DATE: September 29, 2021

TO: Council Member Dan Strauss, Chair, Land Use & Neighborhoods Committee; Council Member Alex Pedersen; Esther Handy, Council Central Staff Director

FROM: Rico Quirindongo, Interim Director, OPCD; Emily Alvarado, Director, OH; and Nathan Torgelson, Director, SDCI

SUBJECT: Response to Statement of Legislative Intent OPCD 004 A 001—Report by OPCD, OH, and SDCI on displacement monitoring gaps

SLI OPCD 004 A 001,[1] "Report by OPCD, OH, and SDCI on displacement monitoring gaps," sponsored by Councilmember Pedersen, requested information on:

1) Options for addressing the displacement monitoring data-collection gap for unsubsidized low-cost housing

2) The status and outcomes of internal reporting on indicators to inform short- and long-term displacement mitigation strategies

3) Recommended physical and economic displacement mitigation strategies

This memorandum reports to Council on this SLI. The Office of Planning and Community Development (OPCD), Office of Housing (OH) and Seattle Department of Construction and Inspections (SDCI) worked together to produce this response. As requested, department staff consulted with the Equitable Development Initiative (EDI) Advisory Board in preparing this response.

Item 1: Data Gaps

This portion of the SLI response addresses data gaps for monitoring the supply of unsubsidized low-cost housing. Sometimes referred to as "naturally occurring affordable housing," unsubsidized low-cost housing is typically the product of key market factors that impact affordability. In a high-cost housing market like Seattle's, for example, housing units rented at measurably lower cost than the overall market otherwise tend to be in areas with less access to amenities, be lower quality in terms of design and construction, and/or have deferred maintenance needs.

The SLI stated that addressing data-collection gaps for such housing could include, but are not limited to, identifying a vendor that can provide this data or developing an in-house data source from participants in the Rental Registration and Inspections Ordinance (RRIO) Program.

OPCD contracted with UC Berkley's Urban Displacement Project (UDP) in 2019 to recommend a set of heightened displacement risks indicators for inclusion in the Equitable Development Monitoring Program (EDMP). The UDP recommended fifteen indicators, with additional advice that the City prioritize monitoring "the indicators that departments think are most actionable for the City, for which tracking and analysis are most feasible, and which best meet the City's racial equity goals." The UDP noted the challenges confronting City staff in developing market-rate housing indicators given the closure in 2017 of Dupre + Scott Apartment Advisors, which the City had previously relied on for such data. The UDP's report recommended that a market-rent data source be identified based on the OH's and the OPCD's further evaluation of available sources.

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[1] The SLI appears on page 796 of the "City of Seattle - 2021 Adopted Budget" (page 16 of the linked PDF). The original deadline for reporting on the SLI was June 30, 2021; the deadline was extended to September 30.

Evaluation of Existing Data Sources

OPCD launched the Equitable Development Monitoring Program in the fall of 2020 and OPCD and OH have been collaborating to evaluate available sources for an indicator on rents in unsubsidized housing to add to the heightened displacement risk indicators in the EDMP. This has involved looking for sources providing free, publicly available data along with evaluating sources that charge for data subscriptions, including two that OH currently uses to track affordability characteristics of market to inform policies and administer its programs.

Because the displacement risk indicators in the EDMP emphasize timeliness, we evaluated only the available sources that update data at least twice a year and with only a short time lag between data collection and release. Other considerations in evaluating data sources included the depth and breadth of rental market coverage, reliability of the data, the availability of data for neighborhood-level markets, and the availability of detailed data necessary for some of the monitoring and analyses we want to conduct.

Our evaluation has identified CoStar as the best available source of data to track trends in rents for unsubsidized units as one indicator of displacement risk in the EDMP. The following information summarizes key features of the CoStar database along with each of the other existing data sources we evaluated.

- **CoStar**: CoStar is a national real estate data and analytics company. The CoStar database, available through a paid subscription, includes detailed information on multifamily rentals throughout Seattle and our broader metro area for a wide range of property sizes. OPCD does not currently have a subscription to CoStar, but the Mayor's 2022 Proposed Budget includes $13,000 to pay for a subscription for OPCD.

   BERK Consulting, Inc. used CoStar as the main source of data for examining the affordability of rents for unsubsidized multifamily units in the Market Rate Housing Needs and Supply Analysis prepared for the City in 2021. BERK also provided guidance for OPCD in using CoStar data as a primary source for ongoing monitoring.

   The CoStar database includes very good coverage of apartment units in medium and large properties and also includes good (albeit less complete) coverage of units for small apartment complexes with 5 or more units.   The inclusion of, and ability to break out data for, small complexes is a feature that distinguishes it from other sources of multifamily rent data. This is essential information for assessing and monitoring the affordability of Seattle's unsubsidized rental housing stock, especially given that rents in small complexes tend to be lower than rents in larger properties.[2] The inclusion of data for small complexes was important in identifying CoStar as the best data source for addressing the

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[2] A 2016 City report on the Affordability of Unsubsidized Rental Housing in Seattle used Dupre+Scott data to analyze rents by property size. While less than a quarter of unsubsidized units in medium to large complexes were affordable to households with incomes equal to 80% of AMI, slightly more than half of units in small complexes were affordable at this income level. The shares of units affordable at 60% of AMI were much lower for *all* property sizes: a scant 3% of the units in medium to large complexes and only 13% of the units in small complexes were affordable at 60% of AMI. Single-family rents were the furthest out of reach for low-income households.

The already severe housing affordability crisis documented in the 2016 report has intensified. As reflected in in the more recent Market Rate Housing Needs and Supply Analysis report that BERK Consulting Inc. prepared for the City, average market-rate rents increased steeply after the Great Recession until the onset of the COVID-19 pandemic. (Exhibit 5). Over the last decade, competition for units significantly outpaced housing supply.

unsubsidized rental data gap in the EDMP. (However, as described on the next page, market-rate rent data for 1- to 4-unit properties are not available from any of the data sources we identified.)

Other important features include the ability to use the database to examine the distribution of rents (e.g., what share of units can be afforded at 60% or 80% of area median income[3]) in addition to statistics such as average and median rents. The CoStar database also provides data at a variety of market geographies—including metro, city, and neighborhood levels—and can be tapped to look at rents for custom geographies (e.g., urban centers and villages and transit station areas). At the same time, it is important to note that CoStar imputes rents for individual properties for which they were unable to collect rent data. Data users need to be very cautious in interpreting site-specific data from CoStar given that the rent information for some properties in the CoStar database are estimates based on imputation rather than directly collected rent data.

While CoStar is the EDMP's best single source for addressing the unsubsidized rent data gap, other sources provide important information. In analyzing rents in unsubsidized housing, OPCD will integrate insights gleaned from multiple sources including several of the other sources described here.

A final note on the CoStar database is that it also provides access to real estate data for other sectors, such as rents for commercial space, which can be used monitor displacement risk for businesses and nonprofit organizations.

- **Yardi Matrix**: OH currently has a subscription to Yardi, which provides data and analytics for properties with 50 or more units at the market, neighborhood-level submarket, and property level. The data is gathered using property management software and is supplemented by phone surveys. OH regularly uses Yardi data for program administration and analysis purposes (e.g., for the Multifamily Tax Exemption Program) and has found that the Yardi data provides comprehensive coverage and reliable data for large rental properties.

- **Commercial Analytics**: This local company formed after Dupre+Scott Apartment Advisors closed, specifically to provide a similar suite of data products, including reports on contract rent (that is, rent paid by existing tenants), vacancy, development, and sales. As was also the case with Dupre+Scott, Commercial Analytics provides data on contract rents down to the neighborhood level but does not provide property level data. Commercial Analytics provides data for medium to large properties, i.e., those with 20 or more units. OH has a subscription to Commercial Analytics but has found that this relatively new company has not achieved the kind of high coverage rates Dupre+Scott provided.

- **Zillow**: Zillow began publishing its Observed Rent Index (ZORI) in May of 2020. ZORI is the one rental metric in a larger set of housing market data that Zillow provides for free on its website. The ZORI is a repeat rent index designed to represent typical asking rents. It does not, however, provide information about the distribution of rents and therefore cannot tell us what percentage of units have asking rents below various thresholds. Zillow publishes the ZORI at the metro area level (for Seattle, this is the combined area of King, Pierce, and Snohomish counties) and for Zip Codes. This index does not breakout single-family and multifamily rentals. Given these limitations, ZORI is detailed enough to be the main data source for monitoring purposes.

- **Real Page Analytics**: Real Page Analytics provides rent information for initial lease-ups as well as lease renewals. The data is gathered using leasing software and is supplemented by phone surveys. Real Page

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[3] See Exhibit 33 in the 2021 report by BERK which uses CoStar data to show affordability levels of market rate rental units.

provides analytics for properties with 20 or more units. Our departments are not currently subscribing to Real Page Analytics due to unanswered questions about coverage in the Seattle market area and due to the relatively high cost of the data.

Remaining rent data gaps for unsubsidized units—None of the data sources we found provide reliable data that would allow us to discern rents for unsubsidized very small (2- to 4- unit) multiplexes and single-family homes. However, the Census Bureau's American Community (ACS) does provide estimates on the rents households pay for different types of housing types and sizes, with breakouts for single-family homes, and units in 2- to 4-building structures, as well as units in larger building categories. While the ACS does not provide estimates specific to unsubsidized units, our departments will continue to use the ACS data for the insights these data provide into housing needs and supply.

None of the existing sources allow us to break out rents in special categories of housing such as ADUs and backyard cottages. Data is also unavailable on rents that roommates and housemates pay to leaseholders.

Furthermore, while the sources discussed here provide aggregate data at different levels of detail, no existing source (or combination of sources) is comprehensive and accurate enough to accurately track the specific numbers of existing unsubsidized rental units by affordability based on household income level, especially for individual sites.

Evaluation of Expanding RRIO to Collect Data on Rents

The SLI requests information about whether the Rental Registration and Inspection Ordinance (RRIO) program could be expanded to collect site-specific rent data for tracking the supply of unsubsidized low-cost rental housing. While RRIO theoretically may provide an opportunity to supplement our data on the changing supply of low-cost unsubsidized housing, there are a number of challenges and questions that would need to be resolved before pursuing this option.

RRIO is a City regulatory program that helps ensure rental housing is safe and meets basic maintenance standards. RRIO requires that rental housing be registered with SDCI and inspected at least once every five to ten years. RRIO registrations and program administration is tracked in Accela, SDCI's permitting software system. Property owners can register online or via mail.

RRIO registration requires property owners to provide basic information on their property including property address, contact information, and number of units. There are currently 30,000 properties registered with RRIO; those properties contain about 150,000 units. Rental registrations are required to renew every two years with rolling due dates throughout the year. The Rental Registration and Inspection Ordinance does not currently authorize collection of market information by the City. Legal analysis would be needed to determine if this regulatory program can require rent data that is not directly related to the purpose of the program and the ordinance would need to be amended to authorize collection of rent data.

The collection of rent data through RRIO would also pose significant and costly administrative and IT challenges. Major changes to the registration process would be needed for it to function as an ongoing source of residential market data. The process would need to be designed to ensure the data is high quality and comparable to what is provided by other reputable market analytics organizations. This would necessitate a deep understanding of the data needed for market analysis. This would also require tools for validating the accuracy of the information provided by property owners and follow up and enforcement if inaccurate information is provided. IT would need to create a way for property owners to upload rent rolls to Accela as well as processes for cleaning, analyzing, and reporting the data.

Assuming the City could implement a data collection system that meets those needs, it would take years to collect sufficient rent information across Seattle submarkets and property types to match or exceed the coverage rates of existing companies that specialize in housing market data. Since information is currently collected only every two years, it would take two years or more to obtain a complete initial data set and longer to identify trends for monitoring. These are some of the same issues OH is grappling with as it endeavors to collect market rent information from MFTE property managers.

Item 2: Reporting on indicators to inform displacement mitigation strategies

Data and analysis on housing needs, market trends, displacement risks, and demographics play an important role in shaping displacement strategies.

OPCD launched the Equitable Development Monitoring Program in September 2020. OPCD uses an integrated website to report findings from EDMP, with the with the Displacement Risk Indicators dashboard as one of three components.

The Displacement Risk Indicators are designed to provide timely insights into which groups of households are most affected and where *heightened* displacement risk is currently concentrated to help the City respond in a nimble manner to reduce displacement risks and harms.[4]

The two other components of the EDMP:

- Report on Community Indicators of Equitable Development to gauge progress on housing affordability, neighborhood livability, transportation, and education and economic opportunity; and

- Provide information on Neighborhood Change to enable the displacement risk and community indicators to be understood in the context of historical context and recent shifts in neighborhood demographics.

These three components of the EDMP work together to inform strategies to combat displacement and more equitably address Seattle's affordability and livability challenges.

The EDMP is an ongoing resource for both City elected officials and staff and for community-based organizations. Interdepartmental collaboration, stakeholder engagement, and community involvement are key parts of the EDMP. The EDI Advisory Board and Seattle Planning Commission have special roles advising on the design of the indicators and ongoing evolution of the EDMP.

Upon receiving the UDP's recommendations, OPCD commenced constructing the indicators recommended by UDP that could be constructed with readily available data from the American Community Survey, Accela (the City's permit tracking system), and records from the King County Department of Assessments. OPCD is currently tracking nine indicators in the EDMP Displacement Risk Dashboard that use these data sources; the table below lists those indicators in the left column. The column on the right shows additional indicators OPCD is currently developing or exploring with the aim of adding these indicators. Several of these—including the indicator related to market-rate rentals—were recommended by the UDP, while

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[4] The EDMP responds to direction from multiple sources. The initial direction for creating the EDMP came from Resolution 31577, which called for stronger integration of racial equity in the Comprehensive Plan along with monitoring of displacement risk and equity indicators. Accordingly, the Equitable Development Implementation Plan outlined the approach for monitoring and the Comprehensive Plan solidified the City's commitment conducting this monitoring on an ongoing basis.

Additionally, Executive Order 2019-02 on Actions to Increase Affordability and Address Residential Displacement identified the EDMP as a source of data to help guide work by City departments on these fronts.

others have been identified based on additional work and collaboration between City departments and with local partners.

Monitoring Displacement Risk Indicators in the EDMP	
Indicators currently included in dashboard	**Other indicators currently being developed or researched**
• **Housing cost burden** (American Community Survey)	• **Market-rate rent increases and affordability of unsubsidized rental units**—CoStar identified as best source; will add soon.
• **Affordability and availability of rental housing** (American Community Survey)	• **Displacement-related reasons households have moved from homes in Seattle**—analyzing data from Puget Sound Regional Household Travel Survey
• **Tenant Relocation Cases** (SDCI Accela Database)	• **Eviction filings**—requesting to use data collected by King County Bar Association's Housing Justice Project
• **Condo conversion applications** (SDCI Accela Database)	• **Utility bill arrears**—working with Seattle City Light and Seattle Public Utilities to develop indicator(s)
• **Foreclosures** (King County Department of Assessments)	• **Commercial rent and rent change**—aiming to fill data gap; CoStar identified as best source
• **Applications for Early Design Guidance** (SDCI Accela Database)	• **Loss of cultural spaces**—aiming to fill data gap through community-based research and interdepartmental collaboration
• **Housing construction permits** (SDCI Accela Database)	
• **Single-family sales price and change in price** (King County Department of Assessments)	
• **Home flipping** (King County Department of Assessments)	

From research and discussions with the community, we know that rent increases are a primary driver of displacement; monitoring data on the supply and affordability of unsubsidized rental housing is critical for informing policy and programs to mitigate displacement. Along with establishing more regular reporting of the displacement risk indicators, adding an indicator on rents in unsubsidized rental units is one of OPCD's top priorities for further development of the EDMP.

The EDMP continues to emphasize community engagement; as OPCD presents findings from EDMP, we are gathering feedback to identify how we can improve the indicators and make ongoing reporting as useful as possible. In response to input from the EDI Advisory Board and others, we are also hoping to integrate community-based participatory research to complement the quantitative indicators, recognizing that people most impacted by displacement and low access to opportunity know their own communities best.

Some examples of the EDMP's use by the City to date include the following:

• The EDMP is a resource for departments preparing RSJI Racial Equity Toolkits. The Seattle Office for Civil Rights features the EDMP on its list of Racially Equitable Decision-Making Data Tools for COVID-19 Response.

- Departments tapped reporting from the EDMP in providing technical assistance to support the [Equitable Communities Initiative Task Force](#) in crafting recommendations to help communities recover from pandemic-induced impacts, withstand displacement pressures, and thrive over the long-term.

- The City's [Innovation and Performance Team](#) (IP) is leveraging the EDMP to update Affordability and Livability reporting for [Performance Seattle](#), the "central dashboard where City of Seattle residents can see what their City is doing to make their lives better."

- The EDMP and the 2035 Growth & Equity Analysis were among the background materials the City provided PolicyLink staff for the [Racial Equity Analysis](#) they prepared to help the City consider outcomes for BIPOC communities associated with the Comprehensive Plan's Urban Village Strategy.

The displacement risk indicators in the EDMP complement the Displacement Risk Index in the [Seattle 2035 Growth & Equity Analysis](#). That index provides a longer-term view of displacement risk based on neighborhood characteristics including but not limited to the presence of vulnerable populations, the presence of amenities that tend to increase real estate demand, development potential, and median rent. These results inform the development of the Growth Strategy in the Comprehensive Plan and the identification of displacement risk mitigation strategies suitable for each category of urban village. The Displacement Risk Index also plays a major role in guiding investments by the City's Equitable Development Initiative, which places a special priority on supporting communities in neighborhoods with high risk of displacement.

Both the EDMP and an updated Growth & Equity Analysis will be key resources for informing the next major update of the City's Comprehensive Plan, which is due in 2024. The Plan update will address housing needs over the next 20-year planning period. The development of the update will include refreshing the housing needs and supply analysis in the Plan's Housing Appendix. It will also include updating the Displacement Risk Index in the Growth and Equity Analysis that informed the most recent major update in 2016, incorporating displacement mitigation in growth strategy alternatives, and incorporating strengthened policies to prevent and mitigate displacement.

Item 3: Displacement Mitigation Strategies

Here we highlight some of the strategies that OH, SDCI, OPCD, and other City departments are implementing to mitigate residential and economic displacement.

Long Term Affordable Rental Housing Development and Ownership Opportunities

Displacement prevention and mitigation is a key element of the Office of Housing's mission and is accomplished through investments in affordable housing, rental assistance, and homeowner stabilization programs.

Seattle housing policies emphasize a balanced approach to targeting investments that ensures housing choice and affirmatively furthers fair housing and, in certain cases, is paired with community preference. Some investments promote new affordable housing options in neighborhoods where low-income residents, including many people of color, face displacement due to rising rents and gentrification. This helps sustain cultural communities and enables residents to stay in their neighborhoods as transit and other improvements are made.

In 2020, the Office of Housing invested over $115 million to create over 1,300 affordable rental and for-sale homes in neighborhoods across Seattle. These permanently affordable housing investments provide

families and individuals that have been displaced or are at risk of displacement the opportunity to return to, or stay in, the neighborhoods of their choice.

OH-funded affordable housing involves partnerships with community-based organizations, including nonprofit agencies led by members of Black, Indigenous, or People of Color communities, to ensure housing that is responsive to community needs. In addition, coordinated funding and planning across City departments and other agencies enables co-location of amenities and services that promote community wellness (e.g., healthcare, childcare, education labs, job training, and access to amenities critical to quality of life such as transit, parks/open space, community centers, nutritious food options).

Recent examples of OH's ongoing place-based approach to affordable housing and community wellness include:

- Mount Baker station area redevelopment. The City of Seattle and Sound Transit are working in partnership with community stakeholders and a consultant team to develop preferred site features for the City's Mount Baker sites and the Sound Transit East Portal site. In June 2020, the University of Washington transferred to the City three parcels adjacent to the Link light rail station, including the former UW Laundry site. The Mount Baker station area site will provide affordable housing, childcare, and an early learning research facility.

- Rainier Valley affordable homeownership opportunities. Based on community feedback, OH is pursuing opportunities to make several sites formerly owned by Sound Transit available for the development of affordable homes for purchase.

- South Park affordable housing development. OH's acquisition of land in South Park for future affordable housing development is the latest City investment in this neighborhood. Seattle Parks & Recreation, Seattle Public Utilities, Seattle Department of Transportation, and OPCD have all made recent or upcoming investments in South Park. These investments are being made in direct response to the community's anti-displacement and environmental justice goals stated in the Duwamish Valley Action Plan, which is stewarded by the Office of Sustainability and Environment.

OH-supported homeownership programs reduce cultural displacement by enabling buyers with low incomes to purchase a home within Seattle. In recent years, OH has funded an increasing amount of permanently affordable for-sale housing. Additionally, OH's homeowner stabilization programs, such as foreclosure prevention, home repair, and weatherization ensure that homeowners can stay safely and stably housed.

Tenant Protections
The City's array of tenant protections also helps mitigate displacement. For example, the *Tenant Relocation Assistance Ordinance* provides financial assistance to low-income households displaced due to development. The *Just Cause Eviction Ordinance* prohibits evictions during the winter and school year and limits the times and reasons tenants can be required to move. *Right to Counsel* provides tenants with legal representation that can help prevent evictions or negotiate better move-out terms.

Equitable Development
The City's Equitable Development Initiative (EDI) has two primary goals: to support community strength and stability in the face of displacement, and to create great neighborhoods with access to all. Guided by this framework, EDI provides a range of assistance to community-based organizations including help with organizational capacity, capital expenses, and property acquisition. Funding supports community-driven efforts with an emphasis on serving BIPOC communities and other marginalized populations at high risk of

displacement and supports more access to housing, jobs, transit, education, parks, cultural expression, and other community needs. The EDI is coordinated by OPCD and guided by the Equitable Development Initiative Advisory Board. Partner departments, including the Office of Economic Development, Office of Housing, Department of Neighborhoods, Office of Arts & Culture, and Office for Civil Rights, work with OPCD in administering the program.

In addition to five original demonstration projects that were awarded funds in 2017, many more projects have been funded through EDI's competitive grant process. As described on OPCD's Daily Plan It blog, this September, the City announced $9.8 million in awards through the EDI, the largest annual total since EDI's first awards, to support the purchase of additional properties to house BIPOC organizations and help grantees withstand added pressures from the pandemic's economic fallout. In total, approximately $49 million in funding has been awarded through EDI since 2017.

In 2021, the City's Strategic Investment Fund (SIF) will begin to help BIPOC-led community organizations currently at risk of displacement to acquire property in Seattle. The City's $30 million commitment -- up to $5 million for each site – will fund acquisitions in areas with significant planned public investments, like light rail station areas and parks, where increased access to opportunities may increase displacement pressures. The SIF will invest in community wealth building and capital projects that create opportunities for affordable housing, affordable commercial spaces, public open spaces, cultural spaces, and childcare facilities.

Financial Support, Technical Assistance, and Services

Additional assistance offered by the City and its partners—including the childcare, education, transportation, food, and utility bill assistance, featured on the City's Affordable Seattle portal—help relieve financial strain and make it easier for households to afford to continue residing in Seattle. Similarly, assistance provided to small businesses, artists, and nonprofits can make the difference between continuing to operate in Seattle and closing up shop or moving outside the city. The City's education and workforce development programs help students and low-income workers gain skills needed to pursue careers that pay enough to support living in Seattle.

The COVID-related economic crisis also led to a new class of investment aimed at displacement prevention: emergency rental assistance. Eviction moratoria established at all levels of government created an immediate safety net for those who could not stay current on rent; rental and other forms of assistance help protect vulnerable households and businesses from displacement.

Long-Range Planning for a More Equitable Future

The major update of the Comprehensive Plan will be a major driver in guiding further work by the City to enable Seattle to advance its commitment to race and social justice and prevent and mitigate displacement. The process will involve extensive interdepartmental collaboration and community participation—including deep engagement with BIPOC communities. The planning process will consider alternative approaches to accommodating housing and employment growth and development over the next 20 years, including strategies to mitigate displacement risk in existing communities and options for increasing housing supply and choice citywide with access to neighborhoods of opportunity. Guided by a Racial Equity Toolkit process, the update will include a review of existing policy chapters to identify ways that the plan can be strengthened to repair the harm of historical and ongoing racial disparities, including displacement of households, businesses, and cultural and community anchors.