

Open for all? Booming Seattle struggles to stay affordable

The Emerald City has no wish to become another San Francisco

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FOR the third consecutive year, Seattle has the most cranes in operation of any city in America—three times as many as New York. Long a placid, drizzly company town, the place is booming. Since 2010 Seattle has grown more quickly than any other large American city, thanks in part to the success of Amazon and Microsoft, two local technology firms. Entrepreneurs are flocking there, repelled by the obscene costs of San Francisco.

But the pathologies of the Bay Area may not be far behind. Rents have shot up and homelessness is common. “We are not a welcoming city in the way Seattle has historically been,” says Mike McGinn, the former mayor. The boom shows little sign of abating, meaning that Seattle has only a few years before it contracts a case of full-blown San Francisco. Either the city will cleverly manage its growing prosperity, or it will become inaccessible to ordinary people. The Emerald City would be turned into a gilded fortress.

A single-family residence now rents for \$2,600 per month, on average—25% more in real terms than five years ago, according to data from Zillow, a property website. That is less than the peak price of \$2,870 reached in September 2017. In fact, it is the largest drop in rents seen in any of America’s 100 largest cities. Much of the decline is owing to the frantic pace of building visible in parts of the city. Seattle added 8,750 units of housing last year, nearly double San Francisco’s count. Another 22,000 units have been approved.

Better than other highly successful cities, Seattle grasps the fact that property prices are driven by supply and demand. Americans can move freely, and demand for urban living is enormous. Yet supply remains tightly constrained by local zoning rules and limits on building heights and density. The resulting artificial scarcity, enforced by the government, inflates prices, benefiting homeowners. The overall costs to society are staggering. Research by two economists, Chang-Tai Hsieh and Enrico Moretti, estimates that removing excessive regulations in just three cities—New York, San Francisco and San Jose—could boost America’s GDP by 9% because more people could move to them.

In Seattle, as in other cities facing similar problems, three camps have emerged. The first contains urbanists and developers who want to build more homes. In the second camp are homeowners, who fear that new housing will depress property values. If new building is to happen, these NIMBYs would prefer it to happen elsewhere. The third camp is occupied by the urban left. Its members are keen on public housing but suspicious of unfettered private building, which they see as a handout to developers.

In California socialists and affordable-housing activists called PHIMBYs—which stands for “public housing in my backyard”—joined NIMBYs to oppose legislation that would have greatly expanded market-rate development in San Francisco. “In Seattle the NIMBYist-Trotskyite alliance is the default political alignment,” says Alan Durning, executive director of the Sightline Institute, a local think-tank.

Seattle’s proposed solution to this deadlock, unveiled in 2015, is known as the “grand bargain”. It would reduce restrictions and unleash building on big patches of city. In exchange, developers would have to reserve a few units

for renting below the market rate or pay into an affordable-housing fund. Such schemes, known as “inclusionary zoning”, are increasingly common in progressive American cities. They can lead to more mixed districts and placate left-wing critics. But they are not without problems.

By reducing future earnings, inclusionary zoning acts as a tax on new development. If the affordability requirements are set too high, many new projects will not be built. Bill de Blasio, New York City’s progressive mayor, championed requirements that at least one-fifth of new units should be offered below the prevailing market rate. San Francisco sets the threshold as high as 30% and imposes a clutch of added “impact fees”. Developers complain that these fees suffocate all but the most lucrative projects—which then invite criticism as “luxury high-rises”.

Seattle has negotiated a more reasonable route by requiring between 5% and 11% of new units to be rented at below-market rates. Progressives think that too little. “It’s not in any way a substitute for a serious programme of affordability. We need rent control, social housing on a mass scale, and a full bill of renters’ rights,” says Kshama Sawant, a socialist member of the city council. “It’s all been led by what developers want, and by what corporate Seattle wants,” adds Tammy Morales, a community organiser in southern Seattle, who says the city is doing little about the displacement of poorer residents.

Any remaining goodwill towards Seattle’s building plan has also diminished after Amazon made a rare intervention in local politics. On May 14th the city council passed a “head tax” of \$275 per employee for firms with more than \$20m in annual revenue, in order to fund services for homeless people. Amazon, which employs more than 40,000 people in Seattle, promptly halted construction on one office tower and suggested it would sub-let another. A month later the city council tucked tail and repealed the tax. Progressives were furious. Ms Sawant, who (along with one other holdout) voted to keep the tax, called it a “serious betrayal”.

The perception that Seattle is becoming Amazon-town will make neighbourhood change, never easy, a harder sell. Implementation of the city plan, despite four years of consultation, has been slow. Restrictions are loosened in urban centres, leading to a building boom and a trickle of affordable housing. But only 6% of single-family neighbourhoods would be profoundly affected by the plan. And homeowners are digging in even against that. Mr Durning likens it to trench warfare.

For more than 50 years NIMBYs have swayed American city politics. They attend council meetings in droves and vote in low-turnout local elections. They explain why strange pockets of low-rise suburbia, frozen in time, can be found in the heart of many cities facing sharply rising rents, such as San Francisco’s Noe Valley, Seattle’s Queen Anne and Northwest Washington. Upsetting the entrenched power structure of cities is an exasperating, thankless task. But if they are to remain truly open to all, it will be necessary.

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