

MULTIFAMILY PROPERTY TAX EXEMPTION PROGRAM

**Status Report to City Council for First Trimester of 2016 (January 1, 2016 to April 30, 2016)
Submitted May 31, 2016**

Ordinance 123550, adopted by City Council on February 28, 2011, requires the Office of Housing to submit Multifamily Property Tax Exemption (MFTE) progress reports to City Council three times per year. The reports are due January 31, May 31, and September 30 of each year, with each report to cover the four-month period culminating one month prior to the report's due date. The ordinance also specifies the content for each report as follows:

- The number of applications approved and locations of the projects described in the approved application,
- The number, size, and affordability of units in the projects described in the approved applications,
- The rent and sales prices of the affordable and market-rate units,
- The estimated total amount of taxes exempted annually and cumulatively (total exemption if taken for the full 12-year period) for individual projects,
- The estimated annual impact of each project on the average individual homeowners in the city, and
- Information about any pending applications received by the Office of Housing.

PROJECT APPROVALS: 1/01/2016 – 4/30/2016

Between January 1 and April 30, 2016, the Office of Housing approved 11 MFTE applications. All of the projects were proposed by private developers. All are rental projects. One project is subject to Program 4 affordability requirements, because its application was submitted prior to the Nov. 1 effective date of Program 5; the remaining ten are subject to Program 5 affordability requirements.

The 11 projects contain 1,084 units, 222 of which will be income- and rent-restricted, consistent with the MFTE program's affordability standards. Of the ten projects in Program 5, nine meet the family-size program's required 2+ bedroom threshold and thus are required to set aside 20% of units as affordable. One project is comprised entirely of studios and qualifies for MFTE under the small unit program; this project is required to set aside 25% of units as affordable. One project contains small efficiency dwelling units restricted at 40% of AMI. One project contains 3BR units restricted at 90% of AMI.

Two of the projects are located in areas beyond the former MFTE boundaries, on 15th Ave. NW in the northern part of Ballard and on Martin Luther King Jr. Way in the Central District, respectively. The other nine projects are in nine different urban centers and villages: Aurora-Licton Springs, Ballard, Belltown, Capitol Hill, Chinatown/ID, First Hill, Madison-Miller, North Beacon Hill, and Roosevelt.

The following table summarizes unit counts, affordability limits, rent levels, and square footages for each of the 11 projects. Information on tax impacts and pending projects appear on the following pages, and a map showing locations appears at the end of this report.

Name	Address	Application Approved by Director	Neighborhood	SEDU Total Afford.	SEDU Units Total	Congregate Units Total	Congregate Units Afford.	Studio Total Afford.	Studio Units Total	1BR Total Afford.	1BR Units Total	2BR Total Afford.	2BR Units Total	3BR Total Afford.	3BR Units Total	4BR Total Afford.	4BR Units Total	TRAO 50% AMI Units	ALL Total Afford.	ALL Units Total
2100 E Madison	2100 E Madison St	1/14/2016	Madison-Miller	0	0	0	0	5	5	1	45	9	0	0	0	0	0	0	50	10
Mid-Block Apartments	8820 Aurora Ave N	2/3/2016	Aurora Linton Springs	0	0	0	0	27	27	7	0	0	0	0	0	0	0	0	27	7
101 Broadway	101 Broadway	2/9/2016	Capital Hill	0	0	0	0	24	24	5	12	2	8	2	0	0	0	0	44	9
Holgate 12 Phase 2	1808 12th Ave S	2/19/2016	North Beacon Hill	0	0	0	0	5	5	1	14	3	7	2	0	0	0	0	26	6
2134 Western	2134 Western Ave	2/19/2016	Belltown	0	0	0	0	82	82	16	44	9	19	4	0	0	0	0	145	29
LIV Roosevelt	6404 9th Ave NE	3/2/2016	Roosevelt	37	8	0	0	0	0	41	9	4	1	0	0	0	0	0	82	18
6th & Yesler	525 Yesler Way	3/2/2016	Chinatown/ID	0	0	0	0	7	7	1	130	26	23	5	0	0	0	0	160	32
1001 Broadway	1001 Broadway	3/2/2016	First Hill	0	0	0	0	70	70	14	137	28	51	10	7	1	0	0	265	53
Valdok	1701 NW 56th St	3/29/2016	Ballard	0	0	0	0	70	70	14	64	13	21	4	0	0	0	0	155	31
Lillehammer	7006 15th Ave NW	4/28/2016	None	0	0	0	0	20	20	4	60	12	9	2	0	0	0	0	89	18
MLK Mixed-Use	1141 Martin Luther King Jr Way	4/28/2016	None	0	0	0	0	20	20	4	8	2	13	3	0	0	0	0	41	9
Total				37	8	0	0	330	330	67	555	113	155	33	7	1	0	0	1,084	222

Name	Market Rent Low	Market Rent High	MFTE Rent Limit Low*	MFTE Rent Limit High*	Square Footage Low	Square Footage High
2100 E Madison	\$1,400	\$1,850	\$903	\$1,230	421	712
Mid-Block Apartments	\$1,015	\$1,375	\$903	\$903	330	475
101 Broadway	\$1,690	\$2,684	\$903	\$1,230	381	780
Holgate 12 Phase 2	\$1,113	\$1,909	\$903	\$1,552	415	867
2134 Western	\$1,425	\$2,650	\$903	\$1,552	381	1,045
LIV Roosevelt	\$1,162	\$2,262	\$508	\$1,552	260	692
6th & Yesler	\$1,150	\$1,950	\$903	\$1,552	380	892
1001 Broadway	\$2,229	\$6,530	\$903	\$1,868	655	1,748
Valdok	\$1,287	\$2,724	\$903	\$1,552	501	1,060
Lillehammer	\$1,267	\$2,327	\$903	\$1,552	509	796
MLK Mixed-Use	\$1,149	\$2,456	\$903	\$1,552	353	808

Source: OH, per information provided in applications

* MFTE Rent Limits display maximum allowed rents for 2016, less a utility allowance, from low (SEDU and Congregate) to high (3+ bedrooms)

TAX and REVENUE IMPACTS

At the end of 2015, King County staff provided updated records to show the percentage of past MFTE projects' new construction value that had been either captured or excluded from the calculation that set subsequent years' property tax levy collections. The records indicated that in prior years, approximately one-half of close to 100 projects' new construction value had been excluded from the levy calculation due to the tax exemption and the remaining half was captured in the calculation. Excluded new construction causes collection of associated tax revenue to be forgone until the end of the exemption period. Captured new construction generates additional property tax revenue, with the associated tax burden shifted from the tax-exempt property owner to other property taxpayers.

King County has not yet determined new construction values for the 11 projects (222 income and rent-restricted units) approved during the first trimester of 2016, as the projects have not yet been built. Based on past trends in project sponsors' construction cost estimates as compared to County assessments, OH estimates that by the time these projects are complete, the residential improvements of the 11 projects approved in the first trimester will have a combined new construction value (NCV) of about \$126.6 million. The associated annual exemption at today's tax rates is shown below. All estimates assume that NCV is identical to assessed value.

Total Estimated Construction Cost, Residential Improvements	Estimated Future NCV	Estimated Annual Future Property Tax Proceeds due to NCV	Estimated Cumulative Future Property Tax Proceeds due to NCV	Annual Revenue Impacts, City			
				Amount	Estimated Deferred Revenue	Estimated Collectable Tax Revenue	Estimated Tax Burden Shift
\$253,218,739	\$126,609,370	\$1,200,971	\$14,411,651	\$351,090	\$175,545	\$175,545	0.5315

Notes and inputs:

- Total Estimated Construction Cost, Residential Improvements reflects cost estimates provided by applicants
- Based on past experience, applicant estimates of construction costs are, in aggregate, about double of the actual assessed value of the completed projects. The column labeled Estimated Future NCV applies a 50% adjustment to applicants' construction cost estimates for residential improvements.
- Estimated Future Annual Exemption Value applies the 2016 property tax rate, total (\$9.48564/1000AV) to the estimated future NCV as a rough approximation of the value of the exemption to applicants if the buildings were completed today. The cumulative column simply multiplies this number by 12 years, to reflect the maximum term of the exemption.
- The first column under "Annual Revenue Impacts, City" applies the 2016 property tax rate, City of Seattle (\$2.77302/1000AV) to the NCV. Because latest County records indicate that about half of the NCV is captured for purposes of increasing the levy limit, with the remaining half deferred until the end of the exemption, the two subsequent columns subdivide that amount into collected and deferred amounts.
- Estimated Tax Burden Shift for New Revenue is based on the following calculation: (Median AV/Total City AV) * (Estimated Collectable Revenue). For 2016, the assessed value for the median household is \$480,000, and total City residential assessed value is \$158,531,721,429.

PENDING APPLICATIONS

There are currently two applications pending an eligibility determination.

PROJECT LOCATIONS

The following map illustrates the locations of the 11 projects approved for MFTE in the first trimester of 2016.

Projects Approved for Seattle's Multifamily Tax Exemption Program

