

MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION PROGRAM RENEWAL

Presented by Office of Housing
for Seattle City Council

August 2015



City of Seattle

MFTE Renewal Committee Schedule

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- August 20 – Background Briefing
- September 17 – Proposed legislation and possible vote
- September 24 – Proposed legislation and vote (if needed)

Program Overview

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- ☐ Enabled in 1995 by State; 1998 by City, renewed 3 times
- ☐ Requires that buildings set aside at least 20% of units as affordable 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
- ☐ Affordability levels set by City
- ☐ Key City tool in creating affordable housing

Program Results in Market-Rate Buildings

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- **Current MFTE Affordable Units**
 - ▣ 1,981 units in 88 market-rate projects
- **MFTE Affordable Units in Development**
 - ▣ 1,918 units in 97 market-rate projects
- Today, about 40% of potentially eligible projects choose to participate in MFTE
- Creates below-market-rate rents in buildings where otherwise there would be none

MFTE units in Market-Rate

	Studio	1BR	2BR	3BR	Total
Active	809	935	235	2	1,981
Pipeline	842	824	252	-	1,918
Expired	41	32	6	-	79
Total	1,692	1,792	493	2	3,978

Expo Apartments
Uptown
Opened 2012
55 affordable homes



Array Apartments
Lake City
Opened 2013-14
62 affordable homes



Program Results in Subsidized Buildings

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- ❑ **Current MFTE Affordable Units**
 - ▣ 1,419 units in 15 subsidized projects
- ❑ **MFTE Affordable Units in Development**
 - ▣ 178 units in 2 subsidized projects
- ❑ 4% Tax Credit projects that risk not qualifying for State-level tax exemption apply to participate in MFTE
- ❑ Approximately 12% of MFTE projects receive public subsidy that requires deeper levels of affordability

MFTE Units in Subsidized

	Studio	1BR	2BR	3BR	Total
Active	204	662	489	64	1,419
Pipeline	24	60	71	23	178
Expired	21	76	43	22	162
Total	249	798	603	109	1,759

Plaza Roberto Maestas
Beacon Hill
Opening 2016
112 affordable homes



Artspace Hiawatha
Lofts
23rd & Union-Jackson
Opened 2009
61 affordable homes

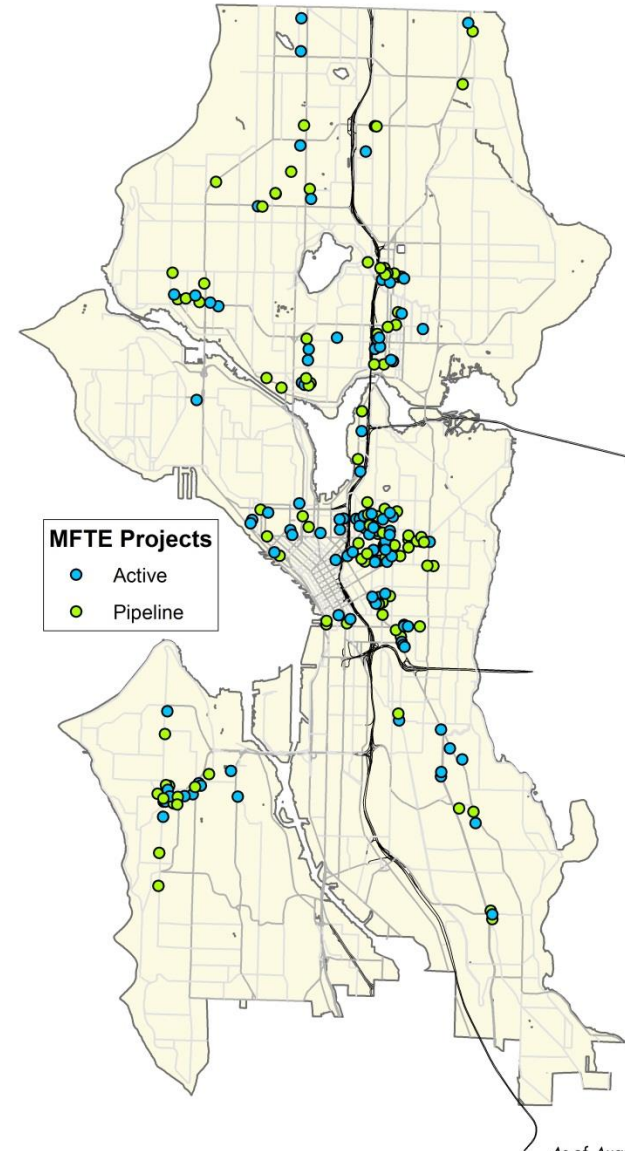


Current Program

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- **20% affordable set aside (25% for SEDUs)**
- **SEDUs – 40% AMI**
 - Max rent + utilities: \$628/mo.
 - Max income
 - \$25,120 (1 person)
- **Studios – 65% AMI**
 - Max rent + utilities: \$1,004/mo.
 - Max income
 - \$40,170 (1 person)
- **1BRs – 75% AMI**
 - Max rent + utilities: \$1,323/mo.
 - Max income:
 - \$46,350 (1 person)
 - \$52,950 (2 persons)
- **2+BRs – 85% AMI**
 - Max rent + utilities: \$1,687/mo.
 - Max income:
 - \$60,010 (2 persons)
 - \$67,490 (3 persons)

MFTE Projects



As of August 14, 2015



City of Seattle
Office of Housing

MFTE Program Costs

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In aggregate, since 2005:

- \$7 million in tax revenue not captured by Assessor, deferred until properties' new construction value is added back to tax roll after MFTE completion
- \$6 million in tax revenue captured by Assessor and redistributed to other taxpayers

* Includes property tax revenue both not captured and redistributed to all jurisdictions

** Includes subsidized projects that might also receive low-income housing State property tax exemption. Excluding these subsidized projects, \$6.6 million would have been deferred, and \$5.4 million would have been redistributed to other taxpayers.

MFTE Program Benefits

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- Creating thousands of homes affordable to low- to moderate-wage earners
- Harnesses growth in new development for affordable housing
- Achieves significant rent buy-down citywide:
 - ▣ Studios – Nearly \$400/mo. rent buy-down
 - ▣ 1BR – More than \$500/mo. rent buy-down
 - ▣ 2BR – Nearly \$600/mo. rent buy-down

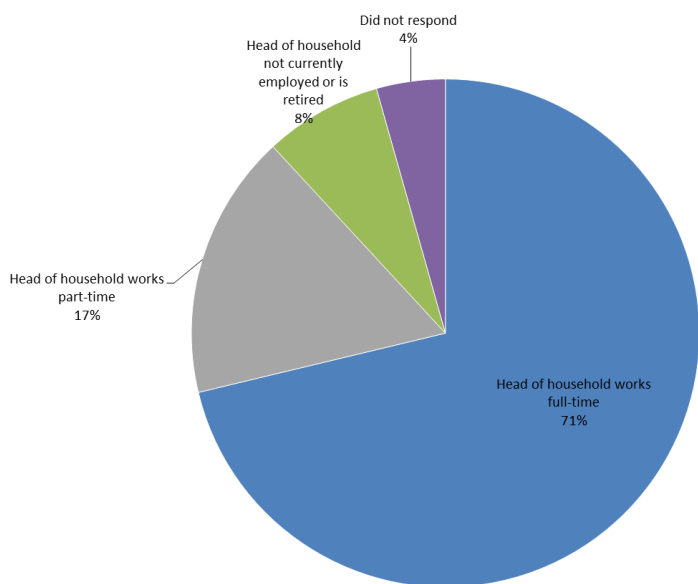
Helping People who Work in Seattle Live in Seattle

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- ❑ Employed in a variety of jobs
- ❑ Majority working full-time

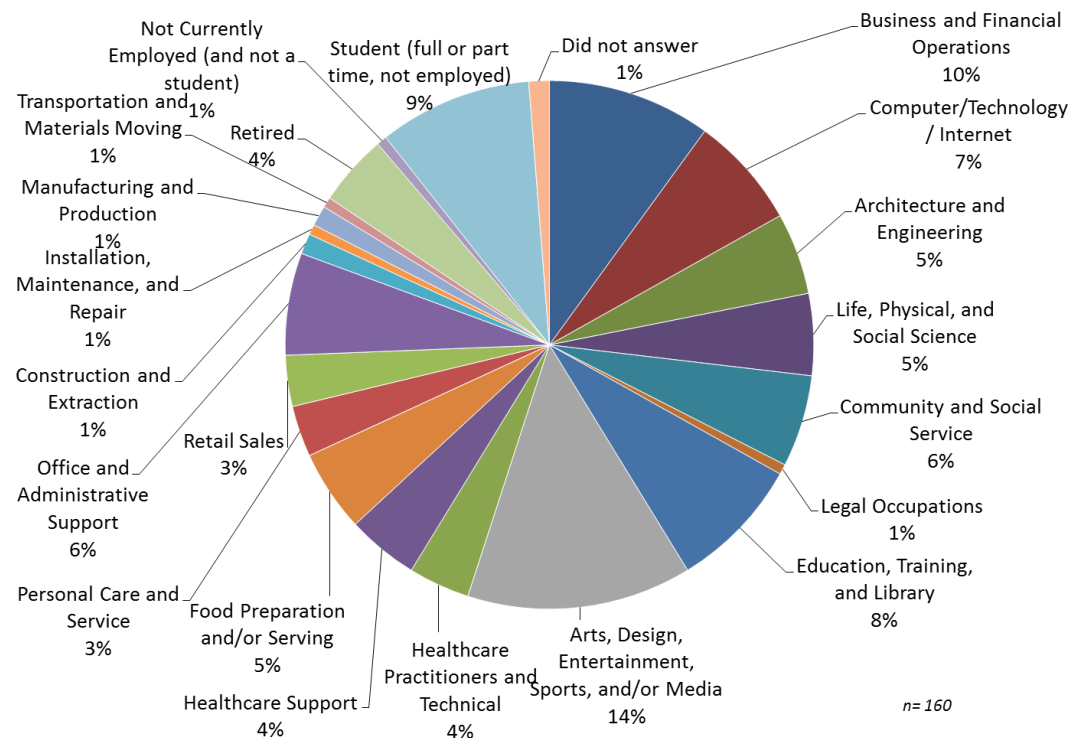
- ❑ Fewer than 10% students
- ❑ MFTE affordable homes located near major job centers

MFTE Head of Household Employment Status



n=160

MFTE Head of Household Current Occupation



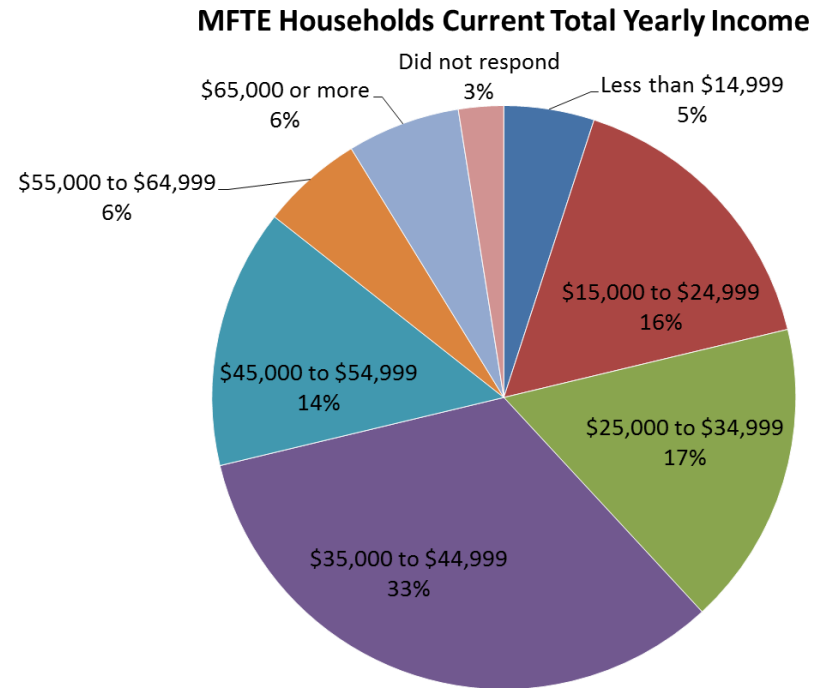
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Serving Low- and Moderate-Wage Households

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Average MFTE household size and income at point of move-in:

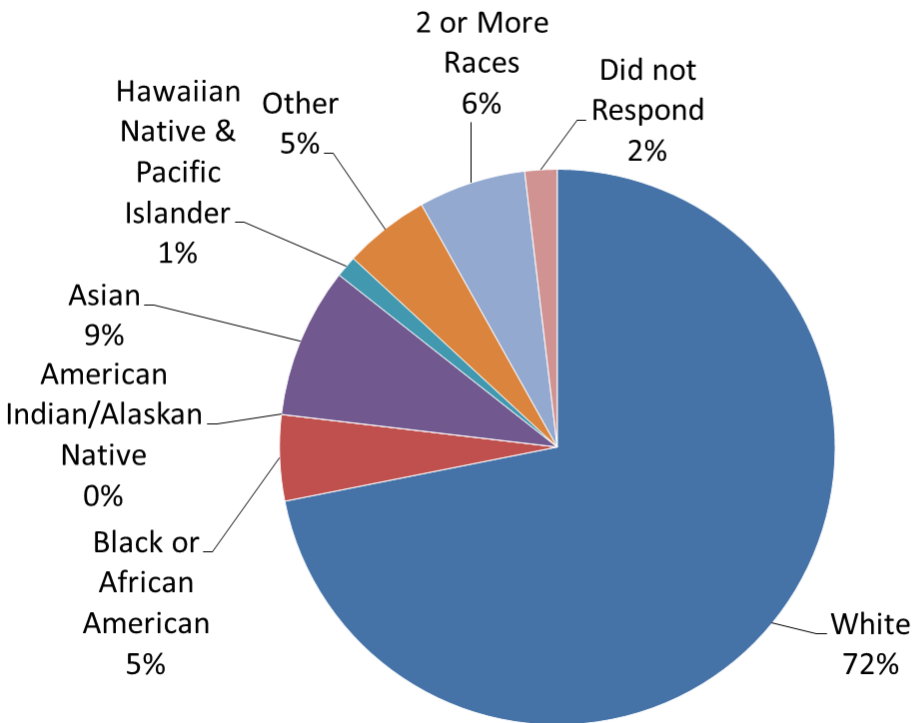
- ❑ Studio – 1 person, \$21,176
- ❑ 1BR – 1.4 people, \$37,386
- ❑ 2BR – 2.4 people, \$48,695
- ❑ Two-thirds of households earn below \$45,000



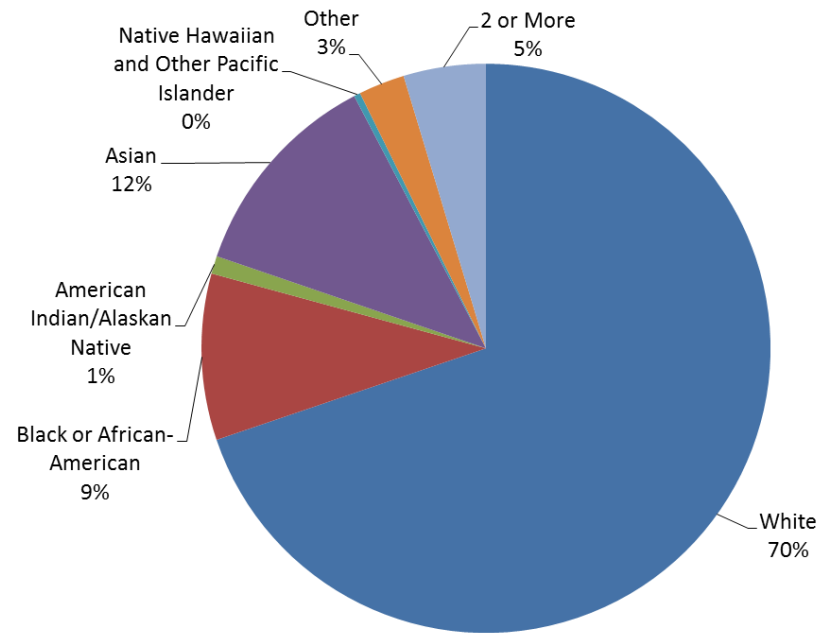
Reflecting Seattle's Demographics

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MFTE Head of Household by Race



Race of Householder in Renter-Occupied Homes, Seattle



Source: US Census Bureau, 2010 Census

Response to 2012 Audit

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- 2012 City audit identified 19 recommendations
- Included action items for both OH and Council
- Substantial progress in tightening compliance
- OH has implemented most administrative recommendations, e.g.:
 - Improved oversight: new compliance position, on-site file audits to verify incomes and rents
 - Better documentation: thorough program guidance, new landlord reporting protocols
 - Streamlined processes: greater automation underway
- For legislative changes, upcoming program renewal presents a fresh opportunity, e.g.:
 - Reconsideration of program goals
 - Requirements for income requalification
 - Tighter definitions to eliminate gray areas