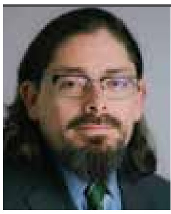
Smart Growth Seattle Guest Editorial

An Innovative Way to Measure and Discuss Affordability



BY **ROGER VALDEZ**
SMART GROWTH SEATTLE

Seattle's Mayor and City Council continue their march toward Mandatory Inclusionary Zoning (MIZ)—a plan that grants builders and developers additional square footage in exchange for a fee or a requirement to set aside a percentage of units to be sold at a lower price.

This continues despite explanations to the City that additional zoning capacity doesn't necessarily add value to a project. First, extra square feet aren't free; they increase construction costs. Second, fees and lost rents can make projects unfeasible.

The intention of MIZ is to address affordability. But what if today's model of affordability is flawed? What if thinking about affordability differently could result in programs that actually make a difference?

Consider that today's normative standard of affordability is that a household should spend 30 percent of gross income on housing. If it spends more, that's problematic; if it spends less, it's seen as potentially occupying a unit another household with less money should occupy.

It's easy to see the flaws in this. A wealthy person can spend more than 30 percent and be fine. Someone with few expenses other than housing, like a young, single person, can also afford to spend 40 percent or more and be fine.

Recognizing this, housing scholar Michael Stone suggested a new measure of affordability. His Residual Income Model proposes that a household has a housing affordability problem if it cannot meet its non-housing needs at some basic level of adequacy after paying for housing.

Another way of looking at this is to compare two households with equal incomes and unequal expenses. Both earn $60,000, both spend 18,000 per year on housing (30 percent) leaving $42,000 for other expenses. If household A has $50,000 in expenses and household B has $12,000, only household A is financially distressed while household B is able to save money or spend more on housing.

Seattle's current assumption about housing affordability fails to acknowledge that families spending what they should be (30%) on housing might still be struggling. Likewise, households spending more might be fine. And, that a household spending less is just being efficient; not taking a unit from a more deserving low-income family.

Thinking about affordability using the Residual Income Model shows how creating price controlled units through programs like MIZ doesn't solve the financial problems of families struggling with low income or high expenses.

Instead, we should develop a smarter tool to measure a family's economic distress and create innovative programs that help struggling families afford to live in a growing city like Seattle—programs that increase income and reduce the cost of living.

One good place to start: build more housing of all types, in all locations in the City, for all levels of income.