

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Office of Housing	Kelli Larsen	Nick Tucker

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.090 and Section 5.73.120 of the Seattle Municipal Code to allow extension of tax exemptions scheduled to expire on December 31, 2024.

**Summary and Background of the Legislation:** This legislation allows the Seattle Office of Housing to extend multifamily property tax exemptions (“MFTE”), if requested by property owners, for the 15 properties with MFTE expiring on December 31, 2024. If extensions are requested and approved for those 15 properties, which have approximately 1,670 total units, income and rent limits will continue for the 342 homes designated as a condition of MFTE and property taxes for these properties will be forgone and shifted for up to 12 additional years.

For these 15 multifamily rental properties, the estimated taxes shifted to other taxpayers was \$43.6 million from 2013 through 2024. For the 2023 tax year, the shift of taxes to other ratepayers was approximately \$3.6 million for exempt improvements totaling \$439.5 million.

### **2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?** Yes ☐ No ☒

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation have financial impacts to the City?** Yes ☒ No ☐

<b>Revenue Change (\$);</b>	<b>2024</b>	<b>2025 est.</b>	<b>2026 est.</b>	<b>2027 est.</b>	<b>2028 est.</b>
<b>General Fund</b>	<b>\$121K</b>	<b>\$121K</b>	<b>\$121K</b>	<b>\$121K</b>	<b>\$121K</b>

#### **Revenue/Reimbursement Notes:**

For the 15 properties with MFTE expiring in 2024, the City’s estimated foregone revenue is \$1.5 million over the 2013-2024 property tax exemption period, or an average of approximately \$120,730 each year. The City’s share of foregone revenue is calculated by using its share of the levy rate since 2018, which is approximately 25%. Total foregone taxes associated with exemptions for these properties across all taxing jurisdictions – state, county, and cities in King County – is \$5.8 million.

### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

The Office of Housing must pay for staff to administer the MFTE program.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

If MFTE extensions are authorized by Council, the existing Office of Housing MFTE teams will absorb the work of reviewing extension requests and all associated paperwork.

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

If MFTE extensions are not authorized for 15 properties with MFTE agreements expiring in 2024, the Seattle Office of Housing would be unable to extend MFTE for those properties. City tax revenue would increase approximately \$120,730 annually, the portion of property taxes that are currently paid by non-exempt taxpayers would instead be collected from owners of those multifamily properties, the original amount of new construction value deferred 12 years ago would be added to the tax base, and the 342 MFTE units would no longer be subject to rent and income limits.

### 4. OTHER IMPLICATIONS

- a. Please describe how this legislation may affect any departments besides the originating department.**

MFTE reduces and shifts property taxes, and any forgone taxes reduce City General Fund revenue.

- b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.

- c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

In 2024, OH will analyze MFTE resident demographic information provided by MFTE property managers.

- ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

None.

- iii. **What is the Language Access Plan for any communications to the public?**

**d. Climate Change Implications**

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

No impact.

- ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No impact.

- e. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

As part of the MFTE Reauthorization to Program 7 in Q3/Q4 2024, OH will share analysis of the tax impacts of MFTE and the public benefits of the MFTE units created.

## 5. CHECKLIST

- ☐ **Is a public hearing required?**  
No
- ☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**  
No
- ☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
- ☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**  
No

## 6. ATTACHMENTS

**Summary Attachments:** None