



Middle Housing Affordability
Opportunities in East King County:
*Analysis, Policy Recommendations
and Considerations for Local
Implementation of HB 1110*

A Regional Coalition for Housing

June 2024

Executive Summary

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Executive Summary

In recent years, policymakers in Washington State have increasingly recognized the connections between zoning and land use regulations, housing affordability and access, and racially disparate and exclusionary impacts of such regulations. In 2021, the State directed local jurisdictions to identify and take steps to undo these impacts, with additional 2023 statewide requirements imposed by HB 1110 to change single-family zoning districts, which have contributed to communities remaining exclusive and unaffordable to a majority of residents.

One-Time Opportunity to Expand Affordable Homeownership Opportunities

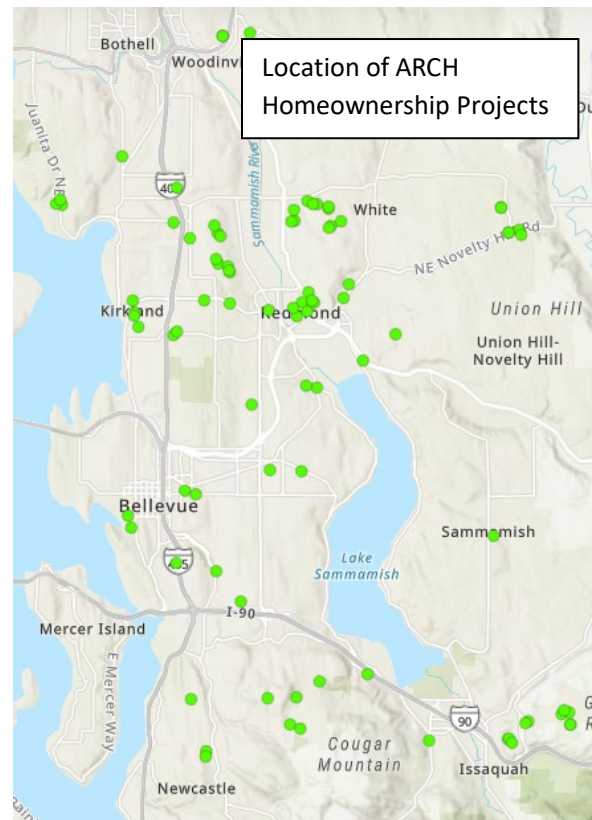
Low density single-family zoning currently encompasses the majority of residential areas in ARCH member jurisdictions, and development regulations in these areas that limit density and incentivize large single-family homes play an important role in the creation of extremely unaffordable housing outcomes. The result has led to the exclusion of most economic segments of the population from access to homeownership opportunities in East King County. Like other statewide mandates, HB 1110 has inherent challenges and does not offer a one-size fits all solution to housing affordability, but if implemented thoughtfully, it **offers a rare opportunity for local jurisdictions to promote greater housing diversity, affordability, and inclusion across their communities.** This is especially timely in light of state and countywide planning policies requiring all ARCH members to plan for and accommodate housing, in unprecedented numbers, affordable to middle- and lower-income households.

Building on a Successful Model

Local governments in Washington have long had authority to require affordable housing when increasing development capacity (i.e., density) for landowners, and HB 1110 extends that opportunity to middle housing. For more than three decades, ARCH has supported member jurisdictions to successfully develop and implement local affordable housing programs and policies through this approach, helping to create thousands of affordable rental units, and roughly 800 affordable ownership homes, all produced without direct public subsidy. These homes are stewarded by ARCH under a shared equity program model that has distributed the benefits of homeownership to thousands of households.

"ARCH helps create more equity and diversity in neighborhoods and truly helps create community by giving 'more affordable home choices' to us in a very inflated Seattle real estate market."

-Bellevue School District teacher and single parent who was struggling to find an affordable place to live near work before purchasing an ARCH home



Under HB 1110, all ARCH member cities will increase the development potential of most of their residential zoned areas. Therefore, **ARCH encourages cities to consider the long-term public benefit to capturing some of the value they create when rezoning for middle housing.**

This report outlines ARCH's analysis of the feasibility and potential to generate affordable homeownership opportunities and revenue for affordable housing with HB 1110 implementation, including specific policy recommendations and considerations to guide jurisdictions seeking to achieve affordability through middle housing implementation.

Key Findings

The following key findings are based on ARCH's analysis using a Middle Housing Feasibility Tool, interviews with a broad spectrum of industry stakeholders, and community input collected by organizations engaging with underrepresented populations:

1. East King County is an attractive market that is very likely to see development of middle housing types, but such housing is unlikely to be affordable to middle- and lower-income families if left entirely to market pricing.
2. Adding density in single-family areas creates significant value that can be captured for affordable housing through inclusionary requirements.
3. Cities can improve both the feasibility of middle housing and potential for affordable housing by structuring development standards to incentivize added density.
4. Middle housing is an important strategy to create affordable homeownership opportunities and meet the needs of diverse populations.

Policy Recommendations and Considerations

The following recommendations and considerations are based on the study analysis, key findings, and ARCH's extensive experience managing local affordable housing policies. If implemented, these recommendations would meaningfully contribute to meeting the housing needs of diverse segments of the community and expand access to housing and homeownership opportunities for low- and moderate-income households across East King County.

- 1. Jurisdictions should establish policies that require affordable housing when allowing additional density in single-family areas.**
 - a) Policies should prioritize on-site production of affordable homes whenever feasible and allow fee-in-lieu payments when the scale of projects is not sufficient to support an on-site unit.
 - b) Affordability requirements should be based on economic analysis of likely development prototypes and the added value of density in each jurisdiction.
 - c) Cities where middle housing is currently less profitable should adopt affordable housing requirements with pioneer incentives.

- d) Affordable housing policies should apply to all new development across impacted areas. Policies should generally not provide exemptions for development of single-family homes or detached accessory dwelling units, so as not to create disincentives to build middle housing.

2. Affordable housing policies should be structured to work with small scale developments, providing flexibility in the design of affordable homes and allowing fee-in-lieu options when necessary.

- a) Jurisdictions should consider flexibility in the typology, square footage and level of finishes of on-site affordable homes, but only with appropriate standards to ensure quality and comparability in the number of bedrooms and amenities like parking.
- b) Affordable housing policies should allow fee-in-lieu options when the required affordable housing would result in a fractional unit below a certain threshold.
- c) Fee-in-lieu rates should be predictable and updated on a consistent basis, with rates calculated on a square foot basis.
- d) Jurisdictions should consider tiering affordable housing requirements and (associated fees) based on whether housing is attached, detached or stacked, and evaluate if geographic variations are needed.

3. Jurisdictions should craft development standards and consider other tools to incentivize middle housing types over large single-family homes.

- a) Cities should tailor relevant development standards (such as lot coverage, impervious surface limits, setbacks, FAR limits, etc.) to create relatively lower development capacity for single-family development compared to middle housing development.
- b) Cities should consider allowing additional density beyond what is currently mandated in HB 1110, for example when population growth is expected to move a city into the next tier of requirements, or in areas where there have been significant public investments in transit and other infrastructure.

Cities should consider specific incentives for affordable homes, such as impact fee waivers, or FAR bonuses for on-site affordable units.