



# MULTIFAMILY TAX EXEMPTION STATUS UPDATE

Seattle City Council

Committee on Affordable Housing, Neighborhoods &  
Finance

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Seattle  
Office of Housing

# Overview

MFTE has been creating affordable housing in Seattle since 1998.

- New buildings make units as affordable for up to 12 years:
  - SEDUs/Congregate: 40% of AMI
  - Studios: 65% of AMI
  - 1BRs: 75% of AMI
  - 2BRs: 85% of AMI
  - 3+BRs 90% of AMI
- Building owners receive a property tax exemption
  - Applies only to value of the residential portion of the building
  - Land and non-residential space are fully taxable
- 2015 Program Renewal
  - Family-size & small-unit programs
  - New unit types: congregate, 3+BR
  - Strengthen tenant protections and reporting requirements
  - Available in areas zoned for multifamily

# Benefits

MFTE projects include both rental and homeowner, market-rate and entirely affordable projects.

- 2,500+ affordable homes in market-rate projects
- 1,200+ affordable homes in subsidized projects
- 2,000+ more affordable homes in development or construction in future MFTE projects
- Based on current market-rate rents in new buildings, low-income households save money
  - ▣ Studios: \$6,000/year
  - ▣ 1 BRs & 2BRs: more than \$7,000/year
  - ▣ Older MFTE buildings maintain significant rent savings, comparable to newer MFTE buildings

# Cost

Cost of MFTE depends on a project's new construction value, which is the amount of property tax revenue that the County base may grow when new buildings are constructed.

- Two distinct types of cost
  - Forgone Tax Revenue: KC Assessor defers a property's new construction value. The corresponding bump in collectable property tax occurs when the project becomes taxable.
    - \$9.4 million in forgone tax revenue in 2016
  - Shifted Tax Collections: Assessor's Office does capture new construction value, the bump in property taxes occurs, and the difference is shifted to all other taxpayers.
    - \$7.5 million in shifted tax revenue in 2016

# Program 5 At a Glance

Results of  
MFTE family  
size program  
since  
November  
2015 :

33 affordable  
2BRs

1 affordable  
3BR

- 9 projects approved in family-size program
  - ▣ Projects with at least four 2+BR units must set aside 20% of units as affordable
- 1 project approved for small-unit program
  - ▣ Projects with fewer than four 2+BR units must make 25% of units affordable
- 2+BR threshold increases as project size grows

# Program 5 At a Glance

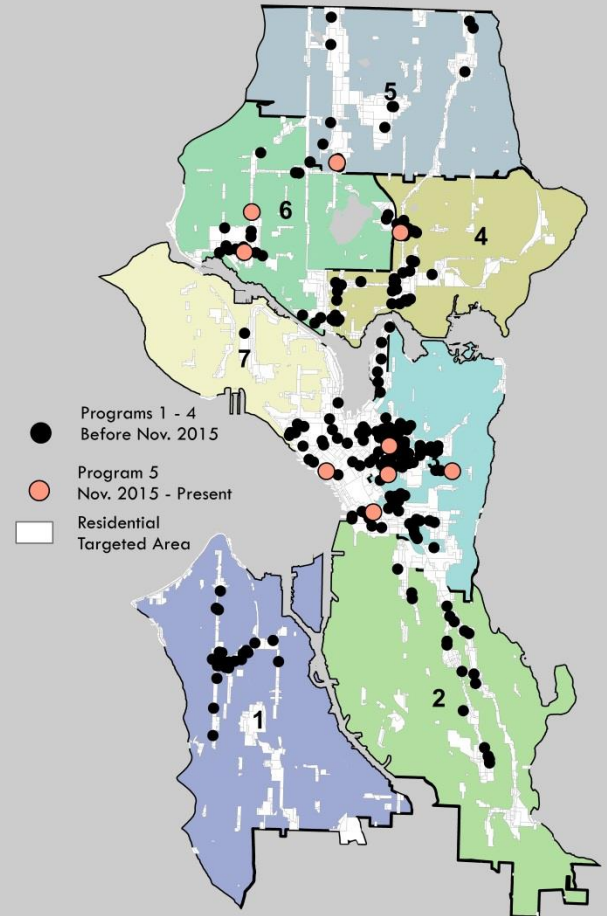
Participation rate is one indicator of whether the MFTE program is calibrated to balance public benefit with private incentive.

- Currently, about 50% of projects eligible to participate in MFTE choose to apply
- Participation varies greatly by neighborhood, with lower-rent neighborhoods seeing highest participation rate

# Program 5 At a Glance

MFTE is available to provide affordable housing in areas zoned for multifamily development.

- Since November 2015, two projects were approved outside former boundaries, creating 27 MFTE affordable units where otherwise none would have been possible
  - Central Area
  - Ballard







QUESTIONS?



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