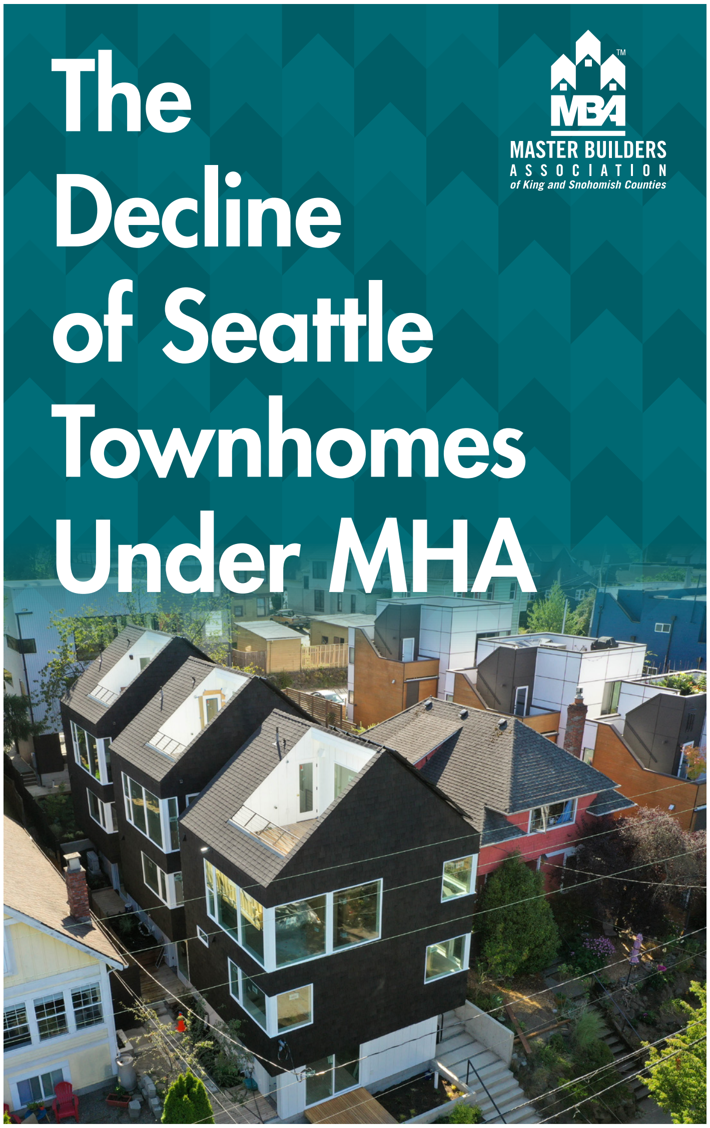
The Decline of Seattle Townhomes Under MHA



"Shake Shacks" Seattle townhomes, credit Hybrid Architecture & Alex Herbig

The City of Seattle's Mandatory Housing Affordability (MHA) program went into effect in April 2019. Its goal was to create thousands of new affordable housing units through fees on development, while also boosting housing production overall.

Unfortunately, MHA fees are severely limiting new townhomes—a lower-cost, family-sized homeownership option. **Post-MHA, townhome permit intake has dropped by nearly 70%.** In October 2021, *only a single townhome project applied for a permit.*

3,210 people each year must now look elsewhere for a home, amplifying the housing affordability and climate crises.

Over the next 30 years, the City could lose $1.74 billion in revenue from thousands of townhomes not built.

MHA fees roughly double townhome predevelopment costs and are due before the permit is issued—too early to be folded into a construction loan. Though larger developers have less difficulty coping with steep, out-of-pocket fees, **the current MHA fee structure is particularly challenging for small, local townhome builders.**

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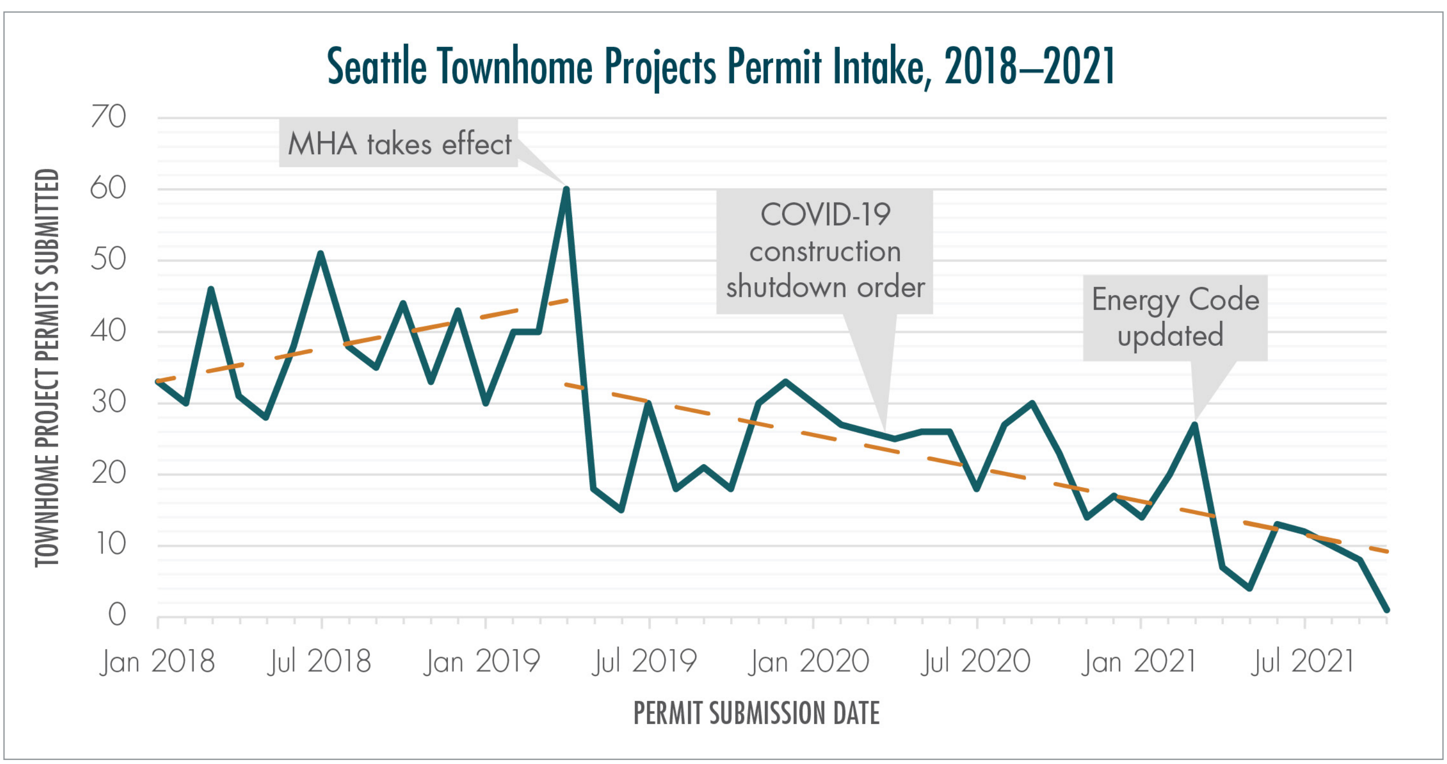
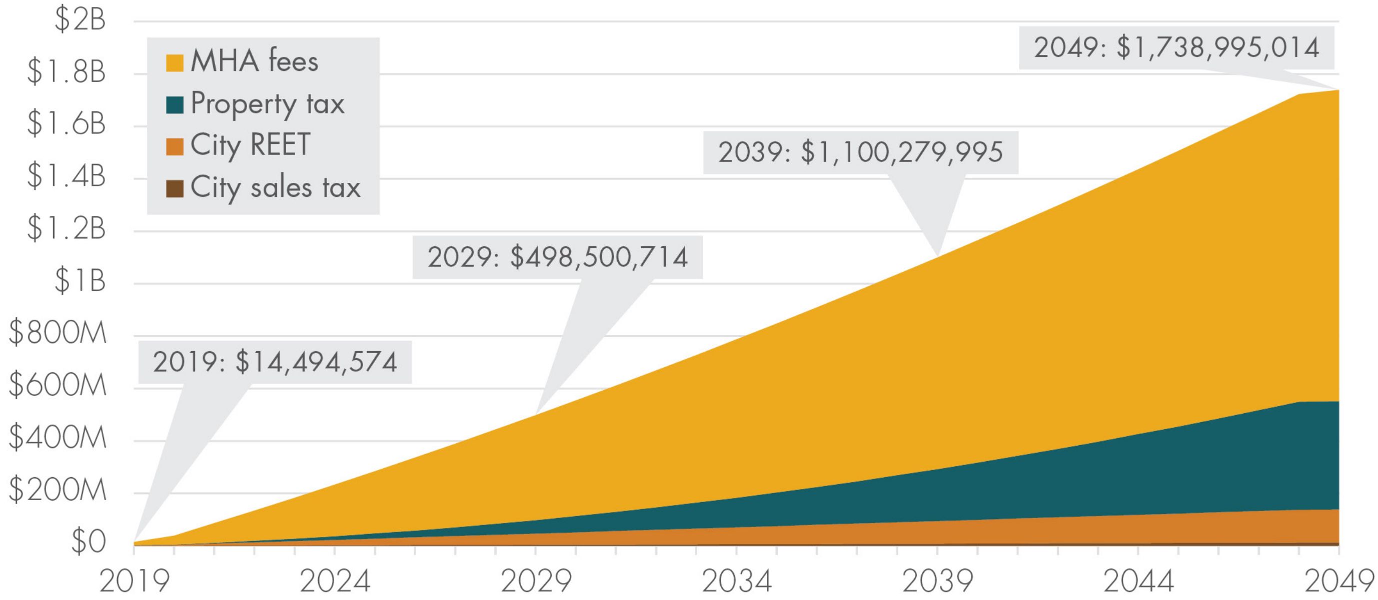


Seattle Revenue Lost Due to Reduced Townhome Production

(30-year cumulative projection, beginning with April 2019 MHA implementation)



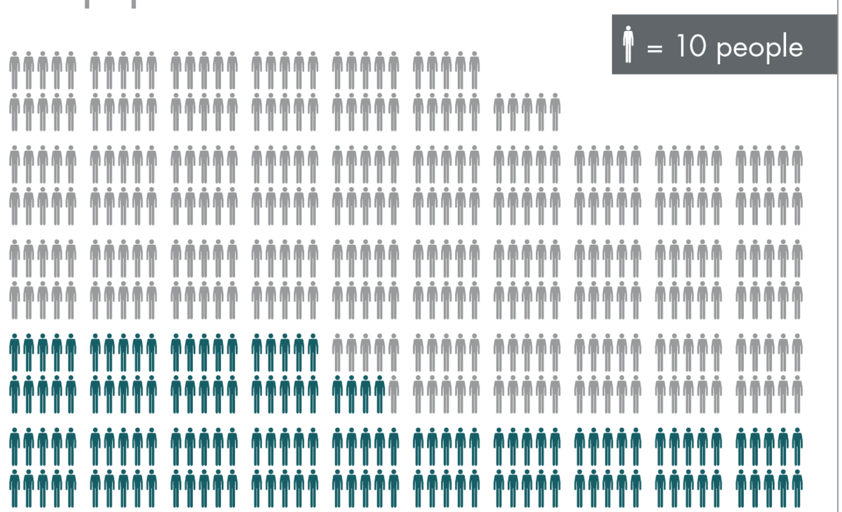
Cities like San Francisco, Portland, Redmond, and Federal Way exempt missing middle housing from inclusionary zoning; they recognize it can make small projects infeasible.

A few simple reforms, such as increasing the unit threshold for MHA, would allow townhome production to return to normal levels. The following policies could also bring some immediate relief:

- Allow MHA fees to be paid in installments, like the King County sewer treatment capacity charge, which is paid out over 15 years.
- Allow infill projects to pay MHA fees only on floor area that exceeds pre-MHA FAR limits, rather than on a project's entire gross floor area.

With reform, MHA can further the City's affordable housing goals without disincentivizing home production. In a housing crisis, Seattle can't continue losing townhomes.

Townhome projects seeking permits in 2021 are projected to house ***3,210 fewer people*** than projects in 2018.



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