

# Multifamily Tax Exemption Program (MFTE): Program Overview & Renewal

August 1, 2019

HHEWR Committee



**City of Seattle**

# MFTE Overview

- Enabled in 1995 by State; 1998 by City, renewed 4 times
- Buildings must set aside at least 20% of units as affordable to income qualified households for up to 12 years
- Provides tax exemption on residential improvement value for up to 12 years
- Program available to:
  - New buildings with 4+ units
  - Rehab of occupied buildings adding 4+ units
  - Rehab of vacant buildings
- Participation is voluntary; tenure not secured
- Affordability levels and other conditions set by City



# MFTE Program Results

- 203 projects with 21,684 total units\*
  - 4,455 affordable units produce with another 1,300+ affordable units in pipeline
  - 98% of all unit for approved applications for households between 65-90% AMI
  - 86% of all unit production is studios and one bedrooms
  - 44% of all completed units in multi-family and mixed-use residential zones are tax exempt through MFTE

\* For active market-rate buildings as of 12/31/18



# MFTE Current Program

- 25% of units are required to be affordable to income eligible households
- 20% if a minimum number of 2 bedrooms provided
  - 40% AMI – SEDUs
  - 65% AMI – Studio
  - 75% AMI – 1 Bedroom
  - 85% AMI – 2 Bedroom
  - 90% AMI – 3 Bedroom



# Geographic Distribution

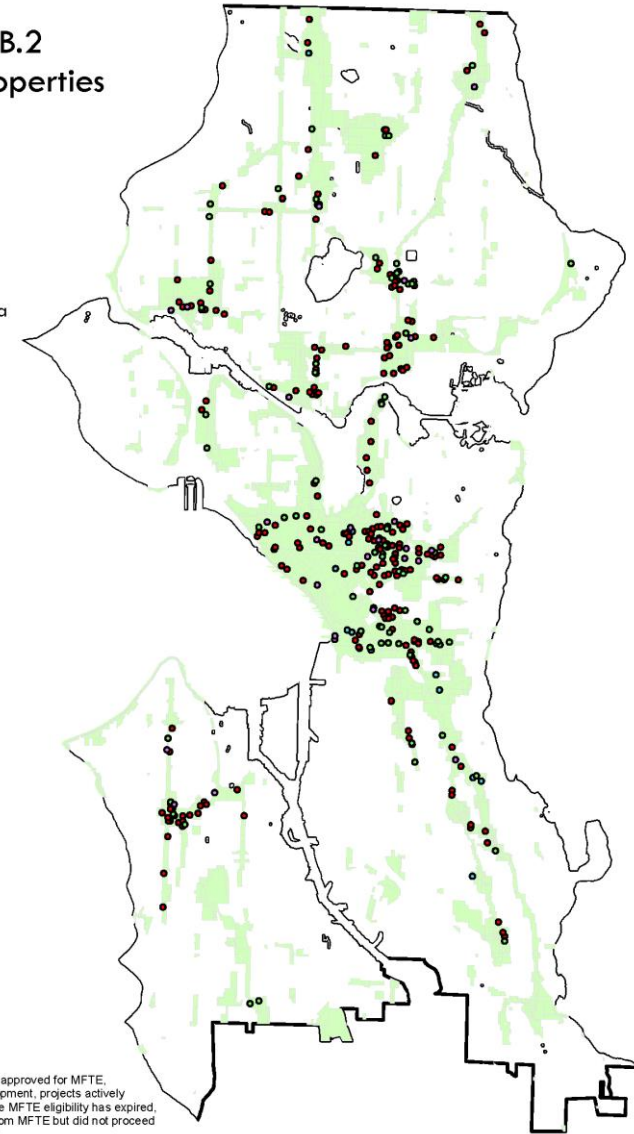
- Available in all multi-family zones
- Highest level of unit production\*
  - West Seattle Junction
  - South Lake Union
  - Capitol Hill
  - 23<sup>rd</sup> and Union
  - First Hill
  - Roosevelt

\* approved applications 1998-2018

## Attachment B.2 All MFTE Properties

### Status

- Active
- Pipeline
- Expired
- Withdrawn
- Residential Targeted Area



\* This map contains all projects ever approved for MFTE, which includes projects still in development, projects actively participating in MFTE, projects whose MFTE eligibility has expired, and projects which were approved from MFTE but did not proceed to Final Certificate of Tax Exemption.

# MFTE Income Levels and Typical Rent Buy-Down

	AMI Level	Market Rate Rent (City of Seattle Average)	Affordable Rent (Tenant Pays all Utilities)	Average Rent Buy Down
SEDU/Congregate	40%	\$1,136	\$672	\$464
Studio	65%	\$1,561	\$967	\$594
1-bedroom	75%	\$2,068	\$1,315	\$753
2-bedroom	85%	\$2,439	\$1,661	\$778
3-bedroom	90%	\$3,982	\$1,890	\$2,092

	AMI Level	Assumed Household Size	Income Limit
SEDU	40%	1	\$28,100
Studio	65%	1	\$45,650
1-bedroom	75%	2	\$60,200
2-bedroom	85%	3	\$76,750
3-bedroom	90%	4	\$90,250

# MFTE Program Benefits

- Affordable rent, typically hundreds of dollars lower than market rate, to over 4,400 low-and-middle income households.
- Affordable units in private apartment buildings throughout the City in multi-family zones.
- Units secured for income-qualified tenants



# MFTE Program Costs

- Shifted amounts are paid by other taxpayers.
- Forgone amounts are not collected at all.
- For 4,827 active units\* in 2019:
  - \$5.23 million in shifted City tax revenue, resulting in \$22.58 increase for the median-priced Seattle home.
  - \$7.25M in forgone revenue to the City.

Tax Year	Estimated Foregone Revenue - (Millions)	Estimate Foregone Revenue - City Share (Millions)	Estimated Shifted Revenue (Millions)	Estimated Shifted Revenue - City Share (Millions)
2019	\$26.96	\$7.25	\$19.44	\$5.23
2018	\$23.59	\$4.91	\$11.83	\$2.92
2017	\$16.70	\$4.74	\$9.20	\$2.61
2016	\$9.44	\$2.76	\$7.46	\$2.18
2015	\$7.08	\$2.00	\$6.20	\$1.75
<b>Total</b>	<b>\$83.77</b>	<b>\$21.66</b>	<b>\$54.13</b>	<b>\$14.69</b>

\*Includes market-rate projects and projects with other affordability restrictions



# Program Renewal

- High production affordable housing program
- Creating affordable apartments for middle-income households between 60-80% AMI
- Healthy participation rate among market-rate buildings



# Program Renewal - Proposed Legislation

## Maintain income limits and set-aside percentages

- 25% of units are required to be affordable to income eligible households
- 20% if a minimum number of 2 bedrooms provided
  - 40% AMI – SEDUs
  - 65% AMI – Studio
  - 75% AMI – 1 Bedroom
  - 85% AMI – 2 Bedroom
  - 90% AMI – 3 Bedroom



# Program Renewal - Proposed Legislation

## Made other changes to improve program:

- Added Median Income moderator so that income and rents limit will not increase by more than 4.5% per year or decrease.
- Added requirements regarding affirmative marketing and equal access to amenities.
- Provided added flexibility by extending the application deadline; now six months prior to temporary certificate of occupancy.
- Made other small changes to enhance readability, provide clarity and streamline program administration.

# Questions?