

# Multifamily Tax Exemption Program: 2020 Annual Report & Proposed Legislation

## Finance and Housing Committee



# Today's Presentation

- MFTE Overview
- 2020 MFTE Annual Report Highlights
- Preview Proposed Legislation



# MFTE Overview

- Provides a 12-year property tax exemption in return for income and rent restrictions on 20% or 25% of units, generally between 60-85% AMI
- Program is voluntary; buildings can exit at any time
- Program participation resulting in high production of income and rent restricted housing.
- Authorized by state and implemented locally



# MFTE Overview: Program 6

- Affordability Levels
  - 40% AMI – \$810 - SEDUs
  - 50% AMI – \$1,012 – 100% SEDU building
  - 60% AMI – \$1,214 - Studio
  - 70% AMI – \$1,619 - 1 Bedroom
  - 85% AMI – \$2,212 - 2 Bedroom
  - 90% AMI – \$2,603 - 3 Bedroom
- 4.5% rent moderator
- Continuing annual recertifications



# MFTE 2020 Report: Applications & Pipeline

- Processed 16 applications in 2020
  - Program 5 applications – 8 projects with 228 units
  - Program 6 applications – 8 projects with 272 units
- From January-June 2021, approved Program 6 applications for 9 buildings with 366 units
- 53 pipeline projects with 1,594 projected MFTE units

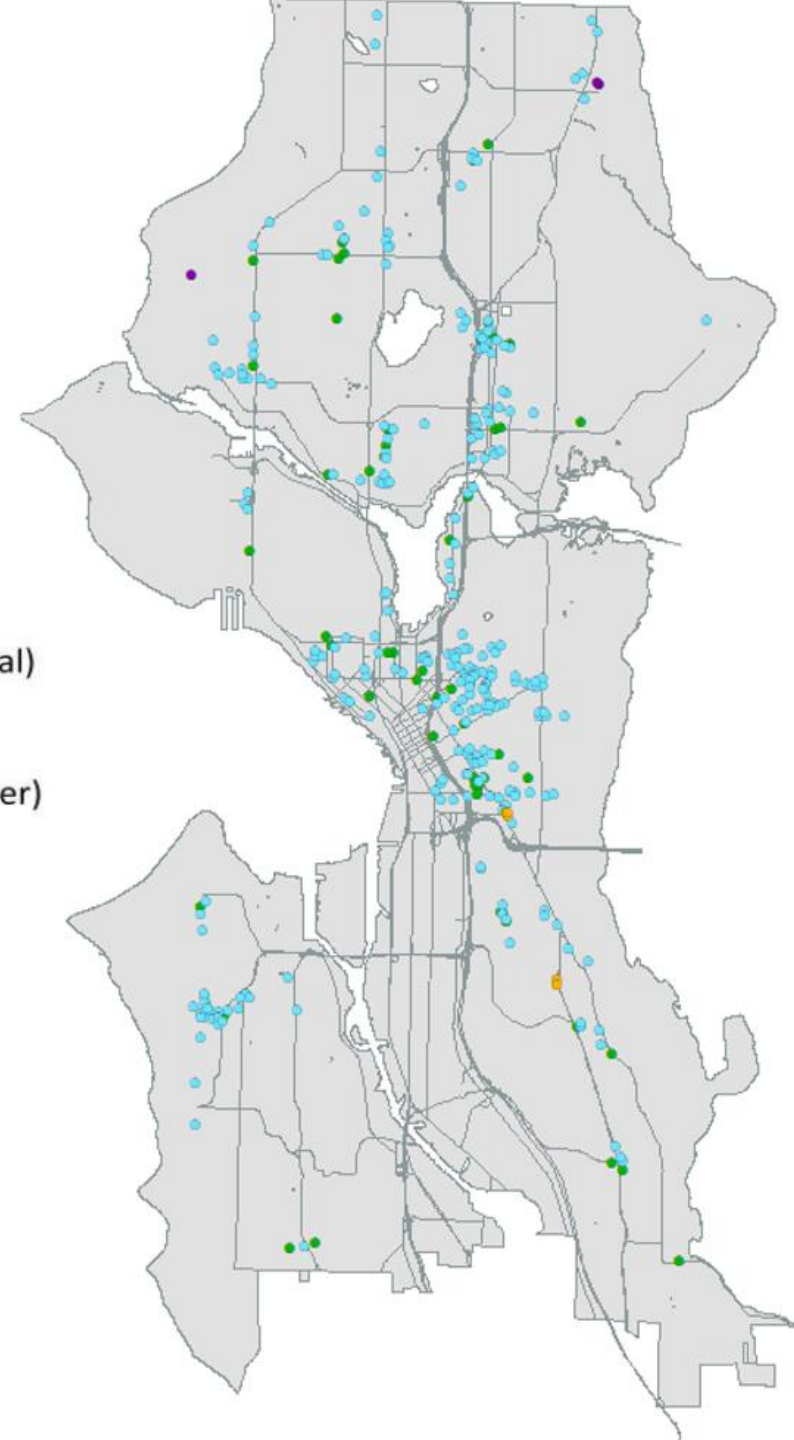


# MFTE 2020 Report: Geographic Distribution

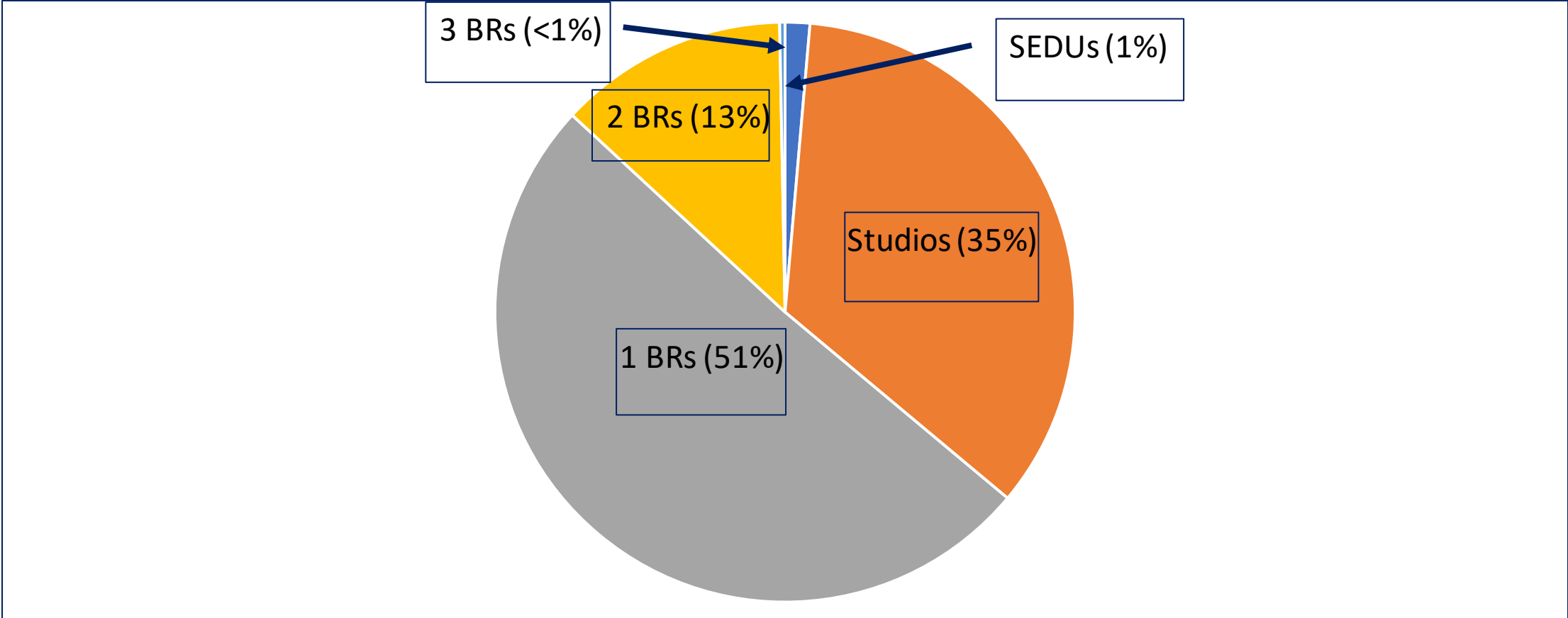
- Available in all multi-family zones
- Highest level of unit production
  - West Seattle Junction
  - South Lake Union
  - Capitol Hill
  - 23<sup>rd</sup> and Union
  - First Hill
  - Roosevelt
  - Ballard

- In Service (Rental)
- In Permitting / Under Construction (Rental)
- In Service (Owner)
- In Permitting / Under Construction (Owner)

Source: Office of Housing (2021)



# MFTE 2020 Report: Unit Types



# MFTE 2020 Report: Affordability Limits for All Programs

MFTE STATUS	40% AMI	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	85% AMI	90% AMI
PIPELINE	127	10	47	410	88	680		211	22
IN SERVICE	51		19	1,508	15	2,244	861	559	160





# MFTE 2020 Report: Compliance Monitoring

- Annual compliance reports and lease-up reports
- Property file audits
- Trainings



# 2020 MFTE Report: Tax Impacts

TOTAL APPRAISED VALUE	\$5,229,178,509	CAPTURED APPRAISED VALUE	\$2,075,658,452	NOT CAPTURED APPRAISED VALUE	\$3,153,520,057
2021 Total Property Tax Exempted	\$70,308,106	Total Tax Captured + 1% Gains	\$20,738,544	Total Tax Not Captured + 1% Gains	\$30,776,925
		2021 City Share of Tax Revenue Captured	\$5,632,895	2021 City Share of Tax Revenue Not Captured	\$8,359,468



# 2020 MFTE Report: Expirations

Year MFTE Expires	Number of Expiring Market-Rate Rental MFTE Units
2021	165
2022	185
2023	143
2024	343
2025	405



# Proposed Legislation: Changes to the RCW

- Changes made to RCW authorizing the MFTE program during the 2021 legislative session, including:
  - 12-year extension option
  - Tenant relocation assistance & notification requirements
  - 20-year exemption for permanently affordable homeownership
  - Labor equity requirements can now be a condition of participation



# Proposed Legislation: Approach

- Local legislation to accommodate required or time sensitive changes
- Resolution with intent to address other programmatic issues during renewal
- Scheduled to provide a more detailed briefing to Committee on August 17<sup>th</sup>



# Proposed MFTE Legislation: Rental Properties

- Extension option for 9 market-rate projects expiring in next 2 years with 350 MFTE units
- Proposed affordability levels for older buildings lower than what is required for new developments under Program 6
- New relocation assistance and notification requirements, per RCW

# Proposed MFTE Legislation: Homeownership

- 20-year exemption for permanently affordable homeownership properties
- Must meet RCW definition of “permanently affordable homeownership”
- Allows City subsidized affordable homeownership developments currently in pipeline to take advantage of this change



# Accompanying Resolution

- City's intent to address other programmatic issues when renewal is considered in 2023:
  - Achieve affordable housing
  - Advance labor equity outcomes
  - Provide an extension option for projects expiring after 2022





# Questions?

