MANDATORY HOUSING AFFORDABILITY
PROPOSED IMPLEMENTATION

Through the Housing Affordability and Livability Agenda (HALA), Mayor Murray set a goal to create 50,000 new homes, including 20,000 affordable homes, over the next 10 years. This unprecedented level of housing construction would triple the City's historic rate of affordable housing production. The goal for 20,000 affordable homes will only be possible with a wide range of programs, from renewing and doubling the Housing Levy, to expanding Multifamily Tax Exemption, and to creating new revenue sources from Olympia. The Mandatory Housing Affordability (MHA) program requirements for residential and commercial development to contribute to housing affordability is central to this comprehensive strategy. MHA requires commercial and multifamily developers to contribute to affordable housing by including affordable homes in the development or by making a payment-in-lieu to fund affordable housing to be built throughout the city.

In the summer of 2015, as part of the "Grand Bargain" agreed to by Mayor Murray, Councilmember O'Brien, housing advocates, and developers (supported by Council Resolution 31612), the MHA programs were specifically designed to create, over a 10 year period, a combined total of at least 6,000 homes affordable to households earning 60% of Area Media Income (*Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee, July 2015*). Although the framework legislation for the MHA residential and commercial programs has passed, making zoning changes that add development capacity is the critical next implementation step in order for MHA requirements to apply.

Proposed Changes to Implementation

On October 17, 2016, Mayor Murray joined seven Councilmembers in announcing two changes to implementation of the Mandatory Housing Affordability (MHA) program aimed at increasing affordable housing production and addressing the ongoing displacement Seattle is experiencing as it grows.

While Seattle has benefited from an economic boom, not everyone who lives or works in Seattle has benefited. Seattle 2035's Growth and Equity Analysis shows that disparities exist in how communities are experiencing growth, leaving many marginalized populations at risk of displacement and without the means to succeed and thrive. The City is taking a multi-pronged approach to addressing displacement, including the Equitable Development Initiative, stronger tenant protections, efforts to preserve existing affordable housing, and increasing the availability of affordable housing. The MHA program is an anti-displacement tool designed to both create more market rate housing through increases in development capacity, while at the same time create more affordable housing through a mandate on developers to build or pay for more affordable housing.

The two proposed changes outlined below further strengthen the MHA program's ability to address displacement by creating opportunities for more affordable housing in locations where risk of displacement is greatest and creates more affordable housing overall.

Based on the original MHA framework of providing increased development capacity in combination with new mandatory affordability requirements, the City is introducing

1. **A tiered approach of higher performance and payment requirements** for areas – such as the U District – that are receiving a higher development capacity increases than the standard one story proposed as part of MHA, and

2. **A revised map that moves some areas at higher risk of displacement into higher performance requirements** – including Chinatown/International District, Central Area, and Madison–Miller neighborhoods to reflect updated rent data and the City's analysis of higher displacement risk.

These proposed changes will increase projected production from the original goal of 6,000 new affordable homes to a new projected total of approximately 6,300 affordable homes.

Proposed Tiered Approach of Higher Performance and Payment Requirements

Seattle has 28 Urban Centers, Urban Villages and areas currently zoned for apartments or commercial buildings, where zoning changes would allow one additional story of development in order to implement the new affordable housing requirement. While the proposal would expand some of Seattle's Urban Villages, no MHA zoning changes will be proposed for single-family areas outside of Seattle's Urban Centers and Urban Villages. In areas such as those around light rail stations, at the heart of urban villages, and close to parks and schools, proposed zoning changes could allow more development beyond the typical one story increase. Community feedback has suggested the City help guide growth to these areas and the proposed tiered approach will require larger contributions to affordable housing as a result. OPCD is currently conducting environmental review for the proposed "zonewide" rezones. The City recently accepted scoping comments and is in the process of preparing a Draft Environmental Impact Statement. The decision on MHA requirements to be applied in connection with the "zonewide" rezones would occur only after the environmental review is complete.

The proposal creates three tiers of MHA requirements for multifamily residential and commercial development based on location in a Low, Medium or High Area and whether the zoning increase moves a zone from one category to another.

Proposed Requirements for Residential and High-rise Commercial*

		Low Area		Medium Area		High Area	
		%	$	%	$	%	$
Scale of upzone	Standard M suffix	5%	$7.00	6%	$13.25	7%	$20.75
	Zones with M1 suffix	*8%*	*$11.25*	*9%*	*$20.00*	*10%*	*$29.75*
	Zones with M2 suffix	*9%*	*$12.50*	*10%*	*$22.25*	*11%*	*$32.75*

Proposed Requirements for non-high-rise Commercial (up to 95 feet)

		Low Cost		Medium Cost		High Cost	
		%	$	%	$	%	$
Scale of upzone	Standard M suffix	5%	$5.00	5%	$7.00	5%	$8.00
	Zones with M1 suffix	*8%*	*$8.00*	*8%*	*$11.25*	*8%*	*$12.75*
	Zones with M2 suffix	*9%*	*$9.00*	*9%*	*$12.50*	*9%*	*$14.50*

**The MHA performance requirement is a percent of units that must be set aside as affordable housing, or alternatively, a payment is the amount per square foot contributed to the Seattle Office of Housing. The Low, Medium and High Areas are defined per the proposed map at the end of this document. Proposed requirements are subject to ongoing technical review and environmental analysis.*

Proposed Zoning Categories

The proposal groups zones into categories based on their relative development capacity. Proposed rezones that result in movement from a lower zone to a higher zone indicates an increase in development capacity greater than the typical increase of one additional story.

Category 1	Single Family, Residential Small Lot
Category 2	Low Rise 1, Low Rise 2
Category 3	Low Rise 3, Neighborhood Commercial 40 (which is changing to Neighborhood Commercial 55)
Category 4	Zones with height limits greater than 40 feet (55 feet after the standard MHA increase) and equal to or less than 85 feet (95 feet after the standard MHA increase)
Category 5+	Zones with heights greater than 85 feet (requires some individualized assessment). *In most cases, areas that are zoned to heights greater than 85' will have additional Incentive Zoning requirements, and, although the specific requirements will vary based on how much development capacity is provided, these buildings will generally pay the equivalent of an additional 2% for other public benefits such as open space or child care.*

Standard M Suffix: If a rezone results in no change in category, the property would receive a standard M suffix.

Zones with an M1 Suffix: If a rezone resulted in a property changing to the next highest category, then the property would receive a M1 suffix. For example, a Low Rise 1 zone that is rezoned to Low Rise 3 would change from Category 2 to Category 3, so the properties would be subject to M1 requirements.

Zones with an M2 Suffix: If the rezone resulted in a property changing by two categories or more, the property would receive a M2 suffix. For example, Single Family properties (within an Urban Village) that are rezoned to Low Rise 3 would change from Category 1 to Category 3, so the properties would be subject to M2 requirements.

Revised Map Requires More Affordability in Areas at Higher Risk of Displacement

The proposed map revises where the High/Medium/Low MHA requirements apply. Originally, the map identified the High/Medium/Low Areas based on market rental rates available at the time. The new map considers updated market information, as well as displacement risk and development trends and is modified to show higher MHA requirements in areas with a higher risk of displacement.

Specific changes that will increase affordability in areas at higher risk of displacement include:

- The Chinatown / International District will be included in the High-MHA geographic area and not in the Downtown / South Lake Union area for the purpose of applying MHA payment and performance amounts. This results in higher requirements for this area.
- The High-MHA geographic area has been expanded to include the Central Area and Madison–Miller neighborhoods. Development in these areas will be subject to the highest MHA requirements in the tiered MHA table, ranging from 7% to 11%.
- The Medium-MHA geographic area is expanded to include formerly Low-MHA areas: North Beacon Hill, North Rainier, and Columbia City, Northgate, and Crown Hill. Development in these

areas will be subject to MHA Medium amounts that range from 6% to 10%. These changes increase the area citywide where high and medium MHA payment and performance amounts apply.