

Seattle Office of Housing
2018 Investment Report
Attachment 2

**Incentive Zoning and
Mandatory Housing
Affordability**

March 2019



TABLE OF CONTENTS

I. Incentive Zoning	1
A. IZ projects that selected performance, off-site development, or payment options in 2018	
B. IZ performance units in 2018	
C. IZ payment contributions in 2018	
D. Affordable housing supported by 2018 IZ payment funds	
B. Mandatory Housing Affordability	9
A. MHA projects that selected performance, off-site development, or payment options in 2018	
B. MHA performance units in 2018	
C. MHA payment contributions in 2018	
D. Affordable housing supported by 2018 MHA payment funds	



INCENTIVE ZONING PROGRAM PRODUCTION IN 2018

Seattle’s Incentive Zoning (IZ) program allows commercial and residential developers to achieve additional development capacity, in exchange for providing affordable housing units or making a payment to fund affordable housing in Seattle. IZ payment dollars are used alongside other City housing funds, such as Housing Levy funds, to produce and preserve affordable housing across Seattle. This report presents affordable housing units or funding dollars produced through the IZ program only; a full summary of City-funded affordable housing can be seen in the **Office of Housing 2018 Investments Report**.

Chapter 23.58A and Chapter 23.49 of the Land Use Code provide the regulatory framework for Incentive Zoning. Program requirements vary depending on the zone in which the development is located and the type of development proposed.

For purposes of affordable housing, IZ is distinguished from the successor Mandatory Affordability (MHA) Program, discussed in the next section of this report, by its voluntary nature. Under IZ, residential and commercial developers that tap legislatively approved bonus development capacity are obligated to pay an affordable housing fee (“payment”) or to provide affordable units within their own building or at an alternative site (“performance”). The affordability threshold for performance projects is 80% of the area median income. The program is voluntary because any developer who chooses not to access the bonus capacity need not contribute to affordable housing production.

From the early 2000s through 2019, IZ was active in only limited geographic areas throughout Seattle. Incentive zoning for affordable housing is now phasing out entirely as new location-specific zoning actions trigger implementation of 2015 and 2016’s framework legislation to create the commercial and residential MHA programs now codified under Chapters 23.58B and 58C.

In March 2019 City Council approved so-called “citywide” zoning actions that trigger MHA in most neighborhoods zoned to accommodate multifamily housing and in 6 percent of the city’s land area zoned for detached single-family homes. Though IZ has now been replaced by MHA in all areas where it was previously in effect, IZ activity in the form of both payment and performance will continue until all projects that entered the IZ process prior to March 2019 are complete.

IZ Land Use Code References

Geography	Extra Residential Floor Area – Housing Bonus	Extra Nonresidential Floor Area – Housing Bonus
Eligible zones in Downtown Urban Center ¹	SMC 23.49.015	SMC 23.49.012
Eligible zones in South Lake Union and other areas	SMC 23.58A.014	SMC 23.58A.024

¹ In eligible zones in South Downtown, as defined on Map 1A for Chapter 23.49, extra residential floor area and extra floor area for hotel use is achieved according to SMC 23.58A.014.

A. IZ payment and performance contributions in 2018, by project

When a project using IZ to achieve additional development capacity applies for land use and construction permits, its affordable housing contribution must be approved by OH and the Seattle Department of Construction and Inspections (SDCI). This approval process occurs before a project is issued its first construction permit after shoring and excavation. The table below lists all projects whose IZ affordable housing contributions were approved in 2018.

Project Address	Urban Village	Performance, Off-Site Development, or Payment	Payment Amount Collected	Total Units	IZ Performance Units Committed	Affordability Level
1. 2014 Fairview Ave	Denny Triangle	Payment	\$2,992,777			
2. 1700 Boren Ave	Denny Triangle	Payment	\$4,100,000			
3. 1301 5th Ave	Commercial Core	Payment	\$7,199,399			
4. 201 Westlake Ave N	South Lake Union	Payment	\$347,288			
5. 2200 7th Ave	Denny Triangle	Payment	\$7,104,543			
6. 2116 4th Ave	Belltown	Payment	\$2,117,090			
7. 2202 8th Ave	Commercial Core	Payment	\$2,110,048			
8. 3008 16th Ave W	n/a	Performance		93	11*	40% AMI, 80% AMI
9. 600 E Howell St	Capitol Hill	Performance		76	4	40% AMI
10. 814 NE 66th St	Roosevelt	Performance		289	40*	80% AMI
Total			\$25,971,143		55	
<i>*These units, or a portion of these units, also count toward the development's requirements for the Multifamily Tax Exemption (MFTE) program.</i>						

B. IZ performance projects in 2018

If a project selects—or is required to comply with IZ through—performance, a housing covenant designating affordable units must be recorded before construction permits, other than shoring and excavation, are issued. Designated units must be comparable to other units, in terms of unit sizes, number of bedrooms, access to amenities, and distribution throughout the development. IZ performance units must serve income-eligible households for a minimum of 50 years.

IZ Performance Projects: Placed in Service in 2018

Performance units are considered completed or “placed in service” after a Certificate of Occupancy (C of O) has been issued for the building. For projects that do not require a C of O, performance units are considered “placed in service” after final inspections are completed. This table includes all IZ performance projects that were completed in 2018.

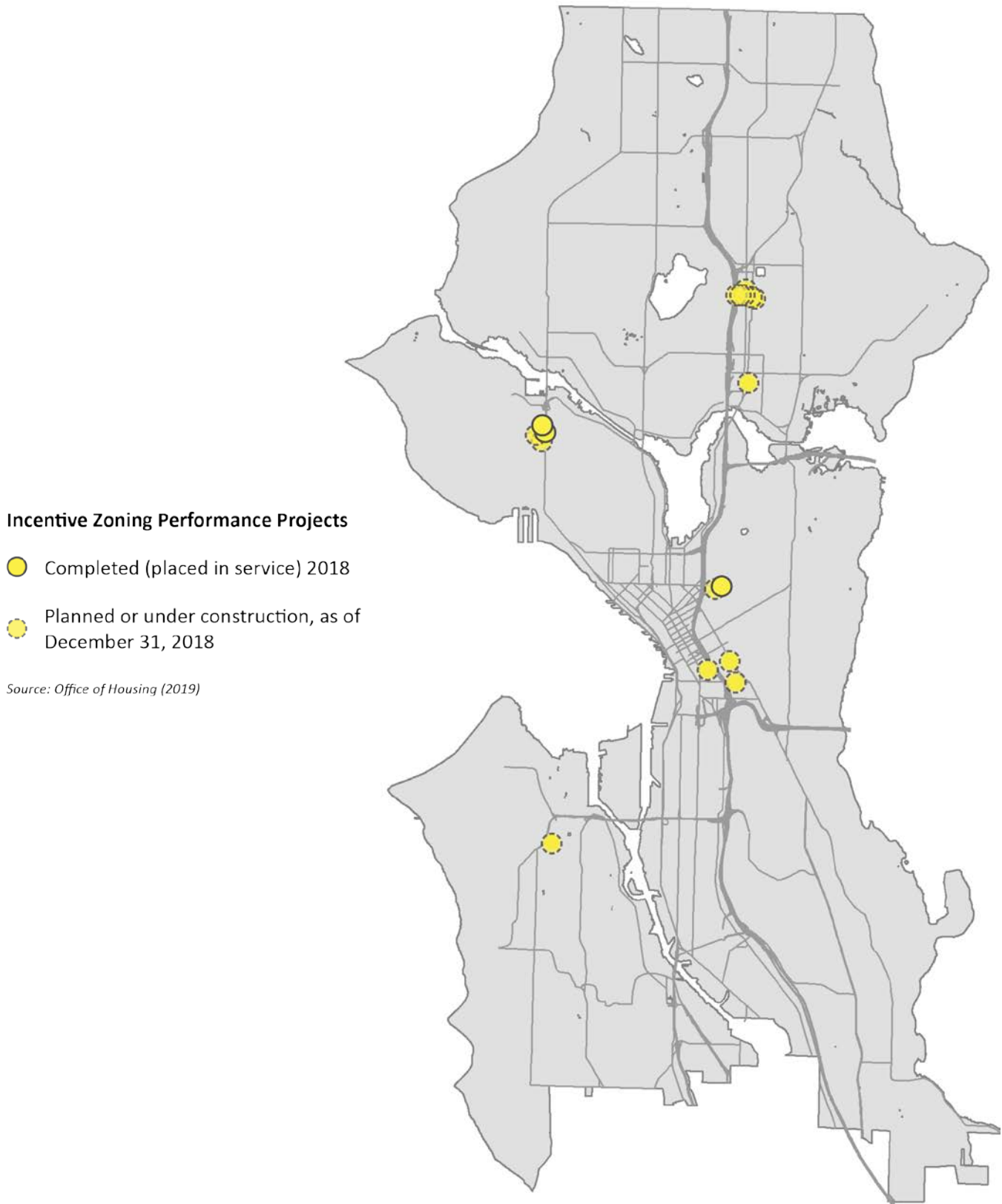
Project Name & Address	Total Units	IZ Performance Units	Affordability Level	Urban Center or Village
1. Dravus Apartments 1518 W Dravus St	38	3	80% AMI	n/a
2. Axle Apartments 3230 16 th Ave W	226	18*	80% AMI	n/a
3. Gerrish Hall 1820 Boylston Ave	55	2*	80% AMI	Capitol Hill
Total		23		
<i>*These units, or a portion of these units, also count toward the development's requirements for the Multifamily Tax Exemption (MFTE) program.</i>				

IZ Performance Projects: Proposed or Under Construction as of December 31, 2018

Performance units are considered “proposed or under construction” once an IZ performance project’s housing covenant has been approved by the Office of Housing and recorded by the King County Recorder’s Office. This table includes all IZ performance projects that, as of December 31, 2018, had recorded a housing covenant (either in 2018 or before), but had not yet been placed in service.

Project Address	Total Units	IZ Performance Units	Affordability Level	Urban Center or Village
1. 3050 SW Avalon Way	14	1*	80% AMI	West Seattle Junction
2. 4230 11 th Ave NE	98	5	80% AMI	University District
3. 829-837 NE 67 th St	178	24	80% AMI	Roosevelt
4. 1222 NE 65 th St	55	2	40% AMI	Roosevelt
5. 6717 Roosevelt Way NE	106	7*	80% AMI	Roosevelt
6. 3046 17 th Ave W	59	4	40% AMI	n/a
7. 1205 NE 66 th St	201	7	80% AMI	Roosevelt
8. 915 E Spruce St	72	2	50% AMI	Capitol Hill
9. 836 NE 66 th	75	3	40% AMI	Roosevelt
10. 814 NE 66 th St	289	40*	80% AMI	Roosevelt
11. 600 E Howell St	76	4	40% AMI	Capitol Hill
12. 3008 16 th Ave W	93	11*	40% AMI, 80% AMI	n/a
13. 1029 S Jackson St	321	4*	80% AMI	n/a
14. 101 6 th Ave S	160	110**	50% AMI, 80% AMI	Chinatown-International District
Total		224		
<p>* These units, or a portion of these units, also count toward the development’s requirements for the Multifamily Tax Exemption (MFTE) program.</p> <p>** The IZ units in this development are provided using the off-site development option. A portion of these units also count toward the development’s requirements for the Multifamily Tax Exemption (MFTE) program.</p>				

Locations of IZ Performance Projects: 2018 Snapshot



C. IZ payment contributions in 2018

IZ payments pledged in 2018

When a proposed development project chooses to comply with IZ using the payment option, the owner/developer must record a declaration indicating the amount to be paid, as verified by the Seattle Department of Construction and Inspections (SDCI). Once an IZ payment amount has been recorded in a declaration, it is considered “pledged”.

In 2018, a total of \$18,804,813 in IZ payments were pledged.

IZ payments collected in 2018

Before a proposed development project that has selected the IZ payment option may be issued its first construction permit, the owner/developer must remit the pledged amount to the Office of Housing. In some instances, a proposed development project may elect to defer payment until before the issuance of occupancy permits.¹ Once an IZ payment has been received by the City, it is considered “collected”.

In 2018, a total of \$25,971,143 in IZ payments were collected by the Office of Housing.

IZ payments committed to affordable housing projects in 2018

IZ payments collected in 2018, in addition to any uncommitted IZ payments collected in 2017, were committed to support affordable housing projects through the Office of Housing’s 2018 funding awards. The average number of years that IZ payments are held by the City before being committed to an affordable housing project is one year. Once a sum of IZ payment proceeds has been reserved for investment in an affordable housing project, it is considered “committed”.

In 2018, a total of \$5,054,862 in IZ payments were committed to affordable housing projects. An additional \$6,172,679 in IZ payments completed funding for several projects awarded in 2017.²

Per SMC 23.49 and SMC 23.58A, up to 10% of IZ payments collected in certain zones may be used to offset some of the City’s costs related to administering affordable housing programs. In 2018, \$2,128,685 of IZ payments collected were used for administrative costs.

¹ Deferred payment amounts are adjusted for inflation.

² In addition to the committed funds described here, IZ payment proceeds have been reserved for King County Metro Transit Oriented Development at Northgate, which had not yet been awarded as of December 31, 2018.

D. Affordable housing supported by 2018 IZ payment funds

Approximately \$5.05 million in IZ payments were committed to support affordable housing through the Office of Housing’s 2018 funding awards. An additional \$6.17 million in IZ payments completed funding for several projects awarded in 2017. The Office of Housing’s *Annual Investments Report – 2018* includes descriptions of all affordable housing projects supported by City of Seattle funds in 2018.

The Office of Housing’s method for counting the number of affordable housing units supported by 2018 IZ proceeds includes units from any project that received at least one IZ dollar.

Affordable housing units receiving IZ fund commitments of \$5.05M in 2018

Total number of units receiving IZ funds	Units, By Affordability Level			
	30% AMI	40% AMI	50% AMI	60% AMI
432	76	64	70	222



MANDATORY HOUSING AFFORDABILITY PROGRAM PRODUCTION IN 2018

Seattle’s Mandatory Housing Affordability (MHA) program requires new development to include affordable homes or contribute to a City fund for the preservation and production of affordable housing. To put MHA in effect, the City has granted additional development capacity through area-wide zoning changes and modifications to the Land Use Code. This report presents affordable housing units or funding dollars produced through the MHA program only; a full summary of City-funded affordable housing can be seen in the **Office of Housing 2018 Investments Report**.

MHA Land Use Code References

Chapter 23.58B and Chapter 23.58C of the Land Use Code provide the regulatory framework for MHA-C (Affordable Housing Impact Mitigation Program for Commercial Development) and MHA-R (MHA for Residential Development, including live-work units), respectively. Payment and performance requirements vary based on a property’s location and the zoning change that put MHA into effect.

As of December 31, 2018, MHA was in effect in several urban villages and centers, listed below. MHA’s requirements apply to projects that vested *after* MHA’s adoption dates in those areas. It will take time for new projects subject to MHA requirements to submit applications for permits and provide affordable housing contributions in these areas.

Urban Center or Urban Village	Ordinance Number	Adopted
University District	Ordinance 125267	February 2017
Downtown and South Lake Union	Ordinance 125291	April 2017
Chinatown-International District	Ordinance 125371	August 2017
Three nodes in the Central Area: 23 rd Avenue and Cherry Street, 23 rd Avenue and Union Street, 23 rd Avenue and Jackson Street	Ordinance 125359, Ordinance 125360, Ordinance 125361	August 2017
Uptown	Ordinance 125432	October 2017

On March 20, 2019, Ordinance 125791 was signed into law, implementing MHA in Seattle’s 27 urban villages and all other commercial and multifamily residential areas. This legislation will go into effect on April 19, 2019.

A. MHA payment and performance contributions in 2018, by project

When a project that is required to comply with MHA code applies for land use and construction permits, its affordable housing contribution must be approved by OH and the Seattle Department of Construction and Inspections (SDCI). This approval process occurs before a project is issued its first construction permit that includes the structural frame of the building. The table below lists all projects whose MHA contributions were approved in 2018.

In total, 11 projects made affordable housing contributions through the MHA program. Two projects are located in zones where, at the time of permitting, MHA was not in effect. These projects made MHA contributions in accordance with City Council-approved Property Use and Development Agreements (PUDA), a requirement of contract rezones. The other nine projects are located in areas where, at the time of permitting, MHA had been adopted as a requirement of the zone.

Project Address	Zone	Urban Village	Contract Rezone or Requirement of the Zone?	Payment Amount Collected	Performance Units Committed	Affordability Level
1. 1600 Dexter Ave N	NC3P-75	None	Contract Rezone	\$1,317,019		
2. 5921 42nd Ave SW	LR1	West Seattle Junction	Contract Rezone	\$193,257		
3. 225 Roy St	SM-UP 85	Uptown	Requirement of the Zone	\$7,216,540		
4. 4700 Brooklyn Ave NE	SMU 75/240	University District	Requirement of the Zone	\$3,760,658		
5. 712 M L King Jr Way	LR2-RC	23rd & Union-Jackson	Requirement of the Zone	\$137,789		
6. 716 M L King Jr Way	LR2-RC	23rd & Union-Jackson	Requirement of the Zone	\$137,789		
7. 718 M L King Jr Way	LR2-RC	23rd & Union-Jackson	Requirement of the Zone	\$137,789		
8. 722 M L King Jr Way	LR2-RC	23rd & Union-Jackson	Requirement of the Zone	\$137,789		
9. 726 A M L King Jr Way	LR2-RC	23rd & Union-Jackson	Requirement of the Zone	\$137,789		
10. 315 W Roy St	LR3	Uptown	Requirement of the Zone	\$67,692		
11. 1212 Western Ave	DMC-170	Commercial Core	Requirement of the Zone	\$17,928		
Total				\$13,262,041	0	N/A

B. MHA performance units in 2018

If a project chooses to comply with MHA using the performance option, a housing agreement designating affordable units must be recorded before the first construction permit that includes the structural frame of the building may be issued. Designated units must be comparable to other units, in terms of unit sizes, number of bedrooms, access to amenities, and distribution throughout the development. MHA performance units must serve income-eligible households for a minimum of 75 years.

In addition, performance units must be affirmatively marketed to individuals otherwise unlikely to apply for housing. Individuals of similar economic levels in the same housing market area should have available to them a like range of housing choices regardless of their race, color, religion, sex, national origin, familial status, disability, or other protected class status. Affirmative marketing helps individuals otherwise unlikely to apply for housing know about the vacancies, feel welcome to apply, and have the opportunity to rent units.

MHA Performance Units: Placed in Service in 2018

Performance units are considered completed or “placed in service” after a Certificate of Occupancy (C of O) has been issued for the building. For projects that do not require a C of O, performance units are considered “placed in service” after final building inspections are completed. This table includes all MHA performance projects that were completed in 2018.

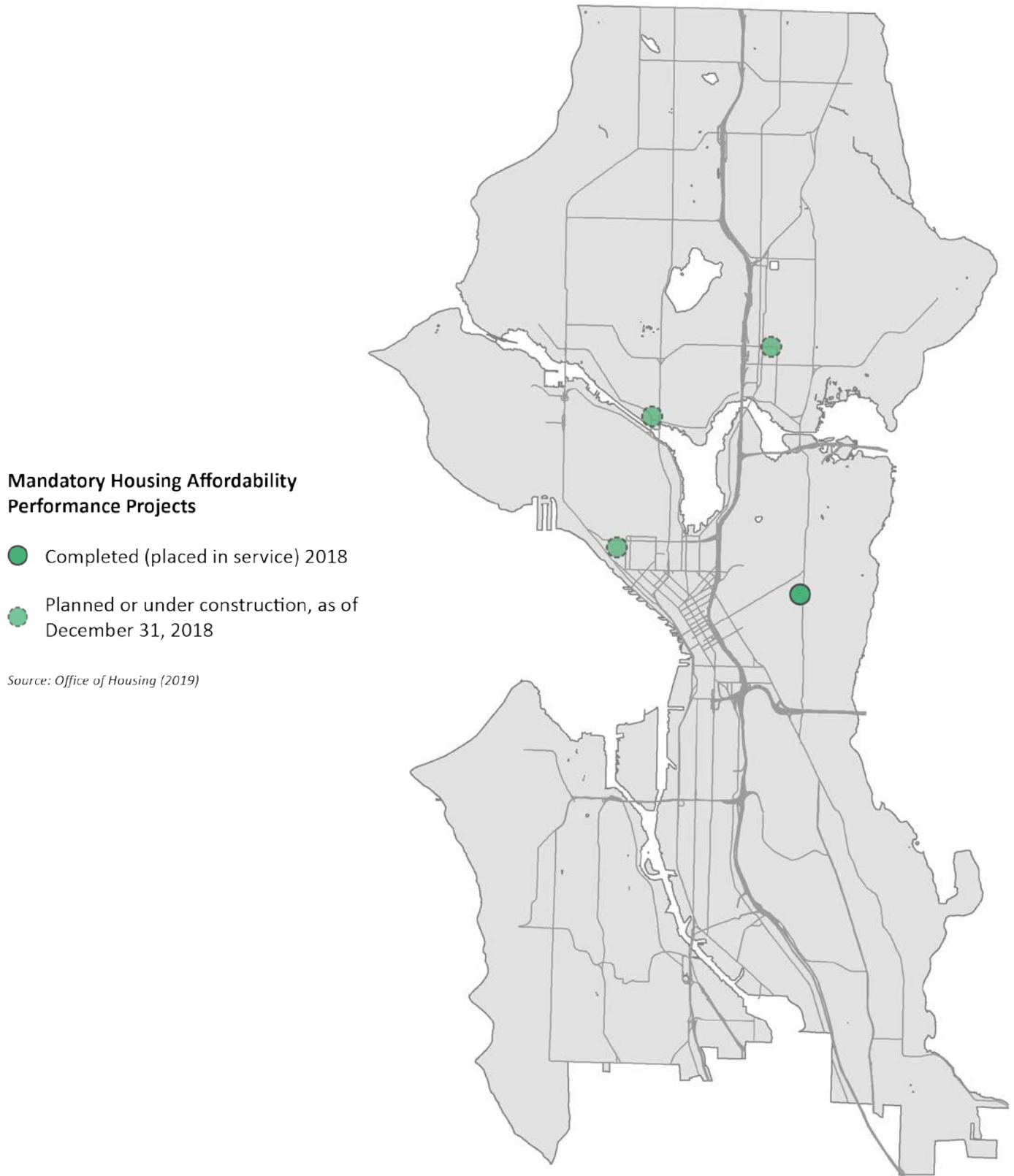
Project Address	Total Units	MHA Performance Units Placed in Service in 2018	Affordability Level	Urban Village
1. 2220 E Union St	144	4	60% AMI	23rd & Union-Jackson
Total		4		

MHA Performance Units: Proposed or Under Construction as of December 31, 2018

Performance units are considered “proposed or under construction” once an MHA performance project’s housing agreement has been approved by the Office of Housing and recorded by the King County Recorder’s Office. This table includes all MHA performance projects that, as of December 31, 2018, had recorded a housing agreement, but had not yet been placed in service.

Project Address	Total Units	MHA Performance Units Under Construction in 2018	Affordability Level	Urban Village
1. 5001 Brooklyn Ave NE	55	4	40% AMI	University District
2. 429 2nd Ave W	128	8	60% AMI	Uptown
3. 743 N 35th St	54	3	60% AMI	Fremont
Total		15		

Locations of MHA Performance Projects: 2018 Snapshot



C. MHA payment contributions in 2018

MHA payments pledged in 2018

When a proposed development project chooses to comply with MHA using the payment option, the owner/developer must indicate in the project's permit application materials the anticipated payment amount, as verified by the Seattle Department of Construction and Inspections (SDCI). For projects that require a Master Use Permit (MUP), the project's MHA payment is considered "pledged" when the MUP is issued. For projects that do not require a MUP, the project's MHA payment is only counted upon collection.

In 2018, a total of \$7,693,167 in MHA payments were pledged.

MHA payments collected in 2018

Before a project may be issued its first construction permit that includes the structural frame of the building, the permit plans must indicate the final payment calculations, as verified by the Seattle Department of Construction and Inspections (SDCI). Once an MHA payment has been received by the City, it is considered "collected".

In 2018, a total of \$13,262,041 in MHA payments were collected by the Office of Housing.

MHA payments committed to affordable housing projects in 2018

MHA payments collected in 2018, in addition to any uncommitted MHA payments collected in 2017, were committed to support affordable housing through the Office of Housing's 2018 funding awards. The average number of years that MHA payments are held by the City before being committed to an affordable housing project is one year. Once a sum of MHA payment proceeds has been reserved for investment in an affordable housing project, it is considered "committed".

In 2018, a total of \$6,887,913 in MHA payments were committed to affordable housing projects.³

³ In addition to the committed funds shown here, MHA payment proceeds have been reserved for King County Metro Transit Oriented Development at Northgate, which had not yet been awarded as of December 31, 2018.

MHA Payments in 2018, by Geographic Area

Any geographic area (i.e. urban center/urban village grouping) listed in the table below may be identified as a priority area in OH’s Notice of Funds Availability (NOFA) if either:

1. At least \$4 million in MHA payments is generated from development projects in the geographic area and OH has made no investment in affordable housing projects in that geographic area, or
2. OH has made an investment in the area, but there remains a significant imbalance between the amount of MHA payments generated in the geographic area and the amount OH has invested in affordable housing projects in that geographic area.

To date, no area has reached either threshold.

Urban Center/Urban Village Groupings ¹	MHA Payments Generated (cumulative, beginning in 2017)	OH Investments ² (cumulative, beginning in 2017)
Downtown	\$17,928	\$53.9 M
South Lake Union	\$1,317,019	
First Hill/Capitol Hill		\$23.2 M
Northgate		\$7.1 M
University District	\$3,760,658	\$500,000
Uptown & Upper Queen Anne	\$7,284,232	\$7.9 M
West Seattle Junction Admiral Morgan Junction Westwood-Highland Park South Park	\$193,257	\$4.5 M
Mt. Baker North Beacon Hill Columbia City Othello Rainier Beach		\$70.9 M
23rd & Union-Jackson Madison-Miller Eastlake	\$688,946	\$20.3 M
Wallingford Fremont Roosevelt Green Lake	\$37,949	\$15 M
Crown Hill Ballard Greenwood-Phinney Ridge		\$660,000
Lake City Bitter Lake Village Aurora-Licton Springs		
Total	\$13.3 M	\$204 M

¹ *These geographic areas are defined in the Council-adopted Housing Funding Policies. Investments made outside urban center and urban village boundaries are grouped with the nearest urban center or village.*

² *Investments include rental, homeownership, and acquisitions.*

D. Affordable housing supported by 2018 MHA funds

Approximately \$6.89 million dollars in MHA payments were committed to supporting affordable housing through the Office of Housing’s 2018 funding awards. The table below describes the affordable housing projects supported by MHA funds in 2018. The Office of Housing’s *Annual Investments Report – 2018* includes descriptions of all affordable housing projects supported by City of Seattle funds in 2018.

Project Name Project Sponsor Neighborhood	Project Description	Affordability Level	MHA Units	Total City \$	MHA \$
Encore Apartments GMD Development Belltown	<ul style="list-style-type: none"> Construction of studio and 1-bedroom apartments for low-wage workers Street level retail 	60% AMI	60	\$6.5 M	\$3.01 M
Maddux Apartments Mt. Baker Housing Association Mt. Baker	<ul style="list-style-type: none"> Construction of two buildings offering studios and 1, 2, and 3-bedroom apartments for low-wage individuals and families Project delivers two buildings flanking a major arterial, creating a neighborhood gateway and offering street level retail Substantial State-funded environmental cleanup rejuvenates a key intersection 	50% AMI, 60% AMI	165	\$12.66 M	\$2 M
Polaris Apartments Inland Group Rainier Beach	<ul style="list-style-type: none"> Construction of studios and 1, 2, 3-bedroom apartments for low-wage individuals and families Substantial scale will be accommodated in a two-building design with underground parking 20% of units will be set aside for people with disabilities 	60% AMI	327	\$9.9 M	\$1.88 M
Total			552	\$29.1 M	\$6.89 M

MORE INFORMATION

For more information about the Incentive Zoning or Mandatory Housing Affordability programs, contact the City of Seattle Office of Housing or visit www.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