ANALYSIS AND DECISION OF THE DIRECTOR
OF THE SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS

SEPA Threshold Determination
for
Housing Accelerator Reductions in Mandatory Housing Affordability Residential (MHA-R) Obligations

Project Proponent: Seattle City Council

DESCRIPTION OF THE PROPOSAL

The proposal is a non-project action that is intended to induce residential development by reducing development fees for eligible projects subject to MHA-R requirements. MHA-R is an affordable housing incentive program. In areas where increased residential development capacity has been provided, dwelling units meeting affordable housing requirements must be provided within a new development or the developer must make a payment "in-lieu" of providing those dwelling units.

Types of development projects eligible for the proposed in-lieu payment reductions are within two categories:

- Category 1, which are "vested[1]" development projects that are subject to MHA-R and
- Category 2, which are future development projects that will make a building permit application by January 1, 2028, and:
  - Will include at least 25 percent of dwelling units as two or more bedroom units; and
  - Will not be located in specified areas that are subject to high displacement risk unless the development site has been in continuous ownership since January 1, 2006.

This proposed non-project action would reduce MHA-R in-lieu payment obligations by 80 percent for Category 1 projects and by 60 percent for Category 2 projects.

Participating projects would be required to demonstrate substantial progress towards constructing a foundation within two years for Category 1 projects, or three years from the date of building permit application for Category 2 projects, subject to some discretion by the Director of SDCI. Participating projects that do not make substantial progress within

[1] "Vested" refers to an application's status as specified in SMC 23.76.026.

that time period would be required to pay the balance of the MHA-R obligation according to certain criteria.

The affected area for this proposed non-project action is all areas of the city where MHA-R applies. This includes most commercial, multifamily, Seattle Mixed, and downtown zones.

The "high displacement risk areas" described for Category 2 projects are those that are listed in the proposed legislation, including:

- International Special Review District
- Central District Urban Center
- Central District South Urban Center
- Mount Baker Urban Center
- North Beacon Hill Urban Center
- Columbia City Urban Center
- Graham Urban Center
- Othello Urban Center
- Rainier Beach Urban Center

Projects that have taken advantage of temporary Design Review exemptions based on meeting MHA-R obligations through the provision of on-site dwelling units would be able to switch their MHA election to in-lieu payment to allow them to take advantage of this proposal, without having to go back through Design Review.

Public Comment
The changes to the Land Use Code require City Council approval. Opportunity for public comment will occur during Council meetings and hearings. The ordinance and this environmental review and SEPA Determination will be available online for public comments.

ANALYSIS – OVERVIEW

Environmental review resulting in a Threshold Determination is required pursuant to the State Environmental Policy Act (SEPA), WAC 197-11, and the Seattle SEPA Ordinance (Seattle Municipal Code (SMC) Chapter 25.05.

The following report describes the analysis conducted to determine that the non-project action is not likely to result in *probable significant adverse environmental impacts*. This threshold determination is based on:

- the language of the proposed legislation and related contents as described above;
- the information contained in the *SEPA checklist* (dated October 14, 2026 and supplemented on October 19, 2026), including subsequent annotations and analyses made by SDCI staff;

- review of materials prepared as background information about the legislation, prepared by City staff; and
- the experience of the SDCI analyst in reviewing similar documents and actions.

ELEMENTS OF THE ENVIRONMENT

Short-Term and Long-Term Impacts

A. Natural Environment

Earth, Water, Water Quality, Plants/Animals/Fisheries/Marine Life

Seattle is mostly urbanized but it also has retained greenbelts, vegetated hillsides, stream, river, bay, and lake environments with diverse kinds of plant, animal, fish and marine habitats. This includes many shoreline edges hosting birds, fish, and other marine life. The SEPA environmental checklist submitted for this proposal contains additional description of the natural environment in Seattle, in terms of earth, water, plants, and animal habitat characteristics. That checklist content is acknowledged and incorporated by reference into this determination.

- Wildlife on land largely includes species habituated to urban and vegetated areas, such as squirrels, opossum, coyotes, and a variety of bird species including bald eagles. Threatened, protected, or endangered species include but are not limited to heron, and salmon in locations downstream via natural drainages.
- Seattle has numerous soil types, including: mineral soils dominated by clay, silt, or sand; organic soils such as peats and mucks; and glacial-influenced soil types of varying densities and composition, with layering of various soil types. Areas such as SODO also have extensive fill soils.
- Most of Seattle is located within the Lake Washington/Cedar/Sammamish Watershed (Watershed Resource Inventory Area [WRIA] 8). The Duwamish Waterway and Elliott Bay are part of the Green/Duwamish and Central Puget Sound Watershed (WRIA 9). Seattle's surface waters include marine areas (Puget Sound), rivers, lakes, and creeks. These include but are not limited to the Duwamish River/ waterway, Longfellow, Fauntleroy, Taylors, Thornton, and Pipers Creek. Freshwater lakes include the Lake Union/Ship Canal, Green, Haller, and Bitter Lakes and numerous ponds and wetlands.

This non-project action is not likely to directly, indirectly, or cumulatively generate significant adverse impacts related to discharges to water, earth-related impacts, plant or animal impacts, or emissions of toxic or hazardous substances. This finding relates to the necessity of future development to comply with City requirements that tend to result in adequate protections against significant adverse impacts to the environment.

The proposal could facilitate additional numbers of residential developments to occur sooner, by adjusting requirements in ways that would convince development proponents

with vested projects to build, and by inducing new development applications that would be carried through to construction.

A probable faster pace of new development would incrementally increase the cumulative total amount of land likely to be disturbed by construction activities in the near-term. This would increase the possibility of localized adverse impacts such as erosive runoff of exposed soils, transport of sediments off-site and potentially to nearby drainage courses or water bodies. Most of the known vested possible developments are located in already-dense urban centers or other moderate density neighborhoods of Seattle. These areas tend to have already well-established infrastructure such as sewers and stormwater drainage systems, and existing on-site presence of structures and impervious surfaces. These factors mean most future development sites' potential for erosion and runoff impacts could be limited and managed by standard construction protective practices.

The future construction activities and the completed developments would be designed to control against significant adverse discharges to water, by being regulated and limited by the Stormwater Code (Seattle Municipal Code (SMC) Chapter 22.800), Land Use Code (SMC Title 23) regulations such as impervious surface limits, in some cases Environmentally Critical Areas code (SMC Chapter 25.09), and other applicable construction codes. Development that complies with the City's development standards and required practices would tend to limit or reduce the potential for off-site adverse natural environmental impacts to earth, water, and plant and animal habitats.

Noise, Air Quality, Energy, Natural Resources Depletion

This non-project action would not likely result in direct, indirect, or cumulative significant adverse impacts to these environmental elements. The proposal does not directly propose development.

The probable effect of the non-project proposal would be to stimulate additional residential development to occur sooner in several places across the city than might otherwise occur. This would incrementally add to the total volume of development occurring in Seattle in the near term, which means the total area of land disturbed by construction would likely incrementally increase.

Noise, Air Quality

Depending upon how many developments are induced to proceed, they would generate additional air pollutant emissions, noise, and site soil disturbances during their construction periods. This could lead to localized pollutant emissions in their immediate vicinity, through additional dust generation, construction equipment exhaust, and noise emissions. These kinds of localized impacts would be temporary. Their degree of adverse impacts would be mitigated by following best practices and requirements related to daily construction noise time limits, and practices that protect against release of eroded or disturbed soils into off-site locations. Although potentially annoying to surrounding

residents, construction-related air pollutant emissions and noise production would not likely generate significant adverse environmental impacts.

Post-construction, the non-project action's focus on residential development that meets code requirements would mean there is a minimal-to-minor potential for adverse impacts related to air, water, or noise during occupation of the completed developments, and a minimal-to-minor potential that toxic or hazardous substance-related adverse impacts would occur. There are not likely to be unusual factors about such developments that would generate unusual levels of air pollutant emissions or noise post-construction. The likelihood of greater levels of cumulative impacts from multiple developments occurring in close proximity to each other would also be low. No significant grouping of multiple developments in close proximity to each other is known to be probable as a result of this non-project action. After construction, each development would be expected to perform as other multifamily residential developments typically perform with respect to air pollutant generation or noise emissions.

Energy and natural resources depletion

The non-project proposal could facilitate additional numbers of residential developments to occur sooner, by adjusting requirements in ways that would convince development proponents with vested projects to build, and by encouraging new developments. Residential uses have relatively low Energy Use Intensity (EUI). The EUI is measured in British thermal units (BTU) per square foot and is based on the size and characteristics of a land use. For example, multifamily housing has an EUI of 44.9. By contrast, a restaurant has an EUI of 205.3 (Source: FEIS, One Seattle Comprehensive Plan Update. January 2025. pp. 3.4-8).

Residential energy use is regulated and mitigated by the Energy Code, Energy Use Benchmarking regulations (SMC Ch 22.902), Building Emission Performance Standards (SMC Ch. 22.925), and other applicable regulations. These regulations provide for minimum performance levels for future new development that are very good and will contribute to Seattle's long-term high-level and improving performance in managing its energy use and natural resources impacts. This includes with respect to limiting carbon emissions as well. Therefore, there is a low potential for the non-project action to generate additional significant adverse impacts related to consumption of energy or natural resource depletion.

B. Built Environment

Land and Shoreline Use

The details of the current non-project proposal are not likely to result in significant adverse impacts on citywide land use or shoreline use patterns, directly, indirectly, or cumulatively. The following programmatic-level discussion interprets the proposal's indirect potential to generate adverse land use compatibility and housing impacts through encouraged additional future development, and its relationship to plans and policies.

Land use compatibility

The current non-project proposal may cause new residential development to proceed that would not otherwise occur in the near-term, by lowering MHA fees and providing development cost relief. In recent years, high development costs, including due to financing and economic risks, have discouraged many such applicants for residential developments from proceeding. The proposal could encourage additional development of already-vested projects to proceed, and could cause an increase in new development applications.

However, these kinds of future developments would occur in areas in which residential development is already authorized by the City's land use code and area zoning. The existing zoning patterns are consistent and aligned with the City's planning and growth-related policies for the centers and neighborhoods across the city. The current non-project proposal does not increase the zoned development capacity or change the land use designation of any given area.

This means the current non-project proposal is not likely to lead to future development that would generate significant adverse incompatibilities of land use or shoreline use, or significant adverse density or scale-related impacts. Also, any differences in expediting new residential development to occur faster does not generate any particular land-use related adverse impact concerns. Such development can be accommodated in any timeframe that it would likely occur.

Housing

Accelerated production of new dwelling units could occur as a cumulative indirect result of the current non-project proposal. This would add to the overall supply of housing in the city, which may over time contribute to maintaining or reducing market-rate rents and/or result in a wider selection of housing available at varying affordability levels. The current proposal could have positive effects on housing production in roughly two waves: 1) one that could occur sooner if vested development proposals decide to proceed and get underway in the near term; and 2) additional new development proceeding later as Category 2 developments obtain permits and proceed to construction.

Additional degrees of positive housing impacts could occur as a result of the provision of more family-sized dwelling units in Category 2 developments:

- Possible future proposed Category 2 developments (meaning those subject to MHA fees that are reduced to 40% of the current level) would be required to have at least 25 percent of units with two or more bedrooms. The Housing Appendix to the Comprehensive Plan identifies that only 35 percent of new multifamily development has included family-sized dwelling units, and that availability of family-sized dwelling units is one barrier to housing in the city.
- The proposal's requirement to provide family-sized dwelling units as part of newly-proposed developments in Category 2 is likely to result in additional production of such units. This could increase the housing supply and the availability of dwelling

units suitable for families. This would likely occur gradually over several years as new development proposals are permitted and then built.

Not extending the MHR-R fee reductions to new Category 2 developments in some areas, with exceptions, could reduce near-term displacement that would occur with a fee reduction.

- The proposal includes exclusions for some areas with higher displacement. Specifically, Category 2 projects in certain urban centers in southeast Seattle that are identified to have higher displacement risk would not receive the MHA fee reduction, unless the development site has been in continuous ownership since January 1, 2006.
- These areas include the International Special Review District, the Central District, Urban Center, the Central District South Urban Center, the Mount Baker Urban Center, the Columbia City Urban Center, the Graham Urban Center, the Othello Urban Center, and the Rainier Beach Urban Center.
- Residential development proposals in those areas could still occur, but they would be required to meet the full MHA-R obligation, and that obligation would provide mitigation of displacement impacts.
- The limitations proposed could avoid near term losses of existing affordable housing stock in these areas without the contemporaneous mitigation provided by satisfaction of full MHA obligations.

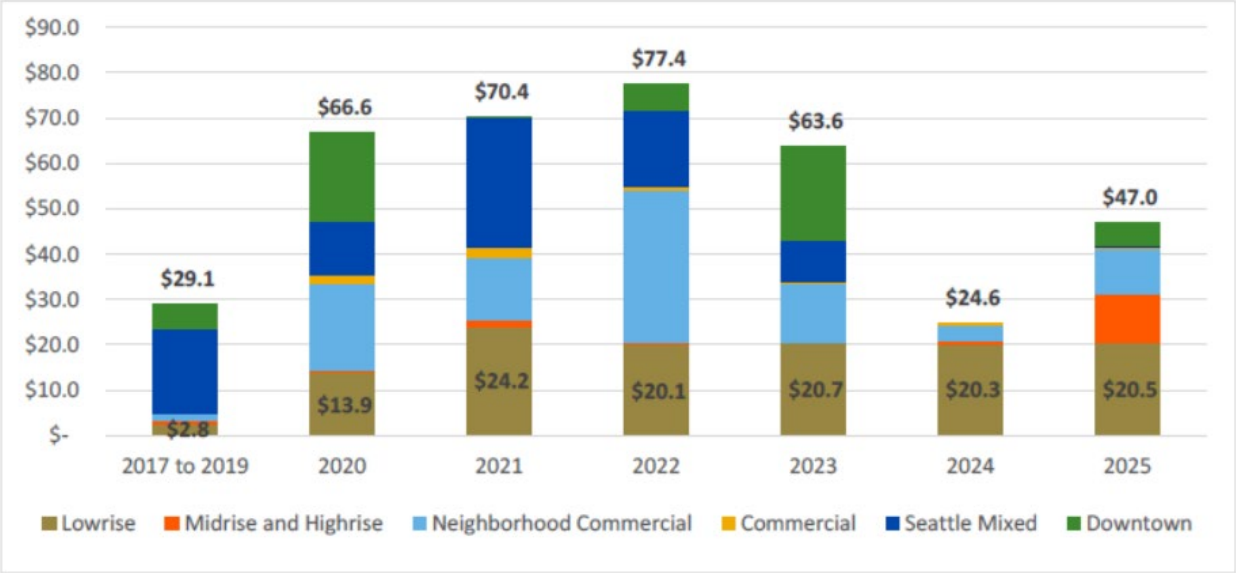
The proposed provision that allows changes in MHA election for development applicants that had elected to provide on-site dwelling units, without needing to go back through Design Review, helps to streamline the permit process and avoid a step that otherwise would incur more time delay for housing development. This is a procedural clarification, and would accommodate the applicant's choices to make an in-lieu payment rather than provide qualifying dwelling unit(s) on a site. This is not likely to create a probable significant adverse land use impact because either choice would fulfill the impact-mitigating purpose of MHA.

MHA program effects

With some limited exceptions for administration, revenue from the MHA-R program may only be used for capital purposes to create new housing affordable to low-income households. MHA payments by year since program inception through 2025 are shown in the chart below.[2] Through June 2026, the City has received approximately $9 million from MHA.

[2] Source: Office of Housing, *2025 Mandatory Housing Affordability Annual Report* (July 2026)

Chart 3.3B: MHA Payments by Year Building Permit Issued and Zone ($ Million)



Declining applications for the types of development to which MHA-R applies indicate that revenue for low-income housing development is likely to decline further in 2027 and 2028. The Fund Financial Plan in the 2027-2028 Proposed Budget for the Low-income Housing Fund, into which revenue from MHA-R is deposited, assumes that MHA revenues will remain flat at approximately $20 million annually through 2030.

However, the proposed reduction in MHA-R payment obligations could induce a higher number of new applications for development subject to MHA-R. The MHA-R revenue from those applications, which might not otherwise occur in the near term, could help limit and mitigate ongoing revenue losses from MHA-R that would otherwise occur due to declining permit volumes.

Relationship to plans and policies

The proposal is consistent and compatible with the Comprehensive Plan. Relevant housing policies in the Comprehensive Plan call for increased market rate housing supply and increased production of units with two or more bedrooms. Those policies are:

H 2.1 Expand capacity for housing development broadly to encourage market production that meets short- and long-term housing needs, reduces upward pressure on costs caused by scarcity, accommodates current and projected future growth, and accounts for past underproduction of housing.

H 2.5 Use a range of tools to support efforts to reach the goal that at least 25 percent of Seattle's new housing units include two bedrooms or more, including private, public, and non-profit built housing.

The proposal would support implementing these policies, on a limited basis, during the current trough in the real estate development cycle.

Historic Preservation

Seattle contains a number of landmarks, properties, and districts that are listed on, or proposed for, national, state, and local preservation registers. In addition, while Seattle today comprises a highly urbanized and developed area, it is also an area with potential for the presence of cultural artifacts from indigenous peoples. This is evaluated in detail within the Comprehensive Plan's Final EIS (Section 3.9).

With respect to the non-project proposed action, there is a low probability for future development indirectly related to the proposal to generate adverse impacts on historic and cultural resources. The proposal is not limited to a single known site or group of sites. Rather, its affected area is a majority of Seattle where a wide variety of properties could be locations of future development.

The probable effect of the non-project proposal would be to stimulate additional residential development to occur sooner than might otherwise occur in several places across the city. This would incrementally add to the total volume of development occurring in Seattle in the near term, which means the total area of land disturbed by construction would incrementally increase.

The proposal does not focus on or specifically affect the likelihood of future development in shoreline vicinities across the city, or areas in close proximity to the Duwamish River or Elliott Bay. This reduces its potential to affect vicinities that generally have the greatest likelihood of past settlement by indigenous populations, and thus the highest potential for presence of historic or cultural artifacts. However, it does not rule out the possibility that archaeological resources could be found across Seattle in many locations if development occurs.

Some cultural resources at risk from future development in Seattle are in unknown locations due to their being buried. There is a chance that an incrementally larger amount of future residential development sites would lead to an increased possibility of uncovering buried cultural resources. If so, the actions prescribed by City rules and regulations and State laws would apply and would require stop-work actions and evaluation of uncovered possible archaeological resources. Or, in some cases if sites are already known to contain resources, pre-development investigations can be prescribed.

Transportation, Public Services and Utilities

The details of the proposed non-project action are not likely to generate significant direct, indirect, or cumulative adverse impacts on transportation, public services, or utilities elements of the environment.

Transportation

Much of the area affected by this proposed non-project action is located within areas well-served by transit, such as Regional Centers, Urban Centers, and Neighborhood Centers, or near major transit service corridors. Within these areas, Seattle's availability of light rail and bus transit services means that a good percentage of local residents are using transit for typical home-to-work commuting during peak travel periods. This is particularly so in the denser existing urban centers. This is consistent with the City's and region's comprehensive growth and transportation plans.

The proposed non-project action encourages more residential developments to occur sooner than they might otherwise occur. From a citywide perspective, the incremental increases in amount of new developments generated by this non-project action are likely to be relatively modest in number and likely to be dispersed across several neighborhoods. This pattern and amount of additional development would be unlikely to generate new significant adverse transportation system impacts in any given location. Meaning, there is a low likelihood that additional needs for signalization of intersections or additional street lanes would occur. Rather, this would more likely contribute to Seattle's existing patterns of denser infill urban center growth that reinforce increasing levels of peak hour transit commuting efficiencies over time.

Public Services and Utilities

The non-project action would not likely directly, indirectly or cumulatively generate significant adverse demand-related impacts on public services and utilities. This relates to a limited potential for additional levels of new development in dispersed locations to generate adverse impacts on the City's provision of public services and utilities. And it relates to the effectiveness of the City's review process for individual developments, which tends to ensure that if localized utility and infrastructure improvements are needed to serve new development, they are provided.

Much of the area affected by this proposed non-project action is in zoned areas that are well served by urban utilities and public services, such as water, sewer, electrical and solid waste collection utilities; and public services including parks, schools, police, fire/ emergency services, and public health and social services.

With respect to utility services, the ability for utility infrastructure to serve future development is reviewed as a part of individual projects' land use and development permitting. Depending upon the existing particulars in a given vicinity, localized shortcomings in utility services can be identified as part of project permit reviews. The City's permit review processes typically ensure that if localized improvements are needed to serve a proposed development, they are required to be provided.

DECISION – SEPA

This decision was made after review by the responsible official on behalf of the lead agency of a completed environmental checklist and other information on file with the responsible department. This constitutes the Threshold Determination. The intent of this declaration is to satisfy the requirement of the State Environmental Policy Act (RCW 43.21C), including the requirement to inform the public of agency decisions pursuant to SEPA.

[X] Determination of Non-Significance. This action has been determined to not have a probable significant adverse impact upon the environment. An EIS is not required under RCW 43.21C.030(2)(c).

[ ] Determination of Significance. This action has or may have a significant adverse impact upon the environment. An EIS is required under RCW 43.21C.030(2)(c).

Signature: _____/s/_____ Date: ____October 21, 2026_____
Gordon Clowers, Sr. Planner
Seattle Department of Construction and Inspections