Seattle
Office of Housing

2024 Mandatory Housing Affordability Annual Report

June 2025

Mayor Bruce Harrell
City of Seattle

Councilmember Cathy Moore, Chair, Housing & Human Services Committee
Seattle City Council

Maiko Winkler-Chin, Director
Seattle Office of Housing

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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 to support the preservation and production of low-income housing.

- Implemented through legislative upzones starting in 2017, MHA requirements apply in most areas zoned for multifamily and commercial development.
- Developers can either build affordable units (performance) or pay into the MHA fund (payment).

Key Takeaways

- As market- rate housing production has slowed in Seattle and across the country, MHA payments have decreased since MHA payments are only collected when new housing is built. For comparison, receipts from developers for building permits issued in 2024 totaled $24.4 million, whereas MHA contributions in years 2020-2023, following City Council adoption of citywide upzones and more active housing production activity, averaged $67.7 million annually.
- To the extent that market rate developers are building new housing, more are choosing the on-site performance option. The performance option can be more financially feasible for developers during market downturns. City MHA performance incentives, like the design review exemption that City Council adopted in 2023, also help to improve on-site performance.
- Building permits issued in 2024 included commitments to build 101 affordable homes through MHA performance, which is the second highest to date after the 2023 calendar year.
- Through 2024, MHA has contributed towards the production of 5,100 affordable homes.

Performance Option

- **Homes:** 505 total, of which building permits were issued for 101 in the 2024 calendar year.
- **Affordability:** For apartments created through the performance option, income limits are up to 40% of median income if the unit is 400 square feet or smaller, or 60% of median income for units that are larger than that size. The income limit for permanently affordable homes is 80% of median income.

Payment Option

- **Homes:** 4,595 total, including 337 that will be created with support of MHA funds awarded in the 2024 calendar year.
- **Affordability:** For apartments created with support through MHA funds, income limits range from 30% of median income to 60% of median income. The income limit for permanently affordable for-sale homes is 80% of median income.

Section 1: Zoning Changes Implementing MHA

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 second section of this report quantifies the affordable homes 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 (i.e., upzone) 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. 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.

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

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

Section 2: MHA Contributions

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. 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.

Performance Option Overview

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.

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.

Table 2.1: 2025 Income Limits for Eligible Households

Size of Household	40% AMI	60% AMI	80% AMI
1	$44,000	$66,000	$88,000
2	$50,280	$75,420	$100,560
3	$56,560	$84,840	$113,120
4	$62,840	$94,260	$125,680

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 2.4 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.

Payment Option Overview

RCW 36.70A.540 authorizes affordable housing incentive programs to allow payments in lieu of affordable homes on site if the payment would achieve an equal or better result without exceeding what it would cost the developer to build those homes. Unlike on-site production, the investment of MHA payment funds allows flexibility to create housing affordable to households with the greatest needs.

The Office of Housing has a history of promoting fair housing choice and opportunity throughout the city of Seattle. Payment proceeds are invested in locations that advance the following factors: (a) affirmatively furthering fair housing choice, (b) locating within an urban center or urban village, (c) locating in proximity to frequent bus service or current or planned light rail or streetcar stops, (d) furthering City policies to promote economic opportunity and community development and addressing the needs of communities vulnerable to displacement, and (e) locating near developments that generate cash contributions.

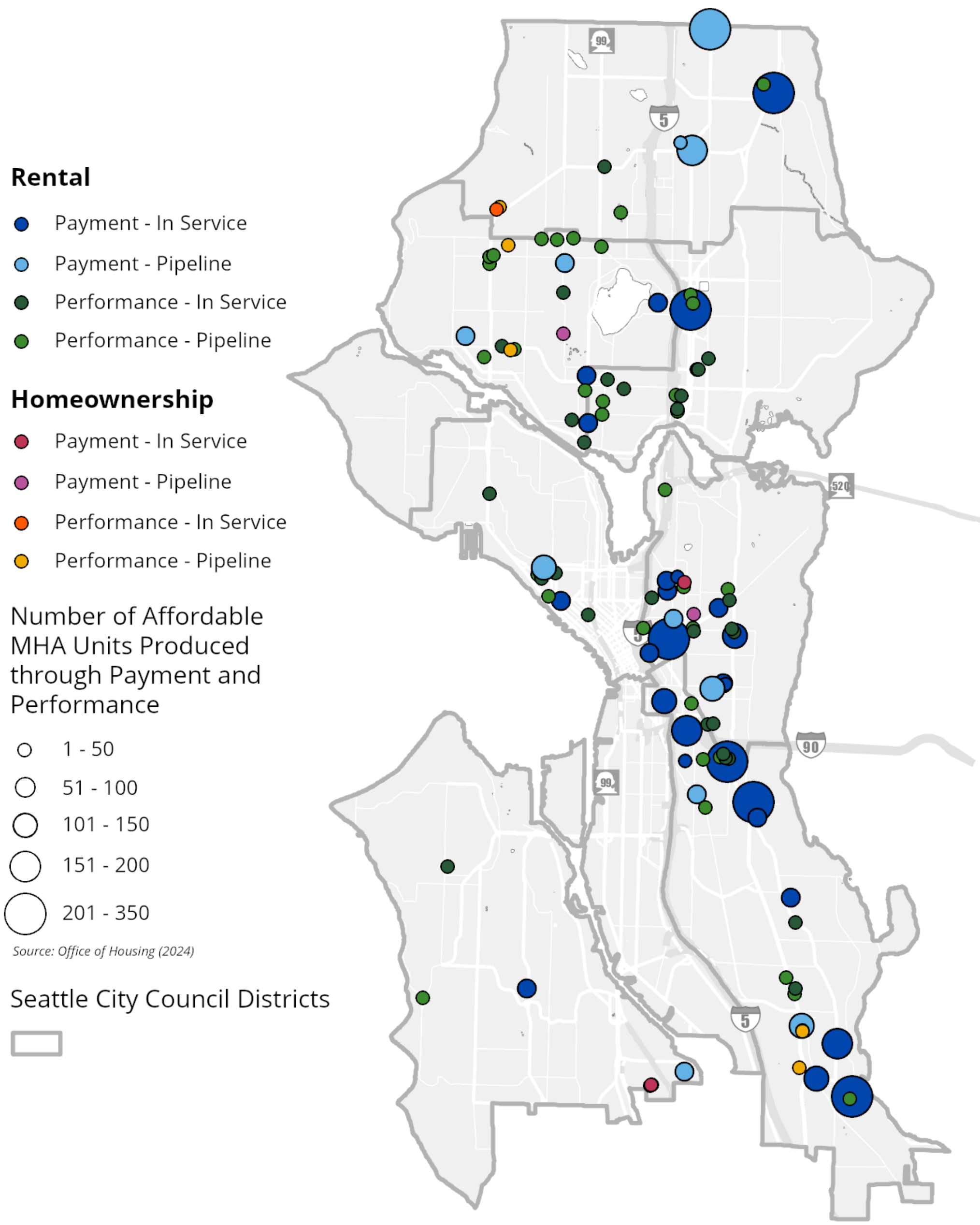
Funds invested in affordable housing provide a range of other community benefits. For instance, public investment can stimulate economic development in areas of the city that lack private investment, preserve historic buildings that would otherwise be lost to deterioration or demolition, and help stabilize rents in areas where residents are at risk of displacement. In addition to leveraging other investment in housing, public funds often also leverage investments for a wide range of on-site non-residential purposes such as affordable childcare, small businesses, and social service facilities. Finally, publicly funded affordable housing often includes resident service programs and other connections to social services.

Up to 10% of MHA receipts may be set aside as MHA Administration (MHA Admin) to pay for non-capital, general operating costs in the Office of Housing that are necessary for functioning of the MHA program. These expenses fall into two categories: direct and indirect. Direct expenses represent costs that are exclusively tied to the MHA program, such as the labor expenses of staff members doing housing reviews for building permits, working with developers to collect MHA fees, underwriting loans for MHA-funded affordable housing, or drafting and executing regulatory agreements for MHA performance projects. Indirect expenses include staffing that serves the full office, such as accounting, budgeting, communications, and the Director’s office; as well as Citywide central costs for space rent, IT support, and human resources; and general non-labor administrative costs like office supplies. The indirect expenses are assigned to funding sources based on the Office of Housing’s approved methodology for calculating overhead, which is a percentage based on the total share of capital revenue represented by each funding source. For example, in 2024, MHA represented 17.5% of the Office of Housing’s projected capital revenues, and therefore 17.5% of indirect administrative expenses were charged to MHA Admin. The current MHA Admin fund balance exceeds the Office of Housing’s administrative needs. Therefore, the 2025 Adopted and 2026 Endorsed Budget directs the shift of $7 million from MHA Admin to capital in 2025, and another $5 million shift in 2026.

Affordable Homes Being Provided through MHA

Properties with payment and performance MHA units are located throughout the city of Seattle. The map on the following page shows the location of properties with MHA units either in service or pipeline as of December 31, 2024. MHA units are complete (i.e., "in service") upon issuance of a certificate of occupancy or final inspection for the development. MHA units are categorized as "pipeline" if a structural building permit has been issued but the development is not yet complete.

Map: Affordable Homes Created through Mandatory Housing Affordability (MHA)



The tables on the following pages show MHA payment and performance activity by zone and neighborhood.

Table 2.2: MHA Payments Received, By Zone Category ($ Million)

Zone Category	2017 to 2019	2020	2021	2022	2023	2024	Grand Total
Downtown, including Chinatown-ID and Pioneer Square	$15.7	$9.4	$0.2	$11.0	$15.2	$0.0	**$51.5**
Seattle Mixed - South Lake Union	$1.5	$9.4	$3.0	$7.5	$0.1	$0.0	**$21.6**
Seattle Mixed - University District	$4.3	$5.5	$21.3	$8.2	$5.8	$0.0	**$45.0**
Seattle Mixed – Uptown	$9.2	$0.0	$3.9	$1.7	$3.2	$0.0	**$18.0**
Seattle Mixed – North Rainier	$0	$0	$0	$0	$0	$0	**$0**
Seattle Mixed – Rainier Beach	$0	$0	$0	$0	$0	$0	**$0**
Neighborhood Commercial	$2.5	$15.0	$18.3	$33.6	$12.8	$3.3	**$85.4**
Commercial	$0.0	$2.0	$2.2	$0.8	$0.2	$0.2	**$5.3**
Highrise (First Hill)	$0.0	$0.3	$0.0	$0.0	$0.0	$0.0	**$0.3**
Midrise	$0.5	$0.1	$1.2	$0.5	$0.0	$0.8	**$3.0**
Lowrise & Residential Small Lot	$2.2	$14.0	$24.2	$20.1	$20.6	$20.0	**$101.1**
Grand Total	**$35.8**	**$55.7**	**$74.2**	**$83.2**	**$58.0**	**$24.4**	**$331.2**

Through December 31, 2024, approximately $331 million has been contributed through MHA payments for mitigation of development-related affordable housing impacts. Of that amount, $24.4 million was for projects with building permits issued in the 2024 calendar year. This is the lowest MHA contribution amount since full implementation of MHA in 2019.

Since adoption of MHA-related upzones by City Council, 30% of payments received by the Office of Housing have been primarily for townhome and rowhouse development in modest density lowrise (LR) and residential small lot (RSL) zones. Overall, MHA payment contributions have sharply declined concurrent with slowing of the real estate development market due to new building codes, high interest rates, increased construction costs, and stricter capitalization rate requirements. MHA payments in LR and RSL zones remained relatively flat for the period 2021-2024.

Table 2.3: MHA Payment-Funded Affordable Homes, by Zone Category (Units)

Zone Category	2017 to 2019	2020	2021	2022	2023	2024	Grand Total
Downtown, including Chinatown-ID and Pioneer Square	185	0	0	0	0	0	**185**
Seattle Mixed - South Lake Union	0	0	0	0	0	0	**0**
Seattle Mixed - University District	0	0	0	0	0	131	**131**
Seattle Mixed – Uptown	0	0	0	0	0	0	**0**
Seattle Mixed – North Rainier	202	0	0	0	0	0	**202**
Seattle Mixed – Rainier Beach	0	119	0	0	0	0	**119**
Neighborhood Commercial	699	318	454	310	72	92	**1,945**
Commercial	159	87	63	283	0	0	**592**
Highrise (First Hill)	0	0	0	0	0	0	**0**
Midrise	0	0	206	0	0	114	**320**
Lowrise & Residential Small Lot	565	72	260	30	174	0	**1,101**
Grand Total	**1,810**	**596**	**983**	**623**	**246**	**337**	**4,595**

MHA funds awarded through December 31, 2024, totals $275.8 million. Of that total, contributions in 2024 totaled $17 million. The balance of $55.4 million of MHA funds ($331.2 received less $275.8 awarded/budgeted) is $1.3 million awarded for renovation of the Frye Hotel (Seattle Housing Levy funds were also used and the affordable apartments in the Frye were counted toward Levy production goals not MHA goals), $30.9 million of capital still to be awarded (roughly 35% for homeownership and the remainder for rental), and $23.2 million for administration.

The MHA funding has supported or will support creation of 4,595 affordable homes for income eligible households. MHA funding awards by the Office of Housing for the 2024 calendar year will create 337 affordable rental apartments in the University District, Greenwood, and Uptown neighborhoods. Overall, MHA funding supports 4,490 rental apartments for individuals and families with incomes up to 30%, 40%, 50%, or 60% of median income. Over 3,000 of these apartments have been built and approximately 1,450 are still in the development pipeline. In addition, MHA funding has been awarded for development of 105 permanently affordable homes for buyer households with incomes up to 80% of median income, 17 of which have been completed and sold. Units funded may not be proportional to the amount of MHA payments received each year for several reasons, including funds being used to fill unanticipated construction cost increases for affordable housing development with initial awards from prior years.

The development standards in Neighborhood Commercial (NC) zones are conducive to development of publicly funded affordable housing. Nearly one-half of affordable homes awarded MHA funding by the Office of Housing are in Neighborhood Commercial zones. This mirrors findings summarized in the Housing Appendix to the Draft OneSeattle Comprehensive Plan about development standards, including height limits, most conducive to financing low-income housing (Mayor Harrell's *Draft One Seattle Plan Comprehensive Plan Update*, Appendices, Housing Appendix, "Other Barriers," p. A-214). In Neighborhood Commercial zones, development can include a mix of uses, but residential is usually the predominant one. These zones have relatively few development standards that directly hamper housing production, as setbacks and FAR limits are more generous. Zoning that allows seven or eight stories of height tends to produce the most cost-efficient multifamily housing, as builders can maximize the number of lower cost wood-frame stories allowed under construction codes.

City-funded affordable housing developments typically comprise about 20 homes for homeownership and 85 to 125 apartments for rental in five floors of wood frame construction over a one- or two-floor concrete podium. Approximately 10 percent of developable land in Seattle is zoned for the multifamily construction densities of five to eight stories that are most cost-effective for production of income-restricted apartments. Competition with market-rate developers for suitably zoned sites exacerbates challenges for developers of income-restricted housing.

Table 2.4: MHA Performance Affordable Homes, by Zone Category (Units)

Location	201-2019	2020	2021	2022	2023	2024	Grand Total
Downtown, including Chinatown-ID and Pioneer Square							
40% of AMI		3					**3**
60% of AMI	1	1					**2**
Seattle Mixed – Uptown							
40% of AMI	2	6			16		**24**
60% of AMI	13	7			8		**28**
Neighborhood Commercial							
40% of AMI	4	9	34	31	57	51	**186**
60% of AMI	51		26	15	26	14	**132**
Commercial							
40% of AMI				1		3	**4**
60% of AMI				10		9	**19**

Location	201-2019	2020	2021	2022	2023	2024	Grand Total
Highrise (First Hill)							
40% of AMI						1	**1**
60% of AMI						12	**12**
Midrise							
40% of AMI	2	7	5	11	7		**32**
60% of AMI			14	1	4	4	**23**
Lowrise & Residential Small Lot							
40% of AMI			13			2	**15**
60% of AMI		3	2	5	1	3	**14**
80% of AMI			1	3	4	2	**10**
Total 40% of AMI homes (rental)	**8**	**25**	**52**	**43**	**80**	**57**	**265**
Total 60% of AMI homes (rental)	**65**	**11**	**42**	**31**	**39**	**42**	**230**
Total 80% of AMI homes (ownership)	**0**	**0**	**1**	**3**	**4**	**2**	**10**
Grand Total	**73**	**36**	**95**	**77**	**123**	**101**	**505**

Each year for the past four years, the MHA performance option has yielded commitments for roughly 100 homes affordable to households with incomes up to 40%, 60%, and – for eligible homebuyers – 80% of median income. **Through December 31, 2024, developers have committed to include 505 affordable homes as part of the multifamily housing they build. Building permits issued in the 2024 calendar year included commitments for 101 of those affordable homes.** No MHA performance units have been committed as part of developments in Seattle Mixed zones in South Lake Union, University District, North Rainier, or Rainier Beach.

The share of development projects for which the MHA performance option is chosen increased with the softening of the local real estate market. Some developers switched from payment to performance given the difficult financing environment. Also, legislation passed by City Council in 2023 enacted temporary regulations exempting developments from Design Review when meeting MHA requirements through the on-site performance option (Ordinance 126854, July 2023). Like MHA funding from the payment option, the Neighborhood Commercial zone is the most productive in terms of creating affordable homes.

Table 2.5: MHA Payments Received, By Location ($ Millions)

Location	2017-2019	2020	2021	2022	2023	2024	Grand Total
12th Avenue, Capitol Hill, Eastlake, First Hill	$0.13	$0.80	$2.71	$8.35	$3.18	$2.65	**$17.82**
23rd & Union-Jackson, Madison-Miller	$1.30	$1.66	$4.12	$8.29	$3.26	$3.61	**$22.24**
Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park	$0.19	$1.93	$3.46	$2.19	$3.11	$1.88	**$12.76**
Aurora-Licton Springs, Bitter Lake Village	$0.00	$0.26	$0.71	$0.68	$0.97	$0.46	**$3.08**
Ballard, Crown Hill, Greenwood-Phinney Ridge	$0.65	$8.83	$15.61	$8.00	$9.21	$4.96	**$47.27**
Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square	$15.66	$9.42	$0.17	$11.07	$15.21	$0.00	**$51.52**
Columbia City, Mount Baker, North Beacon Hill, Othello, Rainier Beach	$0.05	$1.82	$3.73	$1.92	$4.27	$2.85	**$14.64**
Fremont, Green Lake, Wallingford	$0.55	$1.74	$6.45	$7.12	$1.63	$5.32	**$22.80**
Lake City, Northgate	$0.00	$0.60	$0.40	$9.14	$0.29	$0.55	**$10.98**
Queen Anne, Uptown	$10.98	$1.04	$5.15	$10.21	$4.35	$1.10	**$32.81**
Ravenna, Roosevelt, University District	$4.77	$18.15	$28.63	$8.75	$12.42	$0.99	**$73.71**
South Lake Union	$1.54	$9.41	$3.01	$7.52	$0.07	$0.00	**$21.56**
Grand Total	**$35.82**	**$55.66**	**$74.15**	**$83.23**	**$57.98**	**$24.36**	**$331.21**

MHA payment contributions mirror the scale of residential and commercial development in Seattle's submarkets. To date, mitigation of development-related affordable housing impacts has been heavily dependent on residential development. To date, housing development accounts for close to 9 of every 10 dollars of MHA receipts, and commercial development provides the remainder of the mitigation funds for affordable housing.

Table 2.6: MHA Payment-Funded Affordable Homes, by Location (Units)

Location	2017-2019	2020	2021	2022	2023	2024	Grand Total
12th Avenue, Capitol Hill, Eastlake, First Hill	321	13	255	0	0	0	**589**
23rd & Union-Jackson, Madison-Miller	126	61	86	0	148	0	**421**
Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park	81	0	0	107	26	0	**214**
Aurora-Licton Springs, Bitter Lake Village	0	0	0	0	0	0	**0**
Ballard, Crown Hill, Greenwood-Phinney Ridge	0	0	103	0	0	92	**195**
Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square	185	0	0	0	0	0	**185**
Columbia City, Mount Baker, North Beacon Hill, Othello, Rainier Beach	845	178	476	0	72	0	**1,571**
Fremont, Green Lake, Wallingford	0	87	63	92	0	0	**242**
Lake City, Northgate	0	257	0	424	0	0	**681**
Queen Anne, Uptown	0	0	0	0	0	114	**114**
Ravenna, Roosevelt, University District	252	0	0	0	0	131	**383**
South Lake Union	0	0	0	0	0	0	**0**
Grand Total	**1,810**	**596**	**983**	**623**	**246**	**337**	**4,595**

Table 2.7: MHA Performance Affordable Homes, by Location (Units)

Location	2017-2019	2020	2021	2022	2023	2024	Grand Total
12th Avenue, Capitol Hill, Eastlake, First Hill							
40% of AMI				11	7	1	**19**
60% of AMI			13	1	4	21	**39**
23rd & Union-Jackson, Madison-Miller							
40% of AMI			2		19		**21**
60% of AMI	48	1	1	2	23		**75**

Location	2017-2019	2020	2021	2022	2023	2024	Grand Total
Admiral, Morgan Junction, South Park, West Seattle Junction, Westwood-Highland Park							
40% of AMI			5				**5**
60% of AMI					1		**1**
Aurora-Licton Springs, Bitter Lake Village							
40% of AMI			4				**4**
60% of AMI						1	**1**
Ballard, Crown Hill, Greenwood-Phinney Ridge							
40% of AMI			7	13	24	21	**65**
60% of AMI			1		3	4	**8**
80% of AMI			1		4		**5**
Belltown, Chinatown-ID, Commercial Core, Denny Triangle, Pioneer Square							
40% of AMI		3					**3**
60% of AMI	1	1					**2**
Columbia City, Mount Baker, North Beacon Hill, Othello, Rainier Beach							
40% of AMI			28	3		17	**48**
60% of AMI		2	27	15		6	**50**
80% of AMI				3			**3**
Fremont, Green Lake, Wallingford							
40% of AMI		9	2	5	14	5	**35**
60% of AMI	3			2		5	**10**
Lake City, Northgate							
40% of AMI				10			**10**

Location	2017-2019	2020	2021	2022	2023	2024	Grand Total
60% of AMI				1			**1**
Queen Anne, Uptown							
40% of AMI	2	6		1	16		**25**
60% of AMI	13	7		10	8		**38**
Ravenna, Roosevelt, University District							
40% of AMI	6	7	4			13	**30**
60% of AMI						5	**5**
80% of AMI						2	**2**
South Lake Union							**0**
Grand Total	**73**	**36**	**95**	**77**	**123**	**101**	**505**

Developer commitments to include at least two affordable homes (or one if it has three or more bedrooms) have been made in every part of Seattle except for South Lake Union. **Through December 31, 2024, approximately 55% of total units promised through the MHA performance option have been built (278 homes).**

Affordable homes committed through both the MHA payment and performance options totals 5,100 units, which is 85 percent of the 6,000-home goal over a 10-year period commencing with adoption of the MHA-related upzones (Mandatory Housing Affordability (MHA), *Affordable Housing Production Model Summary*, HALA Housing Affordability and Livability Agenda, November 2016)**.**

More Information

For more information, 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