



City of Seattle
Mayor Edward B. Murray

November 8, 2016

Honorable Bruce Harrell, President
Seattle City Council
City Hall, 2nd Floor
Seattle, WA 98199

Dear Council President Harrell:

I am pleased to transmit the attached legislation to increase development capacity and implement the Mandatory Housing Affordability (MHA) requirements in Downtown and South Lake Union. This legislation is a key piece of the Housing Affordability and Livability Agenda (HALA), a multi-pronged comprehensive approach to address the housing affordability crisis in Seattle. It is estimated that the proposed MHA requirements for Downtown and South Lake Union will produce more than 2,100 new affordable housing units over 10 years.

As you know, it has taken us a long time to get to this point. When I took office, there was no path forward for Downtown and South Lake Union to have a mandatory inclusionary housing program and developers had filed two lawsuits on the city's current incentive zoning structure and proposed Commercial Linkage Fee alternative. Through the HALA process the for-profit and non-profit development sectors came to an agreement on a practical and realistic development-driven approach to addressing affordable housing needs.

The proposed Downtown/ South Lake Union legislation is consistent with the Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee, July 13, 2015 (commonly referred to as the "Grand Bargain"). The MHA payment and performance amounts are based on the current incentive zoning rates and charged for every square foot including the base floor area, whether the developer uses the extra development capacity or not. This "spreading" approach results in lower MHA payment and performance rates as compared to other areas, but there are unique factors that justify the proposed rates. In Downtown/ South Lake Union, the additional development capacity is more modest - generally 10% more floor area as compared to 20%-30% more floor area in other areas. Also, most residential towers in South Lake Union will have to pay additional incentive zoning fees for other public benefits, which in general adds the equivalent of another 2% in fees on top of the MHA fees.

The MHA program is one of the most important and highest impact recommendations in HALA. HALA calls for mandating that affordable units be provided or a payment-in-lieu contribution be made for commercial and multifamily residential development, offset by an associated increase in development capacity (*HALA Recommendation R.1*).

The foundational steps for MHA were taken when the Council adopted the MHA-Commercial framework (*Ord No. 124895*), the Mandatory Inclusionary Housing resolution (*Reso. 31612*), and the MHA-Residential framework (*Ord No. 125108*). The critical next step is to pass zoning changes that provide additional development capacity needed for MHA requirements to apply. MHA requires that commercial and multifamily developers address housing affordability by providing affordable homes or by making a payment-in-lieu to Seattle's Office of Housing to support development of affordable housing throughout the city. When fully implemented MHA is projected to create an estimated 6,000 of the 20,000 affordable homes over the next 10 years.

MHA represents an unprecedented and historic opportunity for the City to harness Seattle's growth to increase both affordable and market-rate housing. I ask the Council to act swiftly in passing the Downtown/ South Lake Union zoning proposal to implement MHA, because it will support equitable growth by providing more housing choices for lower income individuals and families.

Thank you for your consideration and if you have any questions, then please do not hesitate to contact Sam Assefa, Director of the Office of Planning and Community Development, at (206) 386-1183.

Sincerely,



Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council