

Seattle Office of Housing
2017 Investment Report
Attachment 2

**Incentive Zoning and
Mandatory Housing
Affordability**

March 2018



TABLE OF CONTENTS

I. Incentive Zoning	1
A. IZ projects that selected performance, off-site development, or payment options in 2017	
B. IZ performance units in 2017	
C. IZ payment contributions in 2017	
D. Affordable housing supported by 2017 IZ payment funds	
B. Mandatory Housing Affordability	8
A. MHA projects that selected performance, off-site development, or payment options in 2017	
B. MHA performance units in 2017	
C. MHA payment contributions in 2017	
D. Affordable housing supported by 2017 MHA payment funds	
C. Office of Housing Investments Around Seattle	16
A. Rental Housing Investments (map)	
B. Homeownership Investments (map)	
C. Access to LINK light rail and location within urban center/urban village boundaries (map, table)	
D. Access to frequent bus and train service (map)	
E. Access to opportunity index (map)	
F. Displacement risk index (map)	



INCENTIVE ZONING PROGRAM PRODUCTION IN 2017

Seattle’s Incentive Zoning (IZ) program allows commercial and residential developers to achieve additional development capacity, in exchange for providing affordable housing units or making a payment to fund affordable housing in Seattle. IZ payment dollars are used alongside other City housing funds, such as Housing Levy funds, to produce and preserve affordable housing across Seattle. This report presents affordable housing units or funding dollars produced through the IZ program only; a full summary of City-funded affordable housing can be seen in the **Office of Housing 2017 Investments Report**.

Chapter 23.58A and Chapter 23.49 of the Land Use Code provide the regulatory framework for Incentive Zoning. Program requirements vary depending on the zone in which the development is located and the type of development proposed.

IZ Land Use Code References

Geography	Extra Residential Floor Area – Housing Bonus	Extra Nonresidential Floor Area – Housing Bonus
Eligible zones in Downtown Urban Center ¹	SMC 23.49.015	SMC 23.49.012
Eligible zones in South Lake Union and other areas	SMC 23.58A.014	SMC 23.58A.024

¹ In eligible zones in South Downtown, as defined on Map 1A for Chapter 23.49, extra residential floor area and extra floor area for hotel use is achieved according to SMC 23.58A.014.

A. IZ projects that selected performance, off-site development, or payment options in 2017

As an IZ project moves through the permitting and development pipeline, its affordable housing contribution must be approved by OH and the Seattle Department of Construction and Inspections (SDCI). This approval process occurs between a project receiving its Master Use Permit (MUP) and the issuance of its first construction permit after shoring and excavation. This table includes all IZ projects whose affordable housing contributions were finalized and approved in 2017.

Project Address	Performance, Off-Site Development, or Payment	Payment Amount Pledged	Performance Units Planned	Affordability Level	Urban Center or Village
1. 2100 7th Ave	Payment	\$9,022,688			Denny Triangle
2. 2031 3rd Ave	Payment	\$3,858,795			Belltown
3. 630 Boren Ave N	Payment	\$1,227,060			South Lake Union
4. 333 Dexter Ave N	Payment	\$3,770,911			South Lake Union
5. 625 Boren Ave N	Payment	\$1,390,125			South Lake Union
6. 300 Terry Ave N	Payment	\$646,256			South Lake Union
7. 1201 2nd Ave	Payment	\$7,327,171			Commercial Core
8. 609 Fairview Ave N	Payment	\$182,381			South Lake Union
9. 1920 Terry Ave	Payment	\$2,377,402			Denny Triangle
10. 2116 4th Ave	Payment	\$2,382,455			Belltown
11. 802 NE 66th St	Performance		31	40% AMI, 80% AMI	Roosevelt
12. 836 NE 66th St	Performance		3	40% AMI	Roosevelt
13. 1820 Boylston Ave	Performance		2 ¹	75% AMI, 80% AMI	Capitol Hill
14. 915 E Spruce Street	Performance		2	50% AMI	Capitol Hill
15. 1205 NE 66th St	Performance		7	80% AMI	Roosevelt
16. 3046 17th Ave West	Performance		4	40% AMI	n/a
17. 6717 Roosevelt Way NE	Performance		7 ¹	50% AMI, 80% AMI	Roosevelt
18. 1222 NE 65th St	Performance		2	40% AMI	Roosevelt
Total		\$32,713,178	58		

¹ These IZ performance units also count toward the project's Multifamily Tax Exemption (MFTE) unit requirements.

B. IZ performance projects in 2017

If a project selects—or is required to comply with IZ through—performance, a housing covenant designating affordable units must be recorded before construction permits, other than shoring and excavation, are issued. Designated units must be comparable to other units, in terms of unit sizes, number of bedrooms, access to amenities, and distribution throughout the development. IZ performance units must serve income-eligible households for a minimum of 50 years.

IZ Performance Projects: Placed in Service in 2017

Performance units are considered completed or “placed in service” after a Certificate of Occupancy (C of O) has been issued for the building. For projects that do not require a C of O, performance units are considered “placed in service” after final inspections are completed. This table includes all IZ performance projects that were completed in 2017.

Project Name & Address	IZ Performance Units	Affordability Level	Urban Center or Village
1. 1319 Dexter Ave N	5	50% AMI	South Lake Union
2. Maude Apartments 836 NE 67 th St	13 ¹	80% AMI	Roosevelt
3. Capitol Core Apartments 215 Boylston Ave E	1	50% AMI, 80% AMI	Capitol Hill
4. Boylston Flats 1404 Boylston Ave	4 ¹	50% AMI, 80% AMI	Capitol Hill
5. Ecoluxe Apartments 1319 NE 65 th St	7	80% AMI	Roosevelt
6. Parsonage Apartments 4132 Brooklyn Ave NE	3	40% AMI, 80% AMI	University District
7. Stream Belmont 403 Belmont Ave E	2	80% AMI	Capitol Hill
Total	35		
<i>¹ These units also count toward the development's requirements for the Multifamily Tax Exemption (MFTE) program.</i>			

IZ Performance Projects: Proposed or Under Construction as of December 31, 2017

Performance units are considered “proposed or under construction” once an IZ performance project’s housing covenant has been approved by the Office of Housing and recorded by the King County Recorder’s Office. This table includes all IZ performance projects that, as of December 31, 2017, had recorded a housing covenant (either in 2017 or before), but had not yet been placed in service.

Project Address	IZ Performance Units	Affordability Level	Urban Center or Village
1. 3050 SW Avalon Way	1 ¹	80% AMI	West Seattle Junction
2. 4230 11 th Ave NE	5	80% AMI	University District
3. 1518 W Dravus St	3	80% AMI	n/a
4. 6616 8 th Ave NE	2	80% AMI	Roosevelt
5. 829-837 NE 67 th St	24	80% AMI	Roosevelt
6. 3230 16 th Ave W	18 ¹	80% AMI	n/a
7. 1222 NE 65 th St	2	40% AMI	Roosevelt
8. 6717 Roosevelt Way NE	7	80% AMI	Roosevelt
9. 3046 17 th Ave W	4	40% AMI	n/a
10. 1205 NE 66 th St	7	80% AMI	Roosevelt
11. 915 E Spruce St	2	50% AMI	Capitol Hill
12. 1820 Boylston Ave	2 ¹	80% AMI	Capitol Hill
13. 836 NE 66 th	3	40% AMI	Roosevelt
14. 802 NE 66 th St	31 ¹	40% AMI, 80% AMI	Roosevelt
15. 101 6 th Ave S	110 ²	50% AMI, 80% AMI	Chinatown-International District
Total	221		

¹ These units also count toward the development’s requirements for the Multifamily Tax Exemption (MFTE) program.

² The IZ units in this development are provided using the off-site development option. 16 of these units also count toward the development’s requirements for the Multifamily Tax Exemption (MFTE) program.

Locations of IZ Performance Projects: 2017 Snapshot



C. IZ payment contributions in 2017

When a project selects the IZ payment option, the owner/developer must record a declaration indicating the amount to be paid, as verified by the Seattle Department of Construction and Inspections (SDCI). Once an IZ payment amount has been recorded in a declaration, it is considered “pledged”.

The owner/developer must then pay the pledged amount before the project may be issued its first construction permits. In some instances, a project may elect to defer payment until before the issuance of occupancy permits. Once an IZ payment has been received by the City, it is considered “collected”.

The average number of years that IZ payments are held by the City before being committed to a project is **one year**.

All IZ funds collected before November 30, 2017 are committed in the 2017 funding awards, in addition to any committed, but unspent, funds from 2016. Any payments received in December 2017 will be allocated in the 2018 funding awards.

Per SMC 23.49 and SMC 23.58A, up to 10% of IZ payments collected in certain zones may be used to offset some of the City’s costs related to administering affordable housing programs. In 2017, \$2,719,525 of IZ payments collected were used for administrative costs.

IZ Payments: Pledged, Collected, and Committed in 2017

Total payments pledged in 2017 This number reflects the total amount of IZ payments that were approved through the permitting process in 2017.	\$32,713,178
Total payments collected in 2017 This number reflects the total amount of IZ payments received by OH in 2017, including deferred payments ¹ .	\$33,027,031
Total payments committed in 2017 This number reflects the total amount of IZ payments, including some payments collected in 2016, that were invested in affordable housing projects in 2017.	\$30,552,962
¹ <i>Deferred payment amounts are adjusted for inflation.</i>	

D. Affordable housing supported by 2017 IZ payment funds

The Office of Housing has employed two methods for counting the number of affordable housing units attributable to funds generated from the Incentive Zoning program.

The first method (Method One) counts the total number of units from any project that received at least one Incentive Zoning payment dollar.

The second method (Method Two) is adopted from a hypothetical model proposed in a 2014 report by Cornerstone Partnership, a third-party consultant hired by the City. This method estimates the number of units that would not have been developed if funds from the IZ program were not available. Method Two produces a smaller number of units, because some of the units that received IZ payments (as captured in Method One) would have been developed whether they received IZ funds or not. Because Method Two is based on a hypothetical model, rather than an actual count of units produced, the total number of units is not reported by affordability level, as with Method One.

The 2014 Cornerstone report, [Analysis of data relating to the historical production under Seattle's Incentive Zoning Program](#) (pages 4-6), describes Method Two in greater detail.

Affordable housing units receiving IZ fund commitments in 2017

Counting Method	Total Number of Units	Units, By Affordability Level		
		30% AMI	50% AMI	60% AMI
Method One	612	251	39	322
Method Two	369			



MANDATORY HOUSING AFFORDABILITY PROGRAM PRODUCTION IN 2017

Seattle’s Mandatory Housing Affordability (MHA) program requires new development to include affordable homes or contribute to a City fund for the preservation and production of affordable housing. To put MHA in effect, the City has granted additional development capacity through area-wide zoning changes and modifications to the Land Use Code. This report presents affordable housing units or funding dollars produced through the MHA program only; a full summary of City-funded affordable housing can be seen in the **Office of Housing 2017 Investments Report**.

MHA Land Use Code References

Chapter 23.58B and Chapter 23.58C of the Land Use Code provide the regulatory framework for MHA-C (Affordable Housing Impact Mitigation Program for Commercial Development) and MHA-R (MHA for Residential Development, including live-work units), respectively. Payment and performance requirements vary based on a property’s location and the zoning change that put MHA into effect.

At the time of publication of this report, MHA is in effect in several urban villages and centers, listed below. MHA’s requirements apply to projects that vested *after* MHA’s adoption dates in those areas. It will take time for new projects subject to MHA requirements to submit applications for permits and provide affordable housing contributions in these areas.

Urban Center or Urban Village	Ordinance Number	Adopted
University District	Ordinance 125267	February 2017
Downtown and South Lake Union	Ordinance 125291	April 2017
Chinatown-International District	Ordinance 125371	August 2017
Three nodes in the Central Area: 23 rd Avenue and Cherry Street, 23 rd Avenue and Union Street, 23 rd Avenue and Jackson Street	Ordinance 125359, Ordinance 125360, Ordinance 125361	August 2017
Uptown	Ordinance 125432	October 2017

A. MHA projects that selected performance, off-site development, or payment options in 2017

As an MHA project moves through the permitting and development pipeline, its affordable housing contribution must be approved by OH and the Seattle Department of Construction and Inspections (SDCI). This approval process occurs between a project receiving its Master Use Permit (MUP) and the issuance of its first construction permit that includes the structural frame of the building. This table includes all MHA projects whose affordable housing contributions were finalized and approved in 2017.

As of December 31, 2017 four projects made developer contributions under MHA code (SMC 23.58B and 23.58C). Three of those projects vested before MHA requirements were fully in place and made contributions as part of City Council-approved Property Use and Development Agreements (PUDA). Payments and performance units produced by these three projects deviate from MHA code requirements as written in SMC 23.58B and 23.58C.

As of December 31, 2017, one project subject to MHA code *without modifications* had been approved and issued construction permits.

Address	MHA-R or MHA-C	Payment or Performance	Payment Amount Collected	Performance Units Planned	Affordability Level	Urban Center or Urban Village
1. 5001 Brooklyn Ave NE	MHA-R	Modified performance		4	40% AMI	University District
2. 2220 E Union St	MHA-C MHA-R	MHA-C: Modified payment MHA-R: Modified performance	\$62,856 ¹	4	60% AMI	23 rd & Union-Jackson
3. 429 2 nd Ave W	MHA-R	Modified performance		8	60% AMI	Uptown
4. 743 N 35 th St	MHA-R	Performance	\$37,949 ²	3	60% AMI	Fremont
Total		\$62,856 in modified payments \$37,949 in unmodified MHA payments		19		

¹ Because this payment amount was calculated based on modified MHA code requirements, for investment purposes it is not treated as an MHA payment.
² Projects that choose the performance option, and whose performance calculation includes a fractional unit, may elect to make a payment for the fraction of a unit not provided.

B. MHA performance units in 2017

If a project selects performance, a housing agreement designating affordable units must be recorded before the first construction permit that includes the structural frame of the building may be issued. Designated units must be comparable to other units, in terms of unit sizes, number of bedrooms, access to amenities, and distribution throughout the development. MHA performance units must serve income-eligible households for a minimum of 75 years.

In addition, performance units must be affirmatively marketed to individuals otherwise unlikely to apply for housing. Individuals of similar economic levels in the same housing market area should have available to them a like range of housing choices regardless of their race, color, religion, sex, national origin, familial status, disability, or other protected class status. Affirmative marketing helps individuals otherwise unlikely to apply for housing know about the vacancies, feel welcome to apply, and have the opportunity to rent units.

MHA Performance Units: Placed in Service in 2017

Performance units are considered completed or “placed in service” after a Certificate of Occupancy (C of O) has been issued for the building. For projects that do not require a C of O, performance units are considered “placed in service” after final inspections are completed. This table includes all MHA performance projects that were completed in 2017.

At the time of publication of this report, MHA is in effect in several urban villages and centers. MHA’s requirements apply to projects that vested *after* MHA’s adoption dates in those areas. It will take time for new projects subject to MHA requirements to submit applications for permits, undergo construction, and provide performance units in these areas. As of December 31, 2017, no MHA performance units had been placed in service.

Project Name & Address	MHA Performance Units	Affordability Level	Urban Center or Urban Village
Total	0 units		

MHA Performance Units: Proposed or Under Construction as of December 31, 2017

As of December 31, 2017 four projects made developer contributions under MHA code (SMC 23.58B and 23.58C). Three of those projects vested before MHA requirements were fully in place and made contributions as part of City Council-approved Property Use and Development Agreements (PUDA). Performance units produced by these three projects deviate from MHA code requirements. As of December 31, 2017, one project subject to MHA code *without modifications* had been approved and issued construction permits.

Performance units are considered “proposed or under construction” once an MHA performance project’s housing agreement has been approved by the Office of Housing and recorded by the King County Recorder’s Office. This table includes all MHA performance projects that, as of December 31, 2017, had recorded a housing agreement, but had not yet been placed in service.

Address	MHA Performance Units	Affordability Level	Urban Center or Urban Village
1. 5001 Brooklyn Ave NE	4 units with modified performance requirements	40% AMI	University District
2. 2220 E Union St	4 units with modified performance requirements	60% AMI	23 rd & Union-Jackson
3. 429 2 nd Ave W	8 units with modified performance requirements	60% AMI	Uptown
4. 743 N 35 th St	3	60% AMI	Fremont
Total	19		

Locations of MHA Performance Projects: 2017 Snapshot



C. MHA payment contributions in 2017

When a project selects the MHA payment option, the owner/developer must indicate in the project’s permit plans the anticipated payment calculations. Once a project’s plans are approved and it is issued its Master Use Permit (MUP), the payment amount is considered “pledged”.

Before the project may be issued its first construction permit that includes the structural frame of the building, the permit plans must indicate the final payment calculations, as verified by the Seattle Department of Construction and Inspections (SDCI). Once an MHA payment has been received by the City, it is considered “collected,” and the permit may be issued.

All MHA funds collected before November 30, 2017 were committed in the Office of Housing’s 2017 funding awards, in addition to any committed, but unspent, funds from 2016. Any payments received in December 2017 will be allocated in the Office of Housing’s 2018 funding awards.

The average number of years that MHA payments are held by the City before being committed to a project is **one year**.

MHA Payments: Pledged, Collected, and Committed in 2017

<p>Total payments pledged in 2017 This number reflects the total amount of MHA payments, unmodified by development agreements, that were approved through the permitting process in 2017.</p>	<p>\$37,949</p>
<p>Total payments collected in 2017 This number reflects the total amount of MHA payments, unmodified by development agreements, received by OH in 2017.</p>	<p>\$37,949</p>
<p>Total payments committed in 2017 This number reflects the total amount of MHA payments, unmodified by development agreements, that were invested in affordable housing projects in 2017. All unmodified MHA payments were collected after 2017 funding awards were made, and thus will be committed in 2018.</p>	<p>\$0</p>

MHA Payments in 2017, by Geographic Area

Any geographic area (i.e. urban center/urban village grouping) listed in the table below may be identified as a priority area in OH's Notice of Funds Availability (NOFA) if either:

1. At least \$4 million in MHA payments is generated from development projects in the geographic area and OH has made no investment in affordable housing projects in that geographic area, or
2. OH has made an investment in the area, but there remains a significant imbalance between the amount of MHA payments generated in the geographic area and the amount OH has invested in affordable housing projects in that geographic area.

Urban Center/Urban Village Groupings ¹	MHA Payments Generated in 2017	OH Funding Awards (cumulative, beginning in 2017)
Downtown		\$34 M
South Lake Union		
First Hill/Capitol Hill		\$7.9 M
Northgate		
University District		
Uptown & Upper Queen Anne		
West Seattle Junction Admiral Morgan Junction Westwood-Highland Park South Park		\$3 M
Mt. Baker North Beacon Hill Columbia City Othello Rainier Beach		\$23.5 M
23rd & Union-Jackson Madison-Miller Eastlake		\$ 10.9 M
Wallingford Fremont Roosevelt Green Lake	\$37,949	\$15 M
Crown Hill Ballard Greenwood-Phinney Ridge		
Lake City Bitter Lake Village Aurora-Licton Springs		\$1.44 M
Total	\$37,949	\$95.74 M

¹ These geographic areas are defined in the Council-adopted Housing Funding Policies. Investments made outside urban center and urban village boundaries are grouped with the nearest urban center or village.

D. Affordable housing supported by 2017 MHA funds

For this year's report, no MHA payments were received prior to the Office of Housing's 2017 funding awards. MHA payments collected in December 2017 will be committed in 2018. Future reports will describe the affordable housing projects supported by commitments of MHA funds.



OFFICE OF HOUSING INVESTMENTS AROUND SEATTLE

Housing equity and equitable development are advanced through City location priorities for housing investment. Seattle housing policies direct investments to neighborhoods where low-income residents, including many people of color, face displacement due to rising rents and gentrification. This affordable housing helps sustain cultural communities and enables residents to stay in their neighborhood as transit and other improvements are made. Seattle housing policies also direct investments to higher cost areas where many opportunities are available, including schools, transportation, and amenities.

OH prioritizes investments in locations that:

- Provide access to transit
- Provide access to opportunity
- Advance equitable development goals and address displacement
- Serve needs of residents

In addition, for purposes of investing payment funds from the Mandatory Housing Affordability program, OH considers a project's proximity to areas where development has generated payment contributions.

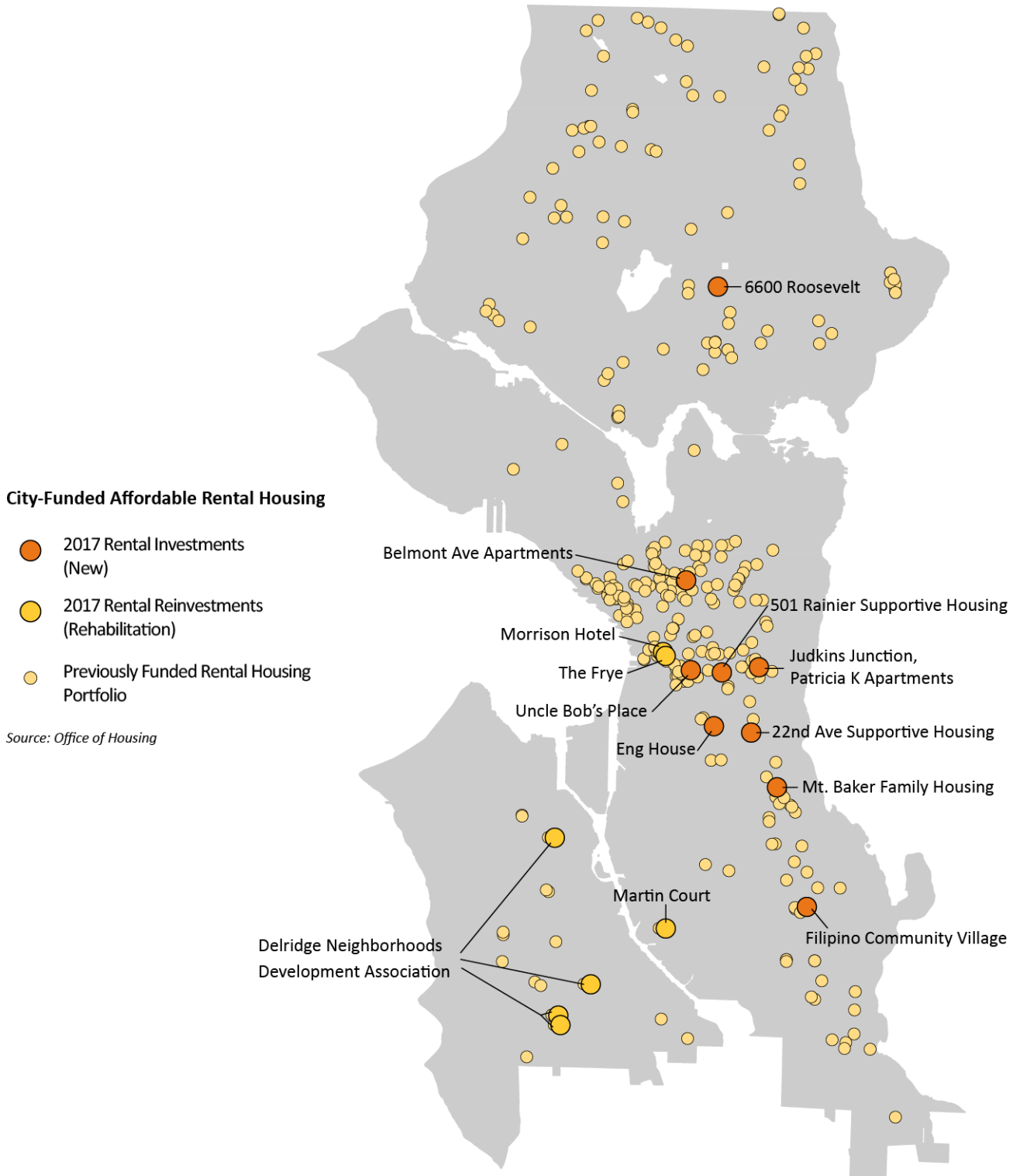
The following maps and table illustrate how the location of OH-funded affordable housing addresses City priorities.

- Map A: Rental Housing Investments
- Map B: Homeownership Investments
- Map C: Weatherization and Home Repair Investments
- Map D: Location Within Urban Center/Urban Village Boundaries and Access to LINK Light Rail
 - Table 11: OH Investments by Urban Center/Urban Village
- Map E: Access to Frequent Transit Service
- Map F: Access to Opportunity Index
- Map G: Displacement Risk Index

Note: Maps D-G overlay OH-funded projects on maps produced for the [Office of Planning and Community Development's Growth and Equity Analysis \(May 2016\)](#). This report describes the data and methodology used to create the Displacement Risk and Access to Opportunity Indices.

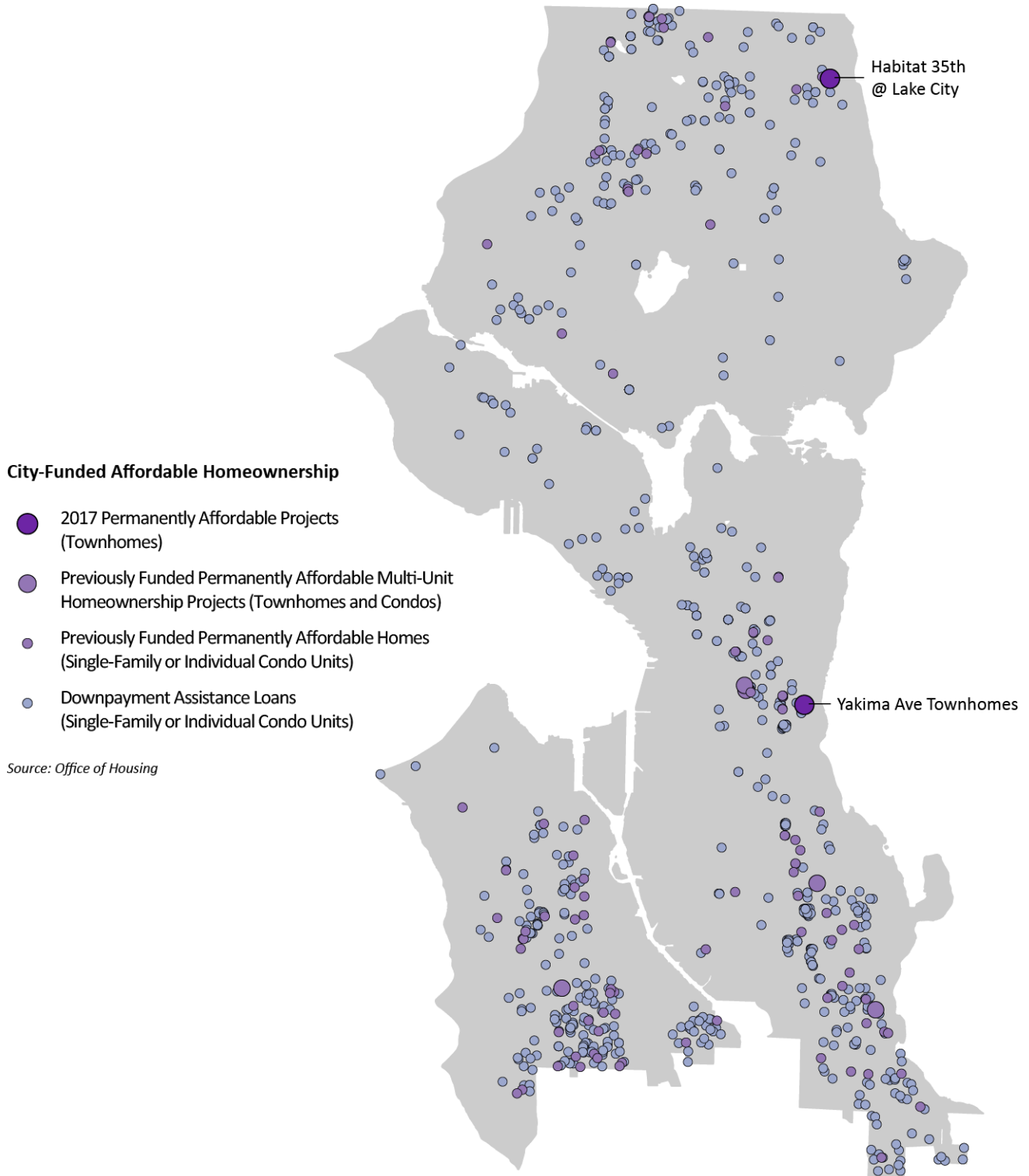
Map A: Rental Housing Investments

OH funds production and preservation of rental housing that will serve low-income Seattle residents for a minimum of 50 years.



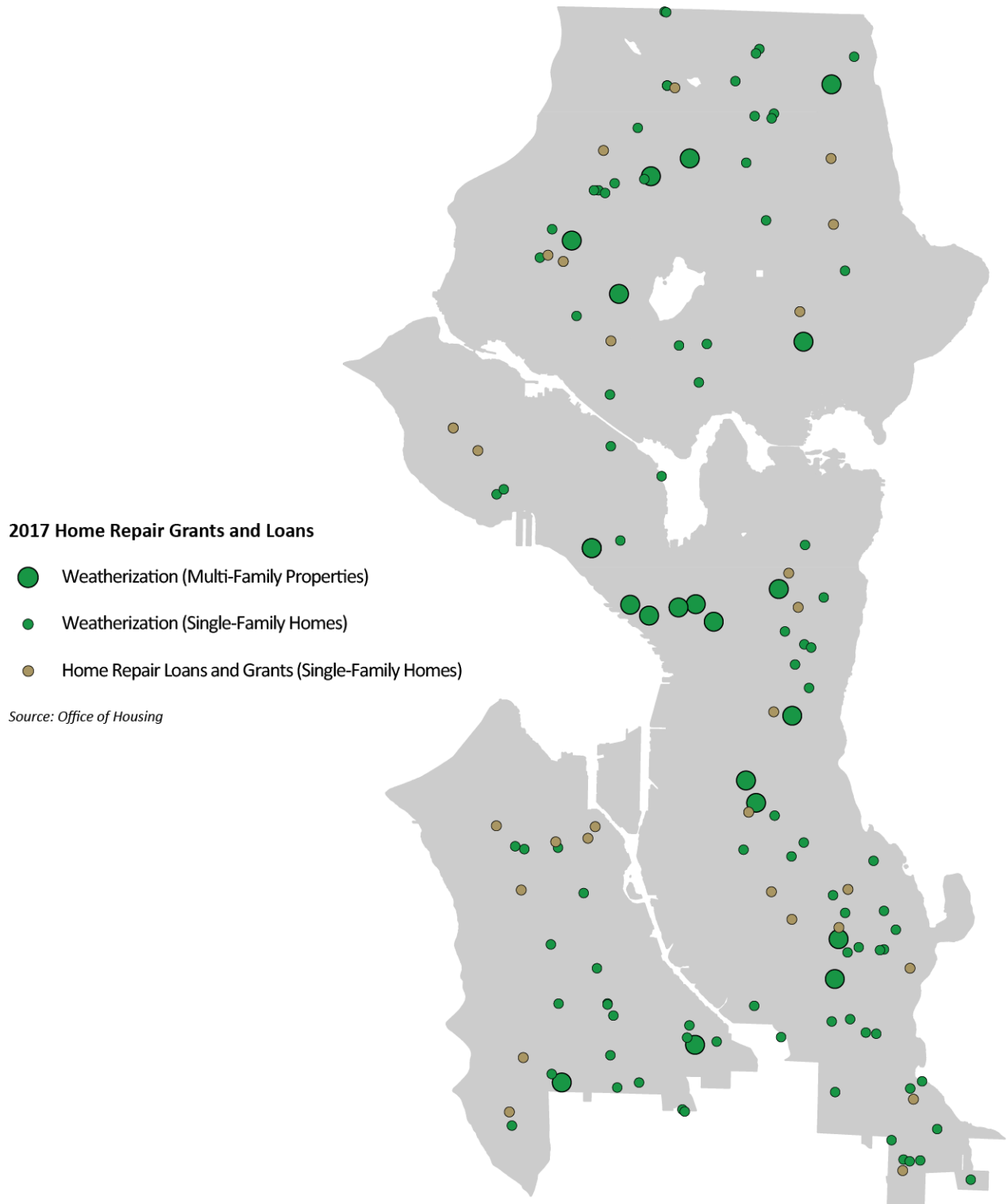
Map B: Homeownership Investments

OH creates opportunities for first-time homebuyers through investments in permanently affordable homes as well as down payment assistance loans.



Map c: Weatherization and Home Repair Investments

OH funds critical health and safety repairs, helping low-income homeowners preserve their most important financial asset and sustain their home ownership. OH also funds energy conservation and related indoor air quality improvements, enhancing health and living conditions and lowering utility bills for low-income owners and tenants.



Map D: Location Within Urban Center/Urban Village Boundaries and Access to LINK Light Rail

OH prioritizes investments throughout the city, including in Seattle’s most amenity-rich neighborhoods in terms of transit, schools, parks, retail and other services, in alignment with the City’s Urban Village strategy.

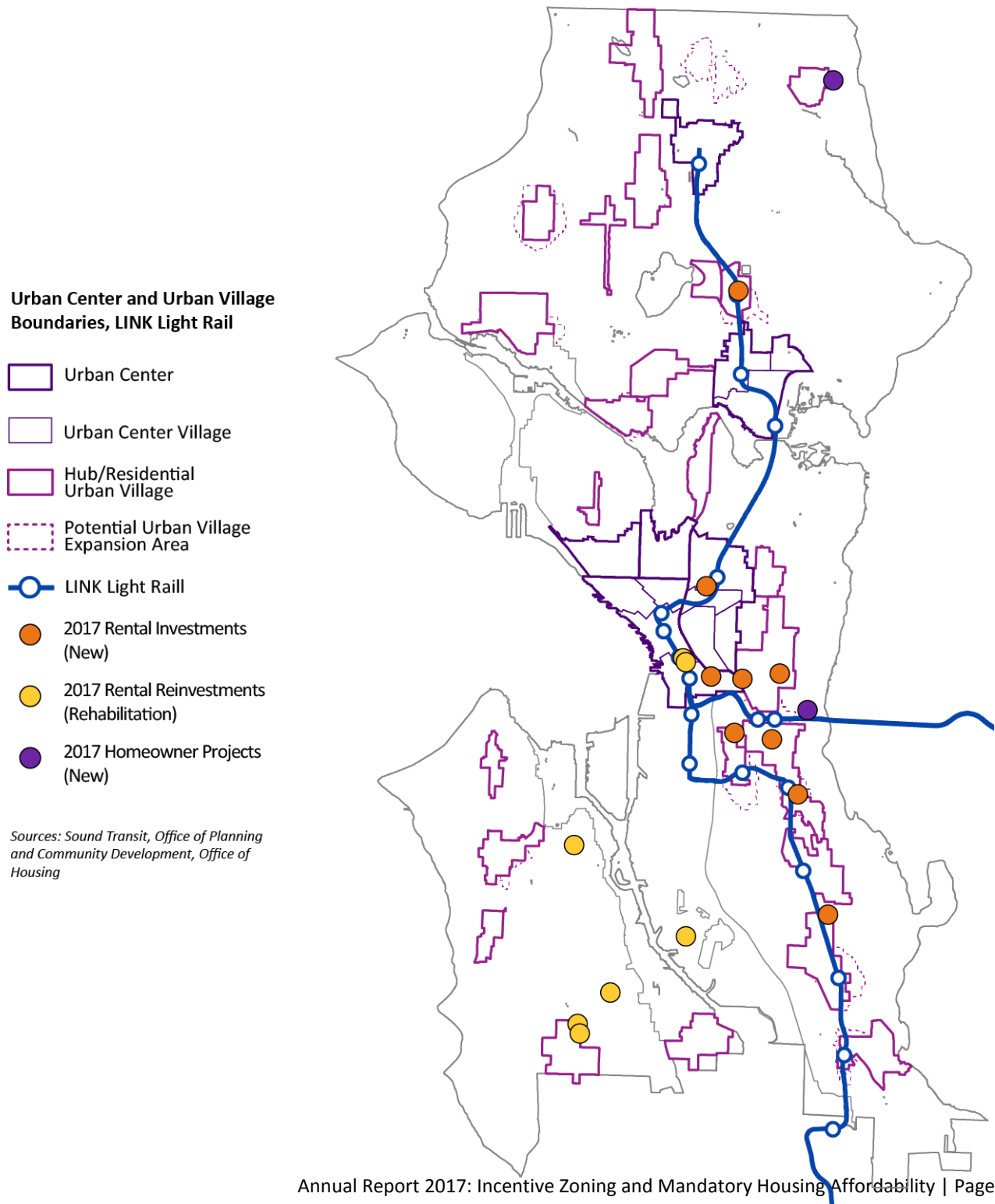


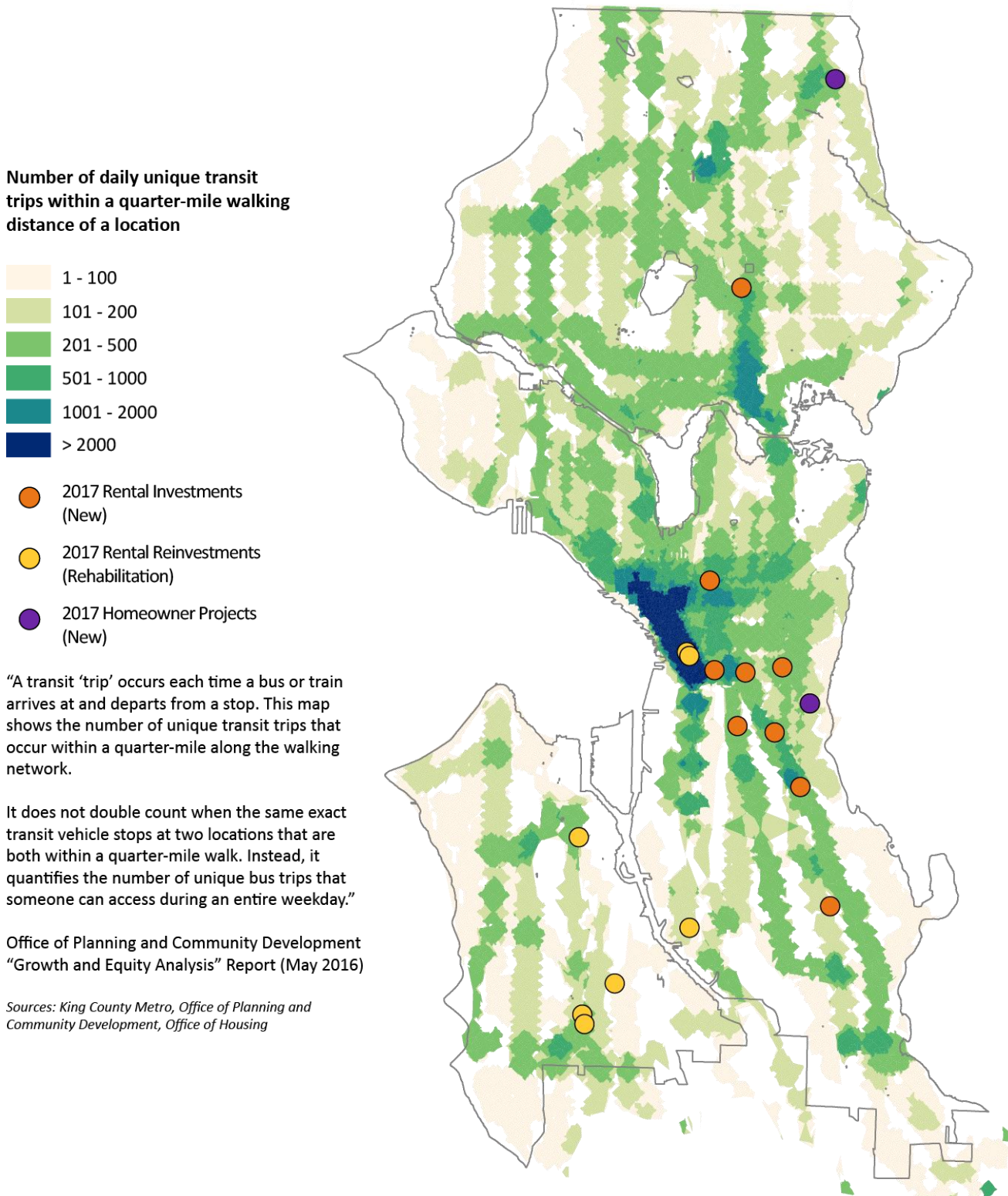
Table 11: OH Investments by Urban Center/Urban Village

Urban Center and Urban Village Groupings ¹	Projects Funded in 2017		
	Project Name(s)	Total Funded Units	Total City \$
Downtown	501 Rainier Supportive Housing, Uncle Bob's Place, Morrison Hotel, Frye Hotel	633 rental units	\$34 M
South Lake Union			
First Hill/Capitol Hill	Belmont Avenue Apartments	90 rental units	\$7.9 M
Northgate			
University District			
Uptown & Upper Queen Anne			
West Seattle Junction Admiral Morgan Junction Westwood-Highland Park South Park	Delridge Neighborhood Development Association Housing Rehabilitation, Martin Court	112 rental units	\$3 M
Mt. Baker North Beacon Hill Columbia City Othello Rainier Beach	22 nd Avenue Supportive Housing, Eng House, Mt. Baker Family Housing, Filipino Community Village	282 rental units	\$23.5 M
23rd & Union-Jackson Madison-Miller Eastlake	Judkins Junction, Particia K Apartments, Yakima Avenue Townhomes	126 rental units, 9 ownership units	\$ 10.9 M
Wallingford Fremont Roosevelt Green Lake	6600 Roosevelt	245 rental units	\$15 M
Crown Hill Ballard Greenwood-Phinney Ridge			
Lake City Bitter Lake Village Aurora-Licton Springs	Habitat 35 th @ Lake City	16 ownership units	\$1.44 M
Total		1,488 rental units, 25 ownership units	\$95.74 M

¹ These geographic areas are defined in the Council-adopted Housing Funding Policies. Investments made outside urban center and urban village boundaries are grouped with the nearest urban center or village.

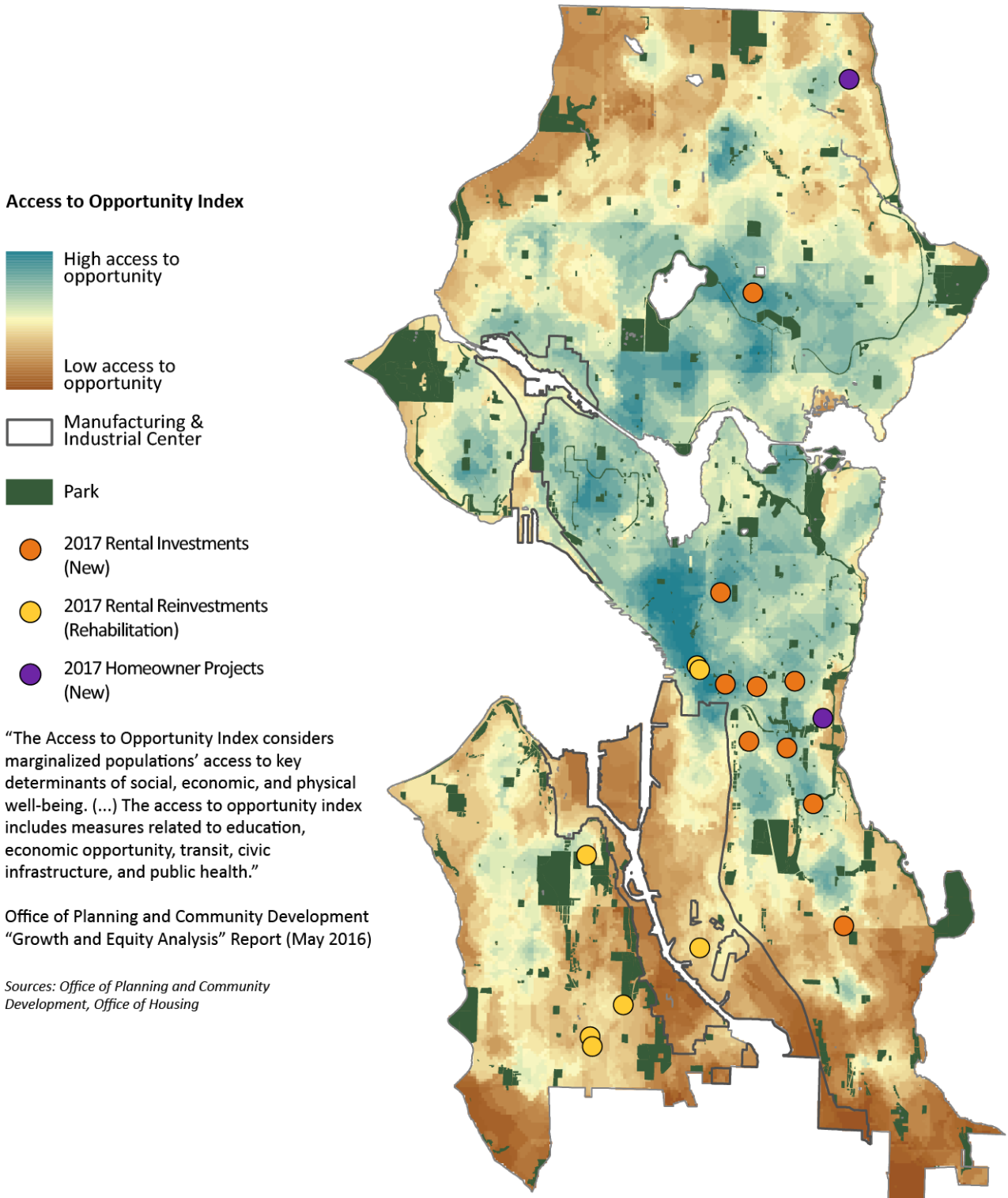
Map E: Access to Frequent Transit Service

Access to transit is a priority for all OH investments, as transportation costs are second only to housing costs for most low-income households and many low-income households do not own a car. In particular, OH prioritizes locations near high capacity transit and light rail station areas, both existing and planned.



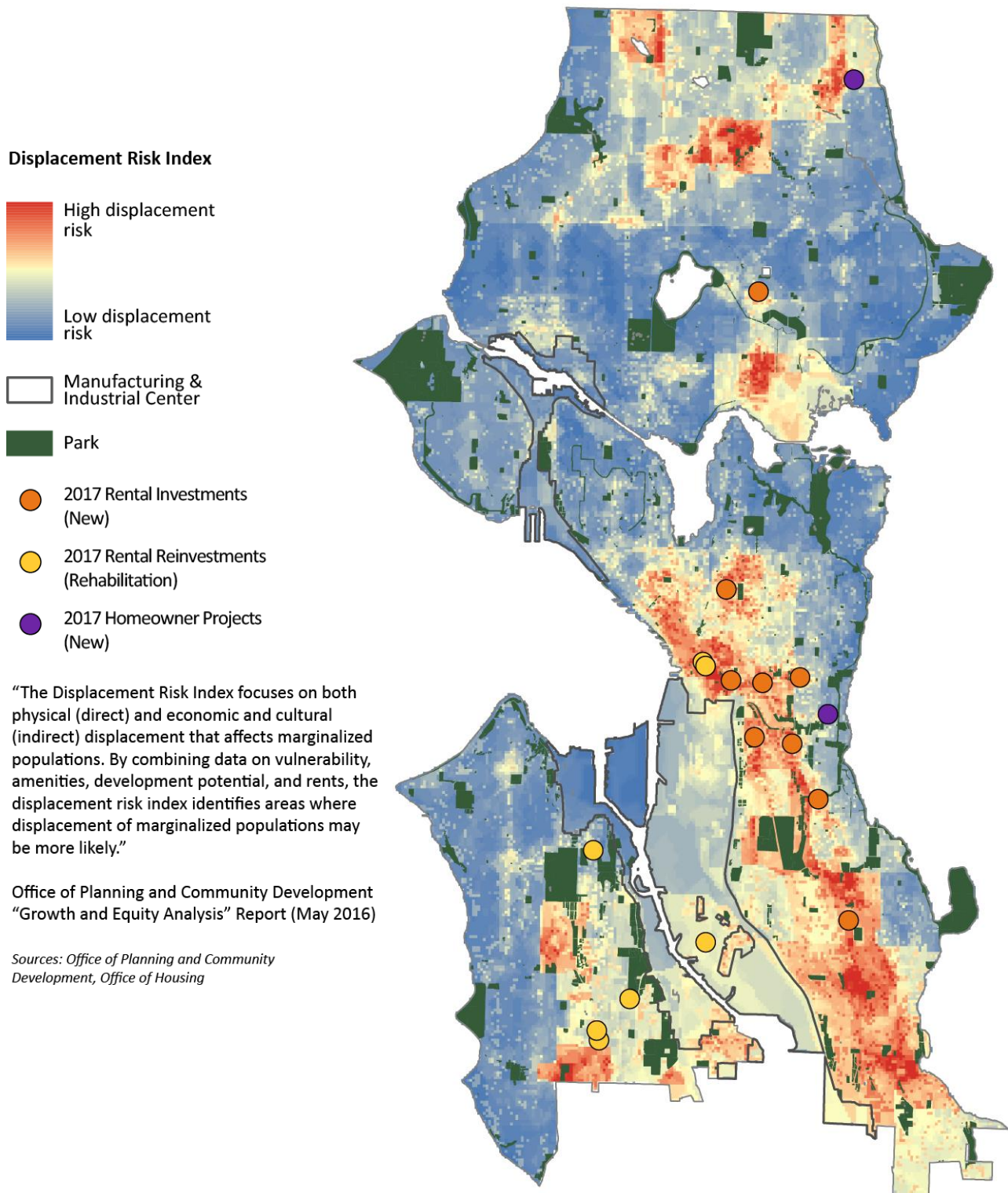
Map F: Access to Opportunity Index

OH prioritizes investments in locations that afford low-income residents the greatest access to opportunities such as jobs, quality education, parks and open space, and services.



Map G: Displacement Risk Index

OH prioritizes locations that support community development investments in low-income communities, including neighborhoods where marginalized groups have historic roots or access to culturally-relevant business and services, and locations where low-income residents have a high risk of displacement.



MORE INFORMATION

For more information about the Incentive Zoning or Mandatory Housing Affordability programs, contact the City of Seattle Office of Housing or visit www.seattle.gov/housing.

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