



SEATTLE CITY COUNCIL  
**CENTRAL STAFF**

# **Multifamily Property Tax Exemption (MFTE) Program**

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HOUSING AND HUMAN SERVICES COMMITTEE  
APRIL 24, 2024

# Agenda

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- MFTE Background and History
- Key Considerations
- MFTE Rental Production
- Current MFTE Provisions
- MFTE Cost Impacts
- MFTE Expirations and Extensions
- Next Steps

# MFTE Background and History

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- Incentive program providing a tax exemption on residential portion of a development in return for property owner agreeing to income and rent restrictions on a percentage of units.
- Authorized in 1995 under RCW 84.14, which sets minimum requirements for income limits, percentage of affordable units, and tenant protections.
- Jurisdictions can choose to implement and have flexibility to go beyond the minimum requirements in the RCW.
- Council first approved program in 1998 and has reauthorized the program five times. Current program expires December 31, 2024.
- Different program iterations have included changes to affordability levels, set-aside percentages and eligible geographies.

# Key Considerations for an Incentive Program

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## For the City

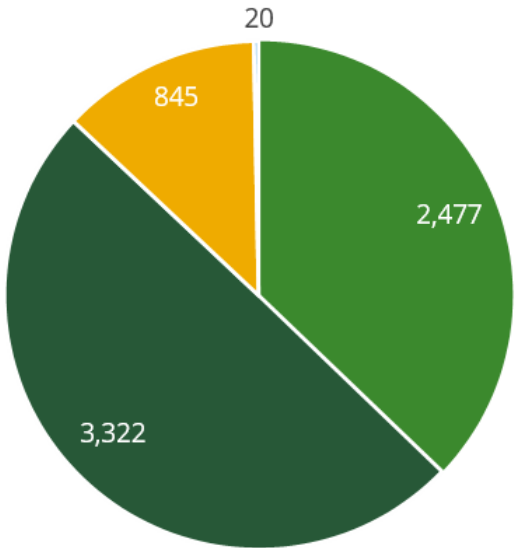
How many affordable units can be achieved and at what affordability level in exchange for the property tax exemption?

## For Housing Developers

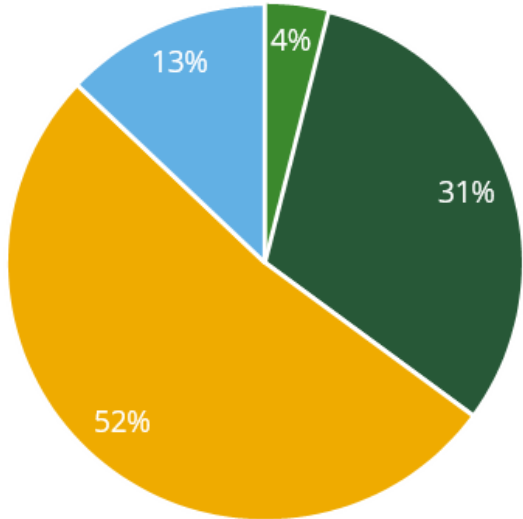
Does the benefit of the property tax exemption sufficiently exceed the rental income loss on the rent restricted units?

# MFTE Rental Production

MFTE has over 6,100 income- and rent-restricted units affordable to households at or below 90% of Area Median Income (AMI) currently in service.



■ 0-BR (37% of total) ■ 1-BR (50% of total) ■ 2-BR (13% of total) ■ 3-BR (0% of total)



■ @ or less than 60% of AMI ■ @ 65% or 70% of AMI  
 ■ @ 75% or 80% of AMI ■ @ 85% or 90% of AMI

Source: MFTE 2022 Annual Report

# Current MFTE Program Provisions - Rental

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**Set-aside percentage:** 20% or 25% of units must be income and rent-restricted, depending on number of 2+ bedrooms.

**Project Type:** Must be multi-family building with at least four units.

**Comparability and Distribution:** MFTE units must be generally comparable to the other units in project and distributed throughout the building (high-rise towers have different distribution rules).

**Rent Moderator:** The maximum allowable rent cannot increase more than 4.5% from the year before. Applies only to units created under the most current version of the program.

# Current (P6) MFTE Program Provisions - Rental

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## Affordability Requirements

Unit Type/Bedroom Size	Affordability	Maximum Rent
Congregate	40%	\$884
Small Efficiency Dwelling Unit (SEDU)	40% of AMI or 50% of AMI (if all units are SEDUs)	\$884 \$1,105
Studio	60% of AMI	\$1,326
1 Bedroom	70% of AMI	\$1,658
2 Bedroom	85% of AMI	\$2,416
3 Bedroom and larger	90% of AMI	\$2,956 (3 Bedroom)

# Two types of MFTE costs related to taxes

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1. **Forgone tax revenue:** Property taxes that are not collected at all during the entire length of the property tax exemption.
2. **Shifted tax impact:** Increased property taxes for other property owners.

OH will work with the City Budget Office and the King County Assessor's Office to provide current and cumulative amounts during the reauthorization process.

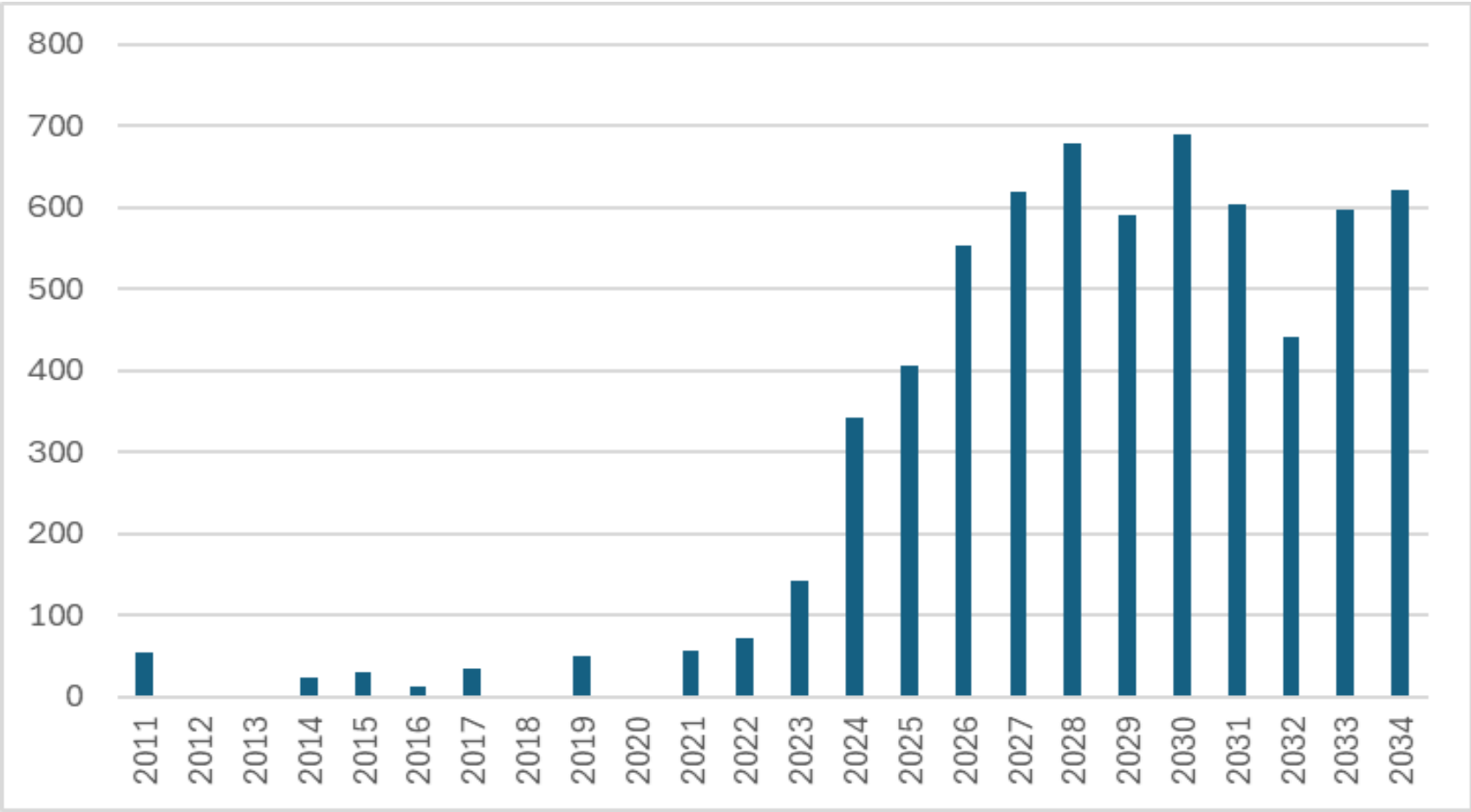


# MFTE Expirations and Extensions

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- Council has authorized a 12-year extension option for MFTE properties with expiration dates in 2021, 2022, and 2023 (for a total property tax exemption of 24 years).
- Property owners desiring to extend their property tax exemption must agree to deeper affordability limits than new projects just entering the MFTE program.
- To date, eight out of fourteen market-rate rental properties have requested and been approved for extensions.
- Over the next five years tax exemptions are scheduled to expire for 130 market-rate rental properties with 2,598 MFTE units.

# Expirations by Year (MFTE Restricted Units)



Source: MFTE 2022 Annual Report

# Next Steps

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- Council begins consideration today of legislation that will provide a 12-year extension option for 15 projects expiring in 2024.
- Later this year, OH intends to transmit legislation to reauthorize the MFTE program.
- Reauthorization provides an opportunity to evaluate the program and make policy changes if desired.

# Questions?