



City of Seattle

2022 Mandatory Housing Affordability and Incentive Zoning Report

Seattle Office of Housing

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Section 1: Mandatory Housing Affordability (MHA)

MHA Background

Under Mandatory Housing Affordability (MHA), Seattle requires new multifamily and commercial development to include affordable homes on site or contribute to a City fund used for the preservation and production of low-income housing. MHA was implemented incrementally concurrent with area-wide zoning changes and modifications to the Land Use Code that increased development capacity. The first half of this report identifies the affordable housing units built or committed through either MHA's performance option or payment option.

Land Use Code Chapters 23.58B and 23.58C provide the regulatory framework for affordable housing impact mitigation through MHA-Commercial (MHA-C) and RCW 36.70A.540-authorized affordable housing incentives through MHA-Residential (MHA-R). MHA-C applies to development that includes more than 4,000 square feet of gross floor area in commercial use. MHA-R applies to development that provides net new residential and live-work units. MHA-C and MHA-R payment and performance requirements vary based on a property's location and the MHA-related development capacity increase approved for the zone.

In 2019 City Council adopted [Ordinance 125791](#) and approved related Comprehensive Plan changes needed to implement MHA. Ordinance 125791 included "citywide" zoning actions that expanded MHA requirements to most neighborhoods with zoning accommodating multifamily housing, including six percent of land area previously zoned exclusively for detached single-family homes. With only a few exceptions, all areas zoned for commercial and multifamily residential development are subject to MHA. The table on the following page shows each of the zoning ordinances by which MHA was implemented. MHA requirements apply to projects that vested after the applicable area's zoning ordinance took effect.

Table 1.1: Zoning Legislation Implementing MHA ¹

Area	Ordinance Number	Adopted
University District Urban Center	Ordinance 125267	February 2017
Downtown and South Lake Union Urban Centers	Ordinance 125291	April 2017
Chinatown-International District Urban Center Village	Ordinance 125371	August 2017
23rd Avenue and Cherry Street 23rd Avenue and Union Street 23rd Avenue and Jackson Street	Ordinance 125359 Ordinance 125360 Ordinance 125361	August 2017
Uptown Urban Center	Ordinance 125432	October 2017
Other areas zoned for commercial and multifamily residential development	Ordinance 125791	April 2019

Development with MHA Contributions in 2022

When a project with MHA requirements applies for land use and construction permits, the Office of Housing and the Seattle Department of Construction and Inspections (SDCI) must approve its affordable housing contribution. MHA payment and/or performance requirements, according to permit plans verified by SDCI, must be satisfied prior to issuance of the first construction permit that includes the structural frame of the building.²

¹ City Council did not implement MHA in Pioneer Square, DH2/55 and DH2/85 zones on the downtown waterfront, IDM-65-150 and IDM-75-85 zones in Chinatown-International District, the SM-SLU 85/65-150 zone in South Lake Union, or MPC-Yesler Terrace zones.

² If a project includes both residential and commercial floor area, the property owner might satisfy requirements for floor area with one type of use (e.g. commercial) through payment and satisfy requirements for floor area with the other type of use (e.g. residential) through performance. In addition, if performance option requirements include a fraction of an MHA unit, the City receives a payment-in-lieu for that fraction of a unit if the property owner does not wish to round the fractional unit up to one MHA unit.

Affordable housing contributions through MHA were made for 260 projects with issued building permits in 2022.³ This is a decrease from the 290 projects making housing contributions in 2021. Comparing the last two calendar years, MHA payments decreased by 1.5% (\$75.9 million in 2021 and \$74.7 million in 2022) and MHA units committed to be provided through the performance option decreased by over one-third (107 MHA units in 2021 and 66 MHA units in 2022). The Performance Option and Payment Option sections below provide additional detail about MHA contributions.

Performance Option: MHA Units

Projects where the owner chooses to comply with MHA through the performance option must have an agreement recorded against the property title as a condition of issuance of the first building permit that includes the structural frame for the building. Units designated to be income- and rent-restricted under the performance option (MHA units) must be comparable to other project units in terms of unit size, number of bedrooms, access to amenities, and location within the development. MHA units have maximum rents or sale prices and serve income-eligible renters or homebuyers for a minimum of 75 years.⁴

Since initial adoption of MHA legislation through December 31, 2022, building permits have been issued for 41 performance projects with 3,604 total units. Of that total, property owners committed to providing 246 MHA units with affordability restrictions.

At initial occupancy, MHA rental units provided through the performance option must serve households with incomes no greater than 40% of AMI if net unit area is 400 square feet or less or households with incomes no greater than 60% of AMI if net unit area is

³ This report reflects MHA activity based on the year of building permit issuance. Production numbers in this report are not necessarily comparable to those reported in prior Annual Reports (for example, prior reports might include MHA activity for projects for which permits had not been issued yet or MHA contribution amounts could change due to a permit revision during construction).

⁴ **2022 Income Limits**

Family Size	Percent of Area Median Income		
	40%	60%	80%
1	\$36,230	\$54,350	\$75,380
2	\$41,410	\$62,110	\$86,140
3	\$46,580	\$69,880	\$96,910
4	\$51,760	\$77,640	\$107,680

greater than 400 square feet. Monthly rent does not exceed 30 percent of 60% of AMI or, in the case of rental units with net unit area of 400 square feet or less, 30 percent of 40% of AMI.

Households eligible to purchase an affordable MHA unit have incomes no greater than 80% of AMI and meet a reasonable limit on assets. Initial sales prices are calculated so that total ongoing housing costs do not exceed 35 percent of 65% of AMI to allow for equity growth for individual homeowners while maintaining affordability for future buyers. To date, developers of four projects that will be owner-occupied have elected to use the performance option to satisfy MHA requirements. Each of those projects (shown in Table 1.3 below) will include one unit affordable to a household with income not to exceed 80% of AMI.

Property owners must affirmatively market MHA units to households who otherwise might be unlikely to apply to live there. For those households, affirmative marketing increases awareness of housing vacancies, broadens housing choice, and improves the likelihood of securing housing, regardless of their race, color, religion, sex, national origin, parental status, marital status, disability, or other protected class status.

MHA Units in Service

MHA units are complete (i.e., “in service”) upon issuance of a certificate of occupancy or final inspection for the development. The following table identifies the 10 properties with MHA units in service as of December 31, 2022.

Table 1.2: Housing with MHA Units – In Service ⁵

Property ⁶	Total Units	MHA Units	Affordability/ Income Limit	Location	Initial Year in Service
East Union 2220 E Union St	144	4	60% of AMI	23 rd & Union-Jackson	2018

⁵ Table continued next page.

⁶ East Union, Zella Apartments, The Stax, and Portal Apartments vested before implementation of MHA. MHA commitments for those projects were made as part of City Council-approved Property Use and Development Agreements (PUDAs) required for contract rezones. For this reason, the payment and performance requirements for these projects are different from current MHA requirements according to SMC Chapters 23.58B and 23.58C. For example, the affordability term for

Property ⁶	Total Units	MHA Units	Affordability/ Income Limit	Location	Initial Year in Service
The Stax 5001 Brooklyn Ave NE	60	4	40% of AMI	University District	2019
Zella Apartments 429 2 nd Ave W	128	8	60% of AMI	Uptown	2019
Portal Apartments 743 N 35 th St	54	3	60% of AMI	Fremont	2020
DP Studios 802 NE 43 rd St	22	2	40% of AMI	University District	2020
Kirin Apartments 417 2 nd Ave W	95	7	40% of AMI 60% of AMI	Uptown	2021
Viola Apartments 4048 7 th Ave NE	79	7	40% of AMI	University District	2022
Midtown Square 2301 E Union St	432	44	60% of AMI	23 rd & Union-Jackson	2022
Dockside ⁷ 6860 E Green Lake Way N	97	9	40% of AMI	Green Lake	2022
1817 S Charles St	4	1	60% of AMI	23 rd & Union-Jackson	2022
Total	1,115	89			

MHA units at Zella Apartments and East Union is 50 years instead of 75 years and the MHA units at The Stax satisfy both MHA requirements and a portion of the requirements for its Multifamily Property Tax Exemption.

⁷ The Low Income Housing Institute (LIHI) purchased the Dockside after construction completed. The acquisition is City-funded. Post-acquisition renovations converted five units to provide on-site services for residents and live-in units for staff. The building now provides 92 affordable units for low-income households, including many who have experienced homelessness.

MHA Units Committed

The performance option requires commitment of MHA units as a condition of issuance of the first building permit that includes the structural frame for the building. Commitments are finalized with execution and recording of an Office of Housing-approved MHA performance agreement. In 2022, building permits were issued for 14 projects totaling 983 total units with executed performance agreements for 66 MHA units. MHA performance agreements are executed for an additional seven projects with building permit issuance still pending. Assuming all those projects move forward, another 58 of 713 total units would be MHA units.

The following table lists the 30 projects with committed MHA units and under construction as of December 31, 2022.

Table 1.3: Housing with MHA Units by Year Building Permit Issued – Under Construction⁸

Project Address	Total Units	MHA Units	Affordability/ Income Limit ⁹	Location
2019	24	1		
1261 S King St	24	1	60% of AMI	Chinatown-Intl District
2020	8	2		
1771 17th Ave S	8	2	60% of AMI	Mount Baker
2021	1,474	107		
4612 Stone Way N	15	2	40% of AMI	Wallingford
9314 Renton Ave S	7	1	60% of AMI	Rainier Beach
5228 15 th Ave NE	58	4	40% of AMI	University District
7006 Greenwood Ave N	25	2	40% of AMI	Greenwood
9202 Mary Ave NW	20	1	80% of AMI	Crown Hill

⁸ Table continued next pages.

⁹ The affordability limit for owner-occupied housing is 80% of area median income.

Project Address	Total Units	MHA Units	Affordability/ Income Limit ⁹	Location
119 22 nd Ave E	43	3	40% of AMI 60% of AMI	Madison-Miller
5231 Rainier Ave S	120	8	40% of AMI 60% of AMI	Columbia City
6515 38th Ave S	114	6	40% of AMI	Othello
4205 SW Genesee St	77	5	40% of AMI	West Seattle Junction
1323 E Union St	126	13	60% of AMI	12 th Avenue
2222 15 th Ave W	168	11	40% of AMI 60% of AMI	Interbay
1750 22 nd Ave S	287	21	40% of AMI 60% of AMI	Mount Baker
1765 22 nd Ave S	282	20	40% of AMI 60% of AMI	Mount Baker
1130 N Northgate Way	65	4	40% of AMI	Aurora-Licton Springs
2022	983	66		
119 N 85 th St	27	2	40% of AMI 60% of AMI	Greenwood-Phinney Ridge
4417 Wallingford Ave N	78	5	40% of AMI	Wallingford
519 N Bowdoin Pl	29	2	60% of AMI	Fremont
1700 21 st Ave S	158	10	60% of AMI	Mount Baker
7714 Martin Luther King Jr Way S	7	1	80% of AMI	Othello
123 Bellevue Ave E	168	12	40% of AMI 60% of AMI	Capitol Hill

Project Address	Total Units	MHA Units	Affordability/ Income Limit ⁹	Location
2912 Beacon Ave S	120	7	40% of AMI 60% of AMI	Beacon Hill
230 21 st Ave E	4	2	60% of AMI	Madison-Miller
8608 42 nd Ave S	5	1	80% of AMI	Rainier Beach
6732 40 th Ave S	12	1	60% of AMI	Othello
1140 NW Market St	86	6	40% of AMI	Ballard
12727 30 th Ave NE	210	11	40% of AMI 60% of AMI	Lake City
7712 Martin Luther King Jr Way S	7	1	80% of AMI	Othello
325 NW 85 th St	72	5	40% of AMI	Greenwood-Phinney Ridge
Total	2,489	176		

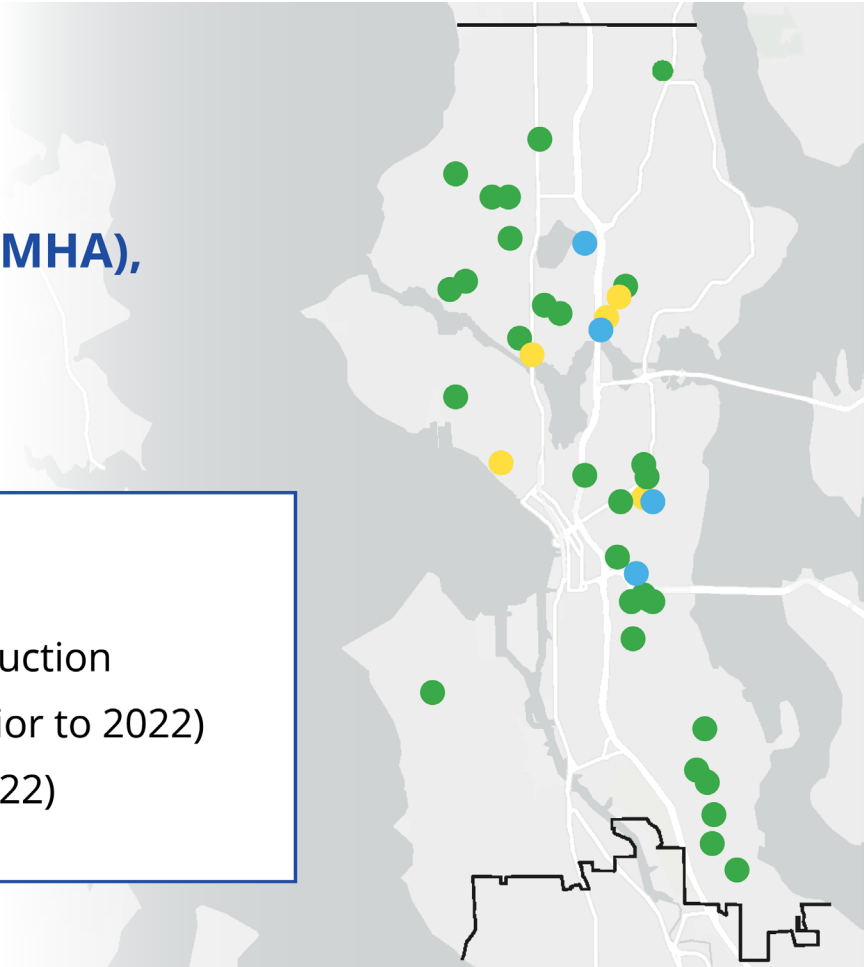
Map 1: Mandatory Housing Affordability (MHA) Performance Option Housing

Properties that include MHA units are located throughout the city of Seattle. The following map shows locations of properties that used the MHA performance option and that were either in service or under construction as of December 31, 2022.

Mandatory Housing Affordability (MHA), Performance Housing

Legend

- Under construction
- In Service (prior to 2022)
- In Service (2022)



Payment Option: MHA Payments

MHA Payments Received

Total MHA payments received by the City for projects with building permits issued as of December 31, 2022 sum to \$246.1 million.¹⁰ The subtotal of MHA payments received in 2022 is \$74.7 million. Of the 2022 total, \$12.2 million was received in the final quarter of the year and some of that amount may not have been available for award through an OH Notice of Funding Availability (commonly referred to as a NOFA). Of total MHA dollars contributed as of December 31, 2022, 95% are for development in Seattle Mixed (31%), Neighborhood Commercial (27%), Lowrise (22%), and Downtown (15%) zones. A large majority of MHA payment contributions are for development of residential floor area; 12.6% of MHA dollars is for development of commercial floor area.

MHA Payments Projected

Estimated future MHA payments total approximately \$90.8 million. Estimates are based on preliminary payment calculations for projects that have an issued Master Use Permit (MUP) but not an issued building permit as of December 31, 2022. The amount of estimated future MHA payments does not reflect potential cash contributions from development projects in permitting for which a MUP is not required.

MHA Funds Awarded for Low-Income Housing

Of \$246.1 million received to date, the Office of Housing has awarded \$245.4 million to low-income housing. The Office of Housing typically awards MHA funds for low-income housing the same calendar year as when payments are received. The exception may be when the Office of Housing receives MHA payments late in the year.

The Office of Housing's 2022 funding awards for low-income housing included approximately \$77.5 million of MHA payment proceeds.¹¹ These investments will support 902 affordable rental apartments and 30 for-sale homes reserved for low-income first-time homebuyers and resale-restricted to ensure permanent affordability. See the Office of

¹⁰ The total includes approximately \$105K developers paid in lieu of fractions of units otherwise required through the performance option. An additional \$9.7 M has been received for projects for which the building permits had not yet been issued as of December 31, 2022. MHA contribution amounts are subject to change until plan sets are finalized and a project is under construction.

¹¹ Fund sources and amounts awarded are subject to change until completion of the low-income housing.

Housing’s [2022 Annual Investments Report](#) for detail of and related maps showing investments (including MHA funds) in City-regulated low-income housing.

The Office of Housing balances the public’s interest in allocation of funds to priority areas with prompt funding of awards to bring low-income housing online as expeditiously as possible. The City’s [Housing Funding Policies](#), as adopted by City Council, identify geographic areas as priority locations for funding awards if:

- MHA payments received total at least \$4 million and low-income housing investments by the Office of Housing have yet to be made; or
- There is a significant imbalance between the amount of MHA payments received and the total amount low-income housing investments.

The following table shows total MHA payments received from property owners and total MHA funds committed to low-income housing by geographic area.

Table 1.4: MHA Payments and Investments by Location ¹²

Geographic Area	MHA Payments through 12/31/2022	MHA Investments through 12/31/2022
Ravenna, Roosevelt, University District	\$59.71 M	\$0.02 M
Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square	\$35.96 M	\$31.70 M
Ballard, Crown Hill, Greenwood-Phinney Ridge	\$33.15 M	\$7.95 M
Queen Anne, Uptown	\$27.36 M	-
South Lake Union	\$21.49 M	-
23 rd & Union-Jackson, Madison-Miller	\$14.70 M	\$12.77 M
Fremont, Green Lake, Wallingford	\$13.74 M	\$28.86 M
12 th Avenue, Capitol Hill, Eastlake, First Hill	\$12.09 M	\$52.12 M
Lake City, Northgate	\$9.71 M	\$37.10 M

¹² Table continued next page.

Geographic Area	MHA Payments through 12/31/2022	MHA Investments through 12/31/2022
Columbia City, Mount Baker, North Beacon Hill, Othello, Rainier Beach	\$8.38 M	\$70.13 M
Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park	\$7.61 M	\$4.78 M
Aurora-Licton Springs, Bitter Lake Village	\$2.09 M	-
Total	\$246.05 M	\$245.44 M

Section 2: Incentive Zoning (IZ)

IZ Background

Incentive Zoning (IZ) allows commercial and residential developers to achieve additional development capacity by providing affordable housing units (IZ units) or making a payment to fund capital costs of producing and preserving low-income housing across Seattle. This section of the report identifies the number of units provided and payments contributed through IZ.

Both IZ and MHA enable developers to achieve additional development capacity. However, IZ is distinguished from its successor MHA (discussed in the first section of this report) by its voluntary nature. Unlike MHA for which development capacity increases were approved through rezones, IZ affordable housing requirements only apply if a property owner chooses to develop extra floor area as allowed by the Land Use Code. In zones where IZ conditions additional development capacity on provision for affordable housing, property owners choose either the performance option (i.e. inclusion of income-restricted units in their project or, in limited circumstances, at an alternative site) or, if allowed, the payment option (i.e. a cash contribution for production or preservation of low-income housing).

IZ affordable housing requirements have now been phased out in all but a few Downtown and South Lake Union zones. Prior to implementation of MHA, most zones in Downtown and South Lake Union as well as zones in parts of other Seattle neighborhoods featured IZ-related affordable housing requirements in exchange for additional development capacity. The formula for calculating the amount of public benefit to be provided in exchange for additional development capacity varied by zone. For that reason, the following table

identifies land use code references to affordable housing-related provisions of IZ but does not summarize development capacity earned by satisfying those requirements.

Table 2.1: Land Use Code References

Location of IZ Eligible Zones	Extra Residential Floor Area for affordable housing	Extra Nonresidential Floor Area for affordable housing
Downtown, except South Downtown	SMC 23.49.015	SMC 23.49.012
South Downtown ¹³	SMC 23.58A.014	SMC 23.58A.024
Other areas, including South Lake Union	SMC 23.58A.014	SMC 23.58A.024

Development with IZ Housing Contributions in 2022

The Seattle Office of Housing and Department of Construction and Inspections approve affordable housing commitments for projects achieving additional development capacity through IZ. IZ commitments are made prior to issuance of the first building permit that includes the structural frame for the building. In 2022, building permits issued for two projects that achieved extra floor area through the IZ performance option. Those IZ affordable housing contributions are included in Table 2.3 below.

Performance Option: IZ Units

Projects for which the owner chooses to comply with IZ affordable housing requirements through the performance option must have an agreement recorded against the property title as a condition of issuance of the first construction permit that includes the structural frame of the building. Units designated to be rent- and income-restricted under the performance option (IZ units) must be comparable to the project’s non-restricted units in terms of unit size, number of bedrooms, access to amenities, and location within the

¹³ In South Downtown zones, extra floor area for hotel uses (a non-residential use per the land use code) is achieved according to residential bonus requirements per SMC 23.58A.014 instead of non-residential bonus requirements per SMC 23.58A.024.

development. IZ units have maximum rents or sale prices and serve income-eligible renters for a minimum of 50 years.¹⁴

The affordability/income limit for rental IZ units with net floor area greater than 400 square feet is 80% of area median income (AMI). For rental IZ units 400 square feet or smaller, the affordability/income limit is 40% of AMI. A few rental apartment developments included a smaller share of IZ units by electing a reduced affordability/income limit of 50% of AMI.¹⁵

IZ Units in Service

IZ units are complete (i.e. in service) upon issuance of a certificate of occupancy for the building. The following table lists the four projects with IZ units completed in 2022.

Table 2.2: Housing with IZ Units – Placed in Service in 2022¹⁶

Project Address	Total Units	IZ Units	Affordability/Income Limit	Location
Harvard Lofts ¹⁷ 225 Harvard Ave E	71	4	40% of AMI	Capitol Hill
Theo Apartments 815 NE 66 th St	79	12	80% OF AMI	Roosevelt

¹⁴ Property owners are currently allowed to satisfy IZ and Multifamily Tax Exemption (MFTE) affordable housing requirements with the same units.

¹⁵ **2022 Income Limits**

Family Size	Percent of Area Median Income (Renter Households)		
	40%	50%	80%
1	\$36,230	\$45,290	\$72,460
2	\$41,410	\$51,760	\$82,820
3	\$46,580	\$58,230	\$93,170
4	\$51,760	\$64,700	\$103,520

¹⁶ Table continued next page.

¹⁷ The Low Income Housing Institute (LIHI) purchased Harvard Lofts after construction completed. The acquisition is City-funded. Post-acquisition renovations converted four units to provide on-site services for residents and live-in units for staff. The building now provides 67 affordable units for people who have experienced homelessness.

Project Address	Total Units	IZ Units	Affordability/ Income Limit	Location
Fireside Flats 841 NE 68 th St	102	13	80% OF AMI	Roosevelt
YWCA Housing ¹⁸ 800 E Denny Way	93	4	40% of AMI	Capitol Hill
Total	345	33		

IZ Units Committed

IZ units are committed upon execution and recording of an Office of Housing-approved IZ performance agreement. This table lists the six IZ performance projects that, as of December 31, 2022, have a recorded housing covenant but are not yet in service.

Table 2.3: Housing with IZ Units - Under Construction

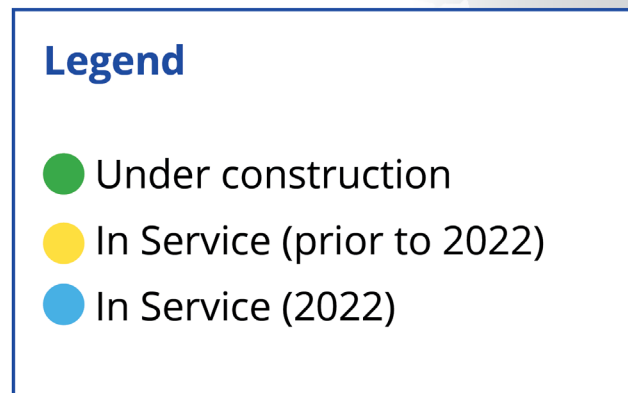
Project address	Total units	IZ units	Affordability / Income limit	Location	Year building permit issued
3050 SW Avalon Wy	5	104	80% of AMI	West Seattle Junction	2016
800 NE 64th St	26	3	80% of AMI	Roosevelt	2019
2505 Beacon Ave S	103	7	40% of AMI 80% of AMI	North Beacon Hill	2021
6300 9 th Ave NE	139	9	80% of AMI	Roosevelt	2021
318 Bellevue Ave E	20	1	80% of AMI	Capitol Hill	2022
811 NE 66 th St	17	2	40% of AMI	Roosevelt	2022
TOTAL	310	126			

¹⁸ The YWCA purchased the 800 E Denny Way apartments after construction completed. That building now includes two live-in units for staff members and provides 91 affordable housing units, including for people who have experienced homelessness.

Map 2: Incentive Zoning (IZ) Performance Option Housing

Properties that include IZ units are located throughout the city of Seattle. The following map shows locations of properties that used the IZ performance option and that were either in service or under construction as of December 31, 2022.

Incentive Zoning (IZ), Performance Housing



Payment Option: IZ Payments

IZ Payments Received

In 2022, the Office of Housing received a total of \$17.05 million of deferred IZ payments for production and preservation of low-income housing in Seattle.

Table 2.4: IZ Payments Received in 2022

Project Address	IZ Payments received in 2022	Location
1101 8th Ave	\$3.54 M	First Hill
1120 Denny Way	\$9.88 M	South Lake Union
2031 3rd Ave	\$3.63 M	Belltown
TOTAL	\$17.05 M	

IZ Payments Projected

In certain geographic areas, the Land Use Code allows property owners to defer IZ payments for extra residential floor area until just prior to issuance of a certificate of occupancy. Deferred IZ payments for extra residential floor area are adjusted for inflation at the time of payment. The following table identifies the one residential project with a building permit issued in 2018 that is still under construction as of December 31, 2022, and for which the owners deferred payments totaling \$2.3 million.

Table 2.5: IZ Payments Deferred Until Construction Completion as of December 31, 2022

Project Address	IZ Payments projected (Amounts deferred until certificate of occupancy)	Location
707 Terry Ave	\$2.28 M	First Hill
TOTAL	\$2.28 M	

IZ Funds Awarded for Low-Income Housing

The Office of Housing commits IZ payments to low-income housing through Notices of Funding Availability each year. The Office of Housing typically awards IZ funds to low-income housing in the same calendar year as when payments are received. The exception may be when the City receives IZ payments late in the year. For 2022, the Office of Housing's funding awards include approximately \$11.4 million of IZ funds for 58 units of low-income housing being built in Greenwood and for renovation of three buildings with 341 low-income housing units. See the Office of Housing's [2022 Annual Investments Report](#) for detail of and related maps showing investments (including IZ funds) in City-restricted low-income housing.

More Information

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

Office: Seattle Municipal Tower
700 Fifth Avenue, Suite 5700
Seattle, WA 98104

Mail: City of Seattle Office of Housing
PO Box 94725
Seattle, WA 98124-4725

Phone: (206) 684-0721

Email: housing@seattle.gov