AEI Housing Center

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Expanding Housing Supply with Light-touch Density: City of Seattle Case Study

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Summary

- **The formula for housing abundance is straightforward:**
  - Enable by-right zoning
  - Allow greater density in lots of areas, particularly around walkable, amenity-rich commercial areas
  - Follow the KISS (Keep It Simple Stupid) principle
  - Don't put all eggs in one basket:
    - Complement high-rise Transit-oriented Development with Light-touch Density to also provide naturally affordable homes and wealth building homeownership opportunities.

- **Micro-managing this process won't work. Planners need to get out of the way and let the market build more housing.**
  - Beware of the recommendations of the federal government, which likes complex, one-size-fits all solutions that don't follow the KISS principle.
  - Allowing moderately higher density in areas zoned for single-family detached has been proven to unleash a swarm of small-scale builders and developers.

Note: These findings are based on evidence from various case studies:

- Palisades Park, NJ: 1939 zoning law allowed 1- or 2-units on any parcel.
- Charlotte, NC: R-MF zoning allowed small scale residential structures to be built in less than 5% of Charlotte's neighborhoods.
- Houston, TX: In 1998, the minimum lot size requirement decreased from 5,000 square feet to effectively 1,400 square feet within the city's I-610 Inner Loop.
- Seattle, WA: In the mid-1990s, the creation of the Low Rise Multifamily (LRM) zone allowed property owners to use their land more efficiently leading to a townhome construction boom.
- Tokyo, Japan

Source: AEI Housing Center, www.AEI.org/housing.

An ideal tool to increase the supply of naturally affordable & inclusionary housing

Light-touch Density (LTD) represents the low-hanging fruit in zoning reform. It is also naturally affordable.

LTD utilizes land in a more efficient way by moderately increasing the density of housing. Instead of allowing only a single-family detached (SFD) home on a parcel, LTD allows for a duplex, a triplex, a four- to eight-plex, a series of townhouses, or an accessory dwelling unit (ADU). LTD also allows for single-family detached homes on smaller lots.

The LTD type that is best for each locality depends on the land and construction costs.

1. For high-cost areas: Tearing down an existing unit and replacing it with a duplex, triplex, quadraplex, or townhouses.
2. For medium-cost areas: Adding additional units to an existing parcel. This could be done through adding an ADU or a second unit to an existing single-family detached lot.
3. Everywhere: Increasing the as-built density of new greenfield developments. Increasing density by adding additional floor(s) or reducing the size of the units in a planned new apartment or condo building.

LTD needs to be combined with **Light-touch Processing** and **Light-touch Permitting**.

All these LTD options would moderately increase the as-built density of the land, thereby **enabling owners and small-scale builders to construct smaller**, less expensive units that are more naturally affordable and inclusionary without requiring subsidies.

Across the whole country, LTD has the potential to add up to 900,000 net additional homes per year for the next 30-40 years.*

* These estimates are based on case studies are from Seattle, Charlotte, Houston, Palisades Park, and Tokyo. For a further discussion of Light-touch Density case studies, see pg. 7-10 of the AEI Housing Center booklet on increasing housing supply.
Source: AEI Housing Center, www.AEI.org/housing.

Seattle’s housing reforms over the years

Started with 1994-2014 Seattle's Comprehensive Plan, which designated 37 specific areas as:

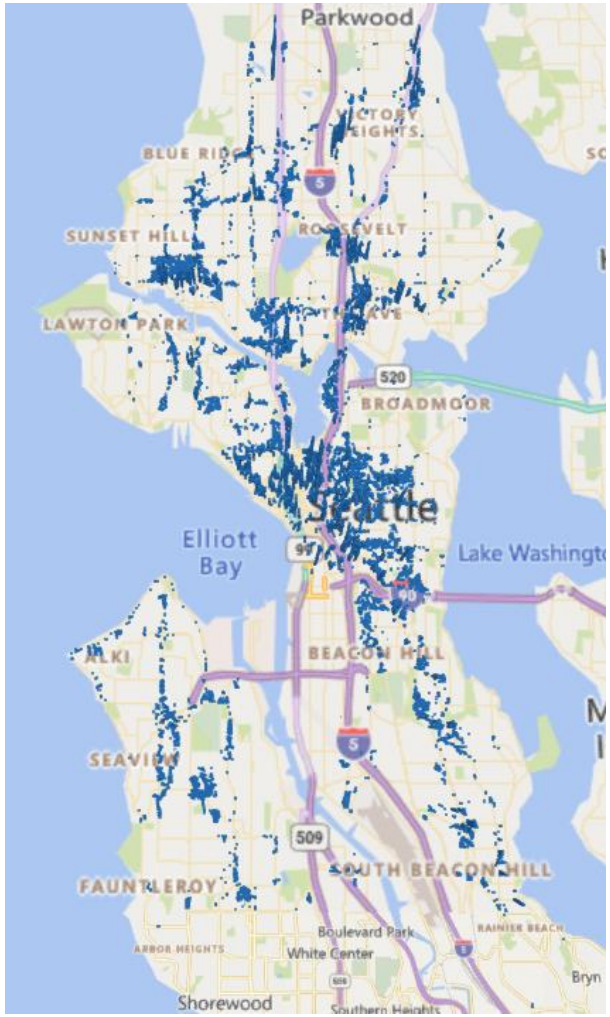
- Residential Urban Villages,
- Hub Urban Villages,
- Urban Center, and
- Manufacturing/Industrial Centers.

- 1994: allowed one attached ADU but it required parking
- 1996: started out implementing by-right upzoning
- 2006 and 2012: reduced parking requirements
- 2009: allowed micro-housing
- 2010: reduces zoning categories from 5 to 3, increased Floor Area Ratio, reduced parking req.
- 2010: allowed one detached ADU up to 800 sq. ft.
- 2019: established Mandatory Affordability Housing (MHA) fund
- 2019: allowed up to 2 ADUs per lot
- 2019: limited McMansions to 50% of FAR
- 2020: eliminated design reviews for some multifamily buildings for about 1 year

For more on Seattle’s parking reforms, see Gabbe et al. (2020).
For a different take on Seattle’s MHA, see Krimmel and Wang (2023).

Source: City of Seattle and AEI Housing Center, www.AEI.org/housing.

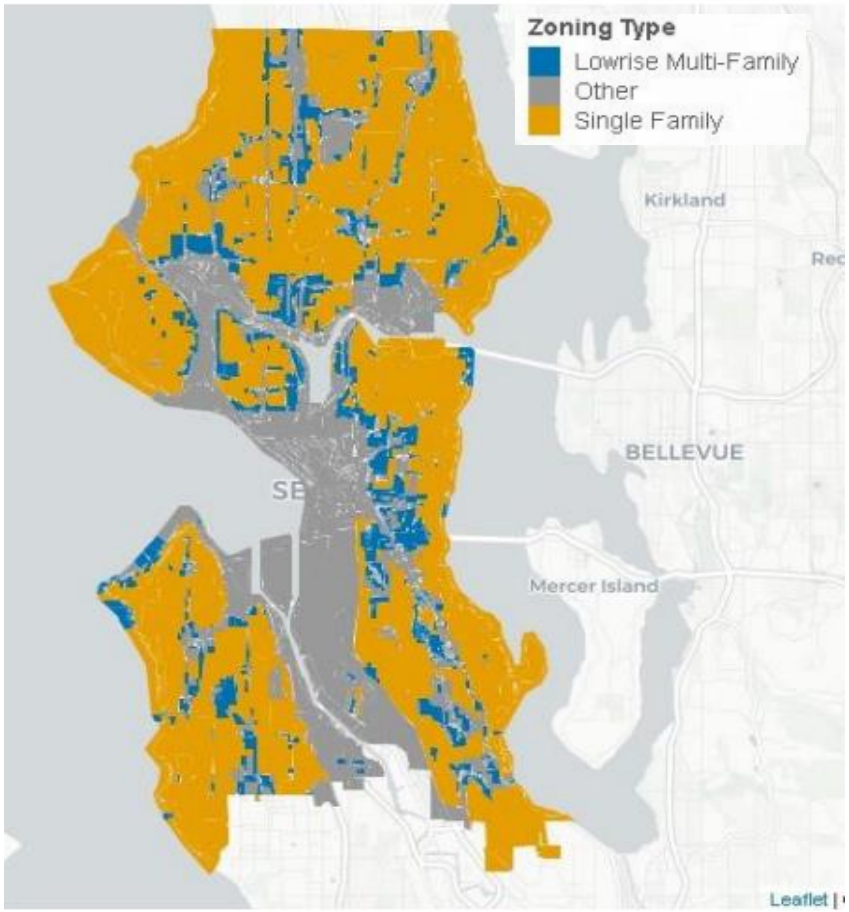
Map: 2+ Units Permitted in Seattle since 2000



Low-Rise Multifamily Case Study

- In the City of Seattle, about 10 times as much land is zoned for Single Family (SF) than for Low-Rise Multifamily (LRM).
- In the mid-1990s, the creation of the LRM zone allowed property owners to use their land more efficiently. As a result, many single-family detached homes have been converted to mostly townhomes. This is light-touch density at its best.
- Since 2000, 18,000 new townhomes units have been built in the LRM zone. As a result, its housing stock increased by about 75% - or about 3% per year. The supply addition in the SF zone from new single-family homes is minimal.
- The new townhomes are generally starter homes, which has enabled homeownership for lower-income, younger, and more diverse households.
- Unfortunately, this success is now being derailed by Seattle's Mandatory Housing Affordability (MFA) program.

Map: Simplified City of Seattle Zoning Map

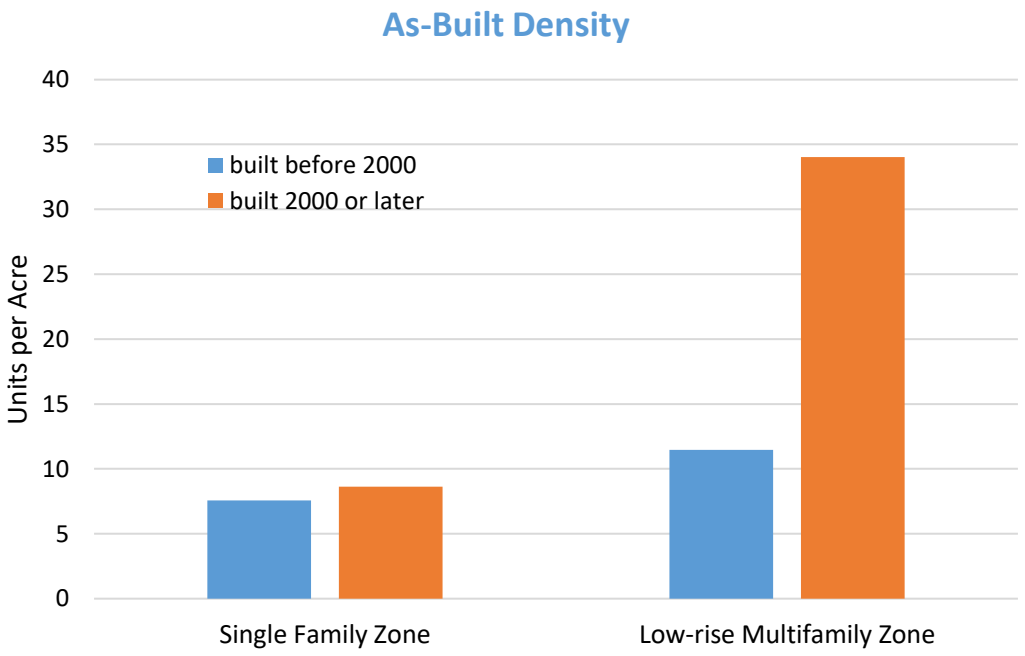


Source: City of Seattle and AEI Housing Center, www.AEI.org/housing.

It's about the density the laws allow

The main difference between the SF zone and the LRM zone is that latter allows for higher density – or a more efficient use of the existing land.

- The higher density allowance of the LRM zone has made it economical to tear down existing units and replace them with new ones.
- Almost all of the homes built since 2000 in the LRM zone have been townhomes.



* Based on lot sizes, we assume that 6,000 existing units were replaced with townhomes.
Note: Data only for single-family detached homes and townhomes.
Source: AEI Housing Center, www.AEI.org/housing.

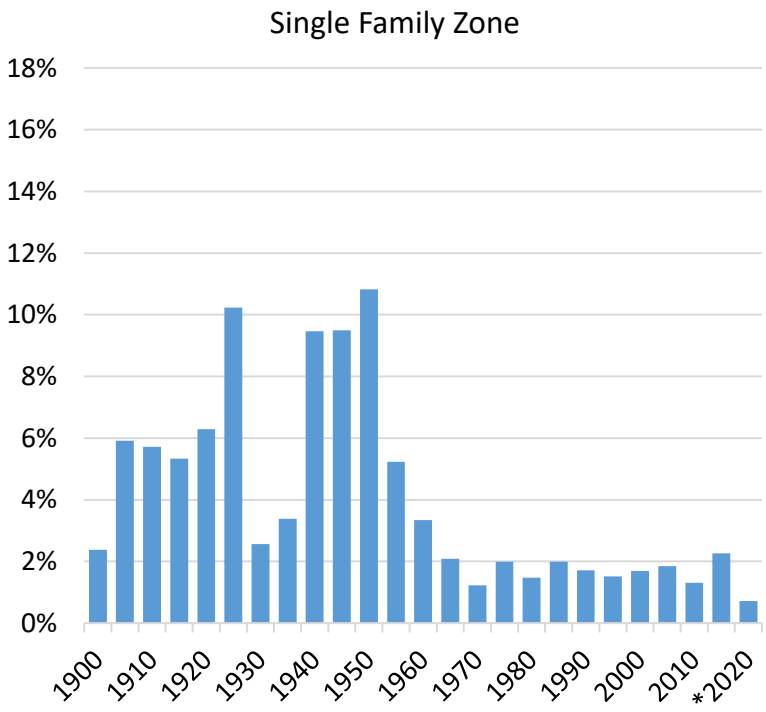
Seattle's LRM zone townhome building boom

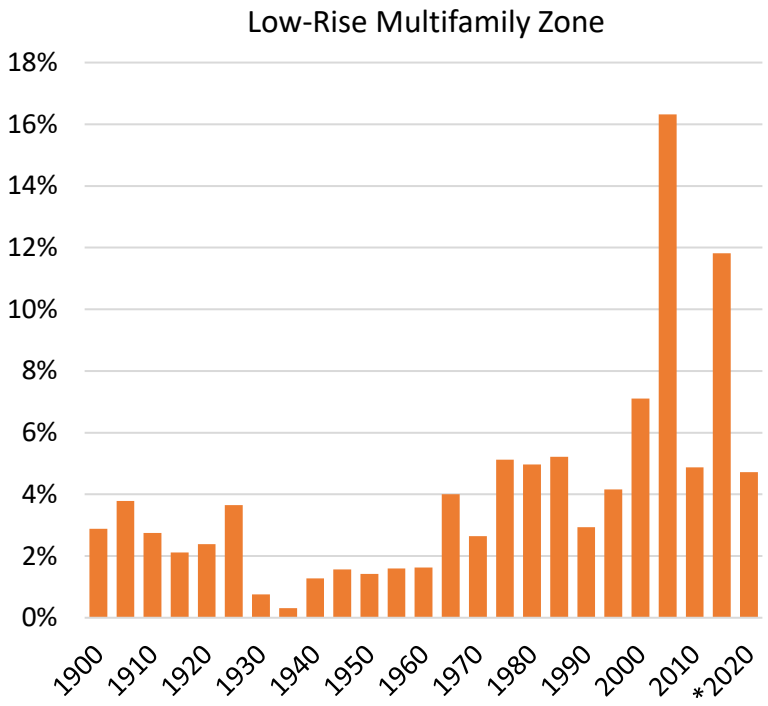
There has been a building boom in the LRM zone starting in the mid-1990s.

- LRM has unleashed a swarm of small-scale builders, owners, developers, and other involved parties.
- Despite the disruptions of the Great Financial Crisis, building has continued to be robust.
- Since 2000, 18,000 new townhomes units have been built in the LRM zone.

The SF zone has not seen such a building boom and the new housing construction simply replaces an existing structure. Its housing stock is mostly older.

Share of Existing Housing Stock Built: by 5-Year Periods





* Partial Data

Note: Listed years record data for that year and the following four years. Data only for single-family detached homes and townhomes.

Source: AEI Housing Center, www.AEI.org/housing.

Lots of townhome conversions in the LRM zone

Older homes are getting replaced with newer ones.

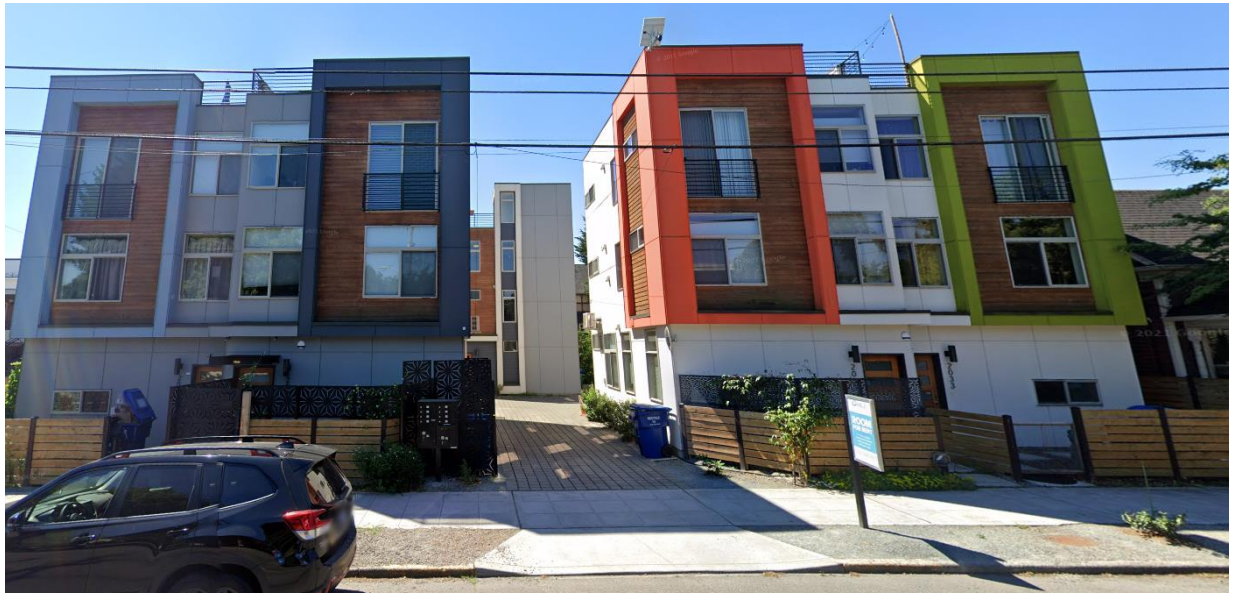
Top picture: as seen in 2007

Bottom picture: as seen today

The 2 original single-family detached units on separate lots were converted into 7 total units.

The same land area now hosts 2 duplexes upfront and 3 additional units in the back.

Each new home is valued at around $875,000 today, while each previous home may be valued at around $1 million today.



Source: Redfin, Zillow, and Google.

Building at moderately higher densities has a prophylactic effect on affordability

At greater densities, a home uses less land, and the home's gross living area drops commensurately. (In other words, builders build smaller homes on smaller lots – and vice versa.)

This has massive implications for affordability as data from actual housing conversions in Seattle show.*

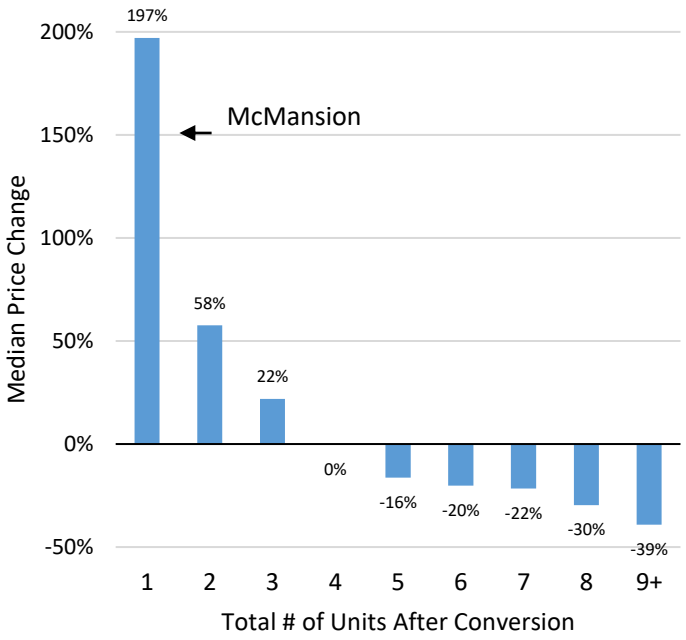
If an existing single-family detached home is converted to:

- A 1 unit structure, the new home will cost around 197% of the unit it replaced. This is a McMansion.
- A 4 unit structure, each of the 4 new units will sell at about the same price as unit they replaced. And the conversion adds 3 units.
- A 5 to 8 unit structure, each of the new units will sell about 25% below the value of the previous unit they replaced. And the conversion adds many additional units.

Displacement pressures rise as each McMansion replaces a much more moderately priced home.

Converting to higher densities enables families of similar or even somewhat lower incomes to buy into the neighborhood, thereby promoting inclusion and filtering.

Median Price Change between the Unit Replaced and the Median of the New Units Built: by Total # of Units After Conversion*



*For conversion properties in Seattle. A conversion is defined as the act of tearing down a an existing single-family detached structure and replacing it with a new structure of varying unit totals. Data pertain to over 3,000 conversions identified in Seattle, which resulted in about 12,000 new units from the mid-1990s onward.
Source: AEI Housing Center, www.AEI.org/housing.

Higher profits for builders and higher tax revenue for cities

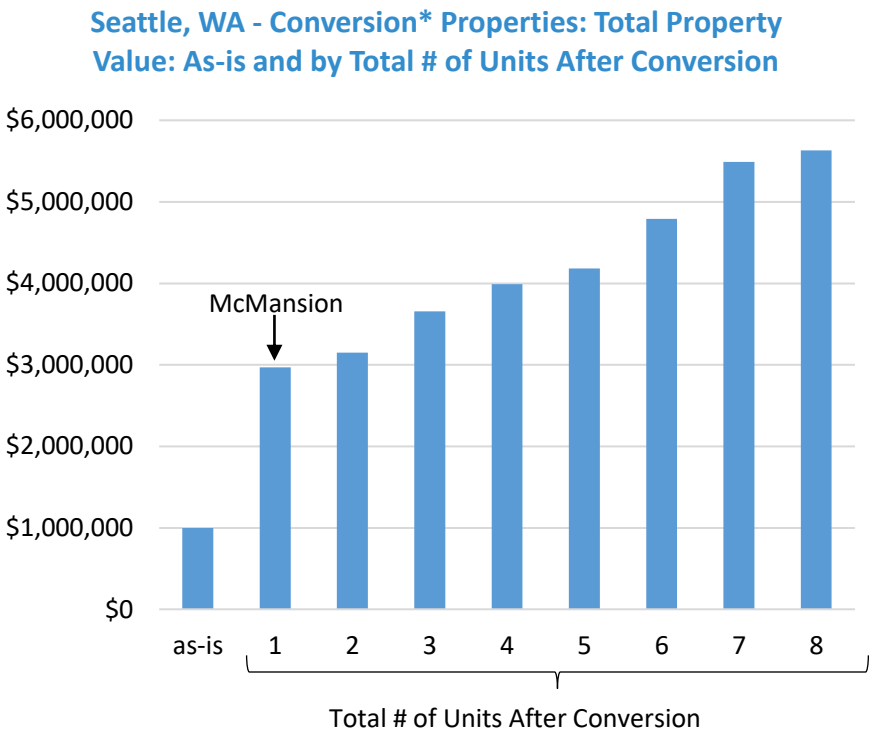
In Seattle's LRM zone, townhomes, not McMansions, proliferate. Even though builders could build both.

Assuming a property is currently valued at $1 million, tearing it down and converting it adds new value.

At higher densities:

- The parcel's total value is greatly enhanced.
- The parcel increases the city's tax base and builder profits.
- The parcel provides many lower priced units.

This demonstrates why building at higher densities is the preferable option, and why builders will do so given the choice.



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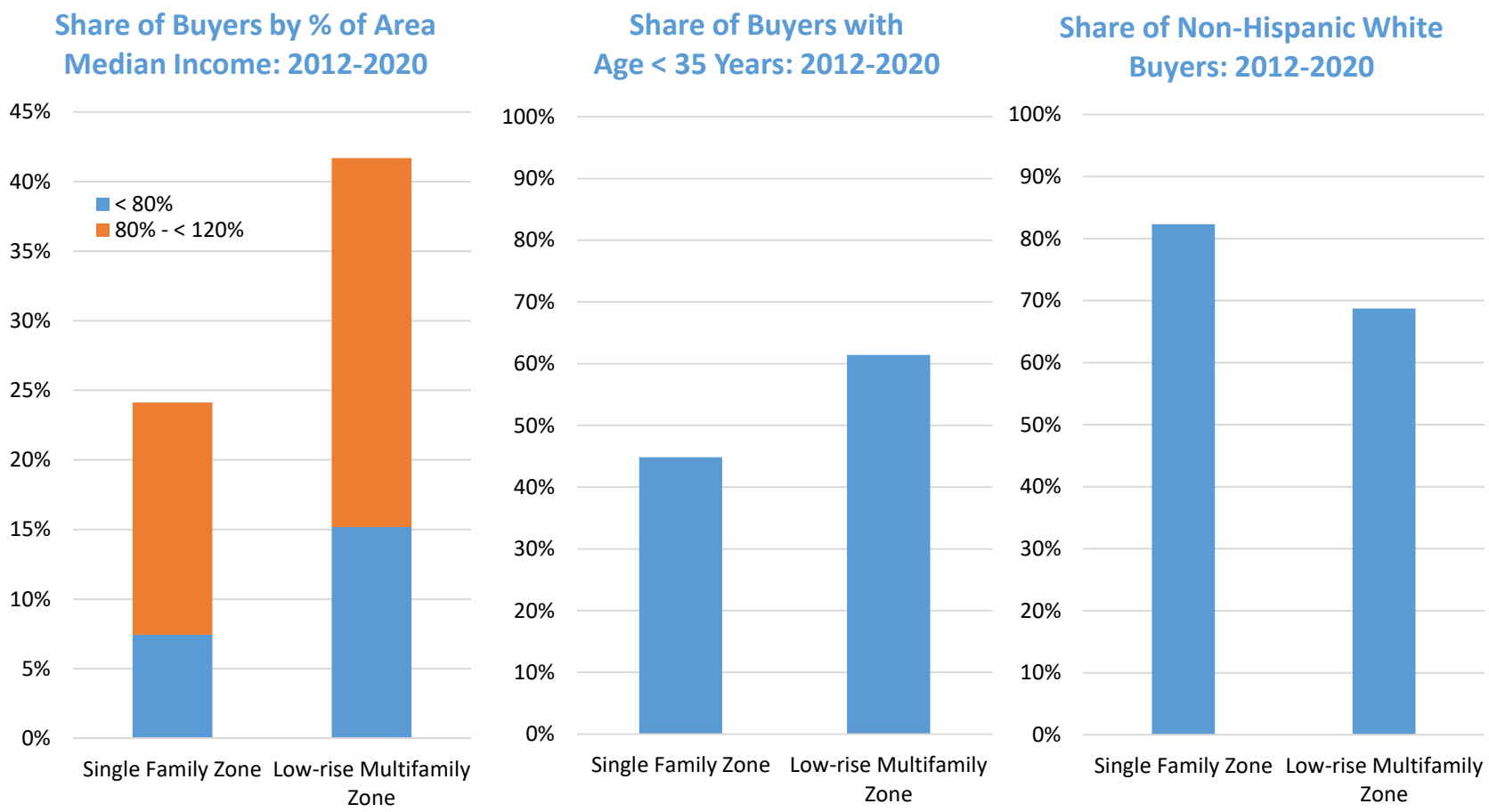
Source: AEI Housing Center, www.AEI.org/housing.

LTD in Seattle enables homeownership for a wider group of households

The lower prices in the LRM zone have enabled homeownership for a wider range of households across income levels, age ranges, and racial/ethnic backgrounds.

Around two-thirds of newly-built townhome units are owner-occupied, compared to less than 10% of newly built multi-family units in large buildings.



Note: Data only for single-family detached homes and townhomes.
Source: AEI Housing Center, www.AEI.org/housing.

Light-touch density unleashes a swarm of small-scale entrepreneurs

We analyzed 3,000 (of the 4,500) in-fill property parcels redeveloped over the period 1993-2022.

- Builders:
  - An estimated 975 unique builders/developers participated, with no one builder accounting for more than 2.3% of volume.
    - The nation's 19 largest builders did not participate.
- Financing:
  - About 30% of parcels were cash financed, the rest was financed.
    - 408 unique lenders accounted for 70% of construction financings.
    - Of those involved with 23 or more parcels, banks financed 71% (15 banks in total, largely small and medium sized ones).

Type of Financing	Share
Cash	30%
Construction Loan	33%
Seller Financing	20%
Institutional Lender Financing	17%
Total	100%

Top 5 Lenders	# of Financed Parcels
Blueprint Capital	205
Golf Savings Bank	182
Frontier Bank	110
Sterling Savings Bank	88
1st Security Bank	87

Top 5 Builders /Developers	# of Conversions	Share
Isola Real Estate LLC	70	2.3%
MRN Homes	55	1.8%
Powell Home Builders Inc.	53	1.7%
Soleil LLC	49	1.6%
Howland Homes	47	1.5%

Note: We analyzed 3,000 of the 4,500 in-fill property parcels redeveloped over the period 1993-2022. For this small-scale development:
Data are for home sales between 1993-2022. This study focuses on, for each conversion, the original purchase by the builder/developer and the financing.
Source: AEI Housing Center, www.AEI.org/housing.

Seattle tried to micromanage the process, and failed miserably

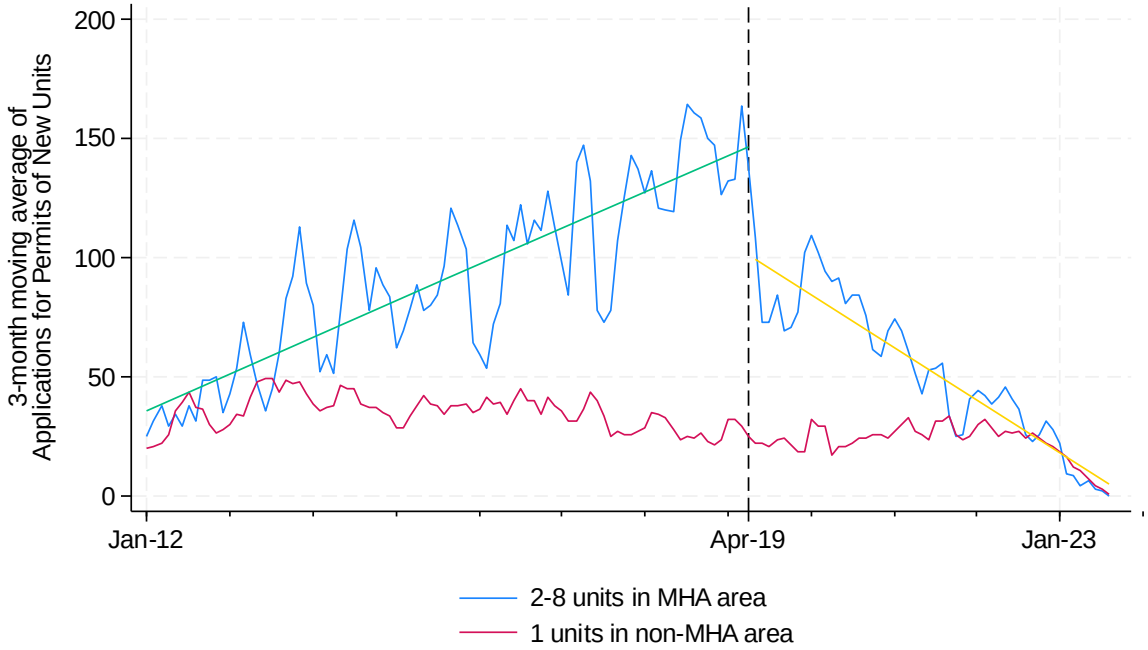
In 2019, Seattle passed the Mandatory Housing Affordability (MHA) program with the goal of creating thousands of new subsidized housing units made affordable through fees on development, while also boosting housing production overall. **It is on track to destroy Seattle's progress.**

Builders have a choice between designating a certain number of units as income-restricted or paying a hefty fee.

"Based on a 2021 survey of [builder trade group members in the area], the average MHA fee per townhome unit is $32,743, or $130,972 for an average four-unit project. This fee roughly doubles townhome predevelopment costs."

As a consequence, new permits for townhomes have dropped precipitously, while they have remained about unchanged for the control group. Many of the far-ranging consequences are summarized in an excellent report "The Decline of Seattle Townhomes Under MHA."

The lesson is that reform needs to follow the KISS (Keep It Simple Stupid) principle.



HUD's Regulatory Barriers Clearinghouse assessment of Seattle's MHA highlighted the creation of hundreds of new affordable units since its inception in 2019. It failed to account for the unintended consequence of the thousands of units that were not built because of MHA.

Source: City of Seattle, HUD, and AEI Housing Center, www.AEI.org/housing.

Instead, it should have zoned more areas for Light-touch Density

The goal of the 1990s reform was to create "attractive urban living environments replete with parks, shops, and restaurants, and a convenient mass-transit system."

Many SF zone neighborhoods fit that bill today.

Currently, there are about 45,000 SFD units in various parts of the SF zone that are highly walkable (defined as being within a 10-minute walk of at least 15 amenities of daily life such as coffee shops, hardware stores, pharmacy or drug stores, restaurants or bars, or supermarkets). Zoning them for LRM **may perhaps add a net of 90,000 new units over the next 20-30 years** – or about a quarter of Seattle's total housing stock.

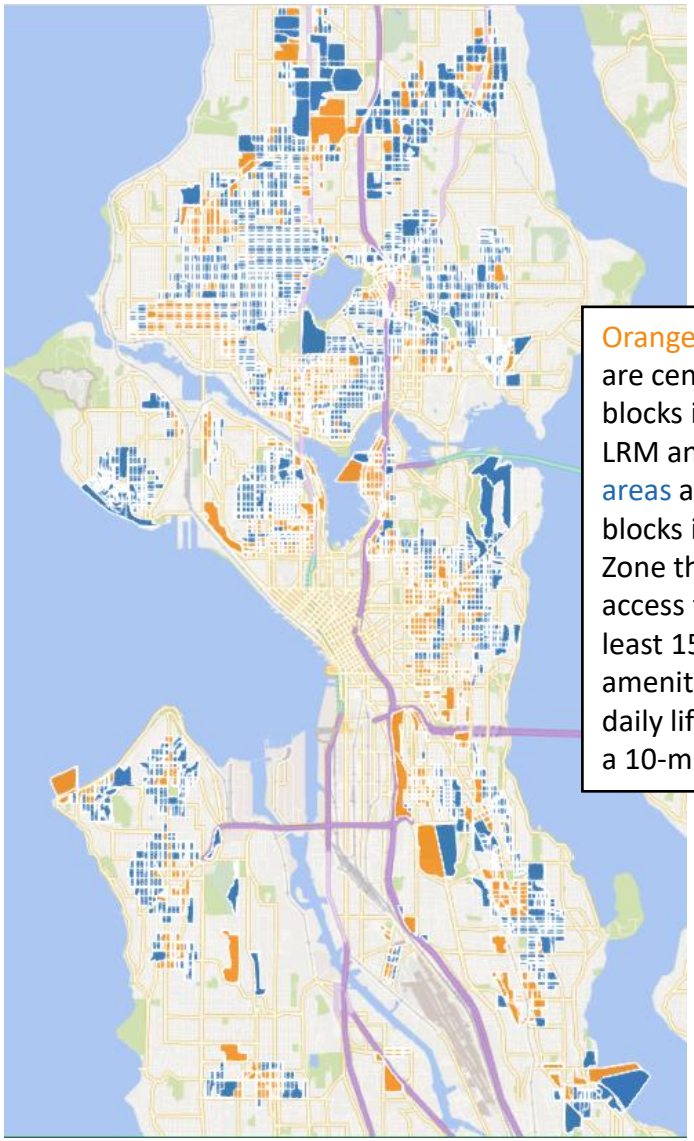
By contrast, in the LRM zone only about 8,500 single-family detached (SFD) homes remain limiting its potential to maybe **net 17,000 new units over the next 20-30 years**.

Given strong economic growth, **Seattle needs to build more housing** to allow housing to be broadly affordable in Seattle.

This demonstrates that Light-touch Density done more broadly – and not just in the LRM zone – would be effective in meeting Seattle's housing needs.

Note: Light-touch density infill estimates at the county level for most of the country are available at https://heat.aeihousingcenter.org/toolkit.
Source: AEI Housing Center, www.AEI.org/housing.

Census blocks that would be suitable for light-touch density conversion due to their amenities



Orange areas are census blocks in the LRM and blue areas are blocks in the SF Zone that have access to at least 15 amenities of daily life within a 10-min walk.

Several McMansion conversions in the SF zone

In the SF zone, older homes are also getting replaced with newer and larger ones – albeit at a much slower pace and a much higher individual cost.

Top picture: as seen in 2008

Bottom picture: as seen in 2019

In the SF zone the highest and best legal use is a McMansion conversion. It is the only economically viable choice. For a lot worth about $750,000, the construction cost of a conversion needs to be about $1.5 million.

This yields a new home with almost 4,700 sq. ft. in GLA. It sells for about $2.25 million, while the original home may have been valued today at around $1 million.

If higher density were allowed, this parcel could have been converted to three townhomes with a per-unit price of around $1 million.

Source: Redfin, Zillow, and Google.

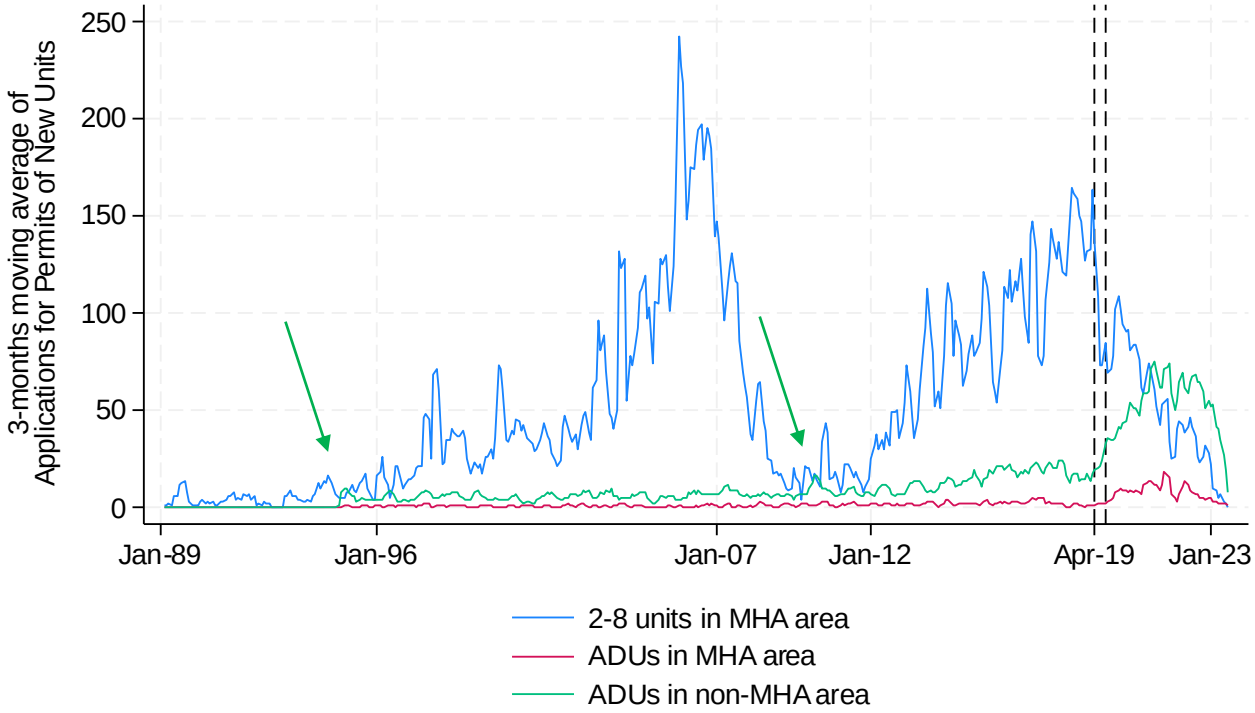
Under highest and best use, ADUs are only a second-best alternative to LTD

Seattle legalized ADUs in 1994, but the rules were cumbersome until limited reform in 2010.

ADUs were being built to some degree in non-MHA areas (green line), but not in MHA areas (red line). Thus in MHA areas, infill townhome conversion was the market's preferred option because it represents a higher and better use.

That all changed with the introduction of the MHA in April 2019 and new ADU regulations that took effect in August 2019, which have unleashed ADUs in non-MHA areas.

While townhome permitting has fallen off a cliff, small-scale builders have likely shifted to building ADUs in non-MHA areas. Presumably either because the there are fewer opportunities for ADUs in MHA areas (because of prior infill conversion) or because they are preserving higher quality lots for a time after the MHA.



Source: City of Seattle, Seattle Times, and AEI Housing Center, www.AEI.org/housing.

* The four tests of highest and best use are: (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) most profitable. https://www.workingre.com/highest-best-use-analysis-2/

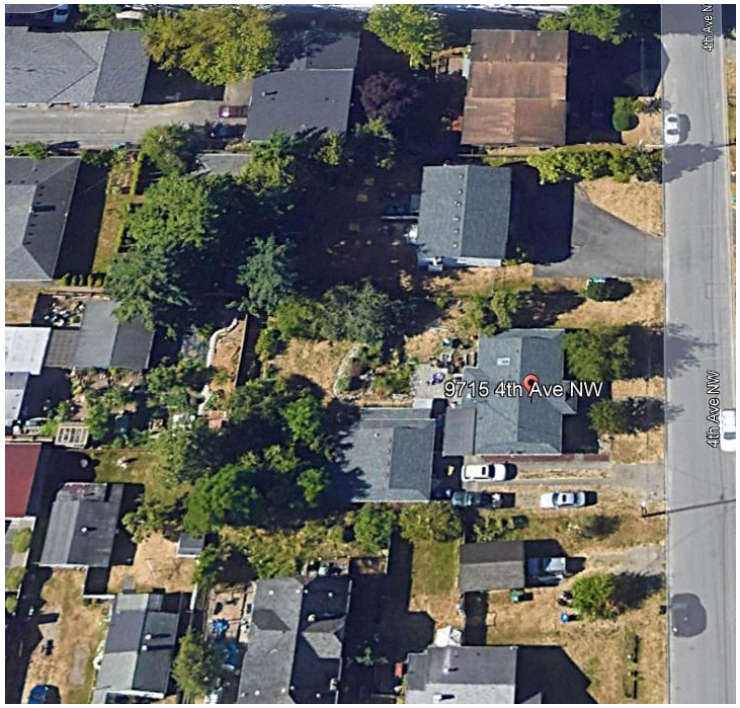
ADUs are only a second-best alternative to LTD (cont.)

The market will find creative ways – when possible.

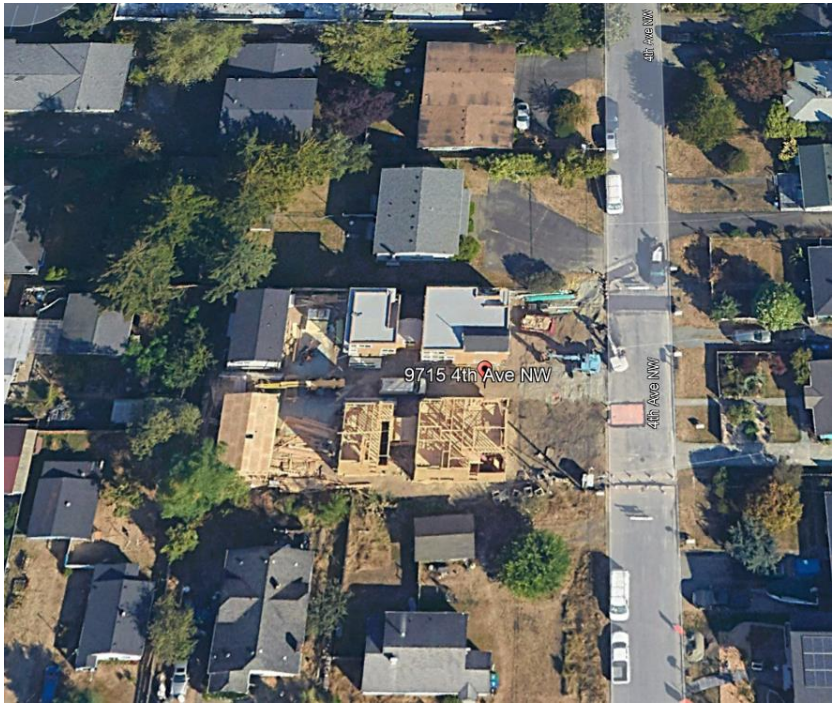
One example from 9715 4th Ave NW, Seattle, WA 98117.

- Original lot of about 12,000 sq. ft. was subdivided into two halves.
- On each half, a developer is now building a detached home with 2 detached ADUs.
- While this has created a total of 6 housing units, the lot could have easily supported 8 or more townhomes.

Before



After



Source: Google and AEI Housing Center, www.AEI.org/housing.

Contrasting outcomes of LTD and TOD

If the goal is to bring in new homeowners so that they can build intergeneration wealth, then adding LTD to residential areas, particularly in Walkable Oriented Development (WOD) areas, is a superior solution than adding units around transit stops [or transit-oriented development (TOD)].

The results from Seattle city, which has attempted both, show why:

- Seattle has built 49,000 housing units in buildings with 50+ units since 2000. These units are generally located near transit-rich, dense areas with high land prices. Newly built TOD units are small (generally 0.8 bedrooms) and are almost entirely rental (91%) to the exclusion of owner-occupied units (9%). Thus, they do not allow people to build equity.
- Seattle has built 18,000 LTD units (mostly townhomes) since 2000. These units are in areas, where land is less expensive. Newly built LTD units have 1-3 bedrooms and are inclusionary with a mix of owner-occupied (65%) and rental units (35%). While their rents are like those of TOD units ($2,000 & $1,800 respectively), LTD units rent for less than half on a bedroom adjusted basis.

A preference for TOD policies for another two decades will materially depress the city's homeownership rate.

	Structure Type					Total
	SF-Det	SF-Att & 2-4	5-19	20-49	50+	
Total Housing Stock	136,000	38,000	43,000	40,000	73,000	330,000
built 2000 - 2022						
# of Units	15,900	18,100	5,800	13,600	49,000	102,300
as % of Housing Stock	5%	5%	2%	4%	15%	31%
Homeownership Rate	85%	65%	25%	11%	9%	32%
Avg. # of Bedrooms	2.9	2.1	1.5	0.9	0.8	
Median Rent	$2,100	$2,000	$1,600	$1,600	$1,800	
per bedroom	$700	$1,000	$1,100	$1,800	$2,300	

Source: ACS 2021 Microdata, and AEI Housing Center, www.AEI.org/housing.

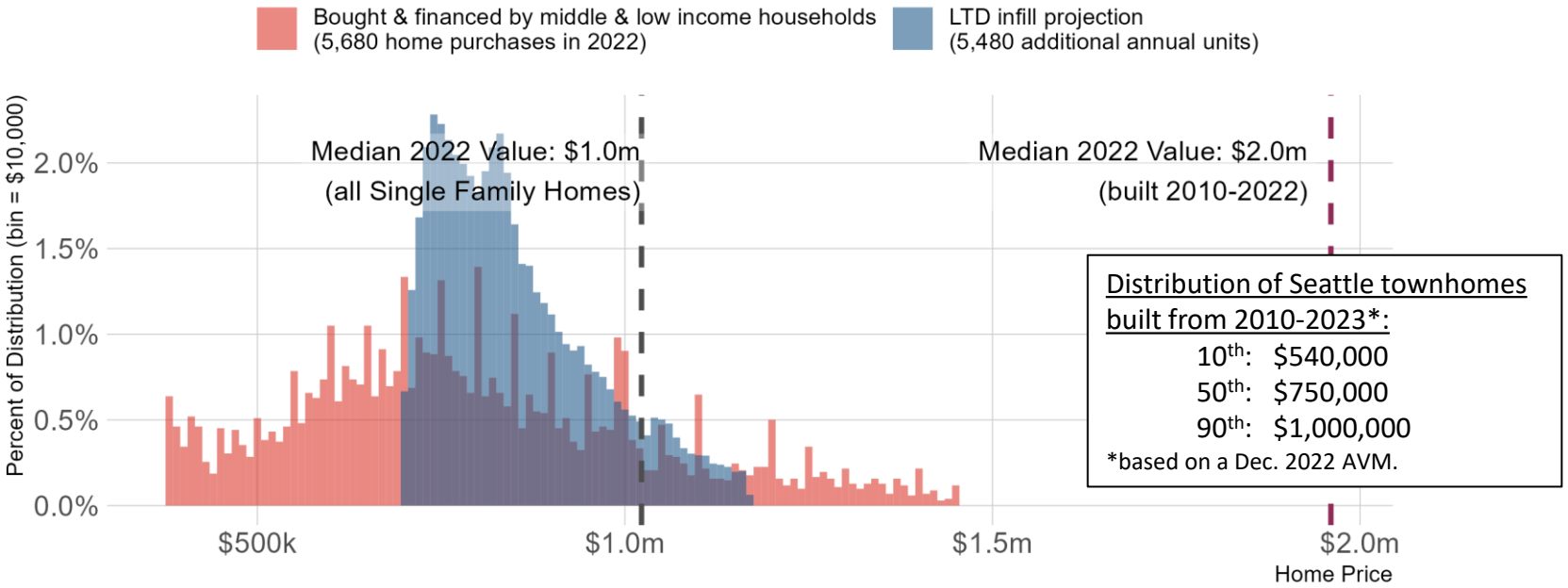
Seattle's Light-touch Density would be naturally-affordable

We estimate that 90% of new LTD townhome/2-8 plex units in Seattle would be valued between $700,000 to $1.0 million, with a median of $750,000. (All valuations on this slide are for Dec. 2022.)

- These values (blue bars) are within the range of 2022 purchases by low- and middle-income households (red bars).
- Most of these values are below the median value of $1.0 million of the current housing stock and they are also less than half of the value of new single-family detached (SFD) homes built over the last 12 years.
- The lower price point is achievable by using land more efficiently and building units of around 1,500 sq. ft.
- These LTD prices are attainable, since the median value of recently built Seattle townhomes is $750,000.

Boosting middle and low income housing in Seattle city

Light-Touch Density would reduce housing pressure by creating **5,910 additional annual homes** generally affordable to **middle and low income households**



Total annual LTD homes includes the addition of 5,480 infill units, 390 ADUs, and 40 greenfield homes.
Middle and low income households: earning less than 120% of county median income in 2022.
LTD projections based on a max of four units, per existing SFD lot, or eight units if within a Walkable Oriented Development.
Trimming the top and bottom 5% of each distribution. More information at heat.aeihousingcenter.org.
Single family homes includes attached, detached, and condos. Source: AEI Housing Center, HMDA, Public Records.

The path ahead for Seattle

- Seattle long-standing urban village strategy is currently under review as part of its "One Seattle Plan 2035 and Urban Village Update Process". https://www.seattle.gov/opcd/one-seattle-plan

- As part of this review, Seattle has identified the need to:
  - Increase Seattle's homeownership (HO) rate, especially for Black, Indigenous, and other people of color.
  - Address the high cost of housing in Seattle, which is negatively affecting the ability for low-income people to become homeowners and build wealth.
- As of 2021, Seattle's HO rate was 47%, with a total stock of 330,000 units.
  - Of the 18,000 townhomes built since 2000, about 12,000 were owner-occupied (HO rate of 65%).
  - Of the 49,000 units in 50+ buildings built since 2000, about 4,500 were owner-occupied (HO rate of 9%).
- Due to Seattle's MHA, much fewer townhomes will be built over the next 20 years. The city is still building 50+ buildings and ADUs, but they have much lower HO rates. This current policy approach will add housing units (perhaps as many as 100,000), but it will meaningfully depress the HO rate over time. (We estimate that it may drop as low as 42%)
- On the other hand, the city can meet its identified needs through light-touch density.
  - In implementing state bill HB 1110, Seattle should legalize up to 8 units in walkable oriented development areas (an expansion of its Urban Village approach) and up to 4 units in the rest of the city.
  - It should also exempt townhome and 2-8 unit construction from its MHA program requirement.
    - We estimate that the result would be to increase the HO rate to 50% and add as many as 165,000 homes.
    - This is 65,000 more homes than from Seattle's current approach.
    - The number of homeowners would increase from 154,000 to 254,000 (65% increase).
- **The solution is to combine LTD with the KISS (Keep It Simple Stupid) principle.**

Items that violate the KISS principle

- **Low maximum floor-area ratio (FAR) requirements**
  - While Minneapolis up-zoned across the board, it left FARs at 50%. On a 6,000 sq. ft. lot, it's hard to build a duplex or triplex.
- **High minimum lot size requirements**
  - Oahu and Ridgefield Park require twice as much land to build a duplex than a SF home.
- **Outsized parking or other requirements that increase construction costs or de facto prevent building LTD entirely.**
  - Ridgefield limits duplex construction to a up-down rather than the more popular side-by-side duplex.
  - Ridgefield mandates a minimum ceiling height on basement ADUs.
  - Ridgefield Park's minimum lot size for a two-unit structure is 10,000 sq. ft. but the average lot size is 5,600 sq. ft.
  - Ridgefield Park limits maximum building coverage of a two-unit structure to 2,500 sq. ft. and the maximum number of floors any structure can have to two. There must be at least four parking spaces for each two-unit dwelling.
  - Arlington allows a total of 285 permits over 5 years, while we think about 2,300 could be needed, which could generate almost 12,000 net new units.
- **Income limits and affordable housing fees and mandates**
- **Inclusionary zoning**
- **Rental bans or rent control**
- **Owner-occupancy requirements**
- **Impact fees**
- **Anything not required for single-family homes**

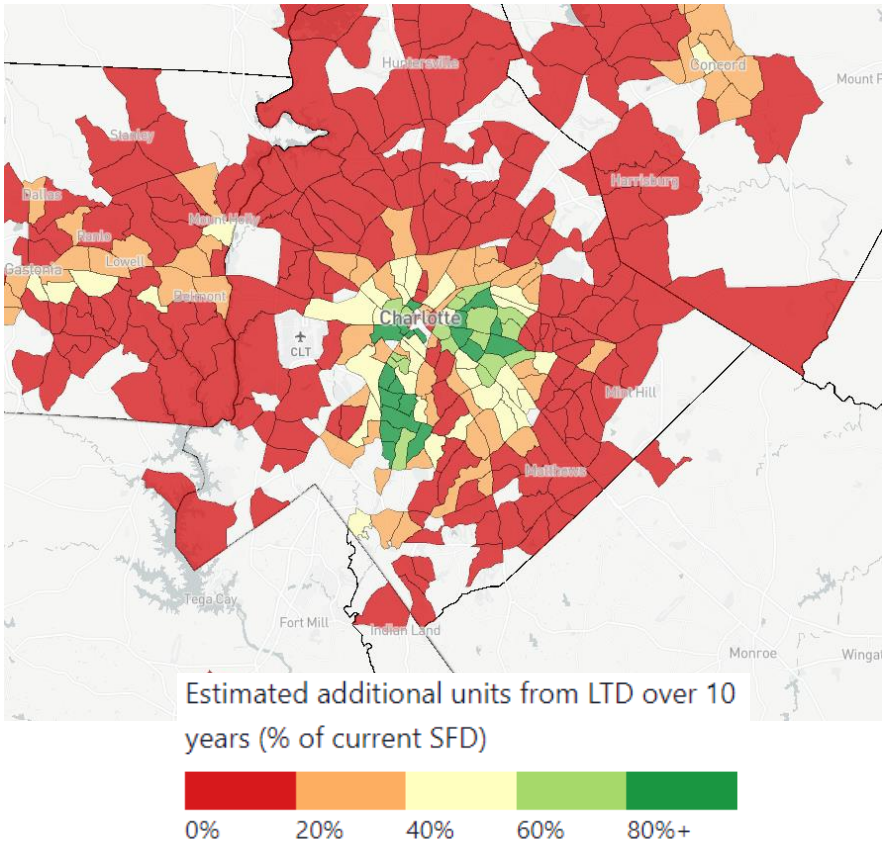
Source: Google, Zillow, AEI Housing Center, www.AEI.org/housing.

Appendix

Mapping the infill potential for the nation

All maps are available free at our website:
https://heat.aeihousingcenter.org/ltd-map

From LTD opportunities at the census tract level…



…to LTD opportunities at the property level.

Note: Estimate is preliminary as it is based on single family detached homes rather than parcels that are zoned SFD. Also, census tracts are used as a proxy for neighborhoods.
Source: AEI Housing Center, www.AEI.org/housing.

How to build a winning coalition around Light-touch Density?

Group	How WOD appeals to them
Builders, Realtors, & Bankers	More homes to build; more homes to sell; more loans to originate.
Environmentalists	Limits urban sprawl, reduces vehicle emissions; environmentally friendly new homes; avoids McMansions.
Market and deregulation oriented, fiscal conservatives	Minimal infrastructure spending compared to greenfield development. Deregulation increases property rights and speeds building. Private sector driven, little need for subsidies.
Homeowners	All else equal, property values will increase as the land has more value because it can be converted to a higher and better use, but the cost of land per newly built housing unit goes down; provides housing opportunities for one's children and grandchildren. Lower property taxes.
NIMBYs	Less opposition: limited to a predefined, relatively modest area which already has mixed use, avoids high-rise development; and offers a range of housing options for one's children and grandchildren.
Taxpayers	Prospect of lower taxes due to increased commercial activity and a broader residential tax base with minimal outlays for new infrastructure.
Local businesses/Chamber of Commerce	Offers a larger customer base and makes it easier to attract the additional workers able to live in the WOD. Benefits from lower taxes.
Municipalities and states	Provides additional tax revenues, rehabilitates and strengthens neighborhoods, promotes economic development, limits sprawl, uses existing infrastructure (sewers, utilities, streets, sidewalks, street lights, schools, trash collection, parks, fire and police.)
Services workers	Increased housing opportunity to live and work in the same area due to reduced commuting costs and wider range of home prices and rents. 48% of jobs <$40,000 located in WODs.
Employers	Need affordable workforce housing. Establish satellite offices and flexible work spaces in WOD areas located near employees' homes.

Source: AEI Housing Center, www.AEI.org/housing.

Arguments for allowing moderately higher density particularly around walkable areas

- Market-driven: benefits small scale developers and homeowners
- Restores property rights
- Offers gradual change and avoids unintended consequences
- Addresses need for more affordable housing
- Enhances walkability and provides vibrancy to commercial areas
- Fiscally responsible
- Broadens the tax base, which may allow tax rates to fall
- Helps local businesses
- Replaces functionally obsolete homes with low energy efficiency and deferred maintenance
- Meets the need for more workforce housing
- Reduces displacement pressures that price out residents and increase homelessness rates.
- Reverses zonings sordid history
- Helps service sector workers by bringing them closer to jobs
- Opens up areas of opportunity for households otherwise priced out of high-amenity neighborhoods
- Will eventually create housing type and home price diversity
- Enables children and grandchildren to buy a home and live in desirable areas

Source: AEI Housing Center, www.AEI.org/housing.

History of Zoning in Seattle, WA.

Pre-1920s:
Few zoning restrictions; multifamily and single-family detached housing exist side-by-side as determined largely by economics. Today we call this Light Touch Density.

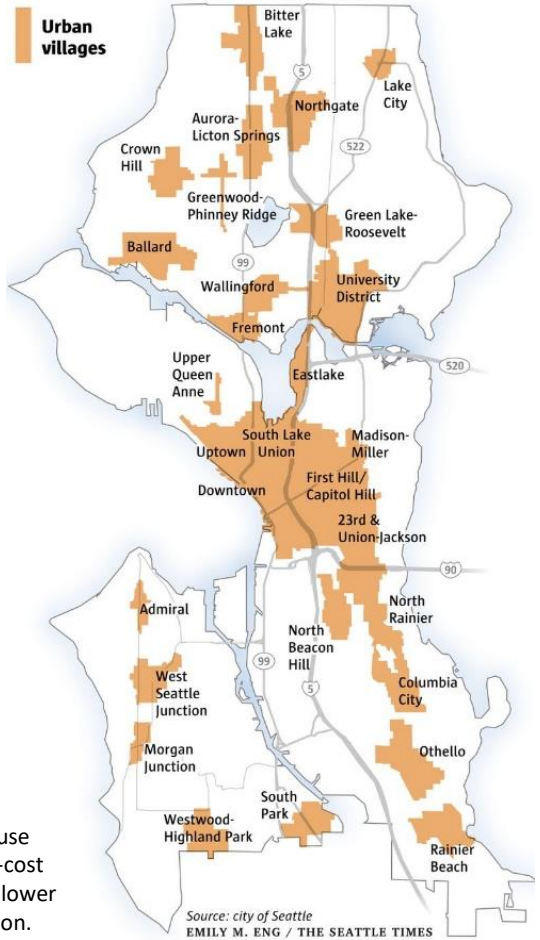
Beginning in the 1920s:
Zoning ordinances restricted large swaths of the city to single-family detached housing with the goal of excluding Blacks and low-income ethnic groups by making these neighborhoods unaffordable.*

During the 1990s:
Due to spiraling home prices, city establishes "Urban Villages" as a political compromise to add new housing, while leaving large swaths of the city for single-family zoning.

The goal was to "creating attractive urban living environments replete with parks, shops, and restaurants, and a convenient mass-transit system" of varying levels of density.**

At the time, the plan faced pushback that people would not want to live in denser communities. Demand is clearly present as this policy change has led to the conversion of thousands of single-family detached homes to many more thousands of townhomes in the LRM zone.

Map: Seattle Urban Villages



* This was a national effort undertaken with the guidance and encouragement of the federal government. As a result exclusionary zoning ordinances were enacted across most of the nation in the 1920s and 1930s. Zoning districts and land use restrictions were used to separate higher-cost neighborhoods, consisting of single-family detached dwellings, from lower-cost neighborhoods with lots of rental units. The legacy of slavery and discrimination meant that African Americans had much lower incomes and wealth than white Americans. Exclusionary or economic zoning was used to further entrench racial segregation. For more, see https://www.aei.org/light-touch-density/. For a similar history specific to Seattle see: https://www.sightline.org/2018/05/23/this-is-how-you-slow-walk-into-a-housing-shortage/

** "The plan defines three categories of urban villages: Five areas would be dense, commercially oriented 'urban centers' where 45 percent of the city's 60,000 anticipated new housing units would be built over the next 20 years. Seven less-dense 'hub urban villages' and 17 'residential urban villages' would account for another one-third of expected growth. Today, there is not a perfect overlap between the LRM and all the urban villages.

Source: Cristian Science Monitor, Seattle Times, Sightline Institute, City of Seattle, AEI Housing Center, www.AEI.org/housing.

Townhome example

Townhomes with 1,750 sq. ft. on 1,250 sq. ft. lots in Seattle. The density for these lots is about 32 units per acre with a floor to area ratio of 140%.

Source: Redfin, Zillow, and Google.

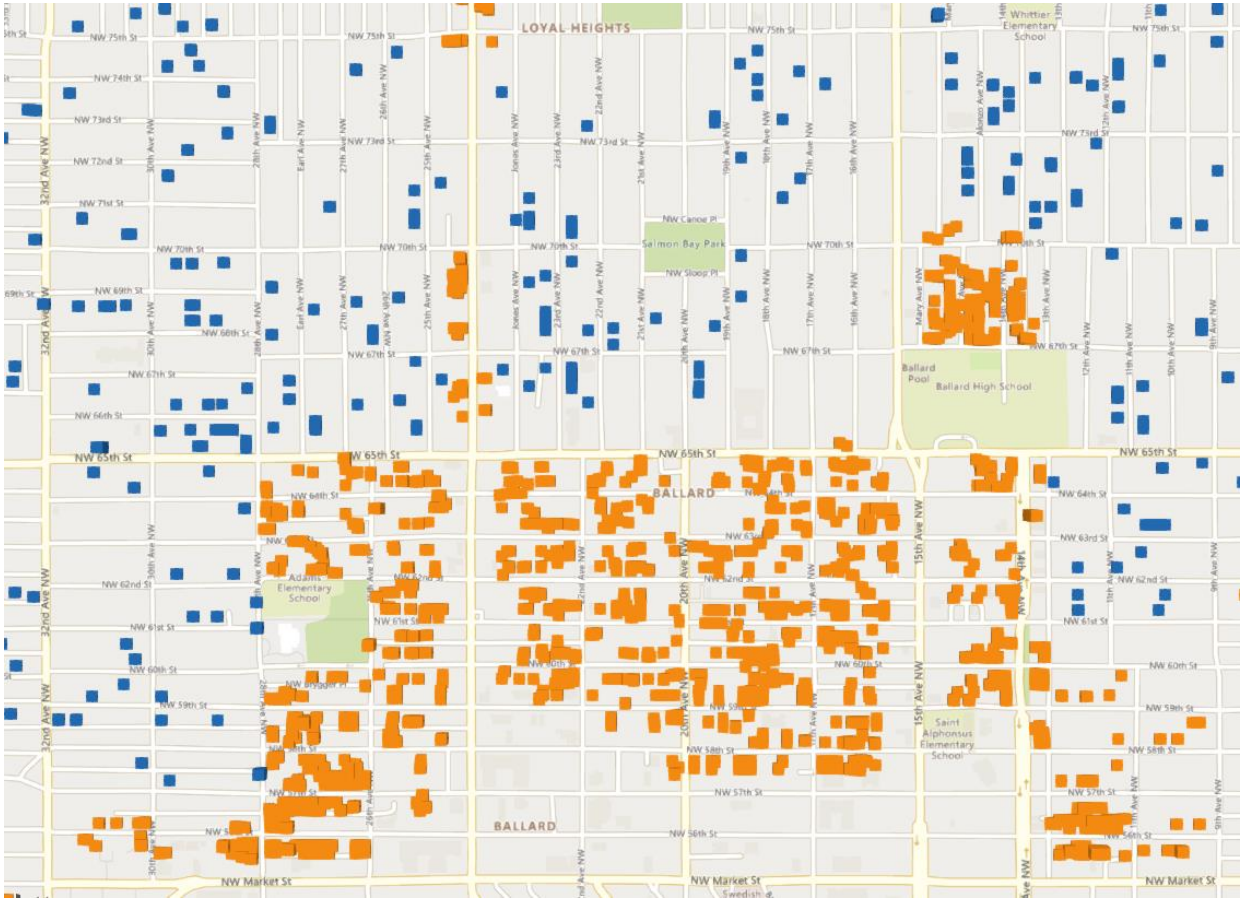
LRM zone neighborhoods are changing in physical form

Neighborhoods change on their own. Older homes are constantly replaced with newer homes.

Homes in Seattle's LRM zone have changed at a quicker pace than homes in the SF zone.

If more neighborhoods were opened up for development, then the change could be spread among a much larger area, mitigating the rapid change.

Homes built since 2000 (each square is a home)



Orange squares are homes built since 2000 that is in the LRM and blue squares are homes built since 2000 in the SF Zone.

Source: AEI Housing Center, www.AEI.org/housing.

What is the hidden potential of modest Light-Touch Density zoning changes?

The LRM zone is not fully built out, with about 8,500 single-family detached (SFD) homes remaining. At a conversion rate of 3 units to 1 and at the current pace of conversion of about 300 per year, **an estimated net 17,000 new units might be added over the next 20-30 years** – or an additional 12% to the total stock in the SF and LRM zones combined.

Given strong economic growth, **this likely won't be enough** to allow housing to be broadly affordable in Seattle.

The goal of the 1990s reform was to create "attractive urban living environments replete with parks, shops, and restaurants, and a convenient mass-transit system."

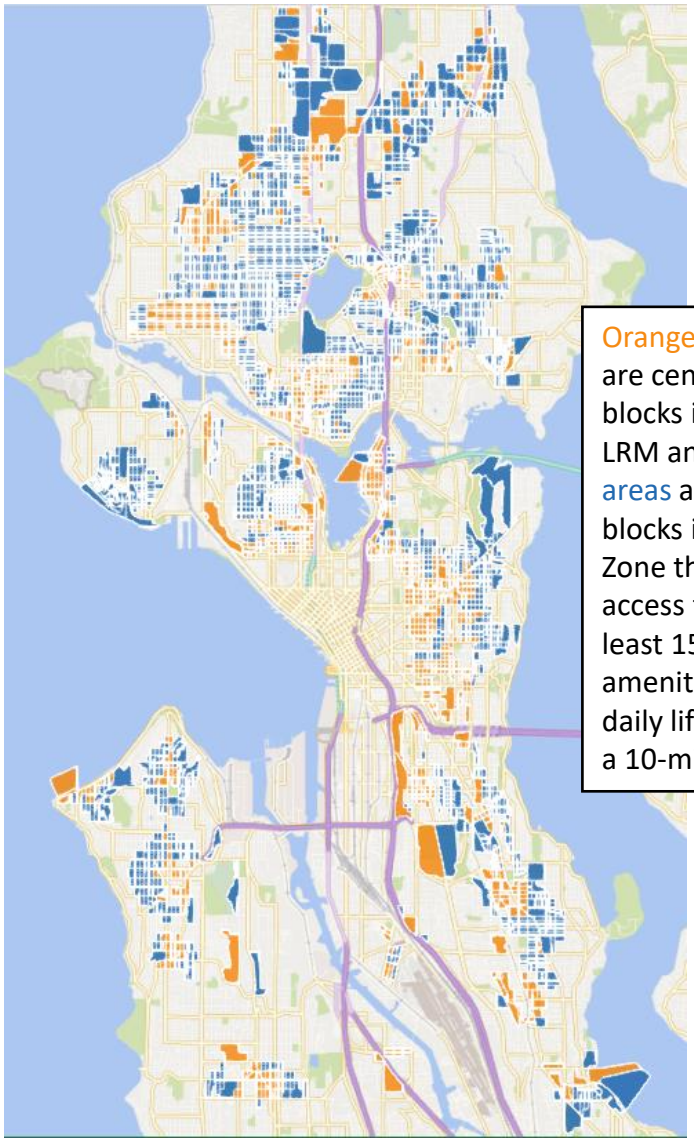
Many SF zone neighborhoods fit that bill today.

Currently, there are about 45,000 SFD units in various parts of the SF zone that are highly walkable (defined as being within a 10-minute walk of at least 15 amenities of daily life such as coffee shops, hardware stores, pharmacy or drug stores, restaurants or bars, or supermarkets). Zoning them for LRM would increase the stock of convertible SFD units six-fold, which **may perhaps add a net of 90,000 new units over the next 20-30 years**.

This demonstrates that Light-Touch Density done more broadly – and not just in the LRM zone – would be effective in meeting Seattle's housing needs.

Note: Light-touch density infill estimates at the county level for most of the country are available at https://heat.aeihousingcenter.org/toolkit.
Source: AEI Housing Center, www.AEI.org/housing.

Census blocks that would be suitable for light-touch density conversion due to their amenities



Orange areas are census blocks in the LRM and blue areas are blocks in the SF Zone that have access to at least 15 amenities of daily life within a 10-min walk.

How to address common concerns among current homeowners

My property value?

- Home price appreciation in the LRM zone has been on par with the SF zone over the last decade.
- One added benefit for property owners in the LRM zone is the optional value of being able to convert your home to a higher and better use.

Infrastructure cost?

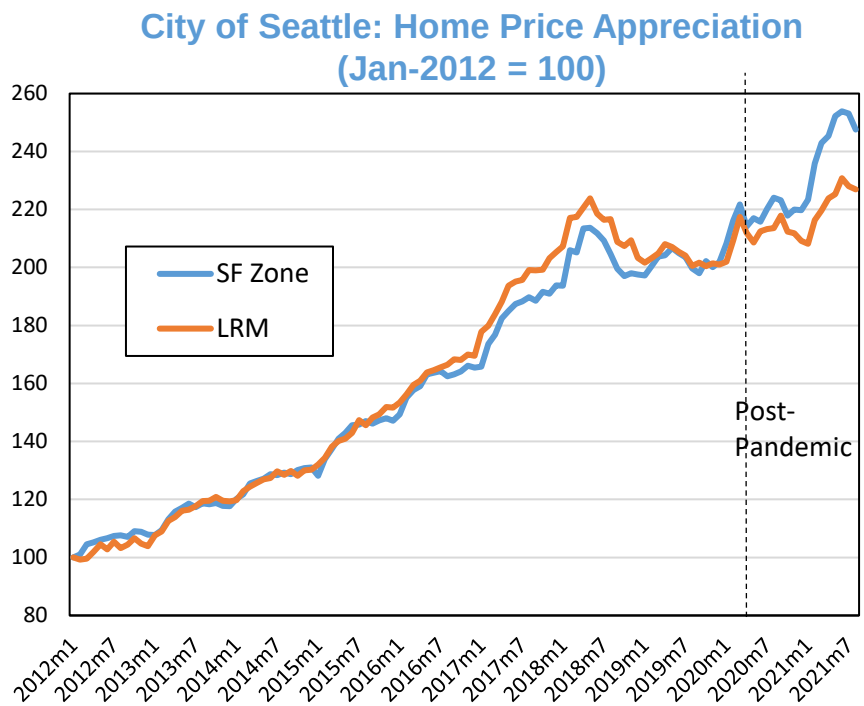
- After 50 years or so, most infrastructure needs to be replaced anyway.
- The large majority of the housing stock in the SF zone was built before 1970.
- Higher density increases the city's tax base, which helps offset the cost and fund infrastructure improvements.

Overcrowding?

- Family sizes have shrunk over time.

Change of the neighborhood and trees?

- The conversion of single-family detached homes to townhomes is gradual, with 2% of homes being converted a year.
- Replacing small homes with McMansions often eliminates the tree canopy, alters the neighborhood character, and affects the composition of who can afford to live in the neighborhood.



The chart shows that the constant-quality home price appreciation (HPA) was about identical between the Low-Rise multifamily (LRM) and the Single-Family (SF) zones until the start of the pandemic.
Since then HPA trends have slightly diverged due to a desire for more living space and larger lots. Time will tell whether this HPA differential remains.

Source: AEI Housing Center, www.AEI.org/housing.

The power of LTD to expand homeownership opportunities

As of 2021, Seattle city has a homeownership (HO) rate of 47% and a total housing stock of 330,000 units.

- Scenario 1: Continue with the current residential construction of the last 20 years for the next 20 years
  - Of the newly built units, an estimated 19,000 would be owner-occupied and 67,000 would be rentals.
  - The HO rate would fall to 42%, and the housing stock would increase by 100,000 to 430,000 units.
  - The number of owner-occupied households would increase from 154,000 to 174,000 (13% increase).*
- Scenario 2: Expand the LRM to WODs (for simplicity assumes no new buildings with 50+ units)
  - As previously mentioned, there are about 45,000 SFD units in various parts of the SF zone that are highly walkable. Zoning them for LRM may add an estimated 90,000 net new units over the next 20-30 years – almost 2x what Seattle added with 50+ unit structures over the last 20 years.
  - Of the newly built units, an estimated 60,000 would be owner-occupied & 30,000 would be rentals.
  - The HO rate would stay at 47%, and the housing stock would increase by 87,000 to 417,000 units.
  - The number of owner-occupied households would increase from 154,000 to 197,000 (28% increase).
- Scenario 3: Expand LRM to all SF areas (for simplicity assumes no new buildings with 50+ units)
  - There are about 136,000 SFD units with a 85% HO rate. If those were replaced at a rate of 40%, an estimated 180,000 net new units may be added over the next 20-30 years – about 4x what Seattle added with 50+ unit structures over the last 20 years.
  - Of the newly built units, an estimated 120,000 would be owner-occupied and 60,000 units would rental.
  - The HO rate would increase to 50%, and the housing stock would increase by 165,000 to 495,000 units.
  - The number of owner-occupied households would increase from 154,000 to 254,000 (65% increase).

To help more residents afford homeownership and build wealth, the City of Seattle should allow LTD in more parts of the city, or better yet, throughout the whole city. TOD alone has been insufficient in reducing price pressures and relying on it only will lower the homeownership rate over time.

* Over 60% of the increase in homeowners is coming from LTD.
Note: All scenarios assume the same HO rates by structure type as for those built between 2000 and 2020. Scenarios 1-3 assumes that construction for 5-49 unit structures continues on the same pace as from 2000-2020 and that any SFD development only replaces a current unit.
Source: ACS 2021 Microdata, and AEI Housing Center, www.AEI.org/housing.

AEI Housing Center

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