

MFTE 12-Year Extension of Property Tax Exemptions Expiring in 2024

Housing & Human Services Committee
April 24, 2024



City of Seattle

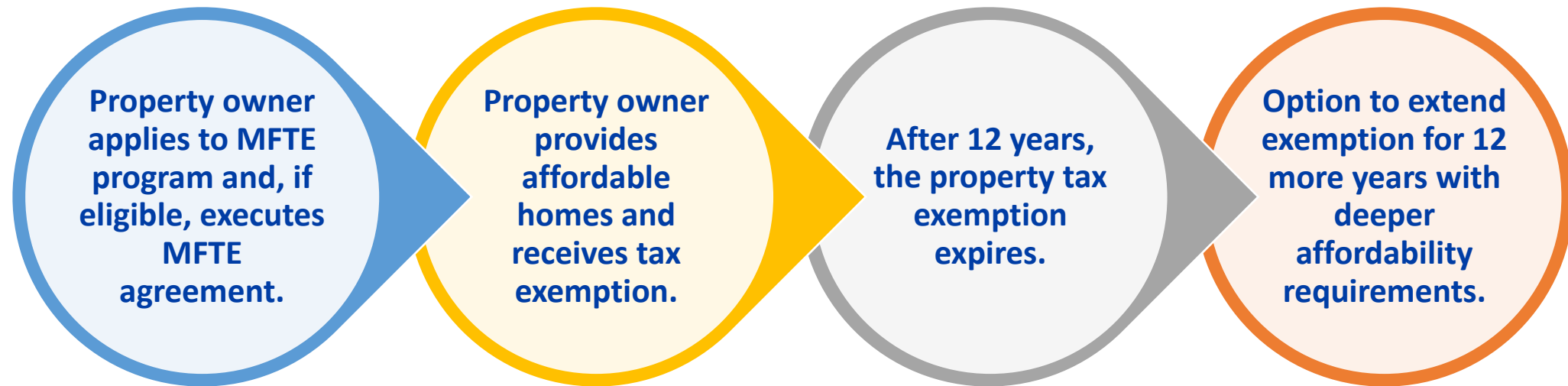
Topics for today's briefing

- Overview of Seattle's Multifamily Tax Exemption (MFTE) program
- Proposed MFTE Extension legislation and timeline
- Other program considerations and future legislation



Seattle's Multifamily Property Tax Exemption (MFTE) program

MFTE Lifecycle



Upcoming MFTE legislation

Extensions:

MFTE Program 6 (P6.5)

- Transmitted April 3;
H&HS Committee April 24
- Affects 15 MFTE properties with property tax exemptions expiring in 2024

Reauthorization:

MFTE Program 7 (P7.1)

- Transmittal anticipated Q3 2024
- Affects complete MFTE applications submitted after legislation is effective

Extensions: MFTE Program 6.5

What's happening now

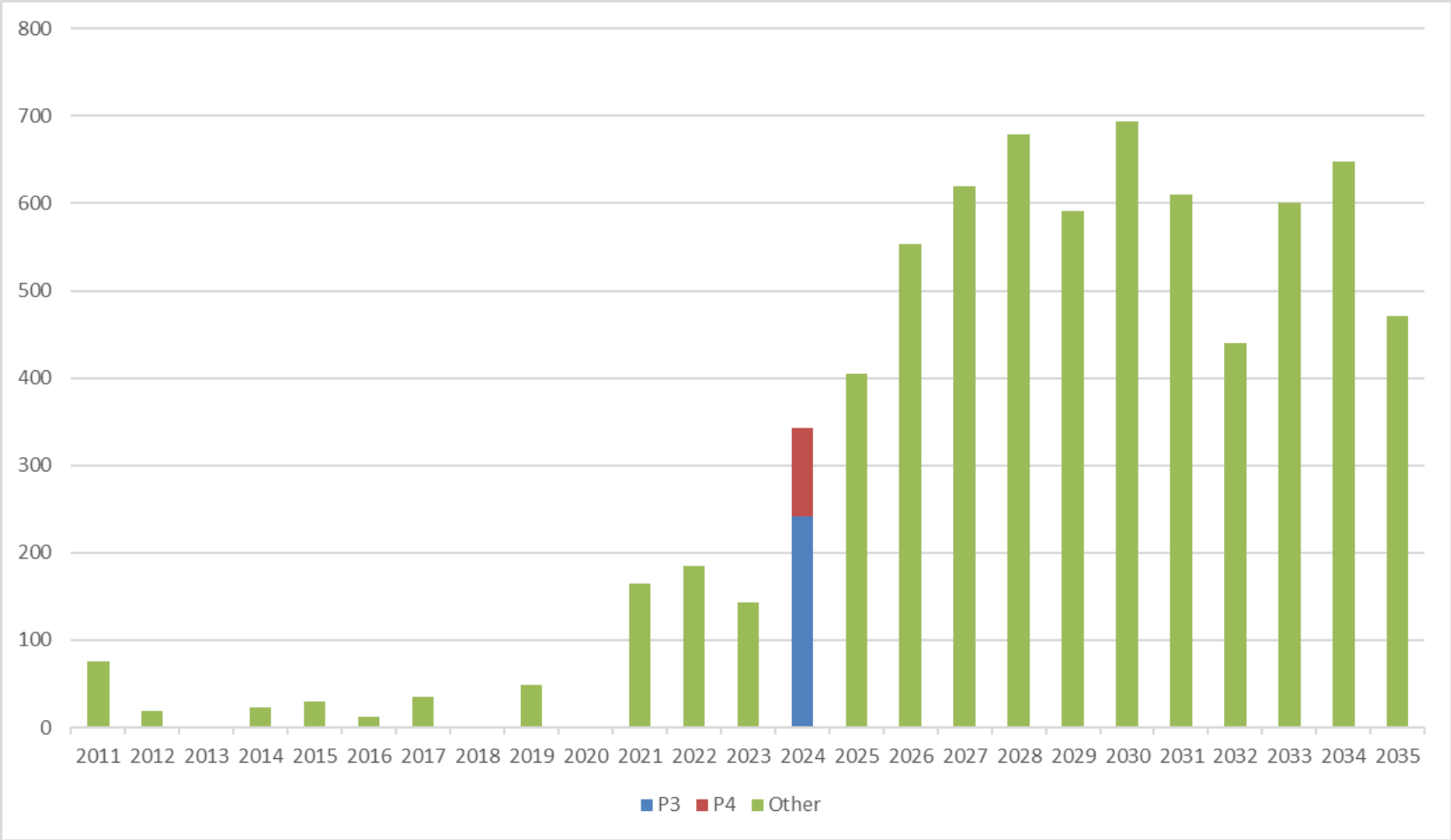
- This legislation affects MFTE properties with property tax exemptions expiring in 2024
 - 15 properties with 342 income-restricted homes
 - Income limits range from 80-90% AMI (P3) or 65-85% AMI (P4)
- If property owner **chooses to** pursue extension, they must provide homes affordable to households at lower income levels
- If property owner **chooses not to** pursue extension, tax exemption and affordability requirements end

Extensions: MFTE Program 6.5

Additional background information

- Council previously authorized a 12-year extension option for owners of MFTE properties with expiration dates in 2021, 2022, and 2023.
 - To date, eight out of 14 market-rate rental property owners have requested and received extended tax exemptions.
- Over the next five years, tax exemptions are set to expire for approximately 130 market-rate rental properties, totaling nearly 2,600 MFTE units.

Number of MFTE Units Expiring by Year



12-Year Extension of Property Tax Exemptions Requires Transition to Lower Rents

Unit Type	Rent Limit for Properties with Expiring MFTE (P3)	Rent Limit for Properties with Expiring MFTE (P4)	Rent Limit for Newly Built MFTE Properties (P6)	Rent Limit for 12-Year Extension of Tax Exemption*
Compact (some units)	80% of AMI	65% of AMI	40% of AMI	30% or 65% of AMI
Compact (all units)	80% of AMI	65% of AMI	50% of AMI	40% or 65% of AMI
0-Bedroom	80% of AMI	65% of AMI	60% of AMI	50% or 65% of AMI
1-Bedroom	80% of AMI	75% of AMI	70% of AMI	60% or 75% of AMI
2-Bedroom	90% of AMI	85% of AMI	85% of AMI	75% or 85% of AMI

* **The lower AMI rent limit applies for all new move ins** and for existing tenant households with incomes < 1.5x that lower AMI rent limit; the higher AMI limit applies for existing tenant households with incomes > 1.5x the lower AMI rent limit and <= 1.5x the higher AMI rent limit; if an existing tenant household's income is > 1.5x the higher AMI rent limit, a substitute MFTE unit is provided.



Next Steps

If Council approves legislation:

1. Owners of eligible properties must submit MFTE extension applications by July 31, 2024
2. OH will execute new MFTE agreements by December 31, 2024

Looking Ahead: Program 7 Reauthorization

- Since first adoption of MFTE in 1998, program has been reauthorized five times.
- To inform Program 7 reauthorization, OH is working with a research team to evaluate the program and engage constituents.
- Topics of discussion will include:
 - Revenue impact and shifted tax burden
 - MFTE affordable housing outcomes
 - Potential MFTE administrative improvements