

Multifamily Tax Exemption Program: Legislation to Move Full Reauthorization Until 2024

Housing & Finance Committee
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City of Seattle

Multi-Family Tax Exemption (MFTE) Overview

- 12-year property tax exemption for income and rent restrictions on 20% or 25% of units
- Program is voluntary; buildings can exit at any time
- Over 6,000 MFTE rental units currently in service, generally between 60-85% AMI.
- Authorized by state and implemented locally
- Reauthorized 6 times by City Council; current sunset date is 12/31/23



Extension Option

- RCW was updated in 2021 to allow for a 12-year extension option for expiring MFTE projects
- City Council passed legislation in 2021 with a 12-year extension option for 9 market-rate projects expiring in 2021 & 2022
- 6 out of the 9 projects chose the extension option (223 MFTE units total)

Proposed Legislation

- Changes the MFTE sunset date from 12/31/23 to 12/31/2024
- Provides the same 12-year extension option for properties expiring in 2023 as those expiring in 2021 and 2022.
- Leaves affordability limits and set-aside percentages unchanged.
- Makes a few other technical changes to clarify 12-year extension rules and increase administrative efficiency.

Proposed Legislation

- 5 market-rate properties expiring in 2023 that could take advantage of the 12-year extension option
- Estimated 15-25 new properties could vest under current version of MFTE if sunset date changed to 12/31/24.

2023 Expiring Projects

Property Name	Neighborhood	TOTAL MFTE UNITS
Element 42	West Seattle	16
Trovere aPodments	Northeast Seattle	10
Solana aPodments	Southeast Seattle	7
Link Apts	West Seattle	39
The Station at Othello Park	Southeast Seattle	71

Affordability Limits - New & Extending

Unit Type	New Projects - Affordability Levels (Program 6)	Extension Projects – Affordability Levels
SEDUs* (some units in project)	40%	30%
SEDUs* (all units in project)	50%	40%
Studios	60%	50%
1-bedrooms	70%	60%
2-bedrooms	85%	75%
3-bedrooms	90%	80%

*This designation will apply to units under 400 net square feet, since expiring properties pre-dated SEDUs in the land use code.

Supporting Tenant Stability in Extending Properties

- Tenants within new income guidelines will get new, lower rents once current lease expires
- Tenants within old income limits but over new income limits will be grandfathered in at old MFTE rents levels
- At unit turnover, all MFTE units will convert to new limits

Rationale for legislation

Reauthorization involves significant policy decisions for one of the largest City programs producing income and rent restricted housing. Changing the sunset date to 12/31/24 allows the City to:

- Focus legislative efforts on the 2023 Housing Levy renewal
- Calibrate MFTE based on a more stable real-estate market
- Conduct deeper engagement with a wide of range stakeholders
- Align MFTE policies with the Comprehensive Plan update
- Consider any changes made to the state authorizing statute for MFTE



Next Steps

- OH will conduct data gathering, analysis and stakeholder engagement to inform reauthorization, which will encompass the scope found in Resolution 32017
- OH will provide an update to City Council in June 2023



Questions?