



FIG. 5-1 Housing options in the North Downtown Subarea range from single family homes to midrise apartments to condominium towers.

05

HOUSING

A diverse range of housing choices is an essential ingredient of a sustainable, mixed-use community. Regional growth targets are focused on downtown Tacoma, and the North Downtown Subarea has significant capacity for accommodating additional housing. As the Subarea grows, it will be also important to ensure that sufficient affordable is available to provide equitable access to the Subarea’s existing infrastructure and resources, particularly high-quality transit.

EXISTING CONDITIONS

Market-rate Housing

As shown in Table X in the Context Chapter, there are 4,523 housing units within North Downtown. The average gross density of the Subarea is approximately nine housing units per acre.

Housing in North Downtown consists of a mix of housing types, from larger multifamily developments in the Downtown Core area transitioning to midrise apartment buildings and single-family dwellings in the St. Helens and Stadium Districts.

The North Downtown Subarea has a very high percentage of renter-occupied housing compared to surrounding areas. Approximately 90% of Subarea residents rent, while about 10% of residents own their homes. In Tacoma, Pierce County, and the State of Washington, the average rent/own split is approximately 40% rent/60% own.

The average 2013 home value in NDT is \$262,795, which is about 14% higher than the average city-wide. As of February, 2014, the average apartment rent within 10 miles of Tacoma, WA was \$1,282.¹

¹ <http://www.rentjungle.com/average-rent-in-tacoma-rent-trends/>

One bedroom apartments in Tacoma rent for \$1,143/month on average and two bedroom apartment rents average \$1,265. **(NEED INFORMATION - Add data on market rents in NDT)**

The most significant recent market-rate housing developments in the North Downtown Subarea include:

- *505 Broadway Condominiums*: 61 units at 505 Broadway; constructed in 2008
- *Hanna Heights Condominiums*: 35 units at 415 6th Avenue; constructed in 2008
- *The Roberson*: 39 condos and 8 live/work units at 708 Market Square; constructed in 2007
- *Triangle Townhomes*: 26 condos at Fawcett/6th Avenue/Baker; constructed in 2005
- *Bella on Broadway Apartments*: 100 units at 436 Broadway; constructed in 2012
- *Villaggio II Apartments*: 125 units at 1328 Market Street; constructed in **XXXX**
- *Emerson Apartments*: 41 units at 902 Fawcett Avenue; constructed in **XXXX**
- *MidTown Lofts*: 50 apartment units at 1142 Fawcett Avenue; constructed in 2009

AFFORDABLE HOUSING IN PIERCE COUNTY

Housing affordability is typically assessed relative to area median income (AMI). As of 2012 in Pierce County, the annual income limits to qualify for 80 percent of countywide median income are \$40,150 for a single person, and \$57,350 for a family of four.¹ Assuming a maximum of 30 percent of income can be spent on rent, that corresponds to maximum monthly rents of \$1004 (studio) and \$1434 (three-bedroom), respectively.

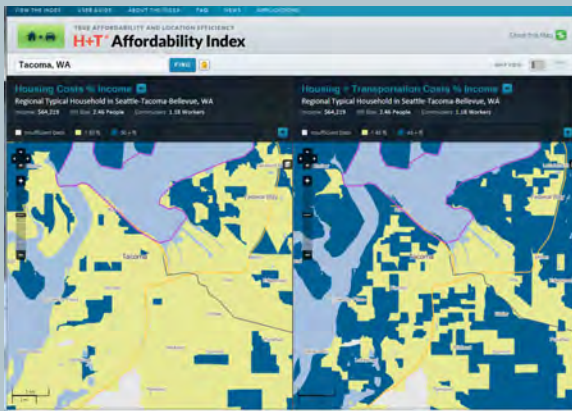


FIG. 5-1 The H&T Affordability Index can be found at www.htaindex.cnt.org/

The Center for Neighborhood Technology's Housing and Transportation (H+T®) Affordability Index was designed to enable individuals, planners, and policymakers to understand the relationship between development patterns, transportation behavior, and household transportation costs. The H+T Index measures expand the definition of housing affordability to include both housing and transportation costs, typically the two largest monthly household expenditures, and sets the benchmark at no more than 45% of household income.

The H+T Index model reveals that household transportation costs are highly correlated with urban environment characteristics. Residents of location-efficient neighborhoods—compact, mixed use, and with convenient access to jobs, services, transit, and amenities—tend to spend less money on transportation. Location-inefficient places that require automobiles for most trips are more likely to cost residents more for day-to-day transportation, ultimately affecting the affordability of area housing.

² Federal Department of Housing and Urban Development

North Downtown Projects in the Pipeline

- *Metropolitan Towers Phase III:* In 2013, the Metropolitan Towers development applied for a land use permit for its third phase, a 160,000sf mixed-use building. The project will be located at 252 Broadway, on the same block and across the alley to the east from the earlier phases of the Metropolitan Towers development. The 0.7-acre site is currently vacant. The third phase tower will contain more than 100 residential units, more than 200 parking stalls, and 3,000sf of retail space.
- **Other pipeline projects????**

Nearby Pipeline Housing Development

The potential for new housing in North Downtown is influenced by activity in surrounding areas of the City. In early 2014, nearly 800 new apartment units were near groundbreaking with up to 1,200 more planned.² Several nearby areas are responding to the resurgence of the multifamily housing market due to increased demand for housing.

Housing Projects in Nearby Areas

- A new mixed-use development named “The Proctor” has been proposed at North 28th Street and North Proctor Street in the Proctor District. The project will feature approximately 150 residential units with 12,000sf of commercial space.
- The Henry is the first major development on the Foss Waterway since 2008. The mixed-use development, located between Dock Street and the waterway, will include 161 rental units that represent a mix of studio, one-bedroom and two-bedroom units. The project will also include 10,500sf of office/retail space.
- At Point Ruston, the 173-unit midrise Copperline apartment structure was recently completed. Its success has spurred the development of two additional mixed-use structures in the near future,

² <http://www.thenewstribune.com/2014/01/26/3012434/an-apartment-revival-area-projects.html#storylink=cpy>

including one building with a mix of condo and apartment units. A theater complex with 100,000 sf of retail space and a 175-room hotel are also planned for the area.

- A developer has proposed to construct a \$38 million multifamily complex on the Public Grounds and Works site in the Brewery District. Known as “the yard,” the .6-acre site is currently a vacant lot used for dump truck storage by the City. The mixed-use project would be marketed to students at nearby University of Washington Tacoma.
- A development including lofts and live/work units is proposed for the Spring Air Mattress Factory site on Puyallup Avenue. The development, which is within walking distance of the Freighthouse Square Sounder Station, will be marketed to tenants who commute to Seattle. Construction is anticipated to begin in 2014.
- The half-acre Pierce Transit Site across from Freighthouse Square at East 25th Street and East E Street is well-served by transit and has potential to be developed as a mixed-use multifamily housing. In 2013, the Tacoma Housing Authority (THA) completed a feasibility study and Phase I environmental study for the site.

Affordable Housing

Ensuring equitable access to all of the benefits provided by a transit-rich, walkable, mixed-use neighborhood requires the availability of affordable housing. It is widely agreed upon that the provision of sufficient affordable housing should have a high priority in areas like North Downtown that have excellent transit access and a large job base.

Tacoma, like many U.S. cities, faces a challenge to provide sufficient affordable housing for its residents. The 2010 Policy Recommendations from the Tacoma Affordable Housing Policy Advisory Group estimated that:

Tacoma presently needs approximately an additional 14,096 affordable housing units for its present



FIG. 5-3 A conceptual drawing of the Metropolitan Towers III project; view looking north from 4th and Broadway.

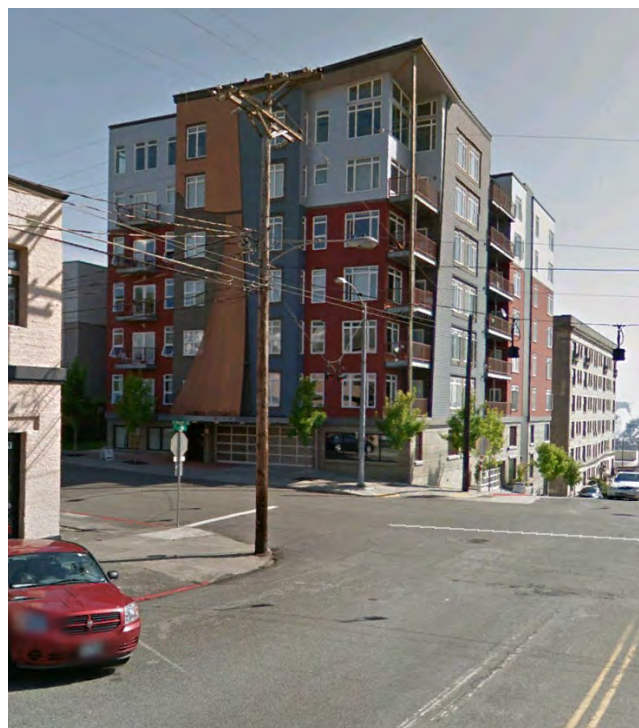


FIG. 5-2 The Hanna Heights Condominiums on 6th Avenue were constructed in 2008.



FIG. 5-1 Microhousing developments (sometimes as “apodments”), such as the Videre in Seattle’s Capitol Hill neighborhood, provide tenants with a smaller, lower-cost alternative to typical rental units.



FIG. 5-1 The Hiawatha Lofts development in Seattle provides subsidized affordable housing for artists.



FIG. 5-5 The Colonial Apartments at 701 Commerce Street.

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.

Affordable housing can be provided by either nonprofit or private development, including public-private partnerships. Nonprofit developers are the principal source of affordable housing in Tacoma and are most effective at serving the neediest households. These developers typically rely on grants and subsidies from a wide range of sources. Private developers may provide affordable housing as part of a market-rate development, depending on market conditions, regulations, and incentives.

The following subsidized affordable housing projects area located in the Subarea: **(LIST REQUESTED FROM CITY - verify list complete)**

- *Hillside Gardens Townhomes* (1708 South G Street): 10 units at 30% AMI, 10 units at 50% AMI, 5 units at 60% AMI; Mercy Housing Northwest
- *Guadalupe Vista* (1305 South G Street): 50 units of affordable housing for families and individuals
- *MDC Avenue Apartments* (721 Fawcett Avenue): 15 studio apartments provide two-year transitional housing
- *Harbor View Manor* (919 South Fawcett): 167 units of affordable senior housing
- *Colonial Apartments* (701 Commerce Street): 44 affordable apartments operated by Tacoma Rescue Mission

The above list adds up to a total of 301 units of subsidized housing, which corresponds to 6.5% of the total number of housing units in the Subarea, as recorded by the 2013 Census. Of these, **XXX** units are affordable to households at 30 percent of AMI.

In 2013, the Baywatch Apartments at 502 South 7th Street were purchased by the Metropolitan Development Council to be renovated and reopened as transitional housing for those unemployed due

to disability. The historic 1919 building, which had been vacant for years, will be retrofitted to provide 33 additional affordable residential units in North Downtown.

There are also several significant subsidized affordable housing projects located near the Subarea, including:

- *Catalina Apartments* (1616 South Yakima Avenue): 25 units at 30% AMI, 13 units at 40% AMI, 12 units at 50% AMI; Catholic Community Services of Western Washington
- *MLK Housing* (814 South 15th Street, 1947 South Yakima Avenue, 2306 South G Street): 3 units at 80% AMI; Martin Luther King Housing Development Association
- *New Tacoma Senior Housing* (1709 South G Street): 58 units at 30% AMI, 16 units at 80% AMI; Mercy Housing
- *Matsusaka Townhomes*: (1314 South Yakima) 26 units of family housing sponsored by Catholic Community Services (CCS) and funded with Low Income Housing Tax Credits
- *Campbell Court Apartments*: (1210 South Yakima) 12 units of homeless/disabled housing sponsored by the Metropolitan Development Council (MDC) and funded with HOME funds

As noted previously, market rate apartments also add to the availability of affordable units in North Downtown: XXX of XXX market rate units surveyed in 2012 are affordable to households earning 51 to 80 percent of AMI. **(NEED INFORMATION - MARKET RATE RENTS FOR NDT)**

Homelessness and Social Services

The following homeless support and transitional housing facilities are located in or near the North Downtown Subarea:

- *Catholic Community Services Men's and Women's Shelter*: located at South 11th Street and Tacoma Avenue

- *YMCA Domestic Violence Center*: (location undisclosed)
- *Pioneer Human Services*: Located at 758 St. Helens Avenue; offers a fully integrated array of housing, employment, training reentry and treatment services
- *Tacoma Rescue Mission*: transitional shelter at 15th and Tacoma Avenue provides temporary emergency and transitional housing as well as supportive services

STRATEGIES

Market-rate Housing

Creating a balanced, mixed-use community in North Downtown will require the development of significant new housing. The Subarea's housing supply should meet the needs of a wide range of residents, accommodating both potential renters and owners, various household and family sizes, a range of income levels, and within a variety of locations that provide access to amenities and infrastructure essential to urban livability.

Although new development tends to take the form of midrise and high rise condo and apartment buildings, there are other, less conventional, forms of development that can contribute to the goal of increasing the housing supply. Housing types with very small units that are supplemented with shared common spaces (known as "micro-housing"), cohousing, which is based on common ownership, and single room occupancy models are all means of providing affordable market-rate units.

Housing density can be added to more established neighborhoods through infill strategies such as ADUs (accessory dwelling units) and DADUs (detached accessory dwelling units). Live/work units present a more flexible housing option that can also accommodate small businesses and reduce the cost of both uses for occupants (see the Land Use Chapter for further discussion of live/work units).

In general, increasing the supply of housing will increase affordability as more options become available for units of varying age, quality and cost. A greater supply and availability of options takes the pressure off of the existing housing supply and helps to keep rents in check.

RECOMMENDATION H-X: Encourage variety and choice of housing type, cost, tenure and location so accommodate a population that is diverse in terms of age, income and household makeup.

Multifamily Property Tax Exemption

As a tool to incentivize multifamily housing development, the City of Tacoma’s Multifamily Property Tax Exemption (MPTE) Program³ exempts property taxes for eight to twelve years on improvements that create four or more additional housing units. For market-rate projects the exemption period is eight years.

RECOMMENDATION H-X: Continue the MPTE Program as currently defined.

Affordable Housing

Pierce County Policy

In accordance with Washington State’s Growth Management Act (GMA), the Pierce County Regional Council maintains the Pierce County Countywide Planning Policies (PCCPP) to coordinate planning countywide. Updated in 2012, the PCCPPs establish the following policy on affordable housing:

AH-3.3 It shall be the goal of each jurisdiction in Pierce County that a minimum of 25% of the growth population allocation is satisfied through affordable housing.

Pierce County defines “affordable housing” as housing affordable to households earning up to 80 percent of the countywide median income. As documented above, the data on existing housing indicate that the

² <http://www.cityoftacoma.org/Page.aspx?nid=456>

North Downtown Subarea currently exceeds the Pierce County affordable housing goal (**VERIFY**). However, that high proportion is due in part to the fact that there are relatively few market rate housing units in the Subarea. If North Downtown absorbs a substantial number of new housing units in accordance with the growth goals of this project, new affordable housing development will be necessary to maintain an equitable balance of housing options. The following policy addresses that need, and maintains consistency with Pierce County policies.

RECOMMENDATION H-X: Adopt a policy that twenty-five percent of the total housing units in North Downtown shall be affordable to households earning up to 80 percent of the countywide median income.

Affordable Housing Monitoring

If and when there is significant redevelopment in the Subarea, there exists a risk that the availability of affordable housing could drop to unacceptable levels. Under weak market conditions, however, care must be taken to not encumber near-term redevelopment by requiring the inclusion or subsidy of affordable units. One potential solution is to monitor levels of affordability in the Subarea over time and establish policies and regulations that are activated when the affordability trend indicates that corrective action is necessary.

Numerous municipalities have applied various metrics and methods for tracking affordable housing. For example, King County tracks a set of indicators that are updated regularly. Most cities keep inventories of subsidized housing. For example, the City of Los Angeles maintains a database of 69,000 subsidized affordable housing units in 1,900 developments.

However, affordable housing monitoring such as that proposed above for North Downtown would require a level of data sophistication beyond what is commonly achieved by municipalities. In particular, it would be important to monitor market rate units that may be fulfilling affordability needs at the upper end of the spectrum. Such a system would need to be carefully

calibrated to trigger actions early enough so that results could be achieved before an affordable housing shortage occurs. The City could track future units through the permitting process.

RECOMMENDATION H-X: Establish an affordable housing monitoring system for the North Downtown Subarea.

RECOMMENDATION H-X: Explore the creation of a system that activates policies and regulations designed to promote the production of new affordable housing when affordability trends project a future shortfall.

City of Tacoma Affordable Housing Policy

The City of Tacoma proposed 2014 Affordable Housing Policy and Code Amendment includes the following policies:

- Preservation of Existing Subsidized Housing
- Rooming House/Boarding House/Single Room Occupancy
- Voluntary Housing Incentive Program
- Regulatory Assistance to Developers of Affordable Housing
- Voluntary Housing Incentive Program for Rehabilitation Purposes
- Inclusionary Requirements for Voluntary Residential Upzones
- Limited Mandatory Affordable Housing Bonus Program for City Initiated Upzones

Meeting the above affordable housing policy goal calls for applying an array of strategies to promote and incentivize the production of a diverse mix of affordable housing options, as discussed below.

RECOMMENDATION H-X: Adopt the affordable housing policies of the proposed 2014 Affordable Housing Policy and Code Amendment.

Multifamily Property Tax Exemption

The City of Tacoma's Multifamily Property Tax Exemption (MPTE) Program⁴ extends the exemption from eight to twelve years if at least 20% of the newly-created units must be affordable to renters with household incomes up to 80% of AMI or to homebuyers with household incomes no greater than 115% of AMI. Because the development of market-rate multifamily housing is a primary goal of this planning effort, this Subarea Plan does not recommend any changes to the MPTE to increase the affordable housing incentive at the expense of the market rate incentive, consistent with Recommendation H-XX.

Affordable Housing Developer Loans

The Tacoma Community Redevelopment Authority (TCRA) administers Housing and Urban development (HUD) funds that are granted as Affordable Housing Developer Loans.⁵ Because low-income households are more likely to rely on transit for transportation, a potential modification to the program would be to intentionally focus these funds on projects located in areas with good access to high-quality transit, such as North Downtown.

RECOMMENDATION H-X: Consider geographically prioritizing Affordable Housing Loans to areas with high quality transit access.

² <http://www.cityoftacoma.org/Page.aspx?nid=456>

⁵ <http://www.cityoftacoma.org/Page.aspx?nid=457>

City Assistance and Public-Private Partnerships

There are several means by which the City can support housing development, including providing financing, acting as a development partner, contributing parking, or assuming liabilities such as environmental cleanup costs. In negotiations for these partnerships the City can require the provision of some amount of affordable housing. The 2010 Policy Recommendations of Tacoma's Affordable Housing Policy Advisory Group includes the following list of possible mechanisms for the City to provide assistance to developers in exchange for a commitment to include affordable units in the development:

- Government-provided incentives
 - » Tax incentives
 - › Tax Increment Financing
 - › Sales tax sharing
 - » Loan assistance
 - › Long term land leases of government-owned land
 - › Low cost lease of air rights
 - › Participation in payment of loan fees for end user
 - › Loan guarantees
 - › Down payment assistance
 - » Cost sharing
 - › Reduction of permit fees
 - › Participating in infrastructure improvements
 - › Speedy permit processing
 - » Contributions through Tacoma Housing Authority
 - › Project-based Section 8 rent subsidies
 - › Provision of land in a partnership structure in exchange for % of affordable units equal to value of land
- Partnerships
 - » Cost sharing based on percentage of units

- » Provision of land in a partnership structure in exchange for % of affordable units equal to value of land
- » Post-construction purchase of completed units
- » Early creation of project partnerships
- » Planning for timing and predictability of funding availability
- » Reduce risk – financial strength, development capacity, general contracting
- » Relationship from conception to project completion

- Cash contributions and Gifts In Kind to non-profit developers
 - » Tax deduction
 - » Corporate giving goals
 - » Contributions to local housing trust fund

The 2010 Policy Recommendations also include the following strategies that could help South Downtown to achieve its affordable housing policy goal:

- Repeal the “Miller Amendment” and create the Downtown Mixed-Income Housing Plan
- Establish a local, dedicated source of revenue Tacoma Housing Trust Fund
- Create a Contingent Loan or Credit Enhancement Program for qualified affordable housing developments
- Encourage land trusts by donating land or financing its purchase for land trust communities that ensure long-term affordability

RECOMMENDATION H-X: Identify the most promising mechanisms for providing assistance to developers in exchange for the inclusion of affordable housing in developments, and pursue partnerships to implement these mechanisms.

Value Capture

Value capture broadly refers to the use of future increases in property tax revenues to finance new infrastructure, which can include affordable housing. For example, a proposed rezone for Seattle’s South Lake Union neighborhood includes the establishment of a new form of tax-increment financing (TIF) and stipulates that 25 percent of the tax increment be used to fund affordable housing.

PSRC’s Growing Transit Communities Partnership (GTC) recently analyzed the potential for value capture to promote equitable transit communities.⁶ In general, results suggest that due to the high level of administrative complexity relative to the potential payoff, Value Capture would not be a high-priority strategy for supporting affordable housing. The GTC analysis found that a proposed new tool based on the Community Revitalization Financing Act of 2011 (CRFA) has far better potential to generate funds than do the other forms of value capture currently available in Washington State. Accordingly, GTC is proposing legislation that would enable traditional CRFA, along with an amendment to the State Constitution that would make it legal. GTC’s proposed legislation could only be implemented in areas within a half mile of high-capacity transit, and the latest proposal would require that 25 percent of the tax increment be used to fund affordable housing.

RECOMMENDATION H-X: Support new legislation that would establish a value capture tool based on the Community Revitalization Financing Act of 2011, including the necessary State Constitutional amendment.

TOD Affordable Housing Fund

Another component of PSRC’s Growing Transit Communities Partnership (GTC) is an investigation of the prospects for establishing a Regional TOD Affordable Housing Fund.⁷ The purpose a TOD Fund is to help ensure that affordable housing can be built in high-capacity station areas in which the cost of land is a potential barrier to affordable housing development. A TOD Fund facilitates the acquisition of developable land, which is then offered to affordable housing developers, likely at a discounted rate, depending on market conditions. A TOD Fund also provides a mechanism by which land for affordable housing can be secured before transit investments and redevelopment cause land prices to appreciate.

RECOMMENDATION H-X: Collaborate with the PSRC to support the creation of a Regional TOD Affordable Housing Fund and identify parcels in North Downtown that should be targeted for affordable housing development and application of the Fund.

⁶ Value Capture Financing in Washington, Puget Sound Regional Council, February 2013

⁷ A Regional TOD Fund, Puget Sound Regional Council, December 2012

CATALYST PROJECTS

Addressing housing needs within the Subarea constitutes an important step toward catalyzing further development. Providing housing in Downtown Tacoma leverages existing services as well as investments in amenities and infrastructure while providing impetus for future improvements. An increased residential population will create more downtown activity and demand, thereby attracting additional projects to the Subarea.

Social Services & Serving Special Needs Populations

Downtown Tacoma is home to several social service agencies and organizations that provide housing and other support to special needs populations, as addressed previously in this chapter. Working with these organizations and agencies is key to ensuring that housing options are provided for the full range of the Subarea's population.

BIA Housing and Services Study

In 2013, the downtown Business Improvement Area (BIA) initiated a study to develop a strategy for working with the City of Tacoma to balance market-rate and special needs housing and services within and adjacent to the BIA. The report analyzed the relative percentage of subsidized and special needs housing and the relative density of Mental Health and Chemical Dependency facilities within the BIA and provided recommendations addressing distribution of housing and services, development incentive strategies, and means of supporting affordable housing policy (see Chapter 2, "Other Plans and Studies" for a full summary of the report's recommendations).

RECOMMENDATION H-X: Continue to provide social services and housing assistance for homeless, addicted, mentally ill, disabled or otherwise medically challenged, and victims of domestic violence – both individuals and families – by downtown social service agencies and organizations.

Affordable Housing Projects on Surplus Land

One method for enabling affordable housing development is to provide suitable, consolidated land at a viable cost. The City of Tacoma, agencies such as Sound Transit, and other municipal entities such as the Port of Tacoma and the Tacoma Public School District often own properties that they no longer need.

The Washington State Constitution prohibits cities from giving away property "except for the necessary support of the poor and infirm." In a July 17, 2008 letter to State Representative Fred Jarrett, the Attorney General confirmed that a "city may lawfully donate surplus city property to an organization for use for the benefit of the needy."

RECOMMENDATION H-X: Identify publicly-owned properties in North Downtown that may be suitable for non-profit affordable housing development.

RECOMMENDATION H-X: Contingent upon future need assessments, issue RFPs for housing development projects that require provision of affordable housing in exchange for publicly-owned land sold at below market value.

