

What is Affordable Housing?

The City Council proposes to add 2100 units of Affordable Housing over the next 20 years. What would this mean?

In casual conversation, affordable housing usually means a house that an “ordinary” family might be able to buy. The government definition is different and a bit complicated. It is important to know that there is more than one category of affordable housing.

Affordable Housing Categories

Although Affordable Housing can be owner occupied, the programs concentrate on rental units. Formally, Affordable Housing means that rent plus utilities take no more than 30% of household income.

There are multiple levels of affordability. Household income for this purpose is assigned to the 80%, 50% or 30% category based on Area Median Income (AMI). The Sammamish City Council has chosen to use the Seattle Metro Area Median Family Income as its AMI. For 2024, this is \$147,400. For comparison, the Sammamish median household income was approximately \$239,000 in 2023.

This choice for AMI makes the Low Income category \$74,000 to \$118,000. The Very Low Income category is \$44,000 to \$74,000, The Extremely Low Income category is less than \$44,000. The highest affordable rents for these categories are approximately \$2600, \$1600 and \$900 per month.

For comparison, the official Fair Market Rents for a 2 bedroom unit in Sammamish zip codes are: 98029 \$3600, 98074 \$3800, 98075 \$4000. (The overall Fair Market Rent for King County is less than \$2700.) Clearly substantial subsidies are required to fill the gap between market and affordable rates in Sammamish. The big question is who will pay the subsidy?

Affordable Housing Programs

There are several approaches to affordable housing. These are some of the more common.

A city can mandate that a fraction of new construction be affordable. Sammamish mandates that 10% of the units be affordable at the 80% income level for at least 50 years. In Washington, mandates at higher than 10% have not been successful in producing many affordable units.

A city can provide tax incentives. The most popular of these is the Multi Family Tax Exemption (MFTE) program. Typically, the building owner gets a property tax exemption on the residential

portion of the property in return for maintaining 20% of the units at the 80% income level for 12 years. After that, the units can change to market rate.

The 50% income level is typically addressed by allowing bonus units to be built beyond the base limit. These units can provide some extra income for the owner. Another option is a dedicated building.

Land and construction costs are so high in this area that the 30% level requires dedicated special housing.

Who pays?

For the mandatory 10% program, everyone gives a bit. The developer and the owner lose some potential income as a cost of doing business. The citizens typically pay some administrative costs and may subsidize some of the development costs.

For the MFTE program, the developer and the owner forego some income. Most of the subsidy is covered by the city property tax payers.

Other programs typically involve direct payments to the developer, the owner or the renter. They are paid by some level of government and its taxpayers. In the current fiscal environment, it is unclear that any level of government is prepared to subsidize new housing.

For most of these programs, the subsidy is not a one time payment for construction. The programs will require annual subsidies. The subsidies will usually be largest for the lowest income units.

Some examples

In 2022, there were 99 affordable units in Sammamish. 49 were at the 80% level, and they were integrated with market rate units as 10% of the buildings. The other 50 units were in a dedicated building in Klahanie and affordable at the 60% level.

The nearest housing at the 30% level is Plymouth Crossing near I90 in Eastgate. It opened in 2023 and is part of a campus of buildings that addresses extremely low income needs. It was built on King County land using funds from the state, the county, Bellevue, nonprofit and other organizations. It continues to be subsidized. Occupant rent pay less than half of operating costs.

The Proposal

The Sammamish 2024 Comprehensive Plan includes ambitious affordable housing targets for the next 20 years. 1449 units at the Extremely Low Income (30%) level, 419 at the Very Low Income (50%) level and 232 at the Low Income (80%) level.

If current buildings in the area are relevant models, this would require 15 buildings for ELI on 10-30 acres and 8 buildings for VLI on about 15 acres.

Considerations

Affordable Housing should not be considered in a vacuum.

It is easiest to integrate where the gap between market and affordable rates is not too large.

It is easiest to develop where land costs are not high or old buildings that can be renovated are available.

It is most effective near strong transit connections.

It is most effective near basic services: food, school, medical.

Households in the Extremely Low Income category will require more support than just affordable housing.