

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

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**Legislation Title:**

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Subsection 5.73.040.B of the Seattle Municipal Code to differentiate small efficiency dwelling units from other dwelling units for purposes of determining affordability requirements under the Multifamily Housing Property Tax Exemption Program.

**Summary of the Legislation:**

The Seattle Office of Housing is proposing an amendment to project eligibility criteria for the Multifamily Housing Property Tax Exemption (MFTE) Program. The legislation would differentiate small efficiency dwelling units (SEDUs) from studio apartments and establish a lower affordability threshold for SEDUs that are set aside as affordable housing under the MFTE Program.

**Background:**

This legislation would amend Section 5.73.040 of the Seattle Municipal Code, which was last amended in 2011 by Ordinance 123727. Section 5.73.040 sets the affordability thresholds for income-restricted units in MFTE projects. In 2014, the City Council passed Ordinance 124608, which includes a definition for SEDUs. SEDUs are smaller than traditional studios and must meet the development standards prescribed in Section 23.42.048.

SEDUs are currently classified as studio apartments for purposes of determining applicable affordability requirements under the MFTE program. Section 5.73.040 requires income-restricted studio units in MFTE projects to be affordable to residents earning up to 65% of Area Median Income (AMI). Because market-rate rents for SEDUs are typically within the means of individuals earning 65% of AMI, property owners can often charge full market-rate rents for income-restricted SEDUs and still participate in the MFTE program. The proposed legislation would reduce the maximum rent threshold for income-restricted SEDUs in MFTE projects to a level affordable to individuals earning 40% of AMI. This change would help ensure that MFTE properties containing SEDUs provide ample public benefits through the provision of affordable housing.

Please check one of the following:

**X** This legislation does not have any financial implications.

**Other Implications:**

**a) Does the legislation have indirect financial implications, or long-term implications?**

No.

**b) What is the financial cost of not implementing the legislation?**

There is no direct financial cost to the City of not implementing the legislation.

**c) Does this legislation affect any departments besides the originating department?**

This legislation does not directly affect any departments, though its implementation will rely on the Department of Planning and Development to confirm the proposed dwelling units' status as SEDUs.

**d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

The City could develop and implement legislation to prohibit all projects containing SEDUs from qualifying for the MFTE Program.

**e) Is a public hearing required for this legislation?**

No.

**f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**g) Does this legislation affect a piece of property?**

No.

**h) Other Issues:** None.

**List attachments to the fiscal note below:** None.