

**SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
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*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.090 of the Seattle Municipal Code to allow extension of property tax exemptions scheduled to expire at the end of 2023; and amending Section 5.73.120 of the Seattle Municipal Code to extend the program’s sunset date to December 31, 2024.

**Summary and Background of the Legislation:** Seattle’s MFTE program typically is reviewed and reauthorized every four years or so. The program, in its current iteration, sunsets on December 31, 2023. This legislation extends the sunset date until the end of 2024. This enables the Office and Housing and City Council to focus its legislative efforts primarily on renewal of the Seattle Housing Levy, which will be on the ballot in 2023. With extension of the MFTE sunset date, additional amendments allow the City of Seattle to extend property tax exemptions expiring in 2023 for another 12 years.

**2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?**       Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**       Yes  No

**Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**  
There are two ways to evaluate the MFTE program’s tax impacts and cost. The first and simplest approach quantifies the amount of exempted property tax burden – that is, the amount of property tax that MFTE property owners collectively avoid in a given year by providing income and rent-restricted set-aside units. Other taxpayers (non-exempt) absorb this tax burden. The second way of evaluating MFTE’s tax impacts and cost considers the amount of net new property tax revenue that MFTE properties’ new construction value would have generated absent MFTE. As intended under State law, the majority of that potential revenue is forgone when MFTE properties’ new construction value is excluded from the tax base for the duration of the exemption period. The remainder of the net new revenue is collected and the associated net new tax burden is shifted to other taxpayers.

**Are there financial costs or other impacts of *not* implementing the legislation?**

If the legislation is not adopted, the MFTE program will sunset on 12/31/23. For properties that are currently tax exempt, exemptions will continue until expiration at the end of the 12-year terms (or property owners may opt out earlier if they wish). No additional properties will be able to participate in the program. If the legislation is not adopted, MFTE will expire at the end of 2023 for five for-profit owned rental properties. If the MFTE program was allowed to sunset, there would be no additional forgone revenue or tax impacts shifted onto other taxpayers, although tax impacts of properties for which MFTE is not yet scheduled to expire would continue.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

City and county tax revenues will be impacted if property tax exemptions are extended for another 12 years for multifamily properties. Expenses paid from the City of Seattle's General Fund are supported primarily by taxes and the most significant revenue source is the property tax.

**b. Is a public hearing required for this legislation?**

No

**c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No

**d. Does this legislation affect a piece of property?**

The legislation would allow for-profit owners of five multifamily properties totaling approximately 700 total units, of which 143 are MFTE units, to extend their exemptions from ad valorem property taxation for an additional 12 years. The properties are in the 23rd & Union-Jackson, University District, Othello, Admiral, and West Seattle Junction neighborhoods.

**e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

OH recently began requiring MFTE property owners to ask tenants to voluntarily provide demographic information. To date it is unclear the degree to which MFTE achieves racially equitable outcomes. AMI limits for MFTE units tend to be higher compared to publicly funded low-income housing units.

**f. Climate Change Implications**

**1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**

No

- 2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)?**

N/A