City’s emergency services;

- the City’s ability to continue its accommodation of a population that is increasingly diverse by income, race, ethnicity, ability, disability and age;

- the City’s ability to accommodate a population that, in the aggregate, is getting older;

- the City’s values of social justice.

(2) Affordable Housing is Attractive, Innovative and Well Managed

Affordable housing developments by nonprofit developers, public and private, in the City, region and nation have been among the most attractively designed, most environmentally innovative and best managed in the market place. Appendix C is a collection of photographs of affordable housing developments in Tacoma, the Puget Sound region, Washington State and around the nation. Those and other photos are also scattered throughout this report.

(3) The City Needs to Enlist the Engine of Private Development

Nonprofit developments of affordable housing will never likely be adequate to meet the City’s need. The City also needs a companion strategy to enlist the engine of private market rate developments to include a measure of affordable units. These strategies also provide the added benefit of economic and demographic integration.

(4) Affordable Housing Developments Spur Other Investments

Affordable housing developments have spurred the revitalization of neighborhoods, encouraging both public and private investment, helping the City attain its desired density, and furthering a neighborhood’s economic development.

(5) The City Should Welcome Affordable Housing Developments

Affordable housing is an asset to be encouraged and not a detriment to be tolerated and controlled.

(6) Every City Neighborhood Needs Affordable Housing Developments

The City should promote the development of affordable housing in every City neighborhood.
(7) **Affordable Housing As Innovative Design**
In seeking the appropriate balance, the City should not have to compromise important neighborhood design standards in order to promote affordable housing. Instead proper design should allow affordable housing to show the way for all developments serving all incomes toward a greener, more sustainable urban future that accommodates the appropriate density that the City’s planning documents anticipate to be necessary for the City’s projected population allocations between now and 2030.

(8) **Affordable Housing as a High City Priority Amid Competing Interests**
In a complex community like Tacoma, interests and policies often clash. Good governance is the effort to balance them appropriately. In doing so, the City should give a very high priority to the promotion of affordable housing development.
3.2 Housing Incentive or Inclusionary Programs

The recommendations in this section seek to enlist the efforts of private, for-profit developers of market rate units to include affordable housing units in their market rate developments. Doing this is an important companion to the efforts of the non-profit developers who focus on building affordable housing. Both are necessary. They each contribute differently in the following ways:

<table>
<thead>
<tr>
<th>For-Profit Developers</th>
<th>Non-Profit Developers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Incentive and inclusionary programs can encourage, or in limited circumstances require, for-profit developers to build affordable housing without direct public financing.</td>
<td>• Non-profit developers can leverage other sources of public and private financing available only for affordable housing.</td>
</tr>
<tr>
<td>• For-profit developers can build at lower per unit cost.</td>
<td>• Non-profit developments are affordable to the neediest households.</td>
</tr>
<tr>
<td>• Their affordable units can promote economic and demographic integration of affordable housing into a market rate development.</td>
<td>• Non-profit developments also serve households with special needs by matching the housing with necessary supportive services.</td>
</tr>
<tr>
<td>• Yet such housing generally is not affordable to the income groups below 50% of AMI where the need is greatest.</td>
<td>• Non-profit developers have an organizational mission to keep the units affordable indefinitely.</td>
</tr>
</tbody>
</table>

The policy recommendations in this section, in general, seek either (i) to provide incentives to for-profit developers to voluntarily include units affordable to low-income households as part of a market rate development or to pay a cash equivalent of those units to the City’s Housing Trust Fund, or (ii) in limited circumstances to require that they do so. Versions of such programs must incorporate the elements and make the policy choices listed below. The details of these elements or policy choices will likely vary among the types of programs. State law directs some of these choices. See RCW 36.70A.540. This report does not attempt to recommend specific elements or policy choices. Such specifics will likely require more detailed study than the Advisory Group could undertake.
(1) **Threshold Size**
The program must designate the size of the development that would make it eligible for an incentive or that would impose a requirement to include affordable units. *E.g.* developments of more than 10 units.

(2) **Number of Affordable Units**
The program must direct the number or percentage of units in the development that must be affordable. *E.g.*, the City’s present mixed-use center ordinance requires developers who choose one height bonus option to make 20% of the units affordable.

(3) **Size, Placement and Quality of Units**
The program must determine the size of the affordable units and their number of bedrooms, their location within the market rate development and their quality. In general, the goal is to architecturally integrate affordable units among the market rate units and make them indistinguishable from each other.

(4) **Income Targets**
The program must designate the household income tiers eligible for affordable units, *e.g.*, ≤ 30 AMI; ≤50% AMI; ≤80% AMI. State law directs that rental units be targeted to an “income of fifty percent or less of the county median family income, adjusted for family size.” Owner-occupied units must be targeted at or below 80% of the county’s median income. RCW 36.70A.540(2)(b). The law permits a city to choose higher income targets after public hearings and findings of local need. The city may go up to 80% of the county’s median family income for rentals and 100% for owner-occupied units. *Id.*

(5) **Definition of Affordability**
The City must define what it means for a unit to be affordable. State law allows it to set the maximum rent level or sales price for each affordable unit. “For renter-occupied housing units, the total housing costs, including basic utilities as determined by the jurisdiction, may not exceed thirty percent of the income limit for the low-income housing unit.” RCW 36.70A.540(2)(c).
(6) **Duration of Affordability**
The program must direct how long the units must remain affordable. The Growth Management Act specifies this term to be at least 50 years. RCW 36.70A.540(2)(c). The City may have flexibility under other authority.

(7) **Financial Feasibility**
These programs, whether voluntary or mandatory, must be designed so that the development is financially feasible for the developer. The various elements and policy choices listed above will influence this. For example, the lower the income targets, the fewer affordable units the project will be able to sustain. In general, such programs are not able to serve the lowest income tiers.

(8) **Cash Out Option**
State law allows a city to permit a developer to pay cash to the City in lieu of providing the affordable units as part of the development. State law also sets forth the terms of doing so. These terms include: (i) the City must “determine that the payment achieves a result equal to or better than providing the affordable housing on-site”; (ii) “the payment does not exceed the approximate cost of developing the same number and quality of housing units that would otherwise be developed”. RW 36.70A.540(2)(h). The cash-out amounts would go into the City’s Housing Trust Fund for use in financing developments of affordable housing elsewhere in the city, usually by nonprofit developers.

The cash-out option has advantages and disadvantages:

<table>
<thead>
<tr>
<th>Advantages of Cash-Outs</th>
<th>Disadvantages of Cash-Outs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Offers flexibility to for-profit developer who may otherwise not choose to participate</td>
<td>• Cash-outs forego the opportunity to economically and demographically integrate affordable units in a market rate mix. The cash-outs, used through the City’s Housing Trust Fund, usually help nonprofit developers build affordable units that generally have no or fewer market rate units and therefore little economic integration.</td>
</tr>
</tbody>
</table>

City of Tacoma Affordable Housing Policy Advisory Group: REPORT - 18
December 2, 2010
### Advantages of Cash-Outs

- Can be a source of revenue for the City’s Housing Trust Fund. This Fund can help nonprofit developers leverage other financing that usually requires a “local match.”

### Disadvantages of Cash-Outs

- Cash-outs also forego the greater ability of for-profit builders to construct units at lower costs than nonprofit builders.

- Cash-outs generally replace affordable housing that a developer would offer to households at the higher end of the “low-income” income scale. The cash-out amounts allow the City’s Housing Trust Fund to finance housing by nonprofit developers serving lower income households, who have the greater need.

These program elements and policy choices would be an important part of many of the recommendations below.

#### 3.2.1 Voluntary Housing Incentive Program

<table>
<thead>
<tr>
<th>Population Served By Income Tier</th>
<th>Owner/Renter</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Extremely Low</strong>&lt;br&gt;$&lt;30%$ AMI&lt;br&gt;$14,698**</td>
<td><strong>Renters</strong>*&lt;br&gt;<em><strong>Owner</strong></em></td>
<td><em><strong>High</strong></em></td>
</tr>
<tr>
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<td><em><strong>High</strong></em></td>
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The City should offer incentives to for-profit developers of new construction and rehabilitation of pre-existing housing so they include units affordable to a range of incomes. A developer would choose whether to participate. The incentives could include the following:

1. density bonuses;
2. reduction in lot sizes;
3. height or bulk bonuses;
4. fee waivers;
5. permitting priority;
6. reduction in parking requirements.
To its great credit, the City has begun such a program with its 2009 revisions to the mixed-used center regulations. Ord. 27818 (July 28, 2009). This is a very good start! The City must adjust that ordinance in at least two ways. **First**, it must increase the cash-out formula. The Ordinance presently allows a cash-out of 0.5% (0.005) of the value of the building. This amount is much too low. It would allow a developer of a $20 million building with 100 units to get an additional 20 feet in height, or two stories, by making 20% of the units affordable, or 20 units, or by paying a cash-out of only $100,000. In other words, the developer would be able to add two stories and avoid the requirement of providing any affordable units by paying only $100,000. This is not enough. The law requires the cash out amount to be “equal to or better than providing the affordable housing on-site.” *(See above).* **Second**, it should extend the duration of the affordability requirements. The GMA specifies a term of 50 years. *(See above).*

### 3.2.2 Inclusionary Requirements for Voluntary Residential Upzones

<table>
<thead>
<tr>
<th>Population Served By Income Tier</th>
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When the City confers a requested upzone in any zone that authorizes residential uses, it can significantly increase the value of the property. An affordable housing requirement is a way to redirect part of that increase to an important, yet compatible, civic use. When a developer seeks an upzone of a property that would permit a higher residential density, the City should condition its grant of the upzone upon the developer’s agreement to include at least 10% affordable units in the market rate mix with the density bonuses set forth in item 3.2.4.
3.2.3 Limited Mandatory Affordable Housing Bonus Program for City Initiated Upzones

<table>
<thead>
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Similarly, when the City upzones property on its own initiative it can significantly increase the property’s value. An affordable housing requirement is a way to redirect part of that increase to an important, yet compatible, civic use. The City should require developers of market rate residential developments to include at least 10% of the units as affordable to a range of incomes when the City upzones property other than at the formal request of the owner or developer and when the developer builds at the higher density allowed by the upzone. A change in the comprehensive plan’s allowed intensity would not be considered an upzoning for this purpose.

3.2.4 Inclusionary Requirements for Voluntary Master Planned Communities

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As with upzones, if and when the City grants permission for a Master Planned Community, it can significantly increase the value of the property. It should direct part of this increased value into an affordable housing requirement. Accordingly, when a developer seeks a Master Planned Community, or its equivalent, the City should condition its grant of the request upon the developer’s agreement to include at least 10% affordable units in the market rate mix with the density bonuses set forth in item 3.2.4.
3.2.5 Planned Residential Development Districts (PRDs)  
Planned Affordable Residential Districts (PARDs)

<table>
<thead>
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The City has authority to grant discretionary permits for Planned Residential Development Districts (PRDs). PRDs can be valuable strategies for the City to direct higher density development to the appropriate places and influence what it looks like and how it serves the larger community. The city should revise the rules as follows:

(1) Planned Residential Districts (PRD) on Five or More Acres (currently allowed)

The City should list the inclusion of affordable units on the menu of design features from which a developer may choose. The list should allow a developer to increase the number of market rate units on site above that allowed in the underlying zoning designation (e.g., R-2, R-3) if the developer also provides affordable units. The City must determine the ratio of market rate units to affordable units. The ratios should be at least the following:

- **Rental Units**: at least 10% of the total units shall be affordable. For each affordable unit, the developer may add 1.5 market rate units.

- **Owner Occupied Units**: at least 10% of the units shall be affordable. For each affordable unit, the developer may add 1 market rate unit.
The City should add a similar district for sites from 1 to 5 acres called Planned Affordable Residential Districts (PADR) with the same underlying zoning concept presented in the preceding section. This district could be governed by a Developer Agreement between the developer and the City. The agreement should allow the developer to increase the number of market rate units on site above that allowed in the underlying zoning designation (R-2, R-3, etc.) of one market rate unit for every affordable unit provided.

NOTE: The City should consider overall density caps for PRD and PARDs, e.g., 4 times the underlying zoning density. Caps must account for the density needed to make a development financially feasible, the need for affordable housing, the character of the neighborhood and the directives for the area found in the City’s comprehensive plan.

### 3.2.6 Framework for Public-Private Partnerships for Residential or Commercial Developments

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Sometimes the City contributes to a commercial or residential development. E.g., the city may provide financing, it may be a development partner, perhaps by building or contributing parking, or it may assume liabilities, such as environmental cleanup costs. In the negotiations for these contributions the City should regularly incorporate the expectation that in return for the City’s contribution the developer will either incorporate units affordable to a range of low incomes or pay an equivalent value to the City’s Housing Trust Fund. The extent of this housing requirement would have to be “project specific.” The goal, however, should be a housing or cash contribution that resembles the inclusionary requirements of other proposals such as items 3.2.1, 3.2.2, 3.2.3 and 3.2.4. Possible forms of City contribution or assistance include:
Government provided incentives

(A) Tax incentives
   1. Tax Increment Financing
   2. Sales tax sharing

(B) Loan assistance
   1. Long term land leases of govt. owned land
   2. Low cost lease of air rights
   3. Participation in payment of loan fees for end user
   4. Loan guarantees
   5. Down payment assistance

(C) Cost sharing
   1. Reduction of permit fees
   2. Participating in infrastructure improvements
   3. Speedy permit processing

(D) Contributions through Tacoma Housing Authority
   1. Project Based Section 8 rent subsidies
   2. Provision of land in a partnership structure in exchange for % of affordable units equal to value of land

Partnerships

A. Cost sharing based on percentage of units
   1. Provision of land in a partnership structure in exchange for % of affordable units equal to value of land
   2. Post construction purchase of completed units

B. Early creation of project partnerships
   1. Planning for timing and predictability of funding availability
   2. Reduce risk – financial strength, development capacity, general contracting
   3. Relationship from conception to project completion

Cash contributions and Gifts In Kind to Non-profit Developers

A. Tax deduction
B. Corporate Giving goals
C. Contributions to local housing trust fund
NOTE: The City should provide each incentive or assistance to a developer in exchange for the developer providing a reasonable and proportionate number of affordable housing units in a development. The City would not require that a developer provide affordable housing units. However, if the developer wishes to receive the City’s contribution or assistance, it must provide a certain number or percentage of units in their development which are affordable to low income households. The incentives would need to be monetized or valued to determine an appropriate exchange rate for the number of units to be provided in each case. It is our strong recommendation that, if implemented, each strategy would need to be project specific, with transparent negotiations, and eventual contractual obligations that work within the constraints of the total structure of the arrangement, for all parties.

3.2.7 Transfer of Development Rights (TDRs)

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Transfer of Development Rights (TDR) Programs arrange for the transfer of development rights of residential units and other development from one area, which should be preserved for agricultural, forestry, environmental or recreational purposes, to another area that is planned for a higher density of development. Pierce County has created such a program. The City of Tacoma should participate in this program. In designing its participation, the City should include features or considerations as follows:

(1) The City should devise a formula governing how many of the units to be built with transferred development rights should be affordable. This formula should account for the developer’s need that such an inclusion to be at least profit neutral.
(2) A TDR program may effectively increase the cost of development inside the City by having developers purchase development rights transferred from elsewhere. Important values of preservation may justify these costs. The City must balance these values against the resulting increased costs to a market rate project resulting from a TDR purchase of development rights and the corresponding greater challenge of including affordable housing.

(3) Tacoma’s TDR program should allow for the transfer of development rights not only from outside the City to inside the City but from one part of the City to another.

3.3 Regulatory Assistance to Developers of Affordable Housing

<table>
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Non-profit developers of housing dedicated to affordable housing without market rate units should receive assistance similar to the incentives the previous section’s recommend-ations would provide to market rate developers. i.e., density bonuses, fee waivers, accelerated permitting, zoning flexibility, parking requirement flexibility. The City should do this because these nonprofit developers are essential to the effort to meet the City’s affordable housing needs. They are the only developers likely to address the needs of the lowest income households and households with special needs. They also bring significant amounts of investment into the City from sources that require a local match. These developers have also developed some of the City’s and region’s most architecturally distinct, environmentally innovative and well managed housing.
3.4 Financing Tools

The City has been a very valuable source of financing for affordable housing developments. Much of its contribution has been federal dollars that it receives from the federal Department of Housing and Urban Development (HUD). The City should become a more significant source of local financing. This is important for two reasons: **First**, more effective local financing will make development projects in the City more competitive for other sources of financing, both public and private. These other sources generally require the development to show a local match. Generally, Tacoma’s projects are at a serious competitive disadvantage for lack of a local match. **Second**, more local funds will create more affordable housing.

### 3.4.1 Downtown Mixed Income Housing Plan (Repeal the Miller Amendment)

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<tr>
<td>** Renters**</td>
<td>Priority <strong>High</strong></td>
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(1) Introduction and Goal for Downtown Housing

Tacoma’s downtown is one of the City’s neighborhoods and in that respect shares the same need of all neighborhoods for housing that is accessible to a range of household incomes. At the same time, it requires some special consideration to account for its unique status among neighborhoods:

- the downtown is the City’s “front door”
- many of the City’s jobs are in the downtown.
- it is the focus of important City economic development initiatives.

For the downtown to thrive in the way that the City seeks, the downtown needs an appropriate balance of housing serving all income tiers. The City’s goal should be that at least 20% of downtown housing units, but not more than 20%, will be governed by subsidies that reserve those units for households at or below 50% AMI and that make those units affordable to such households. [NOTE: House-holds using tenant based vouchers would not count toward these limits because such a subsidy follows the household and is not restricted to the unit or to downtown.] The following factors and judgments underlie this recommended goal and the policy recommendations in this section:

- Downtown needs a higher density of market rate housing to sustain the retail commerce and the business investment it seeks.
For the same reason, downtown needs more housing affordable to the people who would work there, particularly those working at the lower end of the wage scale, such as retail clerks, restaurant workers, office workers, janitors, entry level professionals, and service workers. Households dependent on these wages are at 30% of AMI and higher. See Section 2.2 above.¹ Housing affordable to these households is called “work-force” housing.

Downtown also needs housing affordable to the lowest income households, below 30% AMI. These households, frequently headed by an elderly or disabled person, generally depend on fixed incomes such as social security, Supplemental Security Income (SSI) and Temporary Assistance to Needy Families (TANF). Downtown is a good place for their housing because of its transit options and services.

(2) Repeal the “Miller Amendment”

The City should “repeal” the “Miller Amendment.” The “Miller Amendment” refers to Resolution 33809 that the City Council adopted in 1997. In general, it limits the development of housing for households at or below 80% of AMI in the downtown. It does this by precluding any City funding for such housing unless the City Council votes to approve it. The resolution also restricted development of other such projects anywhere in the City or even such projects that received no City funding. Appendix D recounts the details of the resolution. Since then the Tacoma Community Redevelopment Agency (TCRA), which awards City funds, has incorporated the resolution’s directives into its funding criteria. The City should repeal the “Miller Amendment” for the following reasons:

- Its Purpose No Longer Applies

The purpose of the Miller Amendment is no longer as applicable. The resolution stated its purpose to address an over “concentration” of low-income housing in the downtown. Although the resolution did not state any facts in support of this finding, City sources recall estimates that 70% of the households then living downtown were low-income. Present City estimates show that downtown has changed significantly:

¹ For example, a person earning 30% AMI grosses $14,648 per year.
According to these estimates, the composition of downtown households does not differ markedly from the City’s aggregate. In addition, it is important to note that many “low-income households” include working households. “Low-income” tiers include households up to $39,196 annually. This covers the following occupations and categories (See section 2.2 above):

<table>
<thead>
<tr>
<th>Low Income; 80% AMI ($18.84/hour/$39,197/year)</th>
<th>Very Low Income; 50% AMI ($11.78/hour/$24,498/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookkeeping Clerk ($17.90/hour/$37,232/year)</td>
<td>Home Care Aide (11.06/hour/$23,005/year)</td>
</tr>
<tr>
<td>Starting Teacher ($15.89/hour/$33,054/year)</td>
<td>Federal Poverty Line for Family of 4 ($10.60/hour/$22,050/year)</td>
</tr>
<tr>
<td>Retail Sales ($12.93/hour/$26,908/year)</td>
<td>Dishwasher $9.95/hour/$20,696</td>
</tr>
<tr>
<td>Average Renter Income ($12.35/hour/$25,688/year)</td>
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</tr>
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</table>

1. “Low-income” means at or below 80% of the City’s Area Median Income or $39,196 per year.
2. “Downtown” is broader than the old B zone that the Miller Amendment used. Roughly, it coincides with zip code 98402 or Census Tracts 0616.01 and 0616.02. In general, it includes the area between 25th and 6th Avenue, and between the waterfront and Tacoma Avenue.
3. City of Tacoma Economic Development Department estimates in 2005. The Department estimates that for zip code 98402 low-income households constitute 46.7% of the population and for the combined two census tracts low-income households constitute 38.7% of the population.
4. A value identifying a median is 50%, by definition. Also by definition 80% of 50% will always be 40%.
5. Subsidized units include public housing, project based section 8 units, units subsidized by HUD project based contracts, and units occupied by tenants who participate in a tenant-based voucher program. Presently 126 tenant-based vouchers are in use in zip code 98402. This number fluctuates as these voucher holders move.
6. This percentage derives by estimating the number of subsidized units in downtown (about 750) and dividing that number by the estimated number of total households (1,596). These estimates come from the City of Tacoma’s Economic Development Department.
7. The City of Tacoma has approximately 5,800 subsidized units. See City of Tacoma’s Consolidated Plan 2010-2015, pages 75-82. It has about 76,000 households living in their own dwelling unit. See DataPlace.org. Dividing the first number by the second number gives an approximation of the percentage of subsidized dwelling units.
In this way, the low-income composition of downtown residents includes those persons who provide the workforce that a prosperous downtown will require. Accommodating their housing needs would be an advantage to the downtown’s economic prospects.

- The Miller Amendment Restricts Investment in Needed Affordable Housing

It is hard to assess the effects of the Miller Amendment. No new developments of shelter, transitional housing or permanent low income housing have occurred in the downtown B Zoning District since 1997. (NOTE: The B Zoning District was rescinded in 1999). Since 1997, no developer has asked the City Council for approval under the Miller Amendment for such a development. It would be hard to know whether and, if so, to what extent the Miller Amendment requirement for City Council approval deterred developer interest in projects that would otherwise have been viable. Downtown land costs may have had a similar deterrent effect. Since 1997, such developments have occurred in other parts of the City.

It is likely, however, that the Miller Amendment has deterred such investments in two ways. First, nonprofit developments require a developer to invest substantial amounts of time and money in assembling multiple sources of financing. A developer can justify such an investment if it judges that its chances with the various funding sources are adequate. It makes this judgment by self-scoring its proposal against what it knows to be the funders’ criteria. However, it is very hard to self-score the chances of a favorable vote of a political body such as a city council. Second, such development efforts require a carefully synchronized array of funding decisions from multiple sources. Yet it is hard to anticipate the schedule for a city council decision.

For these reasons, the City should repeal the Miller Amendment in favor of the following proposal that would constitute the Downtown Mixed Income Housing Plan. This proposal is a reasonable balance of the varying interests. The Advisory Group understands that the Council can make this change quickly without requiring a modification of the City’s Comprehensive Plan.
(3) **Create the Downtown Mixed Income Housing Plan**

We propose to replace the Miller Amendment with a Downtown Mixed Income Housing Plan. It would have the following features.

(3.1) **Downtown Expanded**

The Miller Amendment mainly applied to a small portion of the downtown called the “B Zone District.” Our proposed Downtown Mixed Income Housing Plan would regard downtown as a bigger area: between 6th Avenue and 25th Street, and between Tacoma Avenue and the waterfront. This larger area roughly coincides with zip code 98402. This area more closely matches how City residents understand the downtown and what the contours of a discrete downtown neighborhood would be.

(3.2) **TCRA Funding Of Downtown Projects**

The following rules should govern requests to Tacoma Community Redevelopment Agency (TCRA) for City funding of affordable housing in downtown Tacoma,

- *Community Notice, Consultation and Good Neighbor Agreements*

TCRA should require the developer of affordable housing seeking City funding to submit for TCRA approval a reasonable Community Consultation Plan. This Plan would commit the developer as follows: (i) **Notice:** The developer would provide meaningful notice of the proposed project to neighbors and to downtown groups; (ii) **Consultation:** The developer would provide neighbors and downtown groups with a meaningful opportunity to engage the developer in discussions about the proposal; (iii) **Good Neighbor Agreement:** The developer would offer the community groups a “Good Neighbor Agreement” that would set forth reasonable arrangements for continued consultation during operations of the project.

The Community Consultation Plan should require such notices and consultation opportunity to property owners within 1,000 feet of the proposed project. The Plan should offer this to the New Tacoma Neighborhood Council and to other appropriate community groups that TCRA finds at the time to be active and offering a responsible and representative interest in the matter.

**NOTE:** When assessing an application for funding, the TCRA should, when determining the competitiveness of an application, value and assess the amount and quality of such notice and consultation, as well as the degree of expressed community support for the project. However, such support shall not be a requirement for funding of an otherwise qualified project and in no circumstances should the City reject an
application because of community objections based upon the low income of prospective residents or their characteristics protected from discrimination by City, state and federal civil rights laws.

- **Limited City Council Review of TCRA Funding Decisions**

  If the proposed project reserves more than the “threshold” percentages (see below) of units for households below 50% AMI then: (i) the City Council may by vote overturn a TCRA approval of City funding upon the Council’s assessment that the project would conflict in a demonstrable way specific to the project with other important downtown uses; (ii) the Council vote overturning a funding decision must be made within 45 days of the TCRA funding decision. This time limit is necessary to protect the proposal from the uncertainty that arises from delay.

  A TCRA funding decision would not be subject to City Council review if the percentage of the proposed project’s units reserved for households below 50% of AMI was below the following “threshold” percentages: 20% on the following schedule - within the first two years of this rule, the “threshold shall be 10%; within the next two years, it shall be 15%; thereafter it shall be 20%.

- **Development Agreements**

  Nothing in this proposal shall preclude, and the City shall encourage, binding development agreements setting forth different or additional requirements or allowances governing City funding for projects that provide a special benefit to downtown, such as: improvement of a vacant or blighted property; mixed income housing with a substantial percentage of market rate, unsubsidized housing; a mix of residential and commercial uses; subsidized housing that downtown needs in particular; or a showing of substantial support from the community and surrounding property owners.
3.4.2 Local Housing Trust Fund

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| Low <80% AMI $39,197                                | ***          |
| Mod. <100% AMI $48,966                              | **           |

A Tacoma Housing Trust Fund would allow the City to contribute to the capital costs of building, preserving or rehabilitating housing. Such a fund would make local developers much more competitive for state, federal and private dollars for these purposes. Those other sources generally expect the local jurisdiction to contribute. Without a local match, Tacoma projects are less competitive for those other dollars.

The City already has a structure for a local Housing Trust Fund. However, it does not have a local dedicated source of revenue. Over the last ten years, the City has presented two proposals to a vote of the people to create a local revenue source. Both were unsuccessful.

The City should try again with a narrower proposal that is focused on funding the development of housing for low-income seniors and veterans. This narrower focus would be a less ambitious proposal. It would also direct the assistance to two populations that are growing in our area.

Another vote of the people on this topic will also be an occasion for the City and its partners to show their leadership in the ways we describe above in Item No. 1.
3.4.3 Contingent Loan or Credit Enhancement Program

| Potential for Creating/Preserving Affordable Units | * low, ** medium, *** high |
| Population Served By Income Tier |  |
| --- | --- | --- | --- |  |
| **Tacoma Area Median Income (AMI) = $48,966** |  |
| Extremely Low | Very Low | Low | Mod. | Owner/Renter | Priority |
| <30% AMI | <50% AMI | <80% AMI | <100% AMI |  |
| $14,698 | $24,498 | $39,197 | $48,966 | Renter*** | High |

The City of Tacoma, without cost or significant risk, can help finance the construction or rehabilitation of affordable housing by creating a Contingent Loan or Credit Enhancement Program for qualified affordable housing developments. Such a program would lower the interest rate such developments must pay for primary financing and raise the amounts developments can borrow. King County has a very successful program of this type. See King County Code Chapter 24.28.

Such a program would have the following elements:

1. The City would not be the primary source of the project’s financing. Instead, as part of the project’s initial financing, the City would commit to lending the project funds should such funds ever be necessary for short-term periods to continue debt service while new financing is arranged. This will allow the project to get lower interest rates and higher loan amounts from its primary sources of financing.

2. At the initial financing, the project would pay the City an administrative fee (e.g., .5% of total financing). This fee will serve two purposes. First, it will cover the City’s administrative costs. Second, it will fund a City reserve balance that the City will use to make any loan payments under its commitment.

3. If the City ever makes a payment under its commitment, the project sponsor would repay the funds, with interest.

4. In return for this assistance, the project would commit to set aside units at affordable rents or purchase amounts for low-income households for a specific period of time. The terms of this set-aside must include the same elements set forth above in Item No. 2 on Housing Incentive and Inclusionary Programs, including: number of affordable units; size, placement and quality of units; income targets; definition of affordability; duration of affordability; cash out option.
3.4.4 Tax Increment Financing

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Traditional Tax Increment Financing (TIF) programs taps increased property taxes generated by development and apply those taxes to pay bonds issued to finance the public infrastructure supporting the development. TIF is a valuable development tool available in other states but is not effectively available in Washington State. In 1995, the Washington State Supreme Court ruled that state constitutional limits prevent the use of a full scale TIF program in Washington. As declared by the Court those limits preclude the use in this way of the state’s portion of property taxes. Since then the legislature has explored similar programs using other portions of the property taxes and other types of taxes for specific purposes. The City of Tacoma should include among its requests to the state legislature consideration of similar programs for affordable housing purposes.
3.5 Affordable Building Design Practices

This section mentions some architectural designs that make housing more affordable. It recommends ways the City can facilitate the use of these designs. Two related principles underlie these recommendations. First, affordable designs can be as attractive as other designs. Second, the City will have to increase its density to accommodate its projected population growth. The City should allow for this increase in a way that encourages attractive design.

3.5.1 Accessory Dwelling Units (ADUs)

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Tacoma Area Median Income (AMI) = $48,966

ADUs can promote affordability in two ways. First, it can provide a small and affordable rental unit to a household. Second, it can provide the property owner with a source of income that he or she may need to afford the cost of ownership.

ADUs are also an efficient way to increase the density of neighborhoods in an unobtrusive way.
### 3.5.2 Cottage/Cluster Housing

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The City should further encourage the development of cottage or clustered housing. Cottage houses are small units for single family use. These units are generally less than 1,000 square feet. Clustered housing can also refer to such housing in multi-family communities. This design is particularly suitable to in-fill developments. This type of housing can be very attractive, as the accompanying photos show. This type of housing can be more affordable, (although examples in the Puget Sound area have proven so popular that sales prices for some 900 square foot homes have exceeded $500,000.)

The City permits cottage and cluster housing in certain Z zones. It should also adopt the following policies to encourage it further:

1. permit this housing in single family zones with zero lot lines.

2. require developers, who benefit from the increased density of units, to make a minimum percentage of the units affordable to low income families.

3. include prescriptive design standards in the zoning code for three purposes: (i) to assure neighborhoods that these developments will be attractive and appropriate; (ii) to spare the developer, neighborhoods and city project-by-project design disputes; (iii) to make development more predictable and make city project review quicker.
3.5.3 **Permit Ready Housing Designs**

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The City should have pre-approved designs “on the shelf” for developers to use especially for in-fill housing, cottage housing at lower cost. Developers may use these plans if they include a minimum number of units affordable to lower income tiers for a minimum number of years. These designs should be attractive, economical, and sustainable.

3.5.4 **Great House Design**

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“Great houses” are multi-family units, such as four-plexes, designed to appear as large single family homes. They are a way to increase density in single family zones in an architecturally congenial way. The City should allow great homes in single-family zones if they conform to design standards.

3.5.5 **Rooming House/Boarding House/Single Room Occupancy**

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Rooming houses, boarding houses and single-room occupancy units are very valuable for low-wage workers and persons living on fixed income. The City needs more of this form of housing. The City should encourage its development.
3.6 Preservation, Acquisition, Conversion and Rehabilitation of Existing Housing

Tacoma’s existing housing stock needs attention from the City for the opportunities to preserve or expand the supply for affordable housing.

3.6.1 Preservation of Existing Subsidized Housing

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Privately owned subsidized apartment complexes in Tacoma are an important part of the City’s affordable portfolio. Contracts with HUD govern these subsidizes. These contracts are very valuable to the City’s portfolio of affordable housing. These contracts, however, have expiration dates after which the continued affordability depends on the owner’s willingness to renew the contract. The preservation of such housing will generally be a lot less expensive than constructing it anew.

The City should: (i) track these contracts and their expiration dates; (ii) facilitate efforts to renew the contracts or the sale of the buildings to nonprofit or public owners who will do so.
3.6.2 Voluntary Housing Incentive Program for Rehabilitation Purposes

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Section 3.2.1 above recommends a Voluntary Housing Incentives Program to entice private for profit developers of new market rate housing to include affordable units in the market rate mix. The same type of program would be useful for existing housing in need of repair. Such a program would offer similar incentives to owners to fix up their properties in need of repair. In exchange for these incentives, the owner would agree to set aside units for affordable housing. Such a program would have the additional benefit of encouraging owners to attend to properties that, because of their poor condition, may be a blight on their neighborhoods.

3.6.3 Code Enforcement for Affordable Housing Purposes

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The City should enlist its code enforcement activities for the effort to preserve or increase the supply of affordable housing among the City’s existing housing stock, in the following ways:

1. The City can connect owners of cited properties to the incentive programs that may provide financing for repairs. See Section 3.6.2;

2. The City can waive code enforcement fines in exchange for the owner’s rehabilitation and affordability commitments;

3. The City sometimes acquires derelict properties through abandonment, eminent domain or tax defaults. In these cases the City can transfer these
properties to nonprofits or the public housing authority for rehabilitation and affordable housing commitments.

3.6.4 Land Trusts

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The City should encourage land trusts in the City. The City should also seek ways to participate by donating land or financing its purchase for land trust communities. The County, in its assessments of land values for tax purposes, should account for this land trust structure so home owners are not overbilled.

In a typical land trust, a nonprofit organization would acquire land for the purpose of ensuring the long term affordability of housing developed on that land. It would sell the homes on the land to households who would be required to live in them. A land trust would continue to own the land. In this way, the land’s value then would not become part of the home’s purchase price, thus reducing the purchase and repurchase pricing of the home.

3.6.5 Use of Surplus or Underutilized Property

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The City, including Tacoma Public Utilities, and related municipal entities such as the Port of Tacoma, and the Tacoma Public School District, acquire or own properties. These include tax foreclosed property, which the County would then own, condemned or abandoned properties, property taken by eminent domain and surplus property that the entity no longer needs.

The City should fashion policies that would identify which of those properties would be suitable for housing development and direct their transfer to other organizations that would develop them into affordable housing. The City should condition the
The City already has the legal ability to transfer such properties to other governmental entities, such as a public housing authority. The City should support some version of SHB 2138 that allows governmental entities to transfer or sell surplus properties value to private nonprofits for less than fair market value as long as it is used for affordable housing purposes.

### 3.7 Community Development Incentives

#### 3.7.1 Infill Housing Development

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The City should encourage the development or redevelopment of vacant or blighted land using the following techniques:

(1) The City should perform an area-wide environmental review in an Environmental Impact Statement (EIS) in areas that need investment and revitalization. The review should cover development up to the maximum allowed for that area under the City’s comprehensive plan and zoning. This review would relieve developers of the need to do a site-specific SEPA assessment for a project that fits within the parameters of the area-wide review and associated regulations. This will save the developers time and money on studies and thereby lower the price of the housing they produce.

(2) The City should increase the SEPA thresholds to state limits so that more developments can be processed administratively, reducing costs.

(3) The City should equip itself so it can advise developers of the available utility and infrastructure capacity in the 17 mixed-use centers.

(4) The City should upgrade utilities and infrastructure in neighborhoods so they can accommodate the growth that the City has designated for them.
3.8  Planning And Zoning Tools

3.8.1  Exception to Standard Lot Sizes for Specific Projects

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The City should allow smaller lot sizes in its neighborhoods to permit a greater diversity of housing types and sizes. Smaller lot sizes are necessary to take advantage of higher densities and to allow more creativity with lot arrangements.

3.8.2  Higher Review Threshold

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The City should allow more design changes by administrative review rather than by discretionary review. In particular:

- the City should redefine short plats from 4 to 9 lots;
- the City should reconsider SEPA review thresholds so they are consistent with Washington State maximum thresholds
- the City should pursue SEPA programmatic EIS for specific areas of the City to eliminate the need for projects in those areas that conform to the area wide EIS and associated regulations to conduct their own environmental review.
4. CONCLUSION

The City of Tacoma has an affordable housing crisis. Significant numbers of its residents cannot easily afford a place to live. This shortage seriously impairs many important civic goals and values. This shortage will worsen with the projected increase in the City’s population between now and 2030, and the projected aging of its population.

The City can have a very helpful influence on the affordability of housing for its residents in the following ways:

(1) **Leadership:** The City should lead an effort to further the public understanding that an adequate supply of affordable housing is important to the City’s health and prosperity.

(2) **Helping Non-Profit Development of Affordable Housing:** The nonprofit development of affordable housing is essential to addressing the City’s housing crisis. This housing is a principal source of affordable housing in the City. It is the primary source of affordable housing for the neediest households, including those with special needs. This housing is also among the most attractive, best managed and environmentally innovative. The City should adopt policies that more effectively support this development.

(3) **Enlisting For-Profit Development of Affordable Housing:** The City should more effectively enlist the engine of private, for-profit developers and make it financially worthwhile for them to include affordable units in market rate projects.

(4) **Reducing Housing Development Costs:** The City should review ways to reduce the cost of housing development generally. This will make all housing more affordable, including housing for low-income households.

(5) **Facilitating Appropriate Density and Design of Housing:** The City should adopt further policies to promote the residential density that the City’s population projections will require, and to ensure that this increased density occurs in the right places, that it is attractive and congenial to its neighborhoods and that it includes adequate provision for affordable housing.

Policy options are available to further all of these goals. The City should adopt effective versions of these policies. Doing so is necessary for several purposes. Such policies will help the City fulfill its Growth Management Act obligations to make adequate provision for the housing needs of all economic segments of its residents. They are necessary to implement the City’s comprehensive plan. These policies will also give meaningful expression to the City’s hopes for its own economic prosperity, its vision of itself as an attractive and vibrant urban core, and its own civic values of diversity and justice.
APPENDICES

Appendix A: City of Tacoma Resolution 38017, April 27, 2010

Appendix B: Chart of Policy Recommendations

Appendix C: Photographs of Affordable Housing Developments

Appendix D: Memo to the Affordable Housing Advisory Group from its co-chairs discussing the Miller Amendment, November 1, 2010
RESOLUTION NO. 38017

BY REQUEST OF DEPUTY MAYOR FEY AND COUNCIL MEMBERS
LONERGAN, MANTHOU, AND WALKER

A RESOLUTION relating to affordable housing; creating the Affordable Housing
Policy Advisory Group; and appointing individuals to the committee.

WHEREAS, throughout 2009, the Neighborhoods and Housing
Committee ("Committee") worked to create an affordable housing policy for
recommendation to the City Council, and

WHEREAS, prior to recommending its final draft, the Committee is
seeking additional public feedback, and

WHEREAS, with the recommendation of community stakeholders, the
Committee is recommending that the City Council create an Affordable Housing
Policy Advisory Group ("Advisory Group") to perform the following: (1) review
the work of the Committee's affordable housing policy development process
and the Pierce County Housing Affordability Task Force, (2) review
demographic data and identify data development needs in order to inform
planning efforts, (3) provide input and consultation necessary to refine the
Committee's affordable housing policy recommendations, (4) recommend a
series of supporting policy actions that are consistent with or complementary to
the City's Comprehensive Plan, and (5) build a consensus of Advisory Group
members, and

WHEREAS the Advisory Group will provide a final report to the
Committee by December 15, 2010, with intermittent updates, as appropriate;

Now, Therefore,
BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That there is created an Affordable Housing Policy Advisory Group ("Advisory Group"), which shall provide a final report to the Neighborhoods and Housing Committee by December 15, 2010, with intermittent updates, as appropriate.

Section 2. That the duties of the Advisory Group shall include:

(1) reviewing the work of the Committee’s affordable housing policy development process and the Pierce County Housing Affordability Task Force,

(2) reviewing demographic data and identifying data development needs in order to inform planning efforts, (3) providing input and consultation necessary to refine the Committee’s affordable housing policy recommendations,

(4) recommending a series of supporting policy actions that are consistent with or complimentary to the City’s Comprehensive Plan, and (5) building a consensus of Advisory Group members.
Section 3. That those individuals listed on Exhibit "A" are hereby confirmed and appointed as members of the Advisory Group.

Adopted ____________

____________________
Mayor

Attest:

____________________
City Clerk

Approved as to form:

____________________
City Attorney
EXHIBIT "A"

Co-Chairs:
Michael Mirra  Tacoma-Pierce County Affordable Housing Consortium
Blaine Johnson  Market Rate Developer

Committee Members
Connie Brown  Tacoma-Pierce County Affordable Housing Consortium
Sandy Burgess  Burgess LLC
Lyn Messenger  Belay Architects
Tom O'Connor  O'Connor & Associates
Gary Pedersen  Builder Consultant
John Purbaugh  Pierce County Planning Commission
Mike Pyatok  Pyatok Architects
Tiffany Speirs  Master Builders of Pierce County
Walter Zisette  Common Ground
# APPENDIX B

**City of Tacoma Affordable Housing Policy Advisory Group:**
Policy Recommendations Chart

December 2, 2010

Table of Contents

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1. **CITY POLICY AND LEADERSHIP**

The City should incorporate the following principles and acknowledgements in pertinent policies. In the exercise of civic leadership, the City should also make concerted efforts to help residents understand and appreciate them:

1. The City’s welfare requires an adequate supply of well built and well managed affordable housing serving the full range of incomes appearing among its residents. An adequate supply of this housing is vital to the following important civic needs or values:

   - the city’s prosperity, economic development and growth of employment opportunities;
   - the appropriate management of the city’s projected population growth and transportation needs;
   - the city’s fulfillment of its legal obligation to make “adequate provisions for existing and projected [housing] needs of all economic segments of the community” and to comply with the related directives of the Pierce County Wide Planning Policies;
   - the survival of green spaces throughout the city and Pierce county;
   - the success of the city’s schools;
   - the effectiveness of the city’s emergency services;
   - the city’s ability to continue its accommodation of a population that is increasingly diverse by income, race, ethnicity, ability, disability and age;
   - the city’s ability to accommodate a population that, in the aggregate, is getting older;
   - the city’s values of social justice.

2. Affordable housing developments by nonprofit developers, public and private, in the city, region and nation have been among the most attractively designed, most environmentally innovative and best...
(3) Nonprofit developments of affordable housing will never likely be adequate to meet the City’s need. The City also needs a companion strategy to enlist the engine of private market rate developments to include a measure of affordable units. These strategies also provide the added benefit of economic and racial integration.

(4) Affordable housing developments have spurred the revitalization of neighborhoods, encouraging both public and private investment, helping the city attain its desired density, and furthering a neighborhood’s economic development.

(5) Affordable housing is an asset to be encouraged and not a detriment to be tolerated and controlled.

(6) The City should promote the development of affordable housing in every city neighborhood.

(7) In seeking the appropriate balance, the City should not have to compromise important neighborhood design standards in order to promote affordable housing. Instead, proper design should allow affordable housing to show the way for all developments serving all incomes toward a greener, more sustainable urban future that accommodates the appropriate density that the City’s planning documents anticipate to be necessary for the City’s projected population increases between now and 2030.

(8) In a complex community like Tacoma, interests and policies often clash. Good governance is the effort to balance them appropriately. In doing so, the City should give a very high priority to the promotion of affordable housing development.
### 2. HOUSING INCENTIVE OR INCLUSIONARY PROGRAMS

#### 2.1 Voluntary Housing Incentive Program

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The City should offer incentives to for-profit developers of new construction and rehabilitation of pre-existing housing to include units affordable to a range of incomes. A developer would choose whether to participate. The incentives could include the following:

1. density bonuses;
2. reduction in lot sizes;
3. height or bulk bonuses;
4. fee waivers;
5. permitting priority;
6. reduction in parking requirements;

The City has begun such a program with its 2009 creation revisions to the mixed-used center regulations. Ord. 27818 (July 28, 2009). The City must adjust that ordinance in at least two ways. **First,** it must increase the cash-out formula. The Ordinance presently allows a cash-out of 0.5% (0.005) of the value of the building. This is much too low. It would allow a developer of a $20 million building with 100 units to get an additional 20 feet in height, or two stories, by keeping 20% of the units, or 20 units, or by paying a cash-out of only $100,000. State law requires the cash out amount to be “equal to or better than providing the affordable housing on-site.” RCW 36.70A.540(2)(h). **Second,** it should extend the duration of the affordability requirements to 50 years or allow for a cash-out that would shorten this period. The GMA appears to require this. RCW 36.70A.540(2)(e).

#### 2.2 Inclusionary Requirements for Voluntary Residential Upzone

When a developer seeks an upzone of a property to permit a higher residential density, the City should condition its grant of the upzone upon the developer’s agreement to include at least 10% affordable units in the market rate mix with the density bonuses set forth in item 2.4.
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#### 2.3 Limited Mandatory Affordable Housing Bonus Program for City Initiated Upzones

The City should require developers of market rate residential developments to include at least 10% of the units as affordable to a range of incomes when the city upzones property other than at the formal request of the owner or developer and when the developer builds at the higher density allowed by the upzone. A change in the comprehensive plan’s allowed intensity is not considered an upzoning for this purpose.

#### 2.4 Inclusionary Requirements for Voluntary Master Planned Community

When a developer seeks a Master Planned Community, or its equivalent, the City should condition its grant of the request upon the developer’s agreement to include at least 10% affordable units in the market rate mix with the density bonuses set forth in item 2.4.

#### 2.5 Planned Residential Development Districts (PRDs)

The City has authority to grant discretionary permits for Public Residential Development Districts (PRDs). PRDs can be valuable strategies for the City to direct higher density development to the appropriate places and influence what it looks like and how it serves the larger community.

The city should revise the rules as follows:

(1) **PRD on Five or More Acres** (currently allowed): The City should list the inclusion of affordable units on the menu of design features from which a developer may choose. The list should allow a developer to increase the number of market rate units on site above that allowed in the underlying zoning designation (e.g., R-2, R-3) if the developer also provides affordable units.
The City must determine the ratio of market rate units to affordable units. The ratios should be at least the following:

1.1 Rental Units: at least 10% of the total units shall be affordable. For each affordable unit, the developer may add 1.5 market rate units.

1.2 Owner Occupied: at least 10% of the units shall be affordable. For each affordable unit, the developer may add 1 market rate unit.

(2) **PARD from One to Five Acres**: The City should add a similar district called Planned Affordable Residential Development Districts (PADR) with the same underlying zoning concept as described in the preceding section for sites from 1 to 5 acres. This district could be governed by a Developer Agreement between the developer and the City. The agreement should allow the developer to increase the number of market rate units on site above that allowed in the prefix zoning designation (R-2, R-3, etc) of one market rate unit for every affordable unit provided.

**NOTE**: The City should consider overall density caps for PRD and PARDs, e.g., 4 times the underlying zoning density. Caps must account for the density needed to make a development to be financially feasible, the need for affordable housing, the character of the neighborhood and the directives for the area found in the City’s comprehensive plan.

### 2.6 Framework for Public-Private Partnerships

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Sometimes the City contributes to a commercial or residential development. E.g., the city may provide financing, it may be a development partner, perhaps by building or contributing parking, or it may assume liabilities, such as environmental cleanup costs. In the negotiations for these contributions the City should regularly incorporate the expectation that in return for the City’s contribution, the developer will either incorporate units affordable to a range of low incomes or pay an equivalent to the City’s Housing Trust Fund. The extent of this housing requirement would have to be “project specific.” The goal, however, should be a housing or cash contribution that resembles that of the Mandatory Affordable Housing Bonus Program. Possible forms of City contribution or assistance include:

(1) **Government Provided incentives**

A. Tax incentives
   1. Tax Increment Financing (need state law change)
   2. Sales tax sharing
### Potential for Creating/Preserving Affordable Units

* * low, ** medium, *** high

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<td><strong>B.</strong> Loan assistance</td>
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<td>1. Long term land leases of govt. owned land</td>
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<td>2. Low cost lease of air rights</td>
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<td>3. Participation in payment of loan fees for end user</td>
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<td>4. Loan guarantees</td>
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<td>5. Down payment assistance</td>
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<td><strong>C.</strong> Cost sharing</td>
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<td>1. Reduction of permit fees</td>
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<td>2. Participating in infrastructure improvements</td>
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<tr>
<td>3. Speedy permit processing</td>
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<td><strong>D.</strong> Contributions through Tacoma Housing Authority</td>
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<td>1. Project Based Section 8 rent subsidies</td>
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<td>2. Provision of land in a partnership structure in exchange for % of affordable equal to value of land.</td>
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(2) **Partnerships**

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<td><strong>A.</strong> Cost sharing based on percentage of units</td>
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<td>1. Provision of land in a partnership structure in exchange for % of affordable units equal to value of land</td>
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<td>2. Post construction purchase of completed units</td>
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<td><strong>B.</strong> Early creation of project partnerships</td>
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<tr>
<td>1. Planning for timing and predictability of funding availability</td>
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<tr>
<td>2. Reduce risk – financial strength, development capacity, general contracting</td>
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<td>3. Relationship from conception to project completion</td>
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(3) **Cash contributions and Gifts In Kind to Non profit Developers**

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<td><strong>A.</strong> Tax deduction</td>
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<td><strong>B.</strong> Corporate Giving goals</td>
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<td><strong>C.</strong> Contributions to local housing trust fund</td>
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The City should provide each incentive or assistance to a developer in exchange for the developer providing a reasonable and proportionate number of affordable units in a development. The City would not require any developer to provide affordable housing units. However, if the developer wishes to receive the incentive or form of assistance, it must provide a certain number or percentage of units in their development which are affordable to low income people. The incentives would need to be monetized or valued to determine an appropriate exchange rate for the number of units to be provided in each case. It is our strong recommendation that, if implemented, each strategy would need to be project specific, with transparent negotiations, and eventual contractual obligations that work within the constraints of the total structure of the arrangement, for all parties.

### Transfer Development Rights (TDR)

A Transfer of Development Rights (TDR) Program arranges for the transfer of development rights of residential units and other development from one area, which should be preserved for agricultural, forestry, environmental or recreational purposes, to another area that is planned for a higher density of development. Pierce County has created such a program. The City of Tacoma should participate in this program. In designing its participation, the City should include features or considerations as follows:

1. The City should devise a formula governing how many of the units to be built with transferred development rights should be affordable. This formula should account for the developer’s need that such an inclusion to be at least profit neutral.

2. A TDR program may effectively increase the cost of development inside the City by allowing developers to purchase development rights transferred from elsewhere. Important values of preservation may justify these costs. The City must balance these values against the increased costs to a market rate project resulting from a TDR purchase of development rights and the costs of including affordable housing in the market rate mix of units.

3. Tacoma’s TDR program should allow for the transfer of development rights not only from outside the City to inside the City but from one part of the City to another.
### Potential for Creating/Preserving Affordable Units

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### 3. REGULATORY ASSISTANCE TO DEVELOPERS OF AFFORDABLE HOUSING

3.1 Assistance to Developers of Affordable Housing

Developers of housing dedicated to affordable housing, without market rate units, should receive assistance similar to the incentives the previous section’s recommendations would provide to market rate developers. *i.e.*, density bonuses, fee waivers, accelerated permitting, zoning flexibility, parking requirement flexibility.
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### 4. FINANCING TOOLS

#### 4.1 Downtown Mixed Income Housing Plan

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<th>Goal for Downtown</th>
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<tr>
<td>The City’s goal should be that at least 20% of downtown housing units, but not more than 20%, will be governed by subsidies that reserve those units for households at or below 50% AMI and that make those units affordable to such households. [NOTE: Households using tenant based vouchers would not count toward these limits because such a subsidy follows the household and is not restricted to the unit or to downtown.]</td>
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<tr>
<th>Repeal the Miller Amendment</th>
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<td>The City should repeal the “Miller Amendment”.</td>
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<th>Adopt Downtown Mixed Income Housing Plan</th>
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<tr>
<td>The City should adopt a Downtown Mixed Income Housing Plan with the following features:</td>
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3.1 Downtown Expanded

For purposes of this proposal downtown Tacoma is defined as between 6th Avenue and 25th Street, and between Tacoma Avenue and the waterfront.

3.2 TCRA Funding Of Downtown Projects

The following rules should govern requests to the Tacoma Community Redevelopment Authority (TCRA) for city funding of affordable housing in downtown Tacoma:

- Community Notice, Consultation and Good Neighbor Agreements

TCRA should require the developer of affordable housing seeking City funding to submit to TCRA for its approval a reasonable Community Consultation Plan. This Plan would commit the developer as follows: (i) Notice: The developer would provide meaningful notice of the proposed project to neighbors and to downtown groups; (ii) Consultation: The developer would provide neighbors and downtown groups with a meaningful opportunity to engage the developer in discussions about the proposal; (iii) Good Neighbor Agreement: The developer would offer the community groups a “Good Neighbor Agreement” that would set forth reasonable arrangements for continued consultation during operations of the project.
The Community Consultation Plan should require such notices and consultation opportunity to property owners within 1,000 feet of the proposed project. The Plan should offer this to the New Tacoma Neighborhood Council and to other appropriate community groups that TCRA finds at the time are active and offering an appropriately responsible and representative interest in the matter.

**NOTE:** When assessing an application for funding, the TCRA should, when determining the competitiveness of an application, value and assess the amount and quality of such notice and consultation, as well as the degree of expressed community support for the project. However, such support shall not be a requirement for funding of an otherwise qualified project.

- **Limited City Council Review of TCRA Funding Decisions**

If the proposed project reserves more than the “threshold” percentages (see below) of units for households below 50% AMI then: (i) the City Council may by vote overturn a TCRA approval of City funding upon the Council’s assessment that the project would conflict in a demonstrable way specific to the project with other important downtown uses; (ii) the Council vote overturning a funding decision must be made within 45 days of the TCRA funding decision. This time limit is necessary to protect the proposal from the uncertainty that arises from delay.

A TCRA funding decision would not be subject to City Council review if the percentage of the proposed project’s units reserved for households below 50% of AMI was below the following “threshold” percentages: 20% on the following schedule: within the first two years of this rule, the “threshold shall be 10%; within the next two years, it shall be 15%; thereafter it shall be 20%.

- **Development Agreements**

Nothing in this rule shall preclude, and the City shall encourage, binding development agreements setting forth different or additional requirements or allowances governing city funding for projects that provide a special benefit to downtown, such as: improvement of a vacant or blighted property; mixed income housing with a substantial percentage of market rate, unsubsidized housing.; a mix of residential and commercial uses; subsidized housing that downtown needs in particular; or a showing of substantial support from the community and surrounding property owners.
### Appendix B: City of Tacoma Affordable Housing Policy Advisory Group: Policy Recommendations

#### December 2, 2010

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<td>Low AMI $39,197</td>
</tr>
</tbody>
</table>

A Tacoma Housing Trust Fund would allow the City to contribute to the capital costs of building, preserving or rehabilitating housing. Such a Fund would make local developers much more competitive for state, federal and private dollars for these purposes. Those other sources generally expect the local jurisdiction to contribute. Without a local match, Tacoma projects generally are less competitive for those other dollars.

The City already has a structure for a local Housing Trust Fund. However, it does not have a local dedicated source of revenue. Over the last ten years, the City has presented two proposals to a vote of the people to create a local revenue source. Both were unsuccessful. The City should try again with a proposal that is focused on funding the development of housing for low-income seniors and veterans.

#### Contingent Loan or Credit Enhancement Program

The City of Tacoma, without cost or significant risk, can help finance the construction or rehabilitation of affordable housing by creating a Contingent Loan or Credit Enhancement Program for qualified affordable housing projects. Such a program would lower the interest rate such projects would face in its own financing and raise the amount the project can borrow. King County has a very successful program of this type.

Such a program would have the following elements:

1. The City would not be the primary source of the project’s financing. Instead, as part of the project’s initial financing, the City would commit to lending the project funds should such payments ever be necessary for short-term periods to continue debt service while new financing is arranged. This will allow the project to get lower interest rates and higher loan amounts from its primary sources of financing.

2. At the initial financing, the project will pay the City an administrative fee (e.g., .5% of total financing). This fee will serve two purposes. First, it will cover the City’s administrative costs. Second, it will fund a City reserve balance that the City will use to make any loan payments.

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APPENDIX B: City of Tacoma Affordable Housing Policy Advisory Group: Policy Recommendations – 11
December 2, 2010
### Potential for Creating/Preserving Affordable Units

<table>
<thead>
<tr>
<th>Title &amp; Description</th>
<th>Population Served By Income Tier</th>
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<tr>
<td></td>
<td>Low</td>
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<td></td>
<td>Mod.</td>
<td>&lt;100%</td>
<td>AMI</td>
<td>$48,966</td>
</tr>
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</table>

- low, **medium, *** high

### 4.4 Tax Increment Financing

Traditional TIF programs tap increased property taxes generated by development and apply those taxes to pay bonds issued to finance the public infrastructure supporting the development. Tax Increment Financing (TIF) is a valuable development tool available in other states but is not effectively available in Washington State. In 1995, the Washington State Supreme Court ruled that state constitutional limits prevent the use of a full scale TIF program in Washington. As declared by the Court those limits preclude the use in this way of the state’s portion of property taxes. Since then the legislature has explored similar programs using other portions of the property taxes and other types of taxes for specific purposes. The City of Tacoma should include among its requests to the state legislature consideration of similar programs for affordable housing purposes.

(3) If the City ever makes a payment under its commitment, the project sponsor will repay the funds, with interest.

(4) In return for this assistance, the project would commit to set aside units at affordable rents or purchase amounts for low-income households for a specific period of time. The terms of this set-aside must include the same elements set forth above in Item No. 2 on Housing Incentive and Inclusionary Programs, including: number of affordable units; size, placement and quality of units; income targets; definition of affordability; duration of affordability; cash out option.
## 5. AFFORDABLE BUILDING DESIGN PRACTICES

<table>
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<td></td>
<td></td>
<td>Renter**</td>
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<td></td>
<td></td>
<td>Owner**</td>
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</tr>
</tbody>
</table>

### 5.1 Accessory Dwelling Units (ADUs)

- **Owner** Medium

The City should broaden its ADU rules. They presently permit ADUs if they are attached to the main house. The City should allow ADUs in detached structures, such as converted garages.

### 5.2 Cottage/Cluster Housing

- **Renter** Medium

Cottage houses are small units for single family use or clustered housing designs for multi-family housing. They are particularly suitable to in-fill developments. The City permits then in Z zones. It should also adopt the following policies:

1. Permit this housing in single family zones with zero lot lines.

2. Require developers, who benefit from the increased density of units, to make a minimum percentage of the units affordable to low income families.

3. Include prescriptive design standards in the zoning code for three purposes: (i) to assure neighborhoods that these developments will be attractive and appropriate; (ii) to spare the developer, neighborhoods and city design disputes project by project; (iii) to make development more predictable and make city project review quicker.

### 5.3 Permit Ready Housing Designs

- **Renter** Medium

The City should have pre-approved designs “on the shelf” for developers to use especially for in-fill housing, cottage housing at lower cost. Developers may use these plans if they include a minimum number of units affordable to lower income tiers for a minimum number of years. These designs should be attractive, economical, and sustainable.
### Title & Description

<table>
<thead>
<tr>
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<tr>
<td>* low, ** medium, *** high</td>
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</table>

#### Population Served By Income Tier

**Tacoma Area Median Income (AMI)**

= $48,966

<table>
<thead>
<tr>
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</table>

#### 5.4 Great House Design

* * * * Renter*

**Medium**

The City’s permitting rules should encourage the great house design that allows multi-family units to blend into single family neighborhoods. The City should allow great homes that conform to design standards in single-family zones.

#### 5.5 Rooming House Design et al

*** *** ** * Renter**

**Medium**

The City should continue to allow rooming houses, boarding homes and housing for temporary workers and others. The City should encourage the development of this housing.
### Potential for Creating/Preserving Affordable Units

<table>
<thead>
<tr>
<th>Title &amp; Description</th>
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<tr>
<td><strong>6. PRESERVATION, ACQUISITION, CONVERSION &amp; REHABILITATION OF EXISTING HOUSING</strong></td>
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<tr>
<td><strong>6.1 Preservation of Existing Subsidized Housing</strong></td>
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<tr>
<td>Privately owned subsidized apartment complexes in Tacoma are an important part of the City’s affordable portfolio. Contracts with HUD govern these subsidies. These contracts have expiration dates after which the continued affordability depends on the owner’s willingness to renew the contract. The preservation of such housing will generally be a lot less expensive than constructing it anew.</td>
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<tr>
<td>The City should: (i) track these contracts and their expiration dates; (ii) facilitate efforts to renew the contracts or the sale of the buildings to nonprofit or public owners who will do so.</td>
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<tr>
<td><strong>6.2 Housing Incentive Program</strong></td>
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<tr>
<td>Section above § 2.1 proposes incentives to developers of new construction to include affordable units within the market rate units. The City should offer similar incentives to owners of properties in need of rehabilitation to fix up their properties in return for which the owner would set aside units at affordable rents for low-income households.</td>
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<tr>
<td><strong>6.3 Code Enforcement for Affordable Housing Purposes</strong></td>
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<tr>
<td>The City should enlist its code enforcement activities for the effort to preserve or increase the supply of affordable housing among the city’s existing housing stock, in the following ways:</td>
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<tr>
<td>• The city can connect owners of cited properties to the incentive programs that may provide financing for repairs;</td>
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<tr>
<td>• The city can waive code enforcement fines in exchange for the owner’s rehabilitation and affordability commitments.</td>
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<tr>
<td>• The city sometimes acquires derelict properties through abandonment, eminent domain or tax defaults. In these cases the city can transfer these properties to nonprofits or the public housing authority for rehab and affordable housing commitments.</td>
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</tbody>
</table>
## 6.4 Land Trusts

The City should encourage land trusts in the City. The City should also seek ways to participate by donating land or financing its purchase for land trust communities. The County, in its assessments of land values for tax purposes, should account for this land trust structure so home owners are not overbilled.

In a typical land trust, a nonprofit organization would acquire land for the purpose of ensuring the long term affordability of housing developed on that land. It would sell the homes on the land to households who would be required to live in them. A land trust would continue to own the land. In this way, the land’s value then would not become part of the home’s purchase price, thus reducing the purchase and repurchase pricing of the home.

## 6.5 Use of Acquired or Surplus or Under-utilized Property

The City, including Tacoma Public Utilities, and related municipal entities such as TPU, the Port of Tacoma, and the Tacoma Public School District, acquire or own properties. These include tax foreclosed property, which the County would then own, condemned or abandoned properties, property taken by eminent domain and surplus property that the entity no longer needs.

The City should fashion policies that would identify which of those properties would be suitable for housing development and direct their transfer to other organizations that would develop them into affordable housing. The City should condition the conveyance on such development and long term maintenance of the housing’s affordability.

The City already has the legal ability to transfer such properties to other governmental entities, such as a public housing authority. The City should support some version of SHB 2138 that allows governmental entities to transfer or sell surplus properties for affordable housing purposes for less than fair market value to private nonprofits.
### Potential for Creating/Preserving Affordable Units

<table>
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#### 7. COMMUNITY DEVELOPMENT INCENTIVES

#### 7.1 Infill Housing Development

<table>
<thead>
<tr>
<th>Owner/ Renter</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renter* Owner**</td>
<td>Medium</td>
</tr>
</tbody>
</table>

The City should encourage the development or redevelopment of vacant or blighted land using the following techniques:

1. The City should perform an area-wide environmental review in an Environmental Impact Statement (EIS) in areas that need investment and revitalization. The review should cover development up to the maximum allowed for that area under the City’s comprehensive plan and zoning. This review would relieve developers of the need to do a site-specific SEPA assessment for a project that fits within the parameters of the area-wide review and associated regulations.

2. The City should increase the SEPA thresholds to state limits so that more developments can be processed administratively, reducing costs.

3. The City should equip itself so it can advise developers of the available utility and infrastructure capacity in the 17 mixed-use centers.

4. The City should upgrade utilities and infrastructure in neighborhoods so they can accommodate the growth that the City has designated for them.
<table>
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</table>
|                     | * low, ** medium, *** high                    | **Tacoma Area Median Income (AMI)**
|                     |                                               | $48,966                         |              |          |
| Extremely Low       | Very Low                                       | Low                             | Mod.         |          |
| AMI $14,698         | AMI $24,498                                    | AMI $39,197                     | AMI $48,966  |          |

8. PLANNING AND ZONING TOOLS

8.1 Exception to Standard Lot Sizes for Specific Projects

<table>
<thead>
<tr>
<th>Renter** Owner**</th>
<th>Medium</th>
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</thead>
</table>

The City should allow smaller lot sizes in its neighborhoods to permit a greater diversity of housing types and sizes. Smaller lot sizes are necessary to take advantage of higher densities and to allow more creativity with lot arrangements.

8.2 Higher Review Threshold

<table>
<thead>
<tr>
<th>Renter* Owner*</th>
<th>Medium</th>
</tr>
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</table>

The City should allow more design changes by administrative review rather than by discretionary review. In particular:

- the City should redefine short plats from 4 to 9 lots;
- the City should reconsider SEPA review thresholds so they are consistent with Washington State maximum thresholds
- the City should pursue SEPA programmatic EIS for specific different areas of the City to eliminate the need for specific projects in those areas that conform to the area wide EIS and associated regulations to conduct their own EIS environmental review.
APPENDIX C

PHOTOGRAPHS OF AFFORDABLE HOUSING DEVELOPMENTS
in TACOMA, the PUGET SOUND REGION, WASHINGTON STATE AND NATIONWIDE

December 2, 2010

| NEW SALISHAN, Tacoma, WA | NAME: | New Salishan |
| | OWNER: | Tacoma Housing Authority |
| | LOCATION: | East Tacoma WA |
| | SETTING: | Neighborhood |
| | TYPE: | Multi-family, single family, rental, ownership |
| | UNITS: | 1,350 at build-out |
| | POPULATION: | Mixed income 290 public housing units (VL-I); 341 project based section 8 (VL-I); 110 section 202 senior housing units (VL-I) |
| | FINANCING: | HUD, Private debt, bonds, LIHTC, HTF, HOME (TCRA), AHP, City of Tacoma, Pierce County 2060, United Way |

| GUADALUPE VISTA, Tacoma, WA | NAME: | Guadalupe Vista |
| | OWNER: | Catholic Community Services |
| | LOCATION: | G street, Tacoma |
| | SETTING: | Mixed-use |
| | TYPE: | Multi-family |
| | UNITS: | 50 |
| | POPULATION: | 38 formerly homeless + 12 XL-I |
| | FINANCING: | HTF, Gates Foundation, Pierce County, Tacoma, UWPC, LIHTC, THA project based HCV |
GUADALUPE HOUSE, Tacoma, WA

NAME: Guadalupe House  
OWNER: Tacoma Catholic Worker  
LOCATION: South G Street, Tacoma  
SETTING: Neighborhood  
TYPE: Group home  
UNITS: 10 rooms  
POPULATION: Clean/sober, XL-I

HABITAT FOR HUMANITY – NEW SALISHAN, Tacoma, WA

NAME: Private home  
OWNER: Private homeowner  
LOCATION: East Tacoma  
SETTING: Neighborhood  
TYPE: Single-family  
UNITS: 1 of 11 in group  
POPULATION: 30-60% AMI  
FINANCING: HTF, home, City of Tacoma, self-help homeownership opportunity program, churches, foundations, private donors
HOMEOWNERSHIP CENTER OF TACOMA, Tacoma, WA

NAME: Private home
OWNER: Private homeowner
LOCATION: East F Street, Tacoma
SETTING: Neighborhood
TYPE: Single-family
UNITS: 1 of 180 developed and sold
POPULATION: L-I
FINANCING: HTF, HCT loan program

KWA – INTERNATIONAL PLACE, NEW SALISHAN, Tacoma, WA

NAME: International Place
OWNER: Korean Womens Association
LOCATION: East Tacoma
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 55
POPULATION: L-I Seniors
FINANCING: HTF, HUD Section 202, other
FLETT MEADOWS, Tacoma, WA

NAME: Flett Meadows
OWNER: Lakewood Area Shelter Association
LOCATION: South 74th Street, Tacoma
SETTING: Mixed-Use
TYPE: Duplex
UNITS: 14 [1 for manager]
POPULATION: XL-I, Families With Children, DV
FINANCING: PC, Tacoma, HUD, Lakewood, HTF, THA Project-Based HCV

ELIZA McCABE APARTMENTS, Tacoma, WA

NAME: Eliza McCabe
OWNER: Mercy Housing NW
LOCATION: South Yakima, Tacoma
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 41
POPULATION: Families, homeless families
FINANCING: HTF, LIHTC, THA Project Based HCV
435 SOUTH FAWCETT APARTMENTS, Tacoma, WA

NAME: The 435 South Fawcett Apts
OWNER: Metropolitan Development Council
LOCATION: Near Downtown, Tacoma
SETTING: Mixed-use
TYPE: Multifamily
UNITS: 60
POPULATION: <45% AMI
FINANCING: LIHTC, HTF

GRANDVIEW TOWNHOMES, Tacoma, WA

NAME: Grandview Townhomes
OWNER: Puyallup Tribal Housing Authority
LOCATION: Tacoma, WA
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 22
POPULATION: L-I tribal members
FINANCING: HTF, HUD, NAHASDA, Title VI Loan Guarantee Program
ADAMS STREET FAMILY CAMPUS, Tacoma, WA

NAME: Adams Street Family Campus
OWNER: Tacoma Rescue Mission
LOCATION: Tacoma
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 20 emergency, 16 transitional
POPULATION: Families, homeless, XL-I
FINANCING: HTF, TCRA, PC, HUD, foundations

WILSONION, Tacoma, WA

NAME: Wilsonion
OWNER: YWCA Pierce County
LOCATION: St. Helens, Tacoma
SETTING: Mixed-use
TYPE: Multi-family emergency housing
UNITS: 25
POPULATION: Domestic violence survivors; 90-day maximum stay
FINANCING: City of Tacoma, Pierce County, State of Washington
GOLDEN HEMLOCK, Tacoma, WA

NAME: Golden Hemlock
OWNER: Golden Hemlock LLC
LOCATION: N 26th Street, Tacoma WA
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 149 subsidized
POPULATION: XL-I & VL-I seniors &/or disabled
FINANCING: HUD, LIHTC, HUD-subsidized rent

SOUND VIEW APARTMENTS, Edmonds, WA

NAME: Sound View Apartments
OWNER: Olympic & Sound View LLC
LOCATION: Edmonds, WA
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 44
POPULATION: XL-I & VL-I Seniors
FINANCING: HUD, LIHTC, HUD-subsidized rent
A L HUMPHREY HOUSE, Seattle, WA

NAME: A L Humphrey House
OWNER: Plymouth Housing Group
LOCATION: Belltown (downtown), Seattle, WA
SETTING: Mixed-use
TYPE: Multi-family
UNITS: 81
POPULATION: Chronically homeless [40 w/ mental illness/drug dependency]
FINANCING: City of Seattle Levy, HTF, LIHTC, King County sales tax, FHLB

LAUBE HOTEL, Bellingham, WA

NAME: Laube Hotel
OWNER: Bellingham Housing Authority
LOCATION: Bellingham WA
SETTING: Mixed-use
TYPE: Multi-family
UNITS: 20
POPULATION: XL-I, VL-I
FINANCING: WSHFC tax credits

APPENDIX C: PHOTOGRAPHS OF AFFORDABLE HOUSING DEVELOPMENTS - 8
December 2, 2010
ANGLE LAKE COURT, Sea-Tac, WA

NAME: Angle Lake Court
OWNER: Compass Housing Alliance
LOCATION: Sea-Tac WA
SETTING: Mixed-use
TYPE: Multi-family
UNITS: 80
POPULATION: VL-I senior &/or disabled

MATTHEI PLACE, Bellingham, WA

NAME: Matthei Place
OWNER: Kulshan CLT/Land
LOCATION: Bellingham, WA
SETTING: Neighborhood
TYPE: Single-family ownership
UNITS: 14 homes
POPULATION: L-I
FINANCING: City of Bellingham [HOME, CDBG], HTF
PONTEDERA CONDOS, Seattle, WA

NAME: Pontedera Condos
OWNER: 809 Hiawatha Place LLC
LOCATION: Seattle, WA
SETTING: Mixed-use
TYPE: Multi-family
UNITS: 102
POPULATION: 50% sold to L-I families
FINANCING: City of Seattle, LISC, private debt, WSHFC

COMPASS HEALTH PROJECT, Marysville, WA

NAME: Compass Health Project
OWNER: Compass Health Care
LOCATION: Marysville WA
SETTING: Residential
TYPE: Multi-family
UNITS: 26
POPULATION: Chronically homeless, mentally ill
FINANCING: HTF, Snohomish County
HIGH POINT, Seattle, WA

NAME: High Point
OWNER: Seattle Housing Authority
LOCATION: West Seattle
SETTING: Neighborhood
TYPE: Multi-family, single-family ownership
UNITS: 1,700
POPULATION: Mixed-income
FINANCING: HUD, HOPE VI, HTF, LIHTC, NIH, SPU, private equity

GREENBRIDGE, White Center, WA

NAME: Greenbridge
OWNER: King County Housing Authority
LOCATION: White Center WA
SETTING: Neighborhood
TYPE: rental, ownership
UNITS: 1,000
POPULATION: Mixed-income
FINANCING: HOPE VI, ARRA. Private debt, LIHTC
ARCH – GREENBRIER – INCLUSIONARY ZONING, Woodinville, WA

NAME: Greenbrier
OWNER: private owner
LOCATION: Woodinville, WA
SETTING: neighborhood
TYPE: single-family
UNITS: 20 affordable of 70 total
POPULATION: ≤ 80% AMI [affordable]

FINANCING: surplus land, LIHTC, density bonuses for affordable ownership units

NOTE: one house in photo is affordable; others market rate.

ARCH – THE CLEVELAND - INCLUSIONARY HOUSING, Redmond, WA

NAME: The Cleveland
OWNER: private owner
LOCATION: Redmond, WA
SETTING: mixed-use
TYPE: Multi-family
UNITS: 8 affordable of 84 total

POPULATION: 20 units for ≤ 80% AMI.; 50 market rate units

FINANCING: density bonuses for affordable ownership units
ARCH – LAKEVIEW - INCLUSIONARY HOUSING, Kirkland, WA

NAME: Private owner
OWNER: Kirkland, WA
LOCATION: neighborhood
SETTING: Single family neighborhood
TYPE: Single-family homes
UNITS: 2 affordable units out of 30 total
POPULATION: ≤ 80% ami [affordable]
FINANCING: density bonuses [for affordable ownership units]

HIDDEN PINES, Spokane, WA

NAME: Hidden Pines
OWNER: Spokane Housing Ventures
LOCATION: Spokane Valley
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 25
POPULATION: 38 formerly homeless + 12 XL-I
FINANCING: Impact Capital, Spokane County HOME Program, LIHTC, private debt
VIOLA APARTMENTS, Yakima, WA

NAME: Viola Apartments
OWNER: VBC Viola LP
LOCATION: Yakima, WA
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 25
POPULATION: VL-I, L-I seniors &/or disabled
FINANCING: WSHFC tax credits

PUEBLO DEL SOL, Los Angeles, CA

NAME: Pueblo Del Sol
OWNER: Aliso Village housing Partnership
LOCATION: Los Angeles CA
SETTING: Neighborhood
TYPE: Apartments, townhouses, single-family
UNITS: 375 rental, 93 single family homes
POPULATION: Mixed-income
FINANCING: HOPE VI
THE PROMENADE - INCLUSIONARY PROGRAM – Huntington Beach, CA

NAME: The Promenade
OWNER: Private owners
LOCATION: Huntington Beach, CA
SETTING: Neighborhood
TYPE: Multi-family ownership
UNITS: 80
POPULATION: Moderate-income 100-120% AMI

NOTE: Developed by for-profit developers to satisfy inclusionary housing requirements at other developments.

CHANDON VILLAGE – INCLUSIONARY ZONING – San Diego, CA

NAME: Chandon, Village
OWNER: Private owners
LOCATION: San Diego, CA
SETTING: Neighborhood
TYPE: Apartments
UNITS: 10 1,2 and 3 BR
POPULATION: ≤60% AMI
HERITAGE COMMONS, Minneapolis, MN

NAME: Heritage Commons
OWNER: Minneapolis Public Housing authority
LOCATION: Minneapolis, MN
SETTING: Mixed-use
TYPE: Multi-family apartments
UNITS: 102 Mixed-income seniors
POPULATION: HOPE VI

CRAWFORD SQUARE, Pittsburg, PA

NAME: Crawford Square
OWNER: McCormack Baron Salazar
LOCATION: Pittsburgh PA
SETTING: Neighborhood
TYPE: Multi-family; single family
UNITS: 375 homes on 17.5 acres
POPULATION: Mixed-income: rental [50% market-rate, 50% subsidized]
FINANCING: Urban Redevelopment Authority of Pittsburgh, HOME, private debt, foundations, LIHTC
ATLANTIC TERRACE, Brooklyn, NY

NAME: Atlantic Terrace
OWNER: Fifth Avenue Committee
LOCATION: Brooklyn, NY
SETTING: Mixed-use
TYPE: Multi-family - ownership
UNITS: 80
POPULATION: Mixed income 9 @≤65% ami, 31 @≤80% ami, 19 @≤130% ami, 20 @ market rate
FINANCING: Citibank, LIHF, NPCR, NYC HPD, NYC HDC, NYS AHC, FHLB of NY

HAMPTON CRESTE, Charlotte, NC

NAME: Hampton Creste
OWNER: Charlotte Housing Authority
LOCATION: Charlotte NC
SETTING: neighborhood
TYPE: multi-family
UNITS: 239 town homes & garden style
POPULATION: mixed-income; XLI-LI
COLLEGE & BATTERY CONDOS – INCLUSIONARY ZONING, Burlington, VT

NAME: College & Battery Condos
OWNER: Private
LOCATION: Burlington, VT
SETTING: Neighborhood
TYPE: Multi-family
UNITS: 15-25% of units must be affordable to ≤75% AMI
POPULATION: to ≤75% AMI
FINANCING: Density bonuses and lot coverage bonuses

KELLY’S TINY COTTAGE HOME, Portland, OR

NAME: Kelly’s Tiny Home
OWNER: Private
LOCATION: Portland, OR
SETTING: Neighborhood
TYPE: Single-family cottage
UNITS: Many throughout Portland
POPULATION: Mixed-income
SABIN GREEN CO-HOUSING COTTAGES, Portland, OR

NAME: Sabin Green
OWNER: Private
LOCATION: Portland, OR
SETTING: Neighborhood
TYPE: Co-housing, single-family cottage
UNITS: 4 homes
POPULATION: Mixed-income

GREENWOOD AVENUE COTTAGES, Shoreline, WA

NAME: Greenwood Avenue Cottages
OWNER: Private
LOCATION: Shoreline, WA
SETTING: Neighborhood
TYPE: Cottage homes (1,000 square feet)
UNITS: 8
ABBREVIATIONS:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>XL-I</td>
<td>Extremely Low-income &lt;30% AMI</td>
</tr>
<tr>
<td>VL-I</td>
<td>Very Low-income 30-50% AMI</td>
</tr>
<tr>
<td>L-I</td>
<td>Low-income &lt;80% AMI</td>
</tr>
<tr>
<td>AMI</td>
<td>Area Median Income [per HUD]</td>
</tr>
<tr>
<td>ARRA</td>
<td>American Recovery &amp; Reinvestment Act of 2009</td>
</tr>
<tr>
<td>CDBG</td>
<td>Community Development Block Grant [federal $]</td>
</tr>
<tr>
<td>DV</td>
<td>Available for survivors of domestic violence only</td>
</tr>
<tr>
<td>FHLB</td>
<td>Federal Home Loan Bank</td>
</tr>
<tr>
<td>HCV</td>
<td>Housing Choice Voucher [federal Section 8]</td>
</tr>
<tr>
<td>HTF</td>
<td>Washington State Housing Trust Fund</td>
</tr>
<tr>
<td>HOME</td>
<td>Federal HOME Investment Partnerships Program</td>
</tr>
<tr>
<td>HOPE VI</td>
<td>Major HUD plan to revitalize public housing projects into mixed-income developments</td>
</tr>
<tr>
<td>HUD</td>
<td>Federal Department of Housing and Urban Development</td>
</tr>
<tr>
<td>LIHF</td>
<td>Low Income Investment Fund (NY)</td>
</tr>
<tr>
<td>LIHTC</td>
<td>Low-Income Housing Tax Credits</td>
</tr>
<tr>
<td>LISC</td>
<td>Local Initiatives Support Corporation</td>
</tr>
<tr>
<td>NAHASDA</td>
<td>Native American Housing Assistance &amp; Self Determination Act of 1996</td>
</tr>
<tr>
<td>NIH</td>
<td>National Institutes of Health</td>
</tr>
<tr>
<td>NPCR</td>
<td>New Partners for Community Revitalization (NY)</td>
</tr>
<tr>
<td>NYC HPD</td>
<td>NYC Department of Housing Preservation &amp; Development</td>
</tr>
<tr>
<td>PC</td>
<td>Pierce County</td>
</tr>
<tr>
<td>SPU</td>
<td>Seattle Public Utilities</td>
</tr>
<tr>
<td>UWPC</td>
<td>United Way Pierce County</td>
</tr>
<tr>
<td>WSHFC</td>
<td>Washington State Housing Finance Commission</td>
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</table>
On November 2nd the Affordable Housing Policy Advisory Group is set to resume its discussion of the “Miller Amendment.” We write to provide some information that may help us decide what to recommend that the Council do. Much of the information below comes from Ric who has been very helpful in gathering it.

1. MILLER AMENDMENT: ITS PURPOSE, PROVISIONS AND EFFECT

We attach a copy of the “Miller Amendment”. It appears as Resolution No. 338090, dated August 26, 1997. As we explain below, the resolution amended the City of Tacoma’s Consolidated Plan for 1995. The Council did not direct that the same language appear in subsequent Consolidated Plans. The language did not appear in any subsequent Consolidated Plan, including the present one. The Council has approved all such plans without the language.

1.1 Purpose

The 1997 Resolution states its findings and purposes:

- “... to encourage the deconcentration of low-income, subsidized housing in Tacoma”. *Id.* at page 1.

- “The policy of the City of Tacoma is to provide opportunities for affordable housing throughout the city and not to concentrate low income housing in any area of the city.” (Attachment A, page 1)

- “The Tacoma City Council finds that certain areas of the city have concentrations of low income, subsidized housing development.” *Id.*

- The Council also finds that efforts to revitalize the city’s Downtown core have improved the business environment and that it is critical to the continued success of these efforts to emphasize a vibrant business climate in the area.” *Id.*

1.2 Provisions

The 1997 Resolution amends “Section VI A(3)” of the City’s 1995 Consolidated Plan by adding language set forth in Attachment A to the resolution. The Consolidated Plan, and its annual updates, are documents that the City must submit to HUD. Among other purposes, it governs the City’s use of HUD funds, primarily CDBG (Comprehensive Development Block
Grant) and HOME funds. The new language states “guidelines” as follows. (The section citations are to the sections of Attachment A of the Resolution):

• **“Mixed Income/Market Rate Areas”**
The resolution allows the City Council to designate “Mixed Income/Market Rate Areas” where there is a concentration of “low income residents and/or subsidized housing units and where the Council wants to encourage a broader mix of income groups and more market rate housing.” Section 1.

• **Part of Downtown Tacoma as a Mixed Income/Market Rate Area**
The resolution stated that the “City Council finds that the Downtown area has an over concentration of low-income residents and subsidized housing.” It designates a portion of downtown as a “Mixed Income/Market Rate Area”. It attaches a map that refers to the “B zone.” Section 1(a). The resolution does not state the measure and does not recount the data supporting this “finding” of “over concentration”.

• **No City Funding or Incentives for “Low-Income” Housing in B Zone Without Council Approval**
The resolution prohibits the use in the B Zone of city CDBG funds, HOME funds, Emergency Shelter Grant Funds or “other funds or incentives” for projects that include “low income housing” unless the City Council approves the use. Section 1(b)(1). This appears to preclude the use of HUD funds or non-HUD funds, and “incentives.”

• **No Certification of Consistency with Consolidated Plan Without Council Approval**
“The City will not provide a certification of consistency with its Consolidated Plan for the development or expansion of any emergency or transitional shelters for the homeless or of low-income permanent rental housing projects planned for Mixed Income/Market Rate Areas, unless the developer has been granted a waiver by the Council.” Section 1(b)(2).

• **Criteria for Council Review of Waiver Requests**
The resolution sets forth the following criteria the Council will use to consider waiver requests. The project must provide a “special benefit to a Mixed

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1 “The City will not allocate its Community Development Block Grant, HOME Investment Partnership, Emergency Shelter Grant funds or other funds or incentives available for projects that include low income housing to the development or expansion of emergency or transitional shelters for the homeless or of low-income permanent rental housing projects in a Mixed Income/Market Rate Area, unless the specific project and its location is individually approved by vote of the City Council (not including Council approval of the allocation of funds to multiple projects as part of a funding plan. The Urban Policy Committee will be advised not to recommend funding of a low-income housing project in Mixed Income/Market Rate Areas unless the project has been granted a waiver by the Council.” Section 1b. (emphasis added).
Income/Market Rate Area, such as: improvement of a vacant or blighted property; mixed income housing including a substantial percentage of market rate, unsubsidized housing; a mixed use commercial and residential development; elderly housing; substantial support form the community and surrounding property owners, or similar benefits.” Section 1(b)(3).

- **Process for Seeking Funding**

  “Anyone seeking City funding or support to develop a homeless shelter or low income permanent rental project in a Mixed Income/Market Rate area may request a waiver of this policy. The request for waiver will be submitted to the Planning and Development Services Department. The request will be reviewed by the Urban Policy Committee which will make a recommendation to the City Council to approve, deny or modify the request for waiver. The request will then be presented to the City Council for action. Granting a waiver does not mean that a project will receive priority consideration in any competitive proposal processes.” Section 1(4).

- **Requirements of Projects Anywhere in the City and Requirements on Projects That Do Not Receive City Funds**

  The resolution also imposes requirements on projects “anywhere in the City” and in some cases on projects that receive no City money:

  Required Community Consultation: “Prior to final approval of funding for the rehabilitation or construction (not acquisition) of an emergency or transitional shelter for the homeless or of a low-income, permanent rental housing project located anywhere in the City, the housing developer will document to the City that property owners, residents and businesses within a radius of 400 feet of the project and the neighborhood council representing the area have been notified of the proposed project. The developer will also document that surrounding property owners and other affected parties have been given an opportunity to comment on the project during its planning stages, that these comments have been considered, and that the developer has made a good faith effort to accommodate reasonable concerns. Possible accommodations may include but are not limited to making project design modifications, changing the type of residents to be housed, creating a neighborhood advisory group, and/or participating in the City’s Crime Free Multi-Family Housing Program. Section (3)(emphasis added).

  Required Good Management and Maintenance: “In all cases, low income housing developers are expected to properly manage and maintain their projects after rehabilitation or construction.” Section 3 (emphasis added). It is not clear if this requirement applies only to projects receiving city funds. It clearly applies city wide.

  Required Consistency with City Plans and Policies: “The location of an emergency or transitional shelter for the homeless or a low-income permanent
rental housing project located anywhere in the City must be consistent with approved City plans and policies.” Section 2 (emphasis added). This requirement appears to apply to all projects, including those that do not receive City funds.

Inconsistency with Consolidated Plan Due to Excessive Costs: “Projects, regardless of location, may be determined to be inconsistent with the Consolidated Plan if the cost of a project is determined to be excessive. Costs will be evaluated in comparison to the cost of private, unsubsidized development allowing for the addition cost of providing support services, building spaces in projects where services will be provided, complying with regulatory requirements (such as paying prevailing wages, making required reports, providing opportunities for minority and women business enterprises, etc.) or similar costs which are not typical for private development.” Section 4.

1.3 Effect

It is hard to assess the effects of the Miller Amendment. Here are some factors that may help make such an assessment:

- Since 1997, no new developments of shelter, transitional housing or permanent low income housing have occurred in the B zone since 1997.

- Since 1997, no developer has asked the City Council for a waiver permitting such a development in the B zone.

- It would be hard to know whether and, if so, to what extent the Miller Amendment requirement for City Council approval deterred developer interest in projects that would otherwise have been viable. Downtown land costs may have had a similar deterrent effect.

- Since 1997, such developments have occurred in other parts of the City.
2. CURRENT AMOUNT OF DOWNTOWN “LOW INCOME” HOUSING

When the City Council adopted the Miller Amendment, it found that the downtown had an “over concentration of low income residents and subsidized housing.” Attachment A, Section 1(a). Although the resolution did not recount any measure or data supporting such a finding, the City staff estimates that in 2000, low-income households constituted about 70% of the downtown population. The following more current estimates suggest that the downtown demographics have changed since the Miller Amendment was adopted in 1997 and that the ratio of low-income residents has been substantially reduced to a more moderate ratio:

<table>
<thead>
<tr>
<th>Estimated Percentages of Low-Income Households¹</th>
<th>Downtown</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Low-Income Households</td>
<td>47%³</td>
<td>40%⁴</td>
</tr>
<tr>
<td>% of Dwelling Units Subsidized for Low-Income Households⁵</td>
<td>38%⁶</td>
<td>7.6%⁷</td>
</tr>
</tbody>
</table>

1. “Low-income” means at or below 80% of the City’s Area Median Income or $39,196 per year.
2. “Downtown” is broader than the old B zone that the Miller Amendment used. Roughly, it coincides with zip code 98402 or Census Tracts 0616.01 and 0616.02. In general, it includes the area between 25th and 6th Avenue, and between the waterfront and Tacoma Avenue.
3. City of Tacoma Economic Development Department estimates in 2005. The Department estimates that for zip code 98402 low-income households constitute 46.7% of the population and for the combined two census tracts low-income households constitutes 38.7% of the population.
4. A value identifying a median is 50%, by definition. Also by definition 80% of 50% will always be 40%.
5. Subsidized units include public housing, project based section 8 units, units subsidized by HUD project based contracts, and units occupied by tenants who participate in a tenant-based voucher program. Presently 126 tenant-based vouchers are in use in zip code 98402. This number fluctuates as these voucher holders move.
6. This percentage derives by estimating the number of subsidized units in downtown (about 750) and dividing that number by the estimated number of total households (1,596). These estimates come from the City of Tacoma’s Economic Development Department.
7. The City of Tacoma has approximately 5,800 subsidized units., See City of Tacoma’s Consolidated Plan 2010-2015, pages 75-82. It has about 76,000 households living in their own dwelling unit. See DataPlace.org. Dividing the first number by the second number gives an approximation of the percentage of subsidized dwelling units.

“Low-income households” include those whose incomes are $39,196 and lower. The following occupations and categories are examples from our problem statement draft:

<table>
<thead>
<tr>
<th>Low Income; 80% AMI ($18.84/hour/$39,197/year)</th>
<th>Very Low Income; 50% AMI ($11.78/hour/$24,498/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookkeeping Clerk ($17.90 hour/$37,232/year)</td>
<td>Home Care Aide (11.06/hour/$23,005/year)</td>
</tr>
<tr>
<td>Starting Teacher ($15.89/hour; $33,054/year)</td>
<td>Federal Poverty Line for Family of 4 ($10.60/hour/$22,050/year)</td>
</tr>
<tr>
<td>Retail Sales ($12.93/hour;$26,908/year)</td>
<td>Dishwasher $9.95/hour;$20,696</td>
</tr>
<tr>
<td>Average Renter Income ($12.35/hour;$25,688/year)</td>
<td>Extremely Low Income; 30% AMI ($14,698/year)</td>
</tr>
<tr>
<td></td>
<td>SSI Disability ($674/month;$8,088/year)</td>
</tr>
<tr>
<td></td>
<td>TANF for Family of 4 ($661/month; $7,932/year)</td>
</tr>
</tbody>
</table>
3. POLICY OPTIONS
Here are some policy options the Advisory Group can consider for recommendation to the City Council:

• **Status Quo Option: Leave Language Out of the Consolidated Plan**
The 1997 resolution directed that the language of the “Miller Amendment” appear in the 1995 Consolidated Plan. This language has not appeared in the Consolidated Plan since then. If the Council wishes to put that language back into the current plan it appears that the Council would have to affirmatively do so.

• **Put the 1997 Language in the Consolidated Plan**
The Council can put the language of the Miller back into the current Consolidated Plan.

• **Include Modified Language**
The Council can add alternative language to the current Consolidated Plan, including provisions to the following effects:

  **New Option No. 1**
  Tacoma Community Redevelopment Agency (TCRA) will determine the appropriate recipients of city funding according to its customary criteria. These criteria include: (i) whether the project conforms to all zoning and permitting rules; (ii) the strength of the project’s financing; (iii) the capacity of the developer; (iv) the quality of the proposal.

  **New Option No. 2:**
  TCRA will add criteria to consider, such as: (i) whether the project will have a suitable mix of incomes; (ii) whether the project will serve a need for the housing that it will provide; (iii) whether the project will conflict in demonstrable ways specific to the proposal with other downtown uses.