

Mixed-Income Housing in Downtown Tacoma

Final Report and Recommendations from the
Downtown Tacoma Housing Task Force

October 4, 2007

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Mission

To develop a more integrative approach to downtown housing that incorporates mixed income housing

Process

The Task Force was asked to look at current circumstances in downtown housing development and to recommend means by which mixed-income housing can fit into an integrated housing policy; more specifically, to determine whether the 1997 (Miller) amendment limiting low-income housing in the downtown core area is still appropriate or should be replaced with new policies and practices.

Task Force members were drawn from a broad representation of downtown stakeholders, including the corporate business community, for-profit and non-profit housing developers, residents, and merchants. The group was assigned at the discretion of the Tacoma City Council's Neighborhoods & Housing Committee, to function as a subcommittee of the New Tacoma Neighborhood Council.

While Task Force members believe that there have been negative consequences to concentrating low income subsidized housing in certain areas of downtown, it seeks to balance community concerns to form a more integrated, inclusive and successful downtown housing policy.

The term "downtown" connotes the city's recently expanded definition of downtown to include the Central business district, the three MLK mixed use centers, the Dome District and the Stadium District.

The Task Force began work by exploring current information on affordable housing, particularly mixed-income housing in urban areas; the Task Force also studied affordable housing terms and the history of low-income housing in downtown. The next step was to interview various groups of downtown housing stakeholders – affordable housing experts and developers, for-profit developers, service providers, lenders, residents, and merchants, using a standard set of ten questions (see *Summary of Interview Notes*, attached).

Findings

1. Housing affordable to persons of low or moderate income is appropriate in downtown Tacoma, so that law-abiding people across various income levels can live in our city and make it a more diverse and vibrant community. Such affordable housing makes it possible for workforce members, students, artists, and young professionals to live and work in downtown; it provides additional customers for downtown businesses; and it decreases transportation and parking requirements for them.
2. The primary disadvantages to low-income housing are associated with existing concentrated low-income housing, such as the Winthrop and Olympus Hotels, and those problems are attributed to design issues and (historically) poor management. One respondent is concerned that mandating low- to moderate-income housing would negatively impact tax revenue.
3. Mixed-income housing is seen as the best situation for downtown, because of the potential for networking and role-modeling among residents and the addition of more customers for retail businesses. The affordable housing professionals pointed out that there are significant external financial resources available for low- and moderate-income housing that are currently impeded by the lack of City support.
4. A drawback to mixed-income housing would occur if a percentage (of low-income housing) requirement were mandated, which would add to the complexity of already complex financial arrangements; financing market-rate and low-income units in one building is quite complex at this time.
5. Affordable housing should be available in all parts of Tacoma – especially near transit, services, and medical care – as long as it is dispersed rather than concentrated.
6. Barriers to housing affordability in downtown include land and building costs, the 1997 low-income housing amendment, parking requirements, a decreasing supply of decent/affordable housing, condo conversions, and infrastructure needs.
7. Incentives can be deployed through various means: density bonuses for including more affordable units, flexible parking requirements, and tax exemptions. Changes in regulations can make affordable housing easier to build: simplification of regulations, reduction in permit fees, and decreased permit process time. Additional strategies are included in this report.
8. One of the non-profit affordable housing developers detailed the complex layering and timing of financing from multiple sources, and explained how City constraints currently make the financing process more difficult, more expensive, and less certain in competitive situations.

9. If design criteria are ultimately imposed, they should be simple, easy to comply with, and consistent enough to control costs. A design review program cannot be fully recommended without first being defined.
10. Government has an appropriate and necessary role in developing housing affordable to extremely and very low-income people. Government can encourage the development of affordable housing, plan for comprehensive housing development, and encourage living wage jobs.

The Task Force has also reviewed a number of studies on low income housing “best practices” and policies developed by other communities.

The Task Force suggests a policy framework that would not only allow, but encourage, a mix of housing affordable to people from low- to moderate- and high-income. The 1997 amendment, along with tax abatement granted by the City, has helped bring in market rate housing as well as new businesses. This change is welcome and healthy for the community in many respects, and the Task Force believes that new development in Tacoma has reached a point when a broader mix of income can be served here, resulting in an even more vibrant downtown core area.

The Task Force has developed specific policy recommendations and strategies to accomplish this goal, as represented on the following pages.

Policy Recommendations

The overall objective of the following recommendations is to produce a more heterogeneous residential environment:

1. Mixed-income housing should be encouraged and realized through an integrated housing policy.
2. The City should reduce regulatory barriers, seek to lower costs, and provide incentives to encourage housing that is safe, decent, and affordable to lower income groups in the core downtown area.
3. The City should only grant subsidies or reduce regulations for housing projects which are well-designed and successfully integrated into the community.
4. The 1997 (Miller) amendment limiting low-income housing in the downtown core area should be replaced by policies that take into account the current market demand for housing at all income levels.
5. Mixed-income and low-income properties should incorporate ongoing management that follows industry “best practices” and is accountable to the larger community through such instruments as a good neighbor agreement.
6. Low income projects supported with funding from the City of Tacoma (e.g., TCRA and Block Grant funding) should be designed and built utilizing the “best methods” to reduce propensity for crime.
7. The City of Tacoma should explore establishing guidelines, such as a range of minimum and maximum percentage of subsidized units for projects seeking City subsidies within downtown, and dispersion requirements, if any. Such guidelines should not affect, in any way, the current historic or multifamily housing tax incentive programs.
8. The City should identify unique situations under which the City Council is able to by-pass the above guidelines when appropriate to approve projects that offer a special benefit to a mixed income/market rate area without having to re-write policies each time.
9. The current off-street parking requirement is a barrier to the construction of affordable housing in downtown Tacoma. Removing the off-street parking requirement would permit residents to weigh the cost of parking spaces compared to other transportation and housing options and choose accordingly. Doing so would create a significant number of more affordable market rate housing units and higher density without requiring any additional subsidy from the City.

10. The City should partner with developers and other stakeholders to explore provision of incentives and elimination of barriers, both of which would encourage significant additional new housing for low-to-moderate income residents in downtown. Strategies included in this report are provided as a significant starting point for this process.
11. Incentives should include financial advantages to developers for affordable housing, including reduction in costs that the City controls, wherever possible.
12. Regulatory barriers that inhibit housing development should be reduced through streamlining processes and eliminating unnecessary requirements as outlined in strategies below.
13. New local funding resources for affordable housing should be developed, such as a Tacoma or Pierce County Housing Trust Fund, in order to leverage additional funding from state, federal, and private sources.
14. Projects developed under these policies may also qualify for the Multifamily Property Tax Exemption Program.
15. These policies do not apply to housing projects that are not subsidized by the City.

Strategies: Regulatory Relief

The following strategies are proposed to the City of Tacoma in order to reduce or remove unnecessary barriers to development of safe, decent, affordable housing in a heterogeneous environment in downtown Tacoma. Measures herein may be used alone or in combination:

1. Expedited Permitting: Housing projects that include ___% affordable units should be given priority processing by the City.
2. Density Bonus: Housing projects that include ___% affordable units should be granted density bonuses (additional units per lot, acre, and/or floor) in a ratio of ___ for every affordable unit constructed. Projects that include ___% affordable units should also be allowed to increase the height of the building in order to construct additional units equal to the total size of affordable units.
3. Reduced Parking Space Requirements: Parking requirements for all housing projects (market-rate, mixed-income, affordable) should be removed in favor of market-driven developer determination.
4. Modified Unit Space Requirements: Housing projects that include ___% affordable units should be allowed to reduce the size of affordable units to meet the needs and affordability of low-income households.
5. Increased Maximum Lot Coverage: Housing projects that include ___% affordable units may increase the total coverage of the given lot by ___%.
6. Reduced Open Space Requirement: Housing projects that include ___% affordable units should be allowed to decrease the amount of open space required by current code by ___%. The City should further consider removing open space requirements, particularly where high-density housing is being encouraged, and focus instead on open space and parks throughout the city.
7. Infill Housing Development: The City should encourage development and redevelopment of vacant or blighted land, and may use its right of eminent domain in this process.
8. Permit-Ready Housing or Housing Rehabilitation: The City should develop and offer standard designs with approved permits for affordable housing at reduced pricing.
9. Great House Concept: The City will encourage development of affordable or mixed-income multi-family housing that externally appears to be a single-family or duplex residence and is designed to be appropriate to the neighborhood; that is, up to ____ apartments may be contained in such a building.

10. Zoning Bonus Program: The City should grant changes to residential zoning to allow multi-family housing in mixed-income or other affordable projects.

Strategies: Cost Reductions

The following strategies are proposed to the City of Tacoma in order to reduce costs for development of safe, decent, affordable housing in a heterogeneous environment in downtown Tacoma:

1. Reduced Building Permit Fees: Housing projects that include ____ % affordable units should be given a ____ % discount on project building permit fees.
2. Reduced Utility Fees: The City should consider discounts in utility fees and certain utility connection fees (including electrical, water, sewer, and street lighting) by ____ % for housing projects that include ____% affordable units. It should also consider discounts in operating utility fees. Such discounts should be absorbed by the utilities themselves and all rate-payers within the community, not covered by market-rate developers or purchasers.
3. Reduced Infrastructure Expansion Costs: Housing projects that include ____% of affordable units should be given a ____ % discount on project costs for infrastructure expansion costs triggered by the project. Such discounts should not be covered by market-rate developers. Discounts to area-wide infrastructure improvements should be covered by TPU and Public Works, and project-specific infrastructure covered by the developer of the project.
4. Twelve-year Multi-Family Tax Abatement: The City should adopt the provisions of HB1910 (passed by the Washington State Legislature in 2007) to encourage development of affordable and mixed-income housing by applying the 12-year abatement to projects that include at least 20% affordable units.
5. Waiver of City Sales and Business & Occupation Taxes: The City should consider not imposing its discretionary portion of Sales and Business & Occupation Taxes on entities which are participating in creating affordable housing units downtown. Costs considered may include construction and operating costs on both for-sale and for-rent projects.

Strategies: Incentives

The following strategies are proposed to the City of Tacoma as financial incentives to encourage development of safe, decent, affordable housing in a heterogeneous environment in downtown Tacoma:

1. Award Infrastructure Grants: The City should consider instituting a grant program to provide infrastructure for housing projects that include ___% affordable units.
2. The City should grant bonuses for such projects located in areas with underutilized infrastructure, such as utilities and schools.
3. The program should also subsidize costs for expanding infrastructure for such projects.
4. Grant City-owned Land or Sell at Reduced Pricing: The City should explore changing existing rules for its ownership of land in order to utilize unused public land for housing projects that include ___% of affordable units.
5. Exchange City-owned Land for Affordable or Mixed-Income Housing: The City should explore exchanging its property with privately-owned property to provide suitable locations for housing projects that include ___% affordable units.
6. Establish Land Trust for Affordable and Mixed-Income Housing: The City should explore establishing a Community Land Trust, to which land may be donated by public or private owners, in order to provide land at or below market rates for housing projects that include ____ % of affordable units.
7. Encourage a Local Flex Car Program: The City should explore with the private sector a plan to bring per-use provision of cars into downtown Tacoma in order to decrease the amount of parking required and provide transportation to those who do not own vehicles.
8. Provide More Bike Stations: The City should explore the benefits of constructing additional secure bicycle parking stations in downtown in order to decrease the amount of parking required and provide transportation to those who do not own larger vehicles.

Glossary

Affordable Housing	<p>According to government standards, housing should cost no more than 30% of your total income, including utilities. Affordable rental housing usually has a maximum income limit of 60% of median income. In Tacoma, this equates to an annual income of \$26,100 for one person or \$33,600 for three persons. Homeownership programs generally allow up to 80% of median or \$34,800 for one person or \$44,800 for a three-person household. (Tacoma Housing Authority allows up to 60% of AMI for its homeownership program; and THA allows up to 60% in THA tax credit properties.)</p>
HUD	<p>Abbreviation for the U.S. Department of Housing and Urban Development.</p>
Homeless	<p>A person who lacks a fixed and regular nighttime residence. The general public tends to think of "homeless" as persons living on the streets, whereas it can include persons living involuntarily with a friend or family member, living in a car, etc.—anyone without a fixed address.</p>
Housing Authority	<p>Housing authorities are public corporations with boards appointed by the local government. Their mission is to provide affordable housing to low- and moderate-income people. In addition to public housing, housing authorities also provide other types of subsidized housing. The Tacoma Housing Authority provides low-income housing to more than 12,000 people in Tacoma through several programs including public housing subsidized by HUD, the HUD funded Single Resident Occupancy Program, the Tenant-Based Rental Assistance Program funded through HOME grants disbursed by the City of Tacoma, Tax Credit properties, and the federal HUD-subsidized Section 8 program.</p> <p>The Pierce County Housing Authority serves over 2500 people.</p>
Income Limits	<p>Income limits for households to qualify for subsidized housing opportunities are based on the Area Median Income (AMI) for a family of four. In Tacoma-Pierce County the 2007 AMI is \$61,500. Specific household sizes are used to determine eligibility for each household.</p> <p>Low-income: 80% or less of AMI = \$49,700 for household of 4 Very-low-income: 50% or less of AMI = \$31,050 for household of 4 Extremely-low-income: 30% or less of AMI = \$18,650 for household of 4</p>
Low Income Housing Tax Credit	<p>Many for-profit and nonprofit-developed rental properties use these federal income tax credits. The Washington State Housing Finance Commission allocates these credits to developers to build or fix up low-income housing. Large corporations, institutions, pension funds, and insurance companies invest in the housing as a method to gain the tax credits and reduce their income tax obligations. These apartments serve residents below 60% of median income and must accept Section 8 vouchers.</p>
Market Rate Rent	<p>The prevailing monthly cost for rental housing. It is set by the landlord without restrictions.</p>
Median Income	<p>This is a statistical number set at the level where half of all households have income above it and half below it. The U.S. Department of Housing and Urban Development Regional Economist calculates and publishes this median income data annually in the Federal Register. See the Washington State Median Income and Income Limit figures for 2007, including the Tacoma area, at http://www.huduser.org/Datasets/IL/IL07/wa_fy2007.pdf</p>

Mixed-Income Housing	A multi-family housing property that contains both market-rate units and subsidized units.
Nonprofit Housing	Nonprofit housing is developed by nonprofit corporations with a community board of directors and mission. Most housing developed by nonprofit developers is affordable with rents or prices <i>below</i> market-rate. Income generated from the housing is put back into the mission of the organization, rather than being distributed to stockholders or individual investors as would be the case in for-profit housing
Nonprofit Housing Developer	A nonprofit organization with a mission that involves the creation, preservation, renovation, operation or maintenance of affordable housing.
Operating Subsidy	This is a type of subsidy going to property owners to reduce the management, maintenance and utility costs of housing. It is needed for projects housing extremely low-income residents who can't afford rents covering the actual costs of housing.
Permanent Housing	Rental apartments or ownership homes that provide individuals and families with a fixed street address and residence. Most housing is permanent.
Privately developed or for-profit housing	This housing rents or sells at market-rate and is developed and owned by for-profit individuals, partnerships, or corporations. Most housing in Tacoma is privately developed.
Project-Based Section 8 Housing:	<p>This federal program initially pledged 20-year commitments of rent subsidy to developers of privately owned rental housing stock in the community to encourage them to build affordable housing. The program is subsidized and regulated by HUD.</p> <p>Many Section 8 contracts have expired or will expire soon, and the property owners must now decide whether to renew their contract or leave the program ("opt out"). Most of these contracts are now renewed on a one-year basis. Projects with high risk of opting out typically have rents set by the Section 8 contract below the prevailing market rents for comparable units. Owners thus have an incentive to leave the program and convert their property to private market rentals.</p>
Public Housing	<p>Public housing is housing owned and run by a local housing authority under the oldest federal housing program—the Housing Act of 1937. To be eligible to live in public housing, you must be low income and meet certain other requirements. In most cases, rent including utilities can comprise no more than 30% of your income.</p> <p>In Tacoma, the Tacoma Housing Authority owns and operates 673 units of public housing, as well as more than 300 units of mixed-finance housing that include public housing subsidies. They are currently redeveloping the Salishan neighborhood That will include approximately 300 more units of mixed-finance housing that include public housing subsidies.</p> <p>Similarly, the Pierce County Housing Authority owns and operates 134 units of public housing and provides another 1100 units of affordable housing.</p>

Section 8 Vouchers	<p>This federal program is administered by the local housing authority. Eligible tenants receive vouchers they can use to help them pay for apartments in the private market.</p> <p>Tacoma Housing Authority provides about 3500 And Pierce County Housing Authority about 2500 Section 8 housing vouchers.</p>
Shelters	<p>Also called emergency housing. Provides temporary overnight living accommodations. Shelters often are not open during the day.</p>
SRO	<p>Single room occupancy units. The traditional SRO unit is a single room, usually less than 100 square feet, designed to accommodate one person. Amenities such as a bathroom, kitchen or common areas are located outside the unit and are shared with other residents. Many SROs can be found in renovated hotels. SRO housing serves a variety of people by providing three types of settings: 1) Emergency housing for homeless people, including the elderly. Occupancy is usually on a nightly or weekly basis. 2) Transitional housing for previously homeless or marginally housed persons, including older people, who are progressing to permanent housing. 3) Permanent housing for older people who will move to this setting and often live here until their death or until their increasing frailty forces them to move to a more supportive setting.</p>
Subsidized Housing	<p>A generic term covering all federal, state or local government programs that reduce the cost of housing for low- and moderate-income residents. Housing can be subsidized in numerous ways—giving tenants a rent voucher, helping homebuyers with down payment assistance, reducing the interest on a mortgage, providing deferred loans to help developers acquire and develop property, giving tax credits to encourage investment in low- and moderate-income housing, authorizing tax-exempt bond authority to finance the housing, providing ongoing assistance to reduce the operating costs of housing, and others.</p> <p>Public housing, project-based Section 8, Section 8 vouchers, tax credits, and the State Housing Trust Fund are all examples of subsidized housing. Subsidized housing can range from apartments for families to senior housing high-rises. Subsidized simply means that rents are reduced because of a particular government program. It has nothing to do with the quality, location or type of housing. In fact, the Tacoma Housing Authority’s Salishan neighborhood that includes subsidized housing has received local and national design awards.</p> <p>Over the years, programs have been designed to help local housing authorities, for-profit developers and builders, nonprofit organizations and public development authorities provide low- cost housing. Unfortunately, the number of people needing subsidized housing is far greater than federal, state or local funding for these programs.</p> <p><u>For the purposes of the Downtown (Tacoma) Mixed-Income Housing Task Force Report, the term <u>City-subsidized housing</u> refers to housing that is partially or wholly financed by funds administered by and/or provided by the City of Tacoma, or granted incentives by the City.</u></p>
Supportive Housing	<p>Combines affordable housing with individualized health, counseling and employment services for persons with mental illness, chemical dependency, chronic health problems, or other challenges. Generally it is transitional housing, but it can be permanent housing in cases such as a group home for persons with mental illness or developmental disabilities. Supportive housing is a solution to homelessness because it addresses its root causes by providing a proven, effective</p>

means of re-integrating families and individuals into the community by addressing their basic needs for housing and on-going support.

- Transitional Housing** This housing provides stability for residents for a limited time period, usually two weeks to 24 months, to allow them to recover from a crisis such as homelessness or domestic violence before transitioning into permanent housing. Transitional housing often offers supportive services, which enable a person to transition to an independent living situation.
- Vacancy Rate** A “normal” market vacancy rate is generally considered to be 5%. This means supply and demand are somewhat in balance when the vacancy rate is 5%. Generally, in boom times vacancy rates fall; while in recessions, vacancy rates rise. (THA uses 3% as a “normal” vacancy rate.)
- Waiting List** Because there is a shortage of affordable housing, many individuals and families must sign up to be on a waiting list for a particular apartment or type of affordable housing. Waiting lists in the Tacoma area can be up to three years.

Appendix 1: Affordable Housing Incentives for Consideration

CATEGORY	INCENTIVE	NOTES	PRO	CON	REQUIREMENTS
CITY REGULATORY RELIEF/INCENTIVES	Expedited Permitting	Fast-track permits for construction including AH	Decrease cost related to time	Slow down other permits	Change BLUS procedures
	Density Bonus	Allow more units per lot than current regulations	More units w/o additional land costs	Enough incentive?	Set up rules, procedures
	Reduced Parking Space Requirements	Reduce ratio of parking spaces to living units	Decrease overall construction costs of project		Change code requirements
	Unbundled (pricing for) Parking	Residents pay parking space separately from living unit	Demand drives amount of parking		Eliminate specific requirements
	Modified Unit Space Requirements	Reduce floor space for affordable units	Decrease cost & price	Add complexity?	
	Increased Building Height Limits	Allow more floors, units per lot than current regulations	Reduce per unit cost for land	Community resistance	Change code requirements
	Increased Maximum Lot Coverage	Expand buildable area on lot	Reduce per unit cost for land		Change code requirements
	Reduced Open Space Requirement	Reduce requirement to provide open space with housing	Reduce per unit cost for land		Change code requirements
	Infill Housing Development	Encourage re/development of vacant or blighted land	Provide more buildable land	Infrastructure may be lacking	Set up program, use existing tools
Permit-ready Housing or rehab	Offer permits & housing designs for affordability	Reduce cost related to time; decrease overall costs		Development of designs with standard permits	

CATEGORY	INCENTIVE	NOTES	PRO	CON	REQUIREMENTS
	Great House Concept	Affordable multi-family housing that blends in neighborhood	Community acceptance		Include in codes
	Zoning Bonus Program	Up-zone to accommodate affordable housing	Allow more buildable land		Change zoning procedures
CITY-REGULATED COST REDUCTIONS	Reduced Building Permit Fees	Discount fees to Public Works on affordable housing	Decrease overall construction costs of project w/ AH	Decrease City revenue	Establish modified fee schedule
	Reduced Fees: utility, electrical, water, sewer, street lights	Discount fees to TPU on projects with affordable housing	Decrease overall construction costs of project w/ AH	Decrease City revenue	Modify fee schedule
	Reduced Infrastructure Costs for Affordable Units	Subsidize infrastructure expansions for projects	Decrease overall construction costs of project w/ AH	Decrease City revenue	Modify fee schedule; subsidize from Public Works Trust Fund
	12-year Multi-Family Tax Abatement for including affordable units	HB1910 requires IF abatement offered by City	Decrease overall construction costs of project w/ AH	Decreased tax abatement for market-rate-only development	None: new State law
	Waive City Sales & B&O Tax on construction costs affordable units	Exclude City taxes on construction costs for AH	Decrease construction costs for affordable units	Decrease City revenue	Modify sales & B&O tax rules
CITY FUNDING	Infrastructure Grant Program	Bonus for building in overbuilt infrastructure areas	Utilize schools, etc in areas losing residents	Increase City spending	Set up program
		Subsidize infrastructure build-out	Decrease overall construction costs of project w/ AH	Increase City spending	Set up program

CATEGORY	INCENTIVE	NOTES	PRO	CON	REQUIREMENTS
	City-owned Land Grant or Sale at reduced pricing	Utilization of unused public land for AH or M-I	Decrease overall construction costs of project w/ AH	City departments own land; must sell at market	Change rules on City land sales
	Exchange City-owned Land for Affordable Housing in City	Utilization of unused public land for AH or M-I	Decrease overall construction costs of FUTURE project	City departments own land; must sell at market	Change rules on City land sales
	Establish Land Trust for AH	Donate unused public or blighted private land to trust	Increase available land; decrease overall cost/project	City departments own land; must sell at market; reticence to exercise eminent domain	Set up program, pursue donations
	Establish Flex Car program	Per-use provision of private transportation as needed	Decrease permanent parking with housing	Increase City spending	Set up program, purchase cars
	Provide more bike stations	Works with public transit, reduces need for cars	Decrease permanent parking with housing	Increase City spending	Increase Public Works construction
	Increase Housing Trust Fund	Add to UWPC/TCRA Housing Trust Fund	Decrease overall construction costs of project w/ AH	Increase City taxes	Pass levy; set up program
	Participate in Mortgage Assistance Program	THA mortgage assistance for low-income home buyers	Support for low-income home ownership	Increase City spending	Set up new program or provide funds to existing THA program
COUNTY-REGULATED COST REDUCTIONS	Waive Impact Fees	Impact fees assume additional infrastructure needs	Decrease overall construction costs of project w/ AH	Decrease County revenue	Modify fee schedule
	Waive SEPA Fees...	<i>(need more information)</i>			
COUNTY FUNDING	Incentive bonus from Pierce Transit for building within 4 blocks of transit	Low-income individuals often lack personal transportation	Decrease overall construction costs of project w/ AH	Increase County spending	Set up program

CATEGORY	INCENTIVE	NOTES	PRO	CON	REQUIREMENTS
	Establish Housing Trust Fund	Provide additional funding source for affordable housing	Decrease overall construction costs of project w/ AH	Increase County taxes	Pass levy; set up program
	Ride Free Areas	Low-income individuals often lack personal transportation	Provides more/efficient downtown transportation	Decrease County revenue; increase costs?	Modify fee schedule; add buses?
STATE FUNDING	Can apply to all incentives above				
	Apply State Transportation for Livable Communities Funds	Provide additional funding source for affordable housing	Decrease overall construction costs of project w/ AH	Decrease funding for other projects	Modify rules on use of funds
PUBLIC-PRIVATE FUNDING	Employer housing assistance	Tax-deductible contributions to employees for housing costs	Increase demand for decent, affordable housing	Decrease City, County, State, &/or Federal tax revenue	Set up program(s)
	Lender home buying assistance	Tax-deductible discounts on mortgage rates	Increase demand for home ownership	Decrease City, County, State, &/or Federal tax revenue	Set up program(s)
	Labor Union housing assistance	Tax-deductible discounts on dues for housing costs	Increase demand for decent, affordable housing	Decrease City, County, State, &/or Federal tax revenue	Set up program(s)

Appendix 2: Summary of Interview Notes (Approved August 9, 2007)

Purpose of Notes

This summary is intended to provide the Downtown Tacoma Housing Task Force (TF) with a centralized collection of data as a result of the various notes and comments taken from individual members and stakeholders. It will be used to aid the TF in its ongoing housing policy discussions.

Outreach

As part of its initial discussions, the TF conducted panel interviews of the following stakeholder groups:

Non-Profit Service Providers/Developers (April 6, 2007)

- Maureen Fife, Tacoma-Pierce County Affordable Housing Consortium
- Sandy Burgess, Metropolitan Development Council
- Neil Frothingham, Inland Empire Residential Resources

For-Profit Housing Builders/Developers (April 20, 2007)

- Tom O'Connor, O'Connor & Associates
- Gary Pedersen, Urban Core Construction

Public Service Providers (April 27, 2007)

- Lt. Darlington, Downtown Sector Commander, Tacoma Police Department
- Lee Archambault, Pierce County Security (Business Improvement Area – BIA)

Local Merchants & Businesses (June 21, 2007)

- Fidel Pino, property manager and barber shop owner
- Chris Blondin, Vin Grotto Café
- Julie Bennett, Urban Exchange
- Laura Hanan, Brick and Mortar Gallery, downtown building owner

Residents Panel (June 27, 2007)

- Holly Weiman
- Glen Weiman
- Kelly Crithfield
- Clara Cheeves
- Stan Betts
- Two other area residents participated

Real Estate Finance Professionals (July 11, 2007)

- Kathleen Pittis, Vice President, Community Development Lending
- John Finke, Director, National Development Council

- Scott Ellis, Countrywide Home Loans
- Gene Krawchuck, Wells Fargo Home Loans

Discussion

Each group was asked to respond to as many of the following questions as possible, as they pertain to downtown Tacoma. While not every question was answered by each group, their collective responses are as follows:

Q1. What are the advantages of having housing affordable to low or moderate income?

Non-Profit Service Providers/Developers: More mixed-income housing downtown decreases commuting for downtown workers. Mixed incomes foster economic vitality, diversity, support for retail businesses, reduced traffic, and parking. Having the option to live near where one works is one of the primary benefits of mixed-income housing.

For-Profit Housing Developers/Builders: Housing for all levels of income (workforce, low-income, high-income) results in a vibrant community, benefiting all economic and social segments.

Public Service Providers: Housing for the workforce should be inclusive and available to all law-abiding residents. Most citizens don't want an exclusive downtown. They want one that is open for everyone who is willing to abide by the law. Merchants and business owners benefit from having a workforce in the area.

Local Merchants & Businesses: Diversity is an important advantage to mixed-income housing. Transit downtown is a benefit to low-income people. More opportunities for affordable housing allow young people to live and thrive downtown.

Residents: Mixed-income housing attracts people from the creative arts, workers, and budding young professionals. Customers and social participants keep local businesses successful by being engaged in the community. People want to be part of urban life with diversity in incomes, ideas, ages, etc. Mixed-income housing brings more children downtown. Amenities and night-life follow when different people locate downtown.

Real Estate Finance Professionals: Mixed-income housing allows low-income wage earners to live closer to their work, while utilizing transit and reducing traffic. This includes teachers, public servants, and employees of the UW, hospitals, small businesses, and many offices downtown. By living and working downtown, they bring revenue to restaurants and services. Including low-income

housing strengthens our economy and creates jobs, while helping to attract and retain business investment.

Q2. What are the disadvantages of having housing affordable to low or moderate income?

Non-Profit Service Providers/Developers: When housing is concentrated, particularly for low-income individuals, consumer demand for downtown housing is reduced. Large concentrations are no longer considered a good idea when designing low-income housing. While buildings such as the Winthrop may provide a service, low-income residents are not served well when they are highly concentrated. A lack of diversity and pride in ownership contribute to an environment where undesirable activity can occur. A certain amount of income is required to support retail.

For-Profit Housing Developers/Builders: Usually, there are no disadvantages to mixed-income housing. If it is mandated, it can have a negative impact on the tax base (State Housing Trust Fund projects are always tax-exempt). Downtown is already around 57% low-income. City services are not adequately provided without a strong tax base.

Public Service Providers: If low-income housing is too concentrated, it can cause problems such as increased crime. Good property management and cooperation with police are the keys to success in predominantly low-income housing areas.

Local Merchants & Businesses: Low-income concentrations and the lack of ownership pride are bad for our community. Examples like the Winthrop and Olympus have been problems for years. Low to moderate income is usually not a customer base for successful downtown merchants. One merchant provided the TF with crime statistics showing a high number of police calls to the Olympus Hotel.

Residents: (unanswered)

Real Estate Finance Professionals: There is a lack of support services to low-income individuals in the area. Property conditions degrade as a result of an over-concentration of low-income housing. If incomes are extremely low, there is no money to spend.

Q3. What are the advantages of mixed-income housing units?

Non-Profit Service Providers/Developers: Adding affordable units to market rate projects adds significant resources to our community: low income housing tax credit, diversity, etc. It also creates the opportunity for significant public and private investment resources to our community as well as putting people into a

position to live in a diverse, natural environment of a mixed-income neighborhood. There are significant resources available for these units from federal, state, and private sources. Income integration brings networking for filling jobs.

For-Profit Housing Developers/Builders: There are more buyers in the market when mixed-income units are developed. A wide range of incomes makes a city vibrant.

Public Service Providers: Mixed-income housing is the best situation.

Local Merchants & Businesses: Mixed income housing is a good way to go. It's an advantage for all, mitigates for the stigma of the poor, provides job opportunities, and more customers. Children should see a broad spectrum of people. Workers living close to their places of employment provide advantages to owners for security, etc.

Residents: (unanswered)

Real Estate Finance Professionals: Many projects currently being built for low-income individuals are mixed-income projects with units affordable to even 30 percent of AMI and/or may include Section 8 tenants. The response to this has been great and very low-income tenants do not feel they are targeted with inferior units. This gives them a strong sense of self-worth and we are seeing them get better jobs and being more productive in society.

Q4. What are the disadvantages of mixed-income housing units?

Non-profit Service Providers/Developers: If there are percentage requirements for low-income units, it would add more complexity to already complex financial arrangements, adding more barriers to new development of such units. Mixed-income projects are somewhat difficult to achieve because of the mix of financing sources, which sometimes conflict. It is relatively easy to construct a market-rate building with conventional financing. It is also relatively easy to attract tax-credit financing for those at or below 50% of AMI. Getting financiers to do both for the same building is somewhat difficult.

For-Profit Housing Developers/Builders: (unanswered)

Public Service Providers: (unanswered)

Local Merchants & Businesses: (unanswered)

Residents: (unanswered)

Real Estate Finance Professionals: None at this time.

Q5. How can affordable housing best fit and where should low to moderate-income workers live?

Non-Profit Service Providers/Developers: (unanswered)

For-Profit Housing Developers/Builders: They should live everywhere downtown. Jobs are the key, not necessarily just income. Low to moderate income housing should be near transit, services, grocery stores, and medical care.

Public Service Providers: Affordable housing can fit downtown if it is part of a mixed-income housing project. Low-income units should be dispersed as widely as possible.

Local Merchants & Businesses: Low to moderate units should be dispersed. The market should dictate where they go. They should be near retail and other amenities. These units would work above street-level store fronts.

Residents: Affordable housing best fits when there are no separate economic clusters.

Real Estate Finance Professionals: They should be as close to downtown as possible so they can utilize transit or walk. Housing should be built to look like any other market rate projects in the area.

Q6. What barriers prevent housing from being affordable?

Non-Profit Service Providers/Developers: Supply (not unique to Tacoma). Limited land is a barrier, as well as its high cost. The Growth Management Act requires planning for, but not zoning to accommodate growth-related housing. The Miller Amendment and minimum parking requirements add to the barriers of providing affordable units.

For-Profit Housing Developers/Builders: We are constrained by numerous things, not the least of which are the city's current parking requirements. Units are required to be large, while low to moderate-income people could benefit from smaller units. The cost to build per square foot cannot justify high-rise construction. Construction costs are getting higher. Infrastructure costs are high and the City is in need of serious modernizing in its utility systems. The building codes are nationally standardized and not customized enough for Tacoma's need.

Public Service Providers: (unanswered)

Local Merchants & Businesses: (unanswered)

Residents: (unanswered)

Real Estate Finance Professionals: Condo conversions take away from affordable housing stock (rentals). Buyers often cannot qualify because of a lack of wage growth. Building costs and infrastructure needs are also a major barrier to providing necessary units. There are not enough public funds to keep long-term financing of projects low enough to allow rents to remain low and/or enough subsidies to cover expenses.

Q7. How might incentives or regulations be deployed or removed to better encourage affordability?

Non-Profit Service Providers/Developers: We could use density bonuses, flexibility in parking requirements, and increased certainty in development regulations. The regulatory burden is high and uncertain, driving up costs. The City needs more incentives, such as the elimination of setback requirements. Up-zone: Flood the market with a supply of land zoned to exceed the projected demand for housing units and the land cost of those units will stabilize.

For-Profit Housing Developers/Builders: Permit fees are high, around 1.5 percent of a project's cost – these can be reduced. The City could conduct the downstream analysis itself, saving costs.

Public Service Providers: (unanswered)

Local Merchants & Businesses: (unanswered)

Residents: Conversions should utilize a separate building standard and permitting process. Codes could better serve live-work spaces.

Real Estate Finance Professionals: The City should support and possibly adopt some of the ideas from the Pierce County Housing Affordability Task Force. It can also reduce or eliminate real estate excise taxes and utility costs. Permitting and zoning should be streamlined. Another idea is to provide City funding to non-profit land developers to secure a site before land costs get even more out of hand. Temporary bridge loans could be provided for the development of low-income housing.

Q8. What steps are required to plan, finance, and build a mixed-income property?

Non-Profit Service Providers/Developers: Since funding can often come from numerous sources, each with their own requirements, layering and timing these sources can become challenging.

For-Profit Housing Developers/Builders: (unanswered)

Public Service Providers: (unanswered)

Local Merchants & Businesses: (unanswered)

Residents: (unanswered)

Real Estate Finance Professionals: (unanswered)

Q9. Would you impose design criteria to help affordable housing fit in?

Non-Profit Service Providers/Developers: No. If design criteria are imposed, they should be simple and easy to comply with, rather than serve to increase unpredictability in regulations.

For-Profit Housing Developers/Builders: Only if it applies across the board to both for-profit and non-profit housing builders. Individual projects should not be allowed their own design criteria.

Public Service Providers: Crime Prevention through Environmental Design (CPTED) should be built into any new mixed or low-income housing. The design of the building can make a huge impact on whether it's a haven for unseemly activity or a safe place to be.

Local Merchants & Businesses: Yes.

Residents: (unanswered)

Real Estate Finance Professionals: The design of any given project should fit with the neighborhood and other market-rate units in the area.

Q10. What is the appropriate role of government in meeting housing needs? Businesses? Individuals?

Non-Profit Service Providers/Developers: The City should up-zone to increase the supply of land for housing units.

For-Profit Housing Developers/Builders: Government needs to have a role in the lives of the homeless, providing social services to get them on their feet and moving upwards. Better living accommodations for low-income people can be encouraged (or even regulated). Obviously the City ensures that growth is according to its vision. The City should partner with developers rather than allow them to completely go it alone. Early involvement in the planning stages rather than the permitting stage serves the best interests of everyone involved. Government has a better role in encouraging rather than simply regulating. Employer-assisted housing should also be explored.

Public Service Providers: Police and Fire should be part of CPTED review. Government should demand a good neighbor agreement from owners of properties and hold them accountable. We would also like to see every residential building have an organization of owners/renters.

Local Merchants & Businesses: The Tacoma Housing Authority should focus on mixed-income rather than low-income. There is a tax incentive program for employers who hire downtown residents. Employer tax incentives should be given and more flexible parking rules should be considered.

Residents: (unanswered)

Real Estate Finance Professionals: The government needs to provide funding and support services. By giving workers a chance to live and work in the same area, it will help build a better city. Government should be exploring the approaches that other city's are taking, such as in Portland and Chicago. Groups like the TF should be consulted with when exploring mixed-income housing opportunities.

Appendix 3: Members of the 2007 Downtown Housing Task Force

Chair

Wm. R. (“Bill”) Garl New Tacoma Neighborhood Council

Vice Chair

Paul Ellis Tacoma-Pierce County Chamber/Downtown BIA

John Alexander	Master Builders Association of Pierce County
Steve Apling	Central Neighborhood Council
Eric Bjornson	Attorney
Connie Brown	Tacoma-Pierce County Affordable Housing Consortium
Marty Campbell	Downtown Merchants Group
Mike Crowley	Master Builders Association of Pierce County
Justin Mayfield	Downtown Resident
Katie Rose	New Tacoma Neighborhood Council
Charles White	Central Neighborhood Council

Ex Officio

Martha Anderson	City of Tacoma – CEDD
James Colburn	City of Tacoma – CEDD
Ryan Petty	City of Tacoma – CEDD
Ric Teasley	City of Tacoma – CEDD