



Seattle
Office of Housing

2023 Mandatory Housing Affordability and Incentive Zoning Annual Report

June 2024

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Executive Summary

Mandatory Housing Affordability (MHA) mitigates some affordable housing impacts of new multifamily and commercial development through inclusion of affordable homes or contributions to a City fund used for the preservation and production of low-income housing.

- Implemented through legislative upzones starting in 2017, MHA requirements are in several key areas zoned for multifamily and commercial development (e.g., University District, Downtown, and South Lake Union).
- Developers can either build affordable units (performance) or pay into the MHA fund (payment).

Key takeaways

- **Developments:** Building permits were issued for 227 projects meeting MHA requirements in 2023, a decrease from 261 in 2022.
- **MHA Funds:** MHA payments decreased by 15% to \$63.2 million in 2023. Since inception, MHA payments total \$304.3 million, with \$252.2 million awarded for 4,498 homes for low-income households.
- **MHA Performance:** Affordable homes committed through the MHA performance option increased by 60% in 2023, totaling 123 MHA units.

Performance Option

- **Units:** 15 residential and mixed-use developments completed to date include 119 affordable homes through the MHA performance option.
- **Affordability:** Units serve households earning up to 60% of the area median income (AMI) for rental and up to 80% AMI for ownership.

Payment Option

- In 2023, OH received \$63.2 million in MHA payments to support efforts to build and preserve low-income housing.
- In 2023, \$8.2 million committed for the development of 232 rental apartments and 26 for-sale homes.

Incentive Zoning

IZ allows developers to build more floor area in exchange for affordable housing contributions, similar to MHA but voluntary.

- Developers can exceed standard zoning limits by contributing to affordable housing, either by including units on-site or making payments.
- IZ is being phased out in favor of the mandatory MHA requirements to streamline and strengthen affordable housing efforts.
- **Projects and Contributions:** Specific details on the number of IZ projects and financial contributions for 2023 are not highlighted, as the focus shifts towards MHA implementation.

Section 1: Mandatory Housing Affordability (MHA)

MHA Background

Under Mandatory Housing Affordability (MHA), Seattle mitigates some affordable housing impacts of new multifamily and commercial development through inclusion of affordable homes or contributions 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 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 below 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	Ordinance 125359	August 2017
23rd Avenue and Union Street	Ordinance 125360	
23rd Avenue and Jackson Street	Ordinance 125361	
Uptown Urban Center	Ordinance 125432	October 2017
Other areas zoned for commercial and multifamily residential development	Ordinance 125791	April 2019

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.

Development with MHA Contributions in 2023

When a project in an MHA zone 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

Affordable housing contributions through MHA were made for 227 projects with issued building permits in 2023.³ This is a decrease from the 261 projects for which housing contributions were made in 2022. Comparing the last two calendar years, MHA payments decreased by 15% (\$74.6 million in 2022 and \$63.2 million in 2023) and MHA units committed to be provided through the performance option increased 60% (77 MHA units in 2022 and 123 MHA units in 2023). MHA performance activity for the 2023 reporting year reached its highest level since 2019 when MHA upzones were adopted. The Performance Option and Payment Option sections below provide additional detail about MHA contributions.

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.

³ This report details MHA payments by date of OH receipt for projects with issued building permits only. MHA performance activity is reported by year of building permit issuance. **This is a point in time report. Production numbers are not necessarily comparable to those reported in prior Annual Reports** (for example, some prior reports might include MHA activity for projects for which permits had not been issued yet or MHA contribution amounts could have changed due to a permit revision during construction or updates to Accela (the City's permit tracking platform)).

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 units in the development 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.

2023 Income Limits for Eligible Households

Family Size	Percent of Area Median Income (AMI)		
	40%	60%	80%
1	\$38,360	\$57,540	\$76,720
2	\$43,840	\$65,760	\$87,680
3	\$49,320	\$73,980	\$98,640
4	\$54,800	\$82,200	\$109,600

Since initial adoption of MHA legislation through December 31, 2023, building permits have been issued for 56 performance projects with 5,086 total units. Of that total, property owners committed to providing 404 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 greater than 400 square feet. Monthly rent does not exceed 30 percent of 40% of AMI for units less than 400 square feet or 30 percent of 60% of AMI for units greater than 400 square feet.

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 seven homeownership developments have elected to use the performance option to satisfy MHA requirements (included in [Table 1.3](#) below). Six of those projects will include one unit affordable to a household with income not to exceed 80% of AMI and the seventh project will include two units affordable to households with incomes 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 15 properties with MHA units in service as of December 31, 2023.

Table 1.2: Housing with MHA Units – In Service

Property	Total Units	MHA Units	Affordability/ Income Limit	Location	Initial Year in Service
2018					
East Union	144	4	60% of AMI	23 rd Union-Jackson	2018
2019					
Zella Apartments	128	8	60% of AMI	Uptown	2019
The Stax	60	4	40% of AMI	University District	2019
2020					
Portal Apartments	54	3	60% of AMI	Fremont	2020
DP Studios	22	2	40% of AMI	University District	2020
2021					
Kirin Apartments	95	7	40% of AMI 60% of AMI	Uptown	2021
2022					
1817 S Charles St	4	1	60% of AMI	Beacon Hill	2022
Midtown Square	432	44	60% of AMI	23 rd Union-Jackson	2022
Viola Apartments	79	7	40% of AMI	University District	2022
Dockside	97	9	40% of AMI	Green Lake	2022
2023					
Heartwood	126	13	60% of AMI	12 th Avenue	2023
The 119	43	3	40% of AMI 60% of AMI	Madison-Miller	2023
Jean Darsie Place	58	4	40% of AMI	University District	2023
Summerstone	120	8	40% of AMI 60% of AMI	Columbia City	2023
Cypress Greenwood	25	2	40% of AMI	Greenwood	2023
Total	1,487	119			

MHA Units Committed

The performance option is 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 2023, building permits were issued for 14 projects totaling 1,252 total units with executed performance agreements for 123 MHA units. MHA performance agreements are executed for an additional 15 projects with building

permit issuance still pending as of December 31, 2023. Assuming all those projects move forward, another 63 of 749 total units would be MHA units.

The following table lists 41 MHA performance projects with issued building permits that were not completed as of December 31, 2023.

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

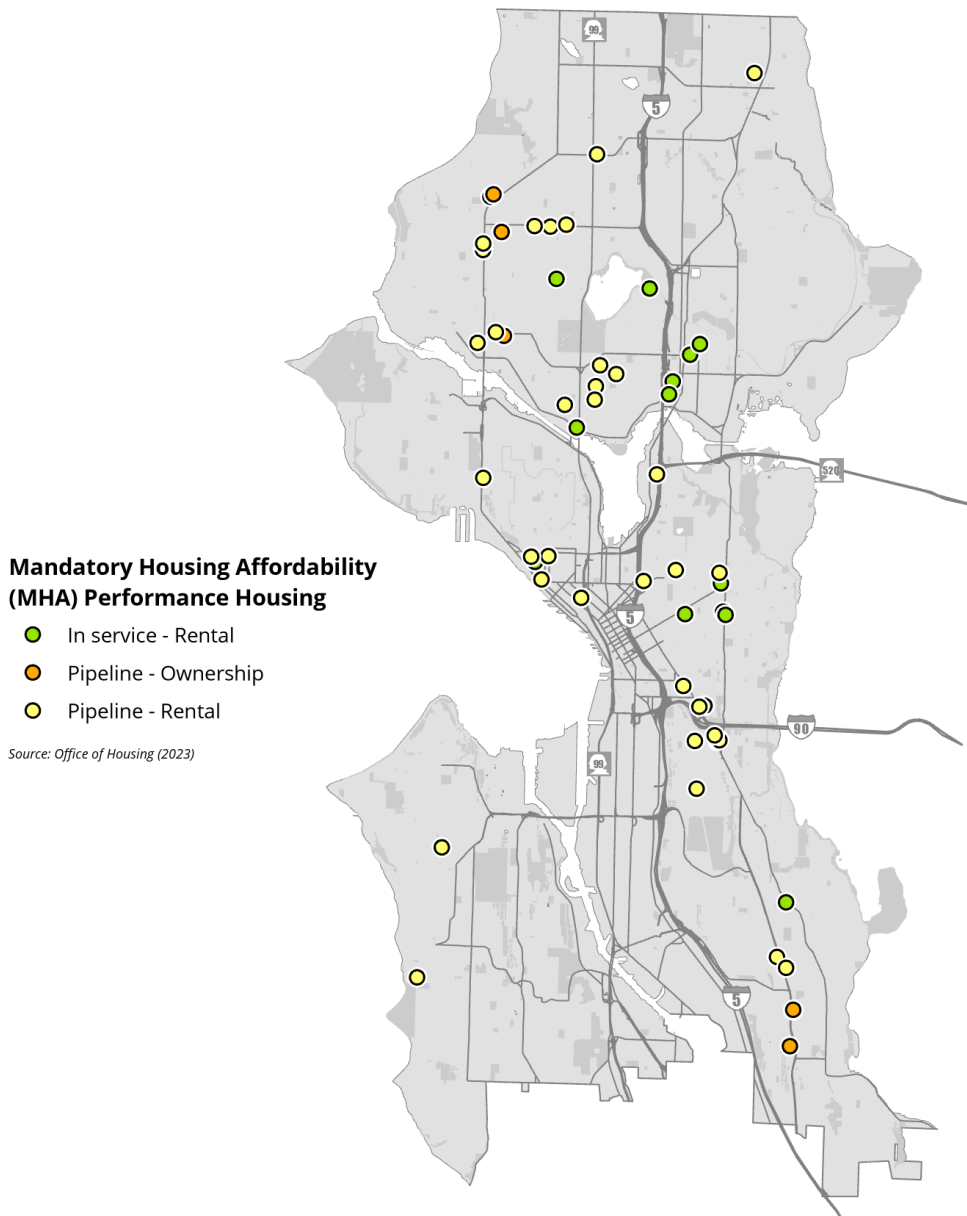
Development Address	Total Units	MHA Units	Affordability/ Income Limit ⁴	Location
2019	24	1		
1261 S King St	24	1	60% of AMI	Chinatown-Intl District
2020	245	19		
303 Battery St	112	4	40% of AMI 60% of AMI	Belltown
513 1 st Ave N	125	13	40% of AMI 60% of AMI	Uptown
1771 17th Ave S	8	2	60% of AMI	Mount Baker
2021	927	65		
4612 Stone Way N	15	2	40% of AMI	Wallingford
9202 Mary Ave NW	20	1	80% of AMI	Crown Hill
6515 38th Ave S	114	6	40% of AMI	Othello
1544 NW 52 nd St	67	6	40% of AMI 60% of AMI	Ballard
4205 SW Genesee St	77	5	40% of AMI	West Seattle Junction
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	1,151	77		
119 N 85 th St	27	2	40% of AMI	Greenwood
325 NW 85 th St	72	5	40% of AMI	Greenwood
2222 15 th Ave W	168	11	40% of AMI 60% of AMI	Interbay
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
2912 Beacon Ave S	120	7	40% of AMI 60% of AMI	Beacon Hill

⁴ The affordability limit for owner-occupied housing is 80% of area median income.

Development Address	Total Units	MHA Units	Affordability/Income Limit ⁴	Location
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
7712 Martin Luther King Jr Way S	7	1	80% 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
2023	1,252	123		
4205 Stone Way N	96	6	40% of AMI	Wallingford
4009 Stone Way N	125	8	40% of AMI	Wallingford
504 N 85 th St	197	18	40% of AMI 60% of AMI	Greenwood
310 11 th Ave E	35	4	60% of AMI	Capitol Hill
2335 Boylston Ave E	71	7	40% of AMI	Eastlake
110 1 st Ave W	70	7	60% of AMI	Uptown
505 3 rd Ave W	169	17	40% of AMI 60% of AMI	Uptown
968 NW 54 th St	21	2	80% of AMI	Ballard
7757 15 th Ave NW	61	4	40% of AMI	Crown Hill
8313 12 th Ave NW	18	1	80% of AMI	Crown Hill
7705 15 th Ave NW	81	5	40% of AMI	Crown Hill
9225 14 th Ave NW	12	1	80% of AMI	Crown Hill
900 Rainier Ave S	292	42	40% of AMI 60% of AMI	23 rd Union-Jackson
4618 SW Othello St	4	1	60% of AMI	Fauntleroy
Total	3,599	285		

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

Properties that include MHA units are located throughout the city of Seattle. The following map shows locations of 56 MHA performance properties with 404 MHA units either in service or with an issued building permit as of December 31, 2023.



Payment Option: MHA Payments

MHA Payments Received

Total MHA payments received by the City for projects with building permits issued as of December 31, 2023, sum to nearly \$304.3 million.⁵ The subtotal of MHA payments received in 2023 is \$63.2 million. Of the 2023 total, approximately \$6.6 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, 2023, 94% are for development in Seattle Mixed (28%), Neighborhood Commercial (25%), Lowrise (25%), and Downtown (17%) zones. A large majority of MHA payment contributions are for development of residential floor area. Only 13% of MHA dollars is for development of commercial floor area; the remainder is funded by housing development.

MHA Funds Awarded for Low-Income Housing

Of \$304.3 million received to date, the Office of Housing has awarded \$252.2 million for 4,498 affordable homes, including 105 permanently affordable homes for buyer households with incomes no higher than 80% of AMI. 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 2023 funding awards for low-income housing included approximately \$8.2 million of MHA payment proceeds.⁶ These investments will support 232 affordable rental apartments and 26 for-sale homes reserved for low-income homebuyers and resale-restricted to ensure permanent affordability. See the Office of Housing's **2023 Annual Investments Report** for detail and map of our 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 of low-income housing investments.

⁵ The total includes approximately \$152K developers paid in lieu of fractions of units otherwise required through the performance option. An additional \$1.77 M has been received for projects for which the building permits were not yet issued as of December 31, 2023. MHA contribution amounts are calculated when plan sets are finalized but can increase or decrease after a project is under construction if SDCI approves revisions to the project.

⁶ Fund sources and amounts awarded are subject to change until development of the low-income housing is complete.

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

Geographic Area	MHA Payments through 12/31/2023	MHA Investments through 12/31/2023
Ravenna, Roosevelt, University District ⁷	\$71.6 M	\$20 K
Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square	\$51.3 M	\$10.4 M
Ballard, Crown Hill, Greenwood-Phinney Ridge	\$42.2 M	\$15.6 M
Queen Anne, Uptown	\$31.7 M	\$0
South Lake Union	\$21.6 M	\$0
23rd & Union-Jackson, Madison-Miller	\$16.9 M	\$20.5 M
Fremont, Green Lake, Wallingford	\$16.4 M	\$26.1 M
12th Avenue, Capitol Hill, Eastlake, First Hill	\$15.9 M	\$33.6 M
Columbia City, Mount Baker, North Beacon Hill, Othello, Rainier Beach	\$13.1 M	\$80.6 M
Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park	\$10.4 M	\$11.8 M
Lake City, Northgate	\$10.1 M	\$53.5 M
Aurora-Licton Springs, Bitter Lake Village	\$2.9 M	\$0 M
Total	\$304.3 M	\$252.2 M*
*Approximately 5% of total MHA payments (~\$16 million) have been allocated for administration costs. The Office of Housing is in the process of determining highest and best use of remaining MHA funds.		

Section 2: Incentive Zoning (IZ)

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 legislative

⁷ MHA funds were combined with IZ funds to support Bellwether’s Cedar Crossing apartments in this geographic area.

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 development or, in limited circumstances, at an alternative site) or the payment option if allowed (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: [SMC 23.58A.014](#) for extra residential floor area and [SMC 23.58A.024](#) for extra non-residential floor area.

In 2023, building permits were issued for one project that achieved extra floor area through the IZ performance option. The IZ affordable housing contribution for that project is included in [Table 2.2](#) below. The affordability/income limit for rental IZ units with net floor area 400 square feet or smaller is 40% of area median income (AMI). For rental IZ units sized larger than 400 square feet, the affordability/income limit is 80% of AMI. See [2023 Income Limits for Eligible Households](#) above.

IZ units are complete (i.e., in service) upon issuance of a certificate of occupancy for the building. The following table identifies the two projects with IZ units completed in 2023.

Table 2.1: Housing with IZ Units – Placed in Service in 2023

Project Address	Total Units	IZ Units	Affordability/Income Limit	Location
800 NE 64 th St	26	3	40% of AMI	Roosevelt
6300 9 th Ave NE	139	9	80% of AMI	Roosevelt
Total	165	12		

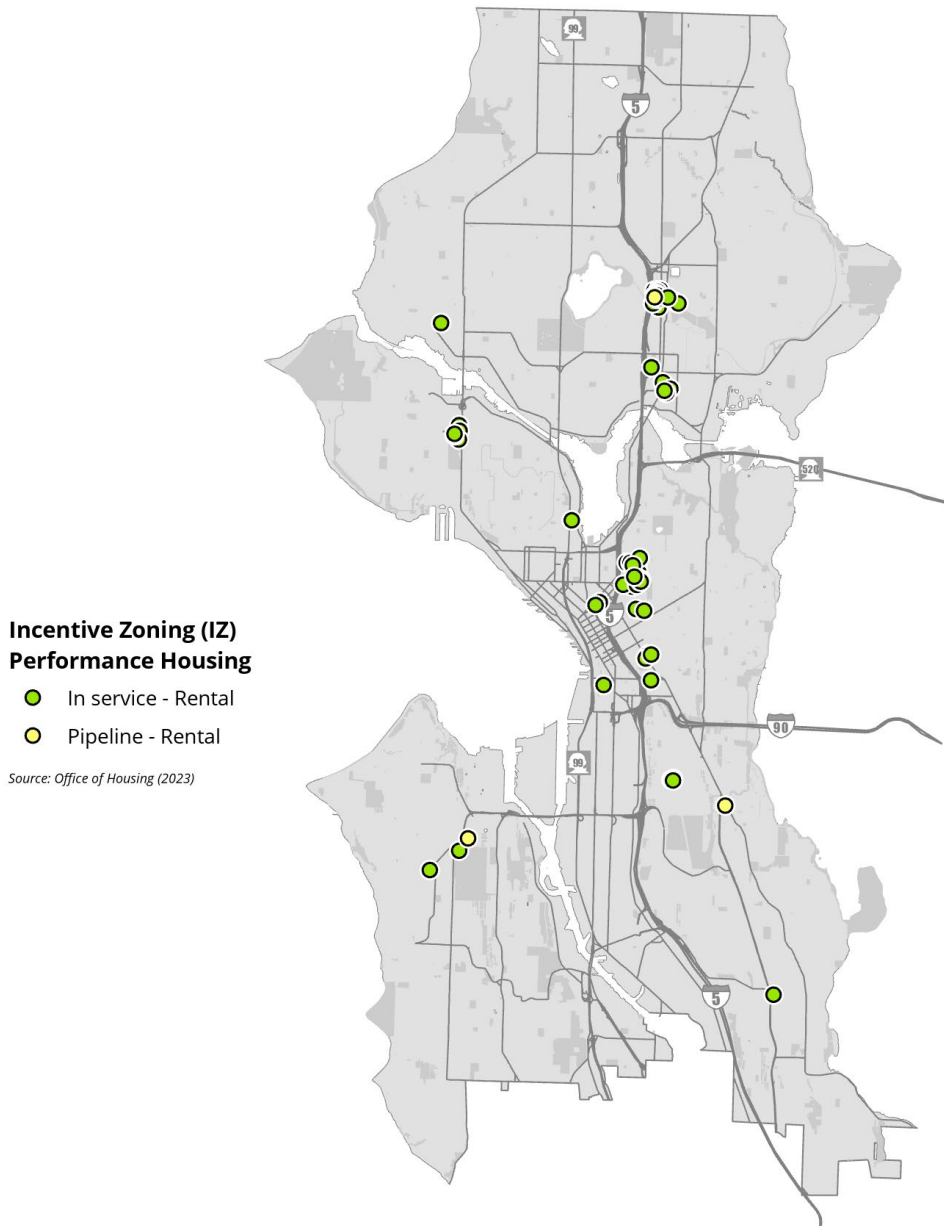
IZ units are committed upon execution and recording of an Office of Housing-approved IZ performance agreement. This table identifies the three IZ performance projects that, as of December 31, 2023, have a recorded housing covenant and an issued building permit but are not yet in service.

Table 2.2: Housing with IZ Units – Pipeline

Project address	Total units	IZ units	Affordability / Income limit	Location	Year building permit issued
811 NE 66 th St	17	2	40% of AMI	Roosevelt	2022
3235 Rainier Ave S	106	4	80% of AMI	Mt. Baker	2023
3050 SW Avalon Wy	105	5	40% of AMI	West Seattle	2016
TOTAL	228	11			

Map 2: Incentive Zoning (IZ) Performance Option Development

Properties that include IZ units are located throughout the city of Seattle. The following map shows locations of 58 properties with 629 IZ units that were either in service or under construction as of December 31, 2023.



In 2023, the Office of Housing received no IZ payments for production and preservation of low-income housing in Seattle. 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 phased building permit issued in 2018

that is still under construction as of December 31, 2023, and for which the owners deferred payments totaling \$2.3 million.

Table 2.3: IZ Payments Deferred as of December 31, 2023

Project Address	IZ Payments projected (Amounts deferred until certificate of occupancy)	Location
707 Terry Ave	\$2,283,105	First Hill

More Information

For more information, contact the City of Seattle Office of Housing or visit seattle.gov/housing.

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