

MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION PROGRAM RENEWAL

Presented by Office of Housing
for Seattle City Council

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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
- ❑ Participation is voluntary
- ❑ Affordability levels set by City
- ❑ Key City tool in creating affordable housing

Legislative Proposal Overview

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- Affordability, Set-Asides, and Geography: Policy Proposals Recommended by HALA
- Compliance and Renter Protections*
- Administrative Fixes*
- * *Several proposed changes responsive to City Audit*

Proposed Affordability Requirements

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- **Hold income and rent limits steady with existing requirements:**
 - SEDUs – 40% of AMI
 - Max income: **\$25,120** for 1-person household
 - Max rent + utilities: **\$620**
 - Studios – 65% of AMI
 - Max income: **\$40,820** for 1-person household
 - Max rent + utilities: **\$1,020**
 - 1BRs – 75% of AMI
 - Max income: **\$47,100** for 1-person household
 - Max income: **\$53,775** for 2-person household
 - Max rent + utilities: **\$1,344**
 - 2+BRs – 85% of AMI
 - Max income: **\$60,945** for 2-person

With stable affordability limits since the 2011 program renewal, average rent savings have increased.

Include New Unit Types

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- Congregate
 - ▣ Proposed income/rent limit: 40% of AMI
 - ▣ Currently ineligible for MFTE

- 3+BRs
 - ▣ Proposed income/rent limit: 90% of AMI
 - ▣ Currently bundled with 2BRs in single category restricted at 85% of AMI

Reward Family-Size Units or Produce More Affordable Units

- ❑ Create family-size unit program that rewards projects with four or more 2+BR units

- ❑ Create small unit program that requires greater public benefit through larger set-aside of affordable units for projects with fewer than four family-size units

		CURRENT MFTE	PROPOSAL	
			<i>Family-Size Unit Program</i> 4 or more 2+BRs (at least 1 affordable)	<i>Small Unit Program</i> Fewer than 4 2+BRs
AFFORDABILITY REQUIREMENTS	<i>Set-aside</i>	20% of all units but 25% of SEDUs	20% of all units	25% of all units
	<i>Area Median Income (AMI)</i>	SEDU - 40% Studio - 65% 1BR - 75% 2+BR - 85%	Same, except to include: Congregate units - 40% 3BR - 90%	Same, except to include: Congregate units - 40% 3BR - 90%

Family-Size Unit Program

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- Applicable only to buildings providing **at least four 2+BR units**
- Set-Aside Amount
 - ▣ **20%** of all units, proportionately distributed
- Impact:
 - ▣ Could incentivize inclusion of family-size units in approximately 10% of MFTE buildings that would otherwise provide fewer than four 2+BRs
 - ▣ Would achieve at least one affordable family-size unit per applicable project
- Current MFTE 2BR tenants save on average \$600 per month on rent

Small Unit Program

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- Applicable only to buildings providing **fewer than four 2+BR units**
- Set-Aside Amount
 - ▣ **25%** of all units, proportionately distributed
- Impact:
 - ▣ Creates a **greater number of affordable units** among unit types with typically lower rent savings
- Current MFTE tenants save on average:
 - ▣ \$400/mo. in studios
 - ▣ \$500/mo. in 1BRs

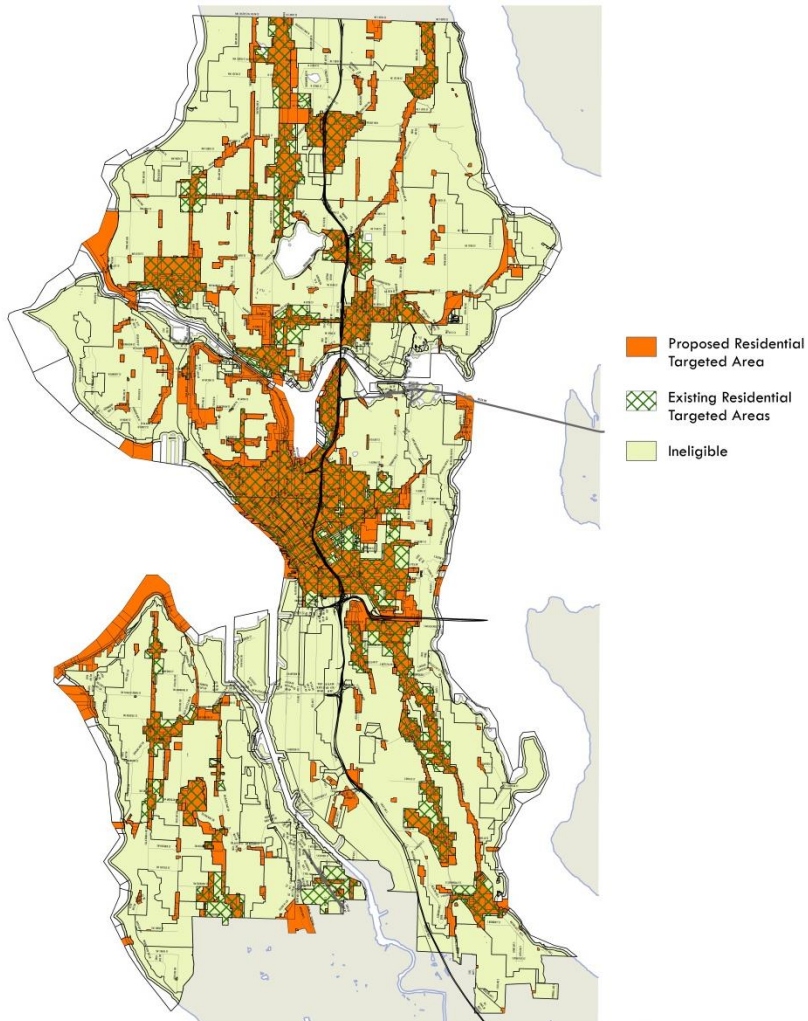
Comprehensive Analysis

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- Calibrate affordability levels to achieve maximum public benefit while ensuring adequate incentive
- OH analyzed dozens of scenarios to calibrate affordability levels
 - Following scenarios would risk losing participation among buildings with a blended unit mix that includes family-size units or in a significant number of neighborhoods:
 - Increasing affordable set-aside percentage substantially (30%)
 - Deepening affordability levels substantially (greater than 5% AMI reduction)
 - Increasing both affordable set-aside percentage and deepening affordability levels
 - Some alternate scenarios provide less rent savings to tenants:
 - Flat AMI percentages across unit types
 - Buildings with primarily small units currently provide the least rent savings

Proposed MFTE Geography

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- MFTE currently allowed in 39 residential targeted areas, generally coterminous with urban centers and villages
- Proposal to allow MFTE on land zoned for multifamily use
- Proposal ensures that all existing areas that allow for multifamily development have a tool to create affordable housing

Strengthen Compliance

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- Establish initial lease-up reporting requirements, requiring properties to send compliance data report to OH earlier
- Remove ambiguity in determining emerging unit layouts by establishing “bedroom” definition and improving floor plan requirements
 - “Open”, “urban”, “loft”, and other new unit layouts vary in how closely sleeping areas meet common understandings of bedrooms
 - Requires floor plans with initial (pre-construction) and final applications (post-construction) to confirm unit size and layout classifications
- Establish annual income re-certification requirement for tenants
 - Require designation of new affordable units when both:
 - An existing tenant earns 1.5 times the applicable income limit, and

Protect Tenants

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- Establish authority to restrict unreasonable up-front application or administrative fees that properties may charge prospective MFTE renters
 - Does not include at-cost fees like credit checks

- Codify deduction of mandatory recurring fees from affordable rents
 - Renters' Insurance
 - Sewer Capacity Charge

Provide Administrative Fixes

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- Increase application fee to fund enhanced compliance function
 - \$10,000 for market-rate projects
 - \$4,500 for projects with deeper affordability requirements from public financing and additional compliance monitoring support

- Narrow MFTE program goals
 - Collapsing nine separate program goals to one focused goal:
 - “To increase the supply of affordable Multifamily Housing opportunities within the City for Low-Income Households and Moderate-Income Households in order to promote fair housing, provide housing choice, and address displacement.”

- Remove expiration date
 - Ongoing program ensures greater predictability and consistency
 - OH is required to send trimester and annual reports to City