



Memo

Date: April 5, 2024

To: Councilmember Moore, Chair of Housing and Human Services Committee

From: Maiko Winkler-Chin, Seattle Office of Housing Director

Subject: Office of Housing MFTE Extension Legislation

Background

The City of Seattle's Multifamily Tax Exemption (MFTE) Program is authorized under RCW 84.14 and adopted locally under SMC 5.73. MFTE provides a 12-year tax exemption on the residential portion of a building in return for the property owner income and rent restricting 20% or 25% of the units built. Since 1998, the Seattle City Council has reauthorized the MFTE program six times, usually every 4-5 years. The program, in its current iteration, sunsets on December 31, 2024.

In 2021, state law was updated to allow jurisdictions to offer owners of properties with expiring exemptions the opportunity to extend those for an additional 12 years. Seattle City Council has previously approved legislation to provide an extension option for properties with MFTE agreements expiring in 2021, 2022 and 2023.

Current MFTE Properties

There are currently over 6,600 MFTE units in service in over 280 market-rate rental properties throughout Seattle. MFTE agreements for 15 of those properties are scheduled to expire in 2024. Previously, owners of eight of the 14 market-rate rental properties with agreements expiring in 2021, 2022, and 2023 opted to extend their property tax exemptions.

Legislation

This legislation is narrowly focused to allow a 12-year extension option for properties with MFTE agreements expiring in 2024, similarly to what was allowed in the last three years. There are 15 market-rate projects expiring in 2024 that would be eligible for an extension. In return for the 12-year property tax extension, owners must agree to abide by new, lower income limits, although existing tenants that do not income-qualify for lower rents may be grandfathered in at older, higher income and rent limits to mitigate tenant displacement. **Exhibit A** provides more information on the expiring properties and associated income limits. If an owner chooses not to extend, then income and rent restrictions on MFTE units for that property will be removed, and the owner will have to comply with the City's relocation assistance requirements for households with incomes at or below 50% of Area Median Income. In addition, that property would no longer receive the tax exemption, which would end the tax shift and any foregone revenue associated with that property.

Full Reauthorization Legislation is Anticipated Later in 2024. Later this year the Office of Housing intends to propose legislation that is a broader reauthorization of the MFTE program, including a new sunset date for new MFTE applications submitted after December 31, 2024. MFTE's broader reauthorization requires significant policy decisions. OH is preparing a thorough and updated analysis of the MFTE program which is anticipated to be complete this summer. OH looks forward to sharing that analysis with City Council and the public as part of the MFTE reauthorization package. Extension legislation for MFTE is being brought first because of the timeline needed to start processing extensions for expiring properties.

EXHIBIT A

Properties with MFTE Expiring in 2024

Property Address	Property Name	MFTE Version	Total Units	MFTE Units	Current Rent and Income Limits for MFTE Units	Reduced extension AMI limits: existing tenants qualify for new, lower rent if their household income is < 1.5X the income limit below	Grandfathered extension AMI limits: existing tenants remain at current, higher rents if their household income is < 1.5X the income limit below
4301 Stone Way N	The Noble	P3	93	19	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units	30% of AMI for 0-bedroom units with floor area ≤ 400 net square feet, including congregate sleeping rooms, if the property also includes larger units 40% of AMI for 0-bedroom units with floor area ≤ 400 net square feet, including congregate sleeping rooms, if the property only includes that size of units 50% of AMI for 0-bedroom units with floor area > 400 net square feet 60% of AMI 1-bedroom units 75% of AMI 2-bedroom units 80% of AMI 3+bedroom units	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units
201 W Harrison St	H2O Apts.	P3	40	8	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
708 6th Ave N	708 Uptown	P3	118	24	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
118 Republican St	Expo	P3	275	55	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
215 10th Ave E	Lyric	P3	234	47	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		

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3701 S Hudson St	Greenhouse	P3	124	25	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units	30% of AMI for 0-bedroom units with floor area ≤ 400 net square feet, including congregate sleeping rooms, if the property also includes larger units 40% of AMI for 0-bedroom units with floor area ≤ 400 net square feet, including congregate sleeping rooms, if the property only includes that size of units 50% of AMI for 0-bedroom units with floor area > 400 net square feet 60% of AMI 1-bedroom units 75% of AMI 2-bedroom units 80% of AMI 3+bedroom units	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units
330 3rd Ave W	AVA Queen Anne	P3	196	41	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
1220 E Madison	The Citizen	P3	107	22	80% of AMI 0-bedroom units, including congregate sleeping rooms 80% of AMI 1-bedroom units 90% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
5240 University Way NE	Muriels Landing	P4	100	20	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
306 Summit Ave E	Alturra aPodments	P4	56	12	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units		
4600 36th Ave SW	Nova Apts.	P4	62	13	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units		

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412 Broadway	Barclay Broadway	P4	118	24	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units	30% of AMI for 0-bedroom units with floor area \leq 400 net square feet, including congregate sleeping rooms, if the property also includes larger units	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units
315 10th Ave	Soleil	P4	36	8	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units	40% of AMI for 0-bedroom units with floor area \leq 400 net square feet, including congregate sleeping rooms, if the property only includes that size of units	
1304 E John St	Centro aPodments	P4	56	12	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units	50% of AMI for 0-bedroom units with floor area > 400 net square feet	
413 11th Ave	Terrazza aPodments	P4	56	12	65% of AMI 0-bedroom units, including congregate sleeping rooms 75% of AMI 1-bedroom units 85% of AMI 2-bedroom units 90% of AMI 3+bedroom units	60% of AMI 1-bedroom units 75% of AMI 2-bedroom units 80% of AMI 3+bedroom units	