

# Affordable Housing

This page provides a broad overview of different affordable housing tools and funding mechanisms available to local governments in Washington State, including articles and sample policies.

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## Overview

Many local jurisdictions are adopting codes that promote affordable housing. In many cases, cities and counties are offering bonus densities, fee waivers, streamlined review processes, or other incentives to encourage affordable housing. In some cases, local jurisdictions are experimenting with alternative and affordable housing types such as cottage housing, accessory dwelling units, small lot development, or attached housing. Often, these codes include exemptions or provide for flexibility in applying regulations to help hold down the costs of affordable housing production.

In addition, state law authorizes certain local taxes to be used for affordable housing purposes.

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## Affordable Housing Property Tax Levy

Counties and cities may impose additional regular property tax levies up to \$0.50 per thousand dollars assessed valuation each year for up to ten years to finance affordable housing for very low-income households (defined as 50% or less of the county's median income) when specifically authorized to do so by a majority of voters of the taxing district ([RCW 84.52.105](#)).

If both the city and county impose a levy, the levy of the last jurisdiction to receive voter approval is reduced so that the combined rate does not exceed \$0.50 per thousand dollars AV in any taxing district.

This tax may not be imposed until the legislative authority declares the existence of an emergency with respect to the availability of housing that is affordable to very low-income households, and the legislative authority adopts an affordable housing finance plan in conformity with state and federal laws regarding affordable housing.

## Examples

- [Bellingham Resolution No. 2018-09](#) (2018) – 10-year levy, combining a single-year levy lid lift with an affordable housing levy under RCW 84.52.105
- [Jefferson County Resolution No. 35-17](#) (2017) – 7-year levy, combining a single-year levy lid lift with an affordable housing levy to create an affordable housing trust fund. *Note: The resolution title says RCW 84.55.105, but the correct citation should be RCW 84.52.105.*

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## Affordable Housing Sales Tax

RCW 82.14.530, adopted by the legislature in 2015, authorizes counties (and cities and towns, subject to the restrictions below) to place a ballot proposition before the voters for a sales tax up to 0.1% for affordable housing and related services.

At least 60% of the revenue must be used for constructing affordable housing, constructing mental and behavioral health-related facilities, or funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided. The affordable housing and facilities may only be provided to people within specified population groups whose income is 60% or less of the county median income (see RCW 82.14.530(2)(b)).

The remaining funds must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

No more than 10% of the revenue may be used to supplant existing local funds.

- **For cities and towns in any county except King County:** If the county has not imposed the sales tax by October 9, 2017, any city or town within the county may submit such a sales tax to the voters. No county imposed this sales tax before the deadline, so now any city or town outside of King County may submit such a proposition to voters.
- **For cities and towns in King County:** If King County has not imposed an affordable housing sales tax by October 9, 2018, any city or town within the county may submit such a proposition to voters.

The ballot measure may be submitted at any special or general election, must clearly state the purposes for which the proposed sales and use tax will be used, and requires a simple majority for passage.

If a county imposes this tax after a city located within that county has imposed this tax, the county must provide a credit against its tax for the full amount imposed by the city.

## Example

- Ellensburg Resolution No. 2017-23 (2017) – Submitting 0.1% affordable housing sales tax to voters. Ellensburg was the first jurisdiction (city or county) to submit an affordable housing sales tax.
- Olympia Resolution No. M-1912 (2017) – Submitting 0.1% affordable housing sales tax to voters to establish the Olympia Home Fund
  - Ordinance No. 7127 (2018) – Following voter approval, sets effective date and directs city clerk to submit certified copy of the ordinance to state Department of Revenue pursuant to RCW 82.14.055

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## Multifamily Tax Exemption

Under RCW 84.14, Washington cities with a population of 15,000 or more may establish a tax exemption program to stimulate the construction of new, rehabilitated, or converted multifamily housing within designated areas, including affordable housing. (Additional cities as defined by RCW 84.14.010(3) may also be eligible.)

When a project is approved under a multifamily tax exemption program, the value of eligible housing improvements is exempted from property taxes, typically for 8 or 12 years. Land, existing improvements, and nonresidential improvements are nonexempt. Only multiple-unit projects with 4 or more units are eligible for either the 8- or 12-year exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible for the 12-year exemption.

If property use changes in a manner inconsistent with program requirements before the 8- or 12-year exemption ends, back taxes are recovered based on the difference between actual taxes paid and those that would have been paid without the tax exemption.

## Examples

- [Bellingham Municipal Code Ch. 17.82.030](#) — Provides 12-year tax exemptions for targeted residential areas
- [Issaquah Resolution No. 2017-15](#) (2017) — Notifying public of intent to designate a residential targeted area adjacent to the Issaquah Transit Center for the purpose of establishing a multifamily tax exemption program and facilitating the development of market-rate and affordable housing
- [Moses Lake Municipal Code Ch. 18.23](#) — Provides 8- and 12-year tax exemptions for targeted residential areas in the urban center
- [Spokane Municipal Code Ch. 8.15](#) — Offers 8- and 12-year exemptions for 9 targeted areas. Program set to expire in Dec. 2017
- [Tacoma Municipal Code Ch. 6A.110](#) — Offers 8- and 12-year exemptions for targeted residential areas
- [Wenatchee Municipal Code Ch. 5.88](#) — Offers 12-year tax exemptions for residentially deficient urban centers
- [Yakima Municipal Code Ch. 11.63](#) — Offers tax incentives for the downtown redevelopment zone

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## Inclusionary Zoning

Inclusionary zoning (IZ), also known as inclusionary housing, refers to municipal and county planning ordinances that require a given share of new construction to be affordable by people with low to moderate incomes.

Some local jurisdictions have adopted inclusionary zoning policies that require or encourage developers to set aside a percentage of the units in housing developments for low- and moderate-income residents. Most inclusionary housing programs offer density bonuses or other incentives to offset the developer's project costs and compensate for providing affordable units, which may otherwise yield reduced profits. This approach enlists private sector help in contributing to the affordable housing supply, and reduces segregation of affordable and market-rate housing.

## Examples of City Codes That Promote Bonus Density

- [Bellingham Municipal Code, Ch. 20.27](#) — Creates a demonstration program that offers a 50% density bonus if 100% of units are “provided and retained as permanently affordable owner-occupied homes”
- [Federal Way Zoning Code Sec. 19.110.010](#) — Multifamily projects over 25 units must provide affordable units and may then build bonus units. Single family developments have the option of reduced lot size in exchange for affordable units
- [Kirkland Municipal Code Title 23, Ch. 112](#) — All developments with over four units and located in certain zones must provide some affordable units. Bonus units as an incentive are an option in zones where affordable units are not required. Off-site provision of units or cash payments in lieu of affordable units are options, under certain circumstances
- [Marysville Municipal Code Ch. 22C.090](#) — Residential density bonus incentives available for permanently restricted, low-income rental units and low-income senior rental units. Also available for mobile home space for mobile homes displaced from closed parks

- [Poulsbo Municipal Code Sec. 18.70.070\(B\)](#) – A small city example of an affordable, low-income housing incentives program
- [Redmond Zoning Code Ch. 21.20](#) – Affordable housing is defined by up to 80% median income and housing developments over 10 units in specified planning areas must provide affordable units and may then build bonus units. Off-site provision of units or cash payments in lieu of affordable units and dimensional modifications are options. Includes affordable senior housing bonus program but all programs are subject to an affordable housing agreement
- [Seattle Housing Rule 01-2015](#) – Outlines the conditions by which affordable housing shall be provided to satisfy requirements for bonus nonresidential floor area
- [Shoreline Municipal Code Sec. 20.40.230](#) – Example of a simple density bonus code

## Examples of County Codes That Promote Bonus Density

- [King County's Affordable Housing Incentive Program](#) – Includes development incentives such as credit enhancement, density bonus program, fee waivers, and surplus property for affordable housing and other public benefits. [Code 21A.34](#) offers density bonuses ranging from 1-1.5 bonus units per benefit unit; for 100% affordable projects, the density allows 200% above the base
- [Pierce County Code Ch. 18A.65](#) – Offers expedited permit processing for all projects with low-income, affordable units. Financial and regulatory incentives that are available (subject to criteria) include expedited permit processing, fee waivers, bonus units, and alternative development standards. County assumes shared equity when units increase in value, which is recaptured at time of sale to fund price reductions for additional units
- [San Juan County Code Sec. 18.60.260](#) – Offers restrictive use easement to operators of affordable housing while [Code Sec. 18.30.200 \(D\)](#) offers a density bonus specifically for the density district of Doe Bay Hamlet Activity Center

## Out-of-State Examples

- [Boulder, CO Revised Code Ch. 9-13](#) – Mandatory inclusionary zoning requirements apply to even single-unit projects with alternative means of compliance offered. Interesting procedural details from a community that has long experience with this inclusionary program
- [Montgomery County, MD – Moderately Priced Dwelling Unit \(MPDU\) Program and related documents, agreements, and covenants](#) showcase one of the longest-lived, most sophisticated, and successful inclusionary programs around
- [Portland, OR Inclusionary Housing \(2017\)](#) – City code requires that all residential buildings proposing 20 or more units provide a percentage of the new units at rents affordable to households at 80% of the area median income
- [Sacramento, CA Zoning Code Ch. 17.704](#) – Offers an additional bonus for green, affordable housing and [Ch. 17.712](#) addresses mixed-income housing (with inclusionary housing component)
- [San Diego, CA Municipal Code Art. 2, Div. 13](#) – Comprehensive, carefully considered, inclusionary affordable housing regulations
- [San Luis Obispo County, CA Inclusionary Housing Ordinance](#) (enacted 2009, fully effective 2014)
- [San Mateo, CA – Below Market \(Inclusionary\) Program and the Below Market Rental Program](#)
- [Sarasota, FL Downtown Density Bonus and Attainable Housing Policy](#) – Includes a 2006 Comprehensive Plan Amendment, a study of inclusionary programs in other communities, and a feasibility model to analyze effects of

## Inclusionary Zoning Resources

- [Center for Housing Policy: After the Downturn: New Challenges and Opportunities for Inclusionary Housing](#) (2013)
  - Discusses major issues and opportunities facing inclusionary housing today
- **Lincoln Institute of Land Policy**
  - [Achieving Lasting Affordability through Inclusionary Housing](#) (2014) — A detailed report with many useful case studies.
  - [Inclusionary Housing](#) (2015) — Through a review of the literature and case studies, this report details how local governments are realizing the potential of inclusionary housing
- [Cornerstone Partnership: Inclusionary Housing Policy Design FAQs](#) (2015) — This short document covers issues to consider in developing an inclusionary housing policy
- [Urban Land Institute: Economics of Inclusionary Zoning](#) (2016) — This report assesses and illustrates the economics of inclusionary zoning on multifamily rental development

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## Innovative Housing Demonstration Programs

Several communities have established innovative housing demonstration projects or pilot projects to test how well cottage housing and other innovative housing types would address local housing needs and fit into the community. A demonstration program provides a trial period and opportunity to work out bugs in a program before fully committing to it. It can also help gain acceptance for a new housing program when a pilot project is successful.

## Examples of Innovative Housing Programs

- [Bellingham Municipal Code Ch. 20.27](#) — Calls for the use of alternative development standards and processes that are not currently allowed under existing land use regulation to promote affordable housing projects.
- [Kirkland Zoning Code Ch. 113](#) — Offers standards for cottage, carriage, and 2- or 3-unit homes. The city used a competitive processes and specific criteria to assess and compare the proposed projects before selection
- [Redmond Zoning Code Sec. 21.08.360](#) — Establishes a Residential Innovative (RIN) zone while [Sec. 21.08.070](#) establishes a specific, single-family, urban RIN, both of which promote affordable housing via the city's [Innovative Housing Program](#)

## Innovative Housing Resources

- [Kirkland's Innovative Housing Demonstration Program; An Evaluation Strategy](#) (2006) — This report, prepared by Janet Hyde-Wright, includes an evaluation of Kirkland's demonstration projects and discussion/lessons learned from cottage housing and other innovative housing programs in other communities such as Shoreline.
- [Puget Sound Regional Council: Housing Innovations Program](#) (2017) — This excellent housing toolkit profiles 49 tools, incentives, and strategies to promote affordable housing and smart growth, and also provides examples. The toolkit has five focus areas: urban centers, transit-oriented development, innovative single family techniques, expensive markets, and education and outreach. Also see PRSC's External Housing Resources links

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## Efficient Use of Housing

Many of our homes were built in an era of larger families and may provide more space than is really needed by today's average household (Washington's 2010 average household size was 2.51 persons per household). More efficient use of housing stock tends to promote smaller homes in denser neighborhoods.

There are many approaches a jurisdiction can use to promote more efficient use of housing including zoning in support of accessory dwelling units and small-lot development or the provision of fee waivers or tax exemptions that encourage developers to build more affordable housing units.

## Accessory Dwelling Units

Many cities and counties in Washington allow or encourage the development of accessory dwelling units (ADUs), which are small, self-contained residential units located on the same lot as an existing, single-family home. While the high cost of constructing a detached ADU may preclude it from being considered "affordable housing," allowing for a separate ADU within an existing residence will likely result in a new, affordable housing unit. For more information, see our page on [Accessory Dwelling Units](#).

## Examples of Codes Regulating ADU's

- [Redmond Community Development Guide Sec. 20C.30.80](#) – The code apparently is no longer in effect but offers an example of a provision for more efficient use of a larger home by allowing a limited number of rental rooms (without independent kitchen facilities)
- [Olympia Municipal Code Sec. 18.04.060](#) – Permits ADU's in all residential districts, subject to certain requirements and limitations
- [Bellingham Municipal Code Sec. 20.28.100](#) – Permits ADU's only in certain residential zones

## Small-lot Development

A number of communities have established some small lot zones with reduced minimum lots size requirements, which tend to reduce the cost of land associated with each residence and allow developments with more units per acre. Other local codes provide for attached housing, corner lot duplexes, cottage or clustered housing, or other more flexible arrangements that may prevent potential units from being lost due to constraints, such as a creek, or may allow a small increase in units without giving up a sense of open space.

## Examples of Codes Regulating Small-Lot Development

- [Everett Zoning Code Sec. 7.010](#) – Creates development standards for small-lot, single-family dwellings and duplexes
- [Kirkland Municipal Code Sec. 22.28.042](#) – Allows for small-lot, single-family dwellings in specific zones
- [Redmond Zoning Code Sec. 21.08.170](#) – Creates minimum required density and minimum average lot size
- [Seattle Municipal Code Ch. 23.43](#) – Creates a residential small lot district

## Out-of-State Examples of Small-Lot Development

- [Portland, OR Zoning Code Ch. 33.405](#) – Creates an alternative design density overlay zone and [Sec. 33.110.240](#) creates alternative development options, including duplexes on corner lots and zero lot-line development to bump up density or increase flexibility
- [Los Angeles CA Small Lot Ordinance](#) – This was selected for a HUD Best practices case study

- San Mateo, CA Shared Housing Program — In this program, cities and the county work closely with a private nonprofit to match home seekers with homeowners willing to board. Also includes a service exchange option for services in lieu of rent.

## Waivers of Fees or Standards

A number of communities have adopted exemptions, fee waivers, or fee reductions of charges normally assessed to residential development. Examples include impact fee exemptions (as authorized by RCW 82.02.060(2)), discounted building or planning fees, or reduced sewer and water connections fees. Other communities offer exemptions or reductions from certain development requirements, such as required parking spaces, or allow modification of dimensional requirements, such as setbacks and building height. Such modifications may make additional units possible or may provide flexibility that reduces construction costs.

## Examples of Codes Allowing Fees to Be Waived

- Ephrata Municipal Code Sec. 13.04.112(g) — Allows for water connection fee waiver while Sec. 13.08.050(f) allows for sewer connection fee waiver
- Everett Municipal Code Sec. 16.72.070 — Offers waiver of planning fees
- King County Code Sec. 21A.43.080 — Provides impact fee exemption/reduction for low- or moderate-income housing.
- Kirkland Zoning Code Sec. 112.20(4) — Includes dimensional standards modification as well as reduced fees for road and/or park impact, and reduced fees for eligible planning, building, plumbing, mechanical, and electrical permits
- Lakewood Municipal Code Sec. 18A.50.760 — Reduces fees for land use and building permits
- Port Townsend Municipal Code Sec. 13.03.110 — Offers system-development charge deferrals
- Puyallup Municipal Code Sec. 17.04.080(2) — Offers waiver of building permit fees

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## New Variations on Affordable Housing

### Microhousing

Microhousing (also called apodments) typically features small sleeping rooms (usually under 300 square feet) with private bathrooms and units grouped together in arrangements of up to 8, with a shared kitchen or common area. These units are generally less expensive than standard studio or 1-bedroom apartments. This type of housing is targeted at young, single professionals in their 20s and 30s.

Several jurisdictions in Washington State have experimented with some form of microhousing. The City of Seattle attempted to implement a microhousing program but, more recently, appears to have effectively regulated away any opportunity to build microhousing in favor of larger, small-efficiency dwelling units (SEDUs). Everett ordinance No. 4310-14 allowed for a microhousing pilot project on Trinity Lutheran College property. News reports indicate that Kirkland and Redmond have made provisions for microhousing as well. The update to the King County Comprehensive Plan (page 11, development code #3) recommends the use of microhousing in specific urban residential areas and commercial industrial zones and Shoreline Municipal Code Ch. 20.20 defines microhousing but at this time there is no zone designated to accept it.

### Green, Low-income Housing

With the recent emphasis on green construction and sustainable communities, developers and local governments are grappling with the challenge of providing affordable housing that incorporates green design principles. Here are a few resources on this topic.

- [Planning: Green Goes Mainstream in Low-Income Housing](#) (2013) — Focuses on the increasing adoption of green measures by low-income housing in the U.S. and discusses how the Low Income Housing Tax Credit (LIHTC) program has been a catalyst for the greening of affordable housing in the country. Concerns regarding the LIHTC are highlighted, including the high costs per dwelling unit
- [Washington State Housing Trust Fund: Evergreen Sustainable Development Standard](#) — A green building performance standard required of all affordable housing projects receiving capital funds

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## Recommended Resources

- [Association of Washington Cities and MRSC: Homelessness and Housing Toolkit for Cities](#) (2017) — Provides 18 real-world examples of tools and actions Washington cities have used in responding to the issues of homelessness and affordable housing
- [Bay Area Economics: Affordable Housing Best Practices and Funding Study](#) (2010) — Recommends affordable housing policies and funding sources in light of prevailing best practices in 18 economically competitive regions across the nation, including Seattle, Portland, San Francisco, and San Jose
- [National Housing Conference: Building Support for Affordable Housing: Perspectives from the Field](#) (2015) — Offers expert advice to help developers and advocates address one of the biggest hurdles to affordable housing project: the community engagement process
- [Washington Department of Commerce: Working to make safe, affordable housing accessible to all](#) — Provides state-based tools/programs ranging from capital funding for housing projects to homeless prevention programs
- **Urban Land Institute**
  - [Preserving Multifamily Workforce and Affordable Housing](#) (2015) — Profiles 16 innovative private sector financing solutions for preserving workforce and affordable rental housing in U.S. cities
  - [Ten Principles for Developing Affordable Housing](#) (2010) — Helps policy makers and community leaders understand the principles behind the production of affordable housing
  - [The cost of affordable housing: Does it pencil out?](#) — This online tool looks at the critical role government subsidies play in bridging the gap between housing development costs and projected rental income in creating and operating affordable housing
- [The Design Advisor: The Affordable Housing Design Advisor](#) — Helps the developers, sponsors, and users of affordable housing understand what constitutes quality design, why it is worth striving for, and how to achieve it in their own projects. Of particular note are the "20 Steps to Design Quality," which provide clear direction on where design considerations fit into the process of affordable housing delivery
- **The Enterprise Resource Center** — Offers materials on affordable housing finance best practices such as [low-income tax credits](#) or the [New Markets Tax Credit program](#). See particularly some of the Development Financing section publications such as [Financing Mechanisms for Affordable Housing](#).