



MEMORANDUM

Date: September 16, 2009

To: Planning Commission

From: Dawn Nelson, Planning Supervisor
Dorian Collins, Senior Planner

Subject: **ZONING CODE AMENDMENTS FOR AFFORDABLE HOUSING (File ZON09-00005)**

RECOMMENDATION

Staff recommends that the Planning Commission review and provide input on the recommendations identified in this memo. The text for proposed amendments will be presented at a public hearing before the Commission on November 12th.

BACKGROUND

The revised work program for this task, shown in Attachment 1, provides the schedule for additional planned meetings with the Houghton Community Council and the City Council. The work program outlines a schedule that would result in the amendments being adopted by the City Council by the end of 2009. Attachment 2 is a list of multifamily and mixed use zones where affordable housing amendments are being studied.

At the May meeting, the Commission asked for information about typical annual salaries for workers in various job classes. Attachment 3 is a breakdown of employment and average salaries by major job sector. While it appears that most jobs in Kirkland pay more than the King County median income for a single person (\$54,530 in 2006, when the data was collected), the breakdown by job sector is a bit misleading. Over half of the jobs reported in the Service sector are professional level jobs, such as in information technology, science, management, and health care. The remainder of the Service sector jobs are traditionally lower paying jobs in the accommodation and food services industries and administrative support fields. It is likely that the average salaries for these jobs are more like the average salaries for retail jobs. Attachment 4 shows how salaries for specific jobs compare to the income needed to afford housing.

There are two main issue areas for review and discussion with the Commission. Part I addresses general affordable housing incentives and requirements and Part II focuses on specific requirements in the Totem Lake Neighborhood and Rose Hill Business District.

I. Issue Areas – Affordable Housing Incentives

Minimum Amount of Affordable Housing Required

One of the primary questions when instituting a mandatory affordable housing program is what percentage of units in a development should be required to be affordable.

Recommendation: 10% of new housing in the identified zones be provided as affordable housing.

Rationale:

- The City's Multifamily Tax Exemption regulations, which provide significant value in offsetting the cost of providing affordable housing (discussed further on page 4), are currently written to require 10% of the units to be affordable to achieve an eight year tax exemption on the value of improvements.
- Both the Totem Lake and Rose Hill zoning regulations currently require 10% of the units to be affordable for development to access the height incentives.
- Ten percent of units should provide a significant affordable housing benefit to the City without being overly burdensome to individual developments.

Minimum Threshold for Requiring Affordable Housing

When affordable housing will be required with new development of projects including multifamily units, a decision must be made as to when the requirement should apply. The Planning Commission requested that staff explore the feasibility of having no minimum threshold, requiring affordable housing regardless of the size of the development.

Recommendation: Establish a minimum threshold of 4 new multifamily units before affordable housing requirements apply.

Rationale:

- Under State law, a minimum of four new units must be added in order for a project to be eligible for the Multifamily Tax Exemption. This allowance provides significant value in offsetting the cost of providing affordable housing (discussed further on page 4).
- Assuming a 10% affordable housing requirement, a 4-unit project would be required to provide 0.4 units of affordable housing (through a fee-in-lieu, discussed on page 4) and the density bonus would allow construction of one additional unit ($0.4 \times 2 = 0.8$, rounded up to 1 whole unit). This would represent a density increase of 25%, which is within

the scope of what is allowed to be developed without a zoning permit review under the current affordable housing incentives in KZC Chapter 112.

- Under State law, an increase in development capacity must be provided in order to require affordable units. For density limited properties in Kirkland, this means that at least one additional unit must be allowed. If no minimum threshold for requiring affordable units is established, 3 units would be allowed on properties that would normally allow 2 units to be built, a density increase of 50%. Four units would be allowed on properties that would normally allow 3 units to be built, a density increase of 33%. This amount of density increase exceeds the threshold established in the current affordable housing incentives in KZC Chapter 112 for approval without a zoning permit. The zoning permit requirement would need to be eliminated if affordable housing were required. When the incentives were developed, neighborhood representatives were not comfortable with this level of density increase without a public process.

Affordability Level

Kirkland's current incentives for affordable housing require that rental units be made affordable to those earning no more than 50% of the King County median income, adjusted for household size, and that for sale units be made affordable to those earning no more than 70% of King County median income. The City chose to be aggressive in its requirements in exchange for what was considered a generous package of incentives that offset the cost of providing units at these affordability levels. A summary of the updated economic analysis of the cost of providing affordable units compared to the value of the incentives that the City can provide in exchange is included in Attachment 5. A sample of the full economic analysis is included in Attachment 6. Staff has begun reviewing the economic analysis with individual developers and land owners and will summarize the results of those conversations at the meeting on September 24th.

Recommendation: Require that rental affordable housing units be affordable to households earning no more than 50% of median income. Reduce the Multifamily Tax Exemption incentive for the Totem Lake and Rose Hill Business Districts to 50%.

Require affordability at 80% of median income for ownership units in the Totem Lake and Rose Hill Business District zones where height increases are provided in exchange for affordable housing. Require affordability at 100% of median income for ownership units in other zones where density increases are provided in exchange for affordable housing.

Rationale:

- The economic analysis summary in Attachment 5 shows that the value of all available incentives for rental housing at 50% of median income, both

in the Chapter 112 (density bonus) and Totem Lake/Rose Hill (height bonus), results in a significant net benefit to the developer.

- The value of the density bonus for Totem Lake and Rose Hill is set at 3:1 in the economic analysis. This is a conservative estimate and in many cases the value of the height increase actually results in a density bonus of 5:1 or 6:1. This would add incentive value of \$70,000 to \$105,000 to the bottom line.
- The Multifamily Tax Exemption provides a significant benefit to the owner of rental property. However, it does result in the loss of revenue for the City. The value of the exemption could be reduced where it is not needed to offset the cost of providing affordable housing.
- Because the value of the 8 year Multifamily Tax Exemption accrues to the owner of the unit and not the developer, the economic analysis summary shows that the remaining incentives provide a significant benefit to the developer only at higher income levels.

Alternative Compliance

Both a fee-in-lieu of providing affordable housing units on site and providing affordable housing units at a different location within the City are examples of alternative ways to comply with the affordable housing requirements. The Planning Commission indicated that they were interested in allowing a fee-in-lieu of affordable units as long as the program encourages actual construction of units where feasible. Providing affordable units at another location in Kirkland is already allowed in KZC Chapter 112.

Recommendation: Allow a fee-in-lieu payment only for portions of affordable units that are less than 0.66 units. Require rounding up to the next whole number of units and actual construction of affordable units, either on-site or off-site within the City, when the calculated number of required affordable units results in a fraction of 0.66 or more. Continue to allow other forms of alternative compliance as currently outlined in KZC Chapter 112.

Rationale:

- This mechanism is intended to provide equity and balance in the system – equity for developers and balance for the City. Without alternative compliance, smaller projects where less than a whole affordable unit would be required would either have to provide a greater percentage of affordable units or be given a greater density bonus to offset providing a whole affordable unit. This could result in a greater impact on surrounding properties.

- 0.66 is consistently established in the KZC as the rounding point for multifamily units.
- Allowing a fee-in-lieu only for fractions of units that are less than 0.66 will encourage the construction of actual affordable units in the City.
- Providing for alternative compliance allows developers to propose methods of creating affordable units that would provide an affordable housing benefit to the City that is equal to or better than that which would be achieved by providing the units on-site. Planning Director approval is currently required for alternative compliance.

Non-Conformance Threshold

Whenever a new requirement is established, a threshold needs to be set for when existing developments would need to comply with that requirement. The Planning Commission indicated that conformance with affordable housing requirements should occur whenever a project was undergoing significant work and the cost of the work exceeded 50% of the replacement cost of the project. However, this approach does not take into account whether there is room on an already developed property for additional units to be placed. An increase in development capacity must be provided when the City is imposing affordable housing requirements.

Recommendation: Require the affordable housing regulations to apply whenever at least four new multifamily units are being added to a development. The affordable housing requirement should apply only to the new units being added.

Rationale:

- This approach establishes a consistent approach for the addition of new multifamily units in zones where affordable housing is required.

Condominium Conversion

Condominium conversions can result in the loss of affordable housing when market rate rental units are upgraded and converted to condominiums. When we discussed the affordable housing regulations in May, the Planning Commission expressed an interest in connecting an affordable housing requirement to condominium conversions. However, an increase in development capacity must be provided when the City is imposing affordable housing requirements. The process of converting rental units to condominium units does not typically involve the creation of any additional dwelling units.

The Municipal Research and Services Center of Washington website includes the following summary of the State Condominium Conversion regulations:

There is only a limited ability of a city to restrict the conversion of condominiums. [RCW 64.34.050](#), enacted in 1989, limits the ability of a city to regulate these conversions. It provides that no city ordinance may prohibit the condominium form of ownership or impose any requirement on a condominium which it would not impose on a physically identical development under a different form of ownership.

There are certain protections in state law for tenants in conversion situations, such as requiring at least 120-day notice to vacate and also a first right to purchase. In addition, cities may require a housing code inspection, the correction of housing code violations before closing, a one-year warranty on housing code violation repairs, a one-year escrow deposit equal to 10 percent of the cost of housing code violations, and a relocation assistance in an amount to be determined by the city or county, which may not exceed a sum equal to three months of the tenant's or subtenant's rent at the time the conversion notice payable to low income tenants. Elderly or special needs tenants may receive a greater amount of relocation assistance as provided in RCW 64.34.440(6)(e)(ii) ([RCW 64.34.440](#).) Otherwise, state law preempts cities from enacting local condominium conversion ordinances. Cities and counties planning under GMA which have allowed any conversion condominiums within the jurisdiction within the previous 12 month period, must report annually to the Department of Commerce.

See the following sample condominium conversion ordinances:

Seattle - [Ch.22.903](#)

Issaquah - [Ch. 16.10](#)

Redmond - [Ch. 16.04](#)

Woodinville - [Ch. 17.03](#)

Of the four sample ordinances listed, only Seattle addresses affordable housing and it does so by including a provision for relocation assistance.

Recommendation: Explore with other City departments the pros and cons of establishing a Condominium Conversion ordinance within Kirkland with the purpose of requiring relocation assistance for low income, elderly and special needs tenants.

Rationale:

- Dedication of affordable units cannot be required during the condominium conversion process, but relocation assistance for low income, elderly and special needs tenants could provide a benefit to Kirkland residents that are displaced during the process.
- Kirkland does not currently regulate condominium conversions. Adding a process to do so would involve review by several different departments. The impacts and benefits of doing so should be explored.

II. Issue Areas – Totem Lake and Rose Hill Business District

The zones in which these amendments are proposed (see [Zoning Map](#) and Attachment 2a) do not have density restrictions, so incentives are generally related to building height. The direction and preliminary proposal for changes in each zone is discussed in this section. (When “affordable housing” is required in the zoning regulations, the units must meet the definitions for affordability set forth in the Zoning Code).

Totem Lake Zones

TL 1A and TL 1B

In these Totem Center zones, existing regulations encourage affordable housing through providing significant height incentives. In both zones, residential development is limited to 30 feet in height, but may rise as high as 160 feet if 10% of the units are provided as affordable housing (among other considerations).

- ❖ *Proposed amendment: Require all residential development, including new development up to 30 feet in height, to provide 10% of the total units as affordable housing.*

TL 4A, 4B and 4C

Since these are commercial zones designed to retain commercial uses, residential use is allowed only in a mixed use development. It is limited to no more than 10% of the ground floor of a structure. Still, the regulations include an incentive for residential use (without regard to affordability), by providing a maximum height of 45’ for mixed use development with at least one full story of the building dedicated to residential use. Structures that do not provide this amount of residential use are restricted to 35’ in height.

The three TL 4 subareas abut I-405 on both the east and west. Beyond these zones, lie broad areas zoned for commercial and mixed-use. Discussion at the Planning Commission meeting in August touched on the concept of increased building heights in this area, and comments from Commissioners indicated that impacts from greater building heights in the range of that allowed in several other Totem Lake zones would likely be minimal, but would provide a substantial incentive for the development of additional affordable housing.

- ❖ *Proposed amendment: Revise the existing height incentive to allow development up to 65’ in height (with at least three full stories of residential use), but require that at least 10% of all residential units be affordable.*

TL 6A, B

Affordable housing is encouraged through existing regulations in these zones. A height “bonus” of 30 feet above the maximum height limit for other uses is available to residential

developments that provide 10% of their units as affordable housing. This option is available for mixed use development as well, if at least three floors of the development are devoted to residential use.

- ❖ *Proposed amendment: Revise the existing regulations to require a set-aside of 10% of the housing units in all residential and mixed-use development to be affordable, regardless of building height.*

TL 8

Provisions for residential use in this zone are similar to those in the TL 4 zones, in that ground floor residential use is not allowed in a portion of the zone in order to retain commercial activity. In addition, a 10' height bonus is available for residential or mixed use structures, for a maximum height of 45' for these uses, while other uses are limited to 35' in height.

Since the TL 8 zone is located adjacent to the Totem Lake Mall, greater building heights in this area would be generally consistent with those allowed nearby. In addition, since the TL 8 zone abuts Totem Lake itself and associated wetlands, development on most sites in the zone are constrained by required buffers. Provisions for increased building height would provide additional flexibility for development in the area. ***Staff requests direction from the Planning Commission regarding the appropriate height increase for this zone.***

- ❖ *Proposed amendment (pending direction from Planning Commission): Revise the existing height incentive to allow development up to 65' in height (with at least three full stories of residential use), but require that at least 10% of all residential units be affordable.*

TL 10B, 10C and 10D

Although residential use is allowed in these zones, geographic restrictions limit where "stand-alone" housing may be built (see Attachment 7). At the meeting in August, the Commission discussed the history of these "stand-alone" restrictions in the "Parmac" area. The existing Zoning Code regulations were developed by the City Council to allow residential use and encourage affordable housing, while simultaneously preserving much of the area for redevelopment for office and high tech uses.

Attachment 8 presents an analysis of the expected employment and residential dwelling units under two scenarios: the existing regulations and alternative provisions that would allow for expansion of the "stand-alone" housing throughout the subareas. Under the alternative provisions, the number of jobs drops by 341 (from .07% of the city's total employment to .05% of total employment citywide). The total number of housing units in these zones rises by 164 units under the alternative assumptions (an increase of .03% in the share of the citywide housing units derived from these zones). The analysis is useful in evaluating the impact that these Code changes would have on citywide targets.

The impact of increased residential development on the vision for Parmac as a primarily office area is difficult to assess. The amendments discussed below include an option that could be considered for TL 10D, where the bulk of office development is anticipated, (along with TL 10E, where no residential use is allowed). If the stand-alone provisions were not expanded in TL 10D, the opportunities for office development in the area would be minimally changed by these amendments. Staff recommends that no change be made in the TL 10D zone at this time to allow more time for the economy to recover and the vision for expanded office and high technology uses to be realized.

TL 10B:

- ❖ *Proposed amendment: Revise the existing regulations to allow both stand-alone residential use and mixed-use development east of the 118th Avenue NE right-of-way alignment.*

TL 10C:

- ❖ *Proposed amendment: Revise the existing regulations to allow stand-alone residential use throughout the zone.*

TL 10D:

- ❖ *Proposed amendment:*
 - *Option 1: Revise the existing regulations to allow stand-alone residential use throughout the zone.*
 - *Option 2 (recommended by staff): No change.*

Rose Hill Business District Zones

The subareas along NE 85th Street provide incentives for affordable housing in a similar way to the Totem Lake zones (see [Zoning Map](#) and Attachment 2a). In the five zones discussed in this section, varying increases in building height are available when different objectives for the area are achieved. Where height incentives for affordable housing are provided, 10% of the residential units built must be affordable, as in the Totem Lake zones.

RH 1A and RH 2A:

Since the ground floor of all structures in these zones must contain retail (or hotel/motel) uses, any residential use would be in a mixed-use development. The existing regulations do not contain a mixed use listing, however, and therefore do not require that the additional building height be devoted to residential use. The existing provisions for height increases for the stacked dwelling unit use listing allow for an increase from 35' to 67' if a minimum of 10% of the residential units are affordable housing. Staff recommends that the language regarding mixed use be clarified when the affordability provisions are expanded as part of this project.

- ❖ *Proposed amendment: Revise the "Attached and Stacked Dwelling Units" use listing to clarify that it applies to developments containing attached or stacked dwelling units and other uses. Add a new special regulation requiring that at least three full stories of residential use must be provided to*

be granted the increased height, and require that at least 10% of all residential units be affordable, regardless of building height.

RH 2B:

Stand-alone residential development is allowed in RH 2B. The regulations provide an incentive of 20 additional feet in building height, from 35' to 55'.

- ❖ *Proposed amendment: Revise the existing height incentive to require that at least 10% of all residential units be affordable, regardless of building height.*

RH 3:

The vision for the RH 3 zone set forth in the Comprehensive Plan is for coordinated mixed-use development on a site of at least six acres. The Plan cites multifamily residential use among the mix of uses desired for the area. The Zoning Code regulations, however, do not include residential use within the mixed-use listing for this type of development. Staff believes the exclusion was an oversight in the drafting of the regulations, since the special regulations for the use listing include the requirement that affordable housing be provided where development takes advantage of the incentive allowing development to exceed 45' in height. Amendments for this zone should correct this error, as well as expand the requirements for affordability to all development containing residential use, in keeping with the objectives for this project.

The Comprehensive Plan language for the zone does not identify residential use as the preferred use for the zone, but rather one of the components of a mixed use development. Consequently, staff does not recommend restricting additional stories developed through the height incentive to residential use.

- ❖ *Proposed amendment: Revise the use listing for "Development containing retail establishments selling goods or providing services including banking and other financial services, restaurants, and taverns" to include "attached or stacked dwelling units". The regulations should also be revised to require that at least 10% of all residential units be affordable, regardless of building height.*

RH 7:

Residential development in RH 7 is restricted to 30' in height, unless it is included in mixed-use development and provides at least 10% of the units as affordable, in which case an additional 15' of building height is granted.

- ❖ *Proposed amendment: Revise the existing height incentive to require that at least 10% of all residential units be affordable, regardless of mixed use or building height.*

Attachments

1. Updated Work Program
2. List of Zoning Districts where Affordable Housing Requirements are being studied
- 2a. Maps of Totem Lake and Rose Hill Business Districts
3. Kirkland Jobs and Annual Wages by Job Sector
4. 2008 Salaries by Job
5. Summary of Economic Analysis of Affordability Incentives
6. Full Economic Analysis of Affordability Incentives
7. Map of Stand-Alone Housing Areas
8. TL 10 Analysis

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Work Program

Zoning Code Amendments – Housing Incentives

September 2009

Tasks	Dates
PC study of concepts for Zoning Code amendments	September 24, 2009
HCC study of concepts for Zoning Code Amendments	October, 2009
Issue SEPA Addendum	October, 2009
Public Open House <i>(Tentative)</i>	October, 2009
CTED 60 day review	October, 2009
HCC Courtesy Hearing	October/November, 2009
PC hearing on regulations	November 12, 2009
Council review	December 1, 2009
Council action	December 15, 2009

cc: ZON09-00005

Multifamily and Mixed Use Zones
Where Affordable Housing Requirements are Being Studied

RM 1.8, 2.4, 3.6, 5.0	TL 1A
PR 1.8, 2.4, 3.6, 5.0	TL 1B
WD I	TL 4A
WD III	TL 4B
PLA 2	TL 4C
PLA 3A	TL 5
PLA 3B	TL 6A
PLA 5A	TL 6B
PLA 5B	TL 8
PLA 5C	TL 9B
PLA 5D	TL 10B
PLA 5E	TL 10C
PLA 6A	TL 10D
PLA 6B	TL 11
PLA 6D	NRH 5
PLA 6F	NRH 6
PLA 6H	RH 1A
PLA 6I	RH 2A
PLA 6J	RH 2B
PLA 6K	RH 2C
PLA 7A	RH 3
PLA 7B	RH 4
PLA 7C	RH 7
PLA 9	MSC 1
PLA 15A	MSC 4
PLA 15B	
PLA 17	
PLA 17A	
JBD 3	
JBD 4	
JBD 5	
JBD 6	

KIRKLAND JOBS AND ANNUAL WAGES BY SECTOR

	Construction, Resources	Finance, Insurance, Real Estate	Manufacturing	Retail	Services	Wholesale Trade, Transportation, Warehousing, Utilities	Government	Education	Total
Number of Jobs¹	2,902	2,204	1,426	3,882	15,830	1,463	3,778	1,232	32,717
% of Jobs	8.9%	6.7%	4.4%	11.9%	48.4%	4.5%	11.5%	3.8%	
Average Annual Wage²	\$58,500	\$66,600	\$63,700	\$34,900	\$64,100	\$85,300			
% of King County Median Income³	107.3%	122.1%	116.8%	64.0%	117.5%	156.4%			

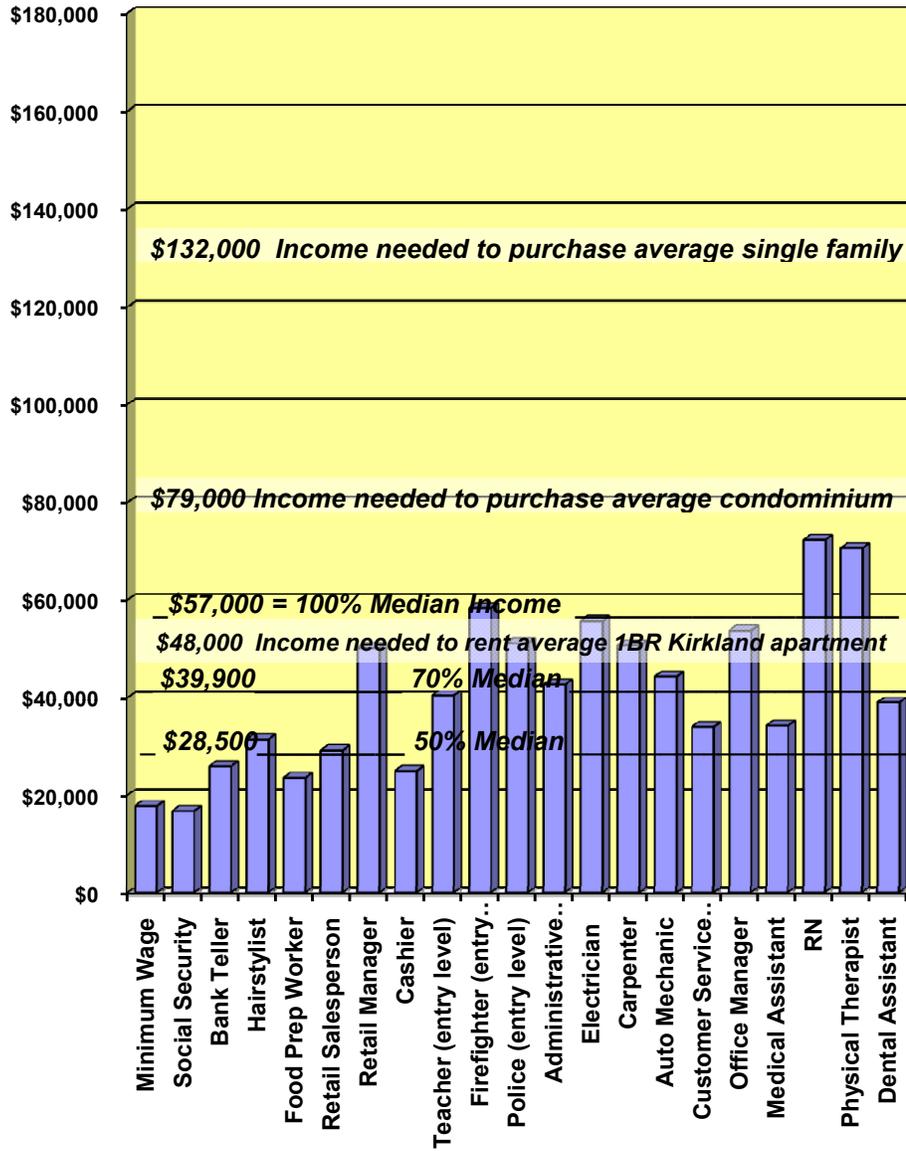
¹Data from 2008 Puget Sound Regional Council Covered Employment Estimates.

These employment estimates are based on the Washington State Employment Security Department's (ESD) Quarterly Census of Employment and Wages (QCEW) series (formerly known as ES-202). This series consists of employment for those firms, organizations and individuals whose employees are covered by the Washington Unemployment Insurance Act. Covered employment excludes self-employed workers, proprietors, CEOs, etc., and other non-insured workers. Typically, covered employment has represented 85-90% of total employment. The employment data represents the number of jobs during March of the given year. Note that this includes part-time and temporary employment, and if a worker holds more than one job, each job would appear in the database.

²Data from 2006 Puget Sound Regional Council Average Annual Wage by Sector, as reported in the Washington Research Council Policy Brief "Seattle's Lost Decade" PB 09-01, August 10, 2009. Wages for Government and Education sectors not reported.

³2006 King County Median Income for one person was \$54,530.

2008 Salaries by Job Comparison to Median Income and Income Needed to Afford Housing



Source: Seattle-Bellevue-Everett MSA Mean Wage Estimates for May 2007
 9/17/2009 H:\Pcd\PLANNING MEETING PACKETS\Planning Commission\September 24, 2009\Affordable
 Housing\04_Salaries by Job 2008

Exhibit 1 -- 2008 SAMPLE OF SALARIES

Median Income (for family of four) \$81,400 = \$39.13/hour
Median Income (for family of one) \$57,000 = \$27.40/hour

	FAMILY OF FOUR	ONE PERSON
80% Median Income	\$61,500 = \$29.57/hour	\$43,050 = \$20.70/hour
50% Median Income	\$40,700 = \$19.57/hour	\$28,500 = \$13.70/hour
30% Median Income	\$24,400 = \$11.73/hour	\$17,100 = \$8.22/hour

Job Category	Hourly Wages ¹	Annual Wages (rounded) ²
GENERAL		
Minimum Wage	\$8.55	\$17,780
SSDI Recipient ³ (disability)	N/A	\$13,480
Social Security Recipient (retirement)	N/A	\$16,770
SERVICES		
Teller	\$12.49	\$25,980
Butcher and Meat Cutter	\$20.42	\$42,470
Hairstylist	\$15.06	\$31,330
Food Prep Worker	\$11.38	\$23,670
Maids and Housekeeping	\$11.18	\$23,250
RETAIL		
Retail Salesperson	\$14.03	\$29,190
Retail Manager	\$24.17	\$50,280
Cashier (Grocery Clerk)	\$12.05	\$25,050
EDUCATION*		
Teacher (entry level)	\$19.46	\$40,470
Teacher (top)	\$37.80	\$78,620
CITY⁵		
Firefighter (entry level)	\$28.05	\$58,350
Police (entry level)	\$23.66	\$51,220
Administrative Assist. (entry level)	\$20.61	\$42,870
TRADES		
Electrician	\$26.80	\$55,740
Carpenter	\$24.42	\$50,790
Equipment Operators	\$26.30	\$54,710
Mechanic (auto)	\$21.38	\$44,480
OFFICE		
Office Manager	\$25.86	\$53,790
Bookkeeping, Accounting	\$17.84	\$37,110
Accountant (advanced)	\$31.35	\$65,210
File Clerk	\$13.39	\$27,860
Customer Service Representative	\$16.29	\$33,880
Office Machine Repairer	\$20.67	\$42,990
HEALTH CARE		
Medical Assistant	\$16.41	\$34,130
RN	\$34.79	\$72,370
Physical Therapist	\$33.99	\$70,700
Dental Assistant	\$18.72	\$38,940

¹ Source: Seattle-Bellevue-Everett MSA Mean Wage Estimates for May 2007

² Annual salary = 2,080 hours

³ Social Security information current to 2007: Sources

<http://www.ssa.gov/policy/docs/statcomps/supplement/2008/5d.html>

<http://www.ssa.gov/policy/docs/statcomps/supplement/2008/5b.html#table5.b1>

⁴ Mercer Island Contract Pay Schedule BA+0 first year, PHD 16 yrs, for 2008-2009

⁵ Source: 2007 City of Bellevue Pay Plan

⁶ <http://www.ini.wa.gov/workplacerrights/wages/minimum/default.asp> downloaded 3/13/09

Summary of Economic Analysis of Affordable Housing Incentives

CHAPTER 112 SCENARIOS (2:1 DENSITY BONUS)

RENTAL	Affordability Level as % of Median Income			
	50%	60%	70%	80%
Cost of Affordable Unit	\$162,500	\$130,400	\$98,300	\$66,200
Incentives				
Density Bonus	\$80,000	\$80,000	\$80,000	\$80,000
Fee Waivers	\$12,681	\$12,681	\$12,681	\$12,681
Reduced Parking	\$6,175	\$6,175	\$6,175	\$6,175
Smaller Units	\$0	\$0	\$0	\$0
Increased Profits	\$13,514	\$13,514	\$13,514	\$13,514
Value of Incentives	\$112,370	\$112,370	\$112,370	\$112,370
Remaining Gap	\$50,130	\$18,030	(\$14,070)	(\$46,170)
Value of 8 Year MF Tax Exemption ¹	\$98,783	\$98,783	\$98,783	\$98,783
Gap After Tax Exempt	(\$48,653)	(\$80,753)	(\$112,853)	(\$144,953)

¹Exemption applies to all units and accrues to property owner

OWNERSHIP	Affordability Level as % of Median Income			
	70%	80%	90%	100%
Sales Price Gap	\$156,000	\$128,500	\$101,100	\$73,900
Incentives				
Density Bonus	\$80,000	\$80,000	\$80,000	\$80,000
Fee Waivers	\$12,681	\$12,681	\$12,681	\$12,681
Reduced Parking	\$6,175	\$6,175	\$6,175	\$6,175
Smaller Units	\$0	\$0	\$0	\$0
Increased Profits	\$13,514	\$13,514	\$13,514	\$13,514
Value of Incentives	\$112,370	\$112,370	\$112,370	\$112,370
Remaining Gap	\$43,630	\$16,130	(\$11,270)	(\$38,470)
Value of 8 Year Tax Exemption ²	\$9,878	\$9,878	\$9,878	\$9,878
Gap After Tax Exem	\$33,752	\$6,252	(\$21,148)	(\$48,348)

²Exemption only applies to affordable units and accrues to owner of unit

TL/RHBD SCENARIOS (MIN. 3:1 DENSITY BONUS)

RENTAL	Affordability Level as % of Median Income			
	50%	60%	70%	80%
Cost of Affordable Unit	\$134,600	\$102,500	\$70,400	\$38,300
Incentives				
Density Bonus	\$105,000	\$105,000	\$105,000	\$105,000
Fee Waivers	\$4,757	\$4,757	\$4,757	\$4,757
Reduced Parking	\$2,100	\$2,100	\$2,100	\$2,100
Smaller Units	\$0	\$0	\$0	\$0
Increased Profits	\$24,612	\$24,612	\$24,612	\$24,612
Value of Incentives	\$136,469	\$136,469	\$136,469	\$136,469
Remaining Gap	(\$1,869)	(\$33,969)	(\$66,069)	(\$98,169)
Value of 8 Year MF Tax Exemption ¹	\$88,229	\$88,229	\$88,229	\$88,229
Gap After Tax Exempt	(\$90,098)	(\$122,198)	(\$154,298)	(\$186,398)

¹Exemption applies to all units and accrues to property owner

OWNERSHIP	Affordability Level as % of Median Income			
	70%	80%	90%	100%
Sales Price Gap	\$133,200	\$105,700	\$78,300	\$51,100
Incentives				
Density Bonus	\$105,000	\$105,000	\$105,000	\$105,000
Fee Waivers	\$4,757	\$4,757	\$4,757	\$4,757
Reduced Parking	\$2,100	\$2,100	\$2,100	\$2,100
Smaller Units	\$0	\$0	\$0	\$0
Increased Profits	\$24,612	\$24,612	\$24,612	\$24,612
Value of Incentives	\$136,469	\$136,469	\$136,469	\$136,469
Remaining Gap	(\$3,269)	(\$30,769)	(\$58,169)	(\$85,369)
Value of 8 Year MF Tax Exemption ¹	\$7,388	\$9,709	\$11,609	\$10,142
Gap After Tax Exem	(\$10,657)	(\$40,478)	(\$69,778)	(\$95,511)

²Exemption only applies to affordable units and accrues to owner of unit

**ECONOMIC ANALYSIS OF AFFORDABILITY INCENTIVES
KIRKLAND:**

I. IMPACT OF PROVIDING AFFORDABLE UNITS

A. RENTAL HOUSING

GENERAL AFFORDABILITY BONUS

TOTEM LAKE AFFORDABILITY BONUS

	WEIGHTED AVERAGE: Based on Unit Mix:		WEIGHTED AVERAGE: Based on Unit Mix:	
	Studio 10%	1 Bedroom 55%	Studio 10%	1 Bedroom 55%
	2 Bedroom 35%		2 Bedroom 35%	
MARKET RENTS				
Monthly Market Rent	\$ 1,689	\$ 1,689	\$ 1,538	\$ 1,538
Income Affordability				
Annual Income				
% King County Median Income				
Average Unit Size	\$ 755	\$ 755	\$ 755	\$ 755
Rent Per Square Foot	\$ 2.25	\$ 2.25	\$ 2.05	\$ 2.05
King County Median Income	\$ 84,300			
Utility Allowance				
AFFORDABILITY OBJECTIVE				
Income Level Serving				
Hourly				
Annual				
% of median	50%	60%	50%	60%
Corresponding Affordable Rent	\$ 809	\$ 983	\$ 809	\$ 983
GAP / INCENTIVE VALUE (PER UNIT)				
Monthly Rent Gap (market rent - affordable rent)	\$ 880	\$ 706	\$ 729	\$ 555
Cap Rate	6.5%	6.5%	0	0
Present Value	\$ 162,518	\$ 130,419	\$ 134,641	\$ 102,542
B. OWNERSHIP HOUSING				
MARKET SALES PRICE				
Market Sales Price	\$ 319,375	\$ 319,375	\$ 296,563	\$ 296,563
Size (square feet)	\$ 913	\$ 913	\$ 913	\$ 913
Price per square foot	\$ 350	\$ 350	\$ 325	\$ 325
AFFORDABILITY OBJECTIVE				
Income Level Serving				
Hourly				
Annual				
% of median	70%	80%	70%	80%
Corresponding Affordable Sales Price	\$ 163,370	\$ 190,840	\$ 163,370	\$ 190,840
(assumes 10% down, 5.5% mortgage rate, homeowner dues of approximately \$175 - \$225, property tax rate: .85%.)				
GAP / INCENTIVE VALUE (PER UNIT)				
Sales Price Gap per Unit	\$ 156,005	\$ 128,535	\$ 133,193	\$ 105,723

II. VALUE OF PUBLIC INCENTIVES (Higher Density / Mixed Use Housing)

INCENTIVES (Value Per Affordable Unit)

WEIGHTED AVERAGE: Based on Unit Mix:

WEIGHTED AVERAGE: Based on Unit Mix:

Development Capacity Incentives

Per Unit Land Cost	\$ 40,000	\$ 40,000
Total Bonus per affordable unit	2.0	2.0
Value of Density Bonus	\$ 80,000	\$ 80,000

\$ 35,000	\$ 35,000
3.0	3.0
\$ 105,000	\$ 105,000

Permitting/Fee Costs

Impact Fee Waivers (60% median for rental / 80% median for ownership)

Transportation	\$ 2,242	\$ 2,242
Parks	\$ 2,515	\$ 2,515
Schools	\$ -	\$ -
Utility Hook-up Fees	\$ 3,912	\$ 3,912

\$ 2,242	\$ 2,242
\$ 2,515	\$ 2,515

Land Use/Building Permits Provisions don't appear to apply to affordable units in Totem Lake.

Permit Fees (Per Unit)	\$ 2,006	\$ 2,006
Impact Fees (Per Unit)	\$ 8,669	\$ 8,669
Units exempted per affordable unit	2.0	2.0
Value of Fee Waivers	\$ 12,681	\$ 12,681

\$ -	\$ -
\$ 4,757	\$ 4,757
-	-
\$ 4,757	\$ 4,757

Reduced Parking

Cost Per Stall	\$ 12,350	\$ 30,000
Parking Reduction per unit	0.50	0.50
Value Reduced Parking	\$ 6,175	\$ 15,000

\$ 12,350	\$ 30,000
0.07	0.07
\$ 865	\$ 2,100

Smaller Units

Reduced Size (square feet)	-	-
Hard Costs per square foot (savings)	\$ 130	\$ 130
Soft Costs (as percent of hard cost)	30%	30%
Value of Smaller Units	\$ -	\$ -

-	-
\$ 130	\$ 130
30%	30%
\$ -	\$ -

Increased Profits

A. Profit (8% of 100x monthly rent): 8%	\$ 13,514	\$ 13,514
Additional Bonus Units	1.0	1.0
Value Increased Profit	\$ 13,514	\$ 13,514

\$ 12,306	\$ 12,306
2.0	2.0
\$ 24,612	\$ 24,612

Soft Cost Savings

Undetermined Undetermined

Undetermined Undetermined

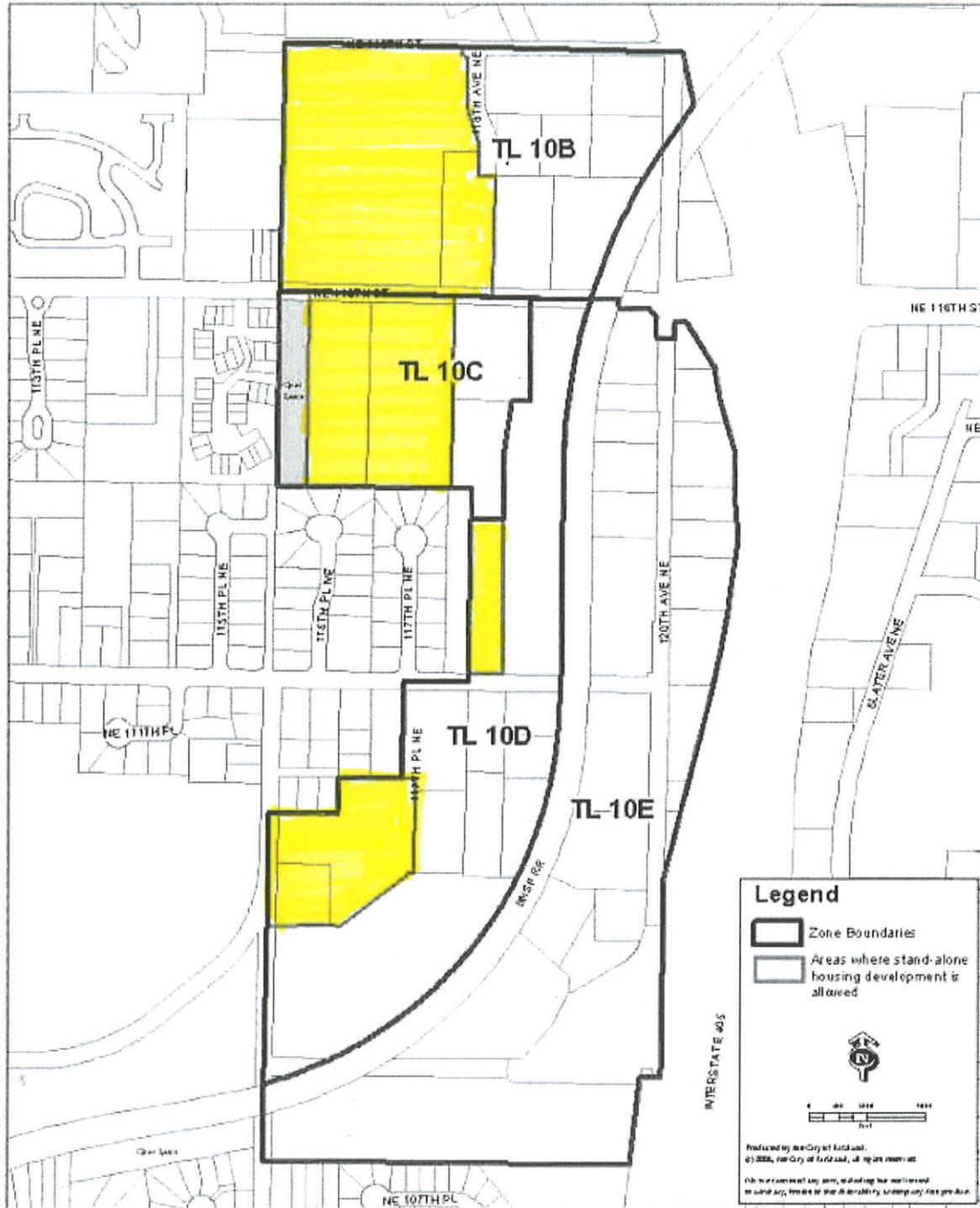
SUB-TOTAL	\$ 112,370	\$ 121,195
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\$ 135,234	\$ 136,469
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Property Tax 8 Year Exemption

Tax Rate (Per \$1,000)	\$ 7.35	\$ 7.35
Improvement Value Per Unit	\$ 234,000	\$ 234,000
Annual Tax Saving per Exempt Unit	\$ 1,719	\$ 1,719
Discount Rate	8.0%	8.0%
Present Value per Exempt Unit	\$ 9,878	\$ 9,878
Ratio of Exempt Units to Affordable Units	10.0	10.0
Present Value per Affordable Unit	\$ 98,783	\$ 98,783

\$ 7.35	\$ 7.35
\$ 209,000	\$ 209,000
\$ 1,535	\$ 1,535
8.0%	8.0%
\$ 8,823	\$ 8,823
10.0	10.0
\$ 88,229	\$ 88,229



TL 10 Analysis – Changes to Stand-Alone Housing Regulations						
	Capacity Current Assumptions	Total # of Employees in Zone	Total # of Units in Zone	Alternative Assumptions	Total # of Employees in Zone	Total # of Units in Zone
TL 10B	80% office (.75 FAR), 20% resid. (50 d.u./ac)	360.8	35.4	50% office (.75 FAR), 50% resid. (50 d.u./ac)	258.1	77.96
TL 10C	80% office (.75 FAR), 20% resid. (50 d.u./ac)	295.6	46.8	50% office (.75 FAR), 50% resid. (50 d.u./ac)	141	117.1
TL 10D	90% office (1.0 FAR), 10% resid. (75 d.u./ac)	271.5	12.7	50% office (1.0 FAR), 50% resid. (75 d.u./ac)	188.3	63.43
Sub Total for TL 10 B, C, D		927.9	94.9		587.4	258.49
Total Units or Employees in City		12,429.7	4,649.3		12,089.2	4,812.9
% TL to City		0.07	0.02		0.05	0.05