

# MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION PROGRAM RENEWAL

Presented by Office of Housing  
for Seattle City Council

August 2015

# MFTE Renewal Committee Schedule

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- August 20 – Background Briefing
- September 17 – Proposed legislation and possible vote
- September 24 – Proposed legislation and vote (if needed)

# 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
- Program available to:
  - New buildings with 4+ units
  - Rehab of occupied buildings adding 4+ units
  - Rehab of vacant buildings
- Participation is voluntary
- Affordability levels set by City
- Key City tool in creating affordable housing

# Program Results in Market-Rate Buildings

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- **Current MFTE Affordable Units**
  - 1,981 units in 88 market-rate projects
- **MFTE Affordable Units in Development**
  - 1,918 units in 97 market-rate projects
- Today, about 40% of potentially eligible projects choose to participate in MFTE
- Creates below-market-rate rents in buildings where otherwise there would be none

## MFTE units in Market-Rate

	Studio	1BR	2BR	3BR	Total
<b>Active</b>	809	935	235	2	1,981
<b>Pipeline</b>	842	824	252	-	1,918
<b>Expired</b>	41	32	6	-	79
<b>Total</b>	1,692	1,792	493	2	3,978

Expo Apartments  
Uptown  
Opened 2012  
55 affordable homes



Array Apartments  
Lake City  
Opened 2013-14  
62 affordable homes



# Program Results in Subsidized Buildings

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- **Current MFTE Affordable Units**
  - 1,419 units in 15 subsidized projects
- **MFTE Affordable Units in Development**
  - 178 units in 2 subsidized projects
- 4% Tax Credit projects that risk not qualifying for State-level tax exemption apply to participate in MFTE
- Approximately 12% of MFTE projects receive public subsidy that requires deeper levels of affordability

## MFTE Units in Subsidized

	Studio	1BR	2BR	3BR	Total
<b>Active</b>	204	662	489	64	1,419
<b>Pipeline</b>	24	60	71	23	178
<b>Expired</b>	21	76	43	22	162
<b>Total</b>	249	798	603	109	1,759

Plaza Roberto Maestas  
Beacon Hill  
Opening 2016  
112 affordable homes



Artspace Hiawatha  
Lofts  
23<sup>rd</sup> & Union-Jackson  
Opened 2009  
61 affordable homes

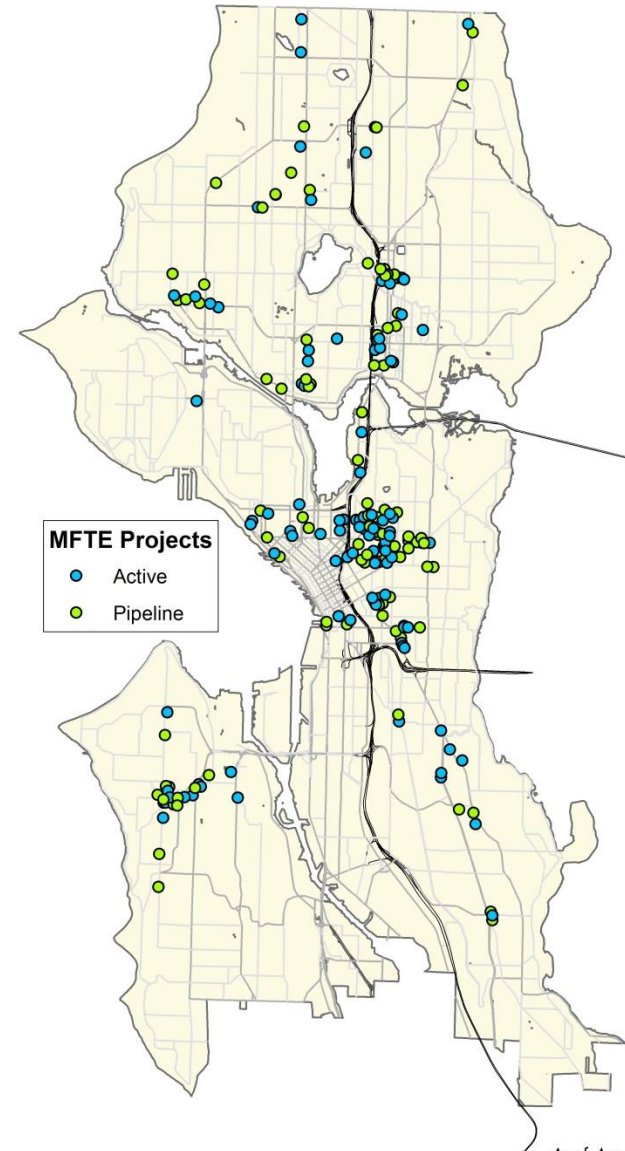


# Current Program

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- **20% affordable set aside (25% for SEDUs)**
- **SEDUs – 40% AMI**
  - Max rent + utilities: \$628/mo.
  - Max income
    - \$25,120 (1 person)
- **Studios – 65% AMI**
  - Max rent + utilities: \$1,004/mo.
  - Max income
    - \$40,170 (1 person)
- **1BRs – 75% AMI**
  - Max rent + utilities: \$1,323/mo.
  - Max income:
    - \$46,350 (1 person)
    - \$52,950 (2 persons)
- **2+BRs – 85% AMI**
  - Max rent + utilities: \$1,687/mo.
  - Max income:
    - \$60,010 (2 persons)
    - \$67,490 (3 persons)

## MFTE Projects



As of August 14, 2015

# MFTE Program Costs

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In aggregate, since 2005:

- \$7 million in tax revenue not captured by Assessor, deferred until properties' new construction value is added back to tax roll after MFTE completion
- \$6 million in tax revenue captured by Assessor and redistributed to other taxpayers

\* Includes property tax revenue both not captured and redistributed to all jurisdictions

\*\* Includes subsidized projects that might also receive low-income housing State property tax exemption. Excluding these subsidized projects, \$6.6 million would have been deferred, and \$5.4 million would have been redistributed to other taxpayers.

# MFTE Program Benefits

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- Creating thousands of homes affordable to low- to moderate-wage earners
- Harnesses growth in new development for affordable housing
- Achieves significant rent buy-down citywide:
  - ▣ Studios – Nearly \$400/mo. rent buy-down
  - ▣ 1BR – More than \$500/mo. rent buy-down
  - ▣ 2BR – Nearly \$600/mo. rent buy-down

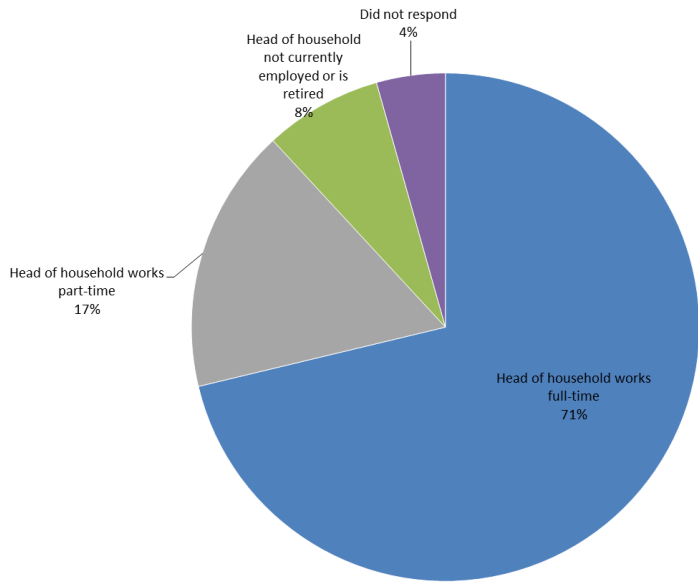


# Helping People who Work in Seattle Live in Seattle

- Employed in a variety of jobs
- Majority working full-time

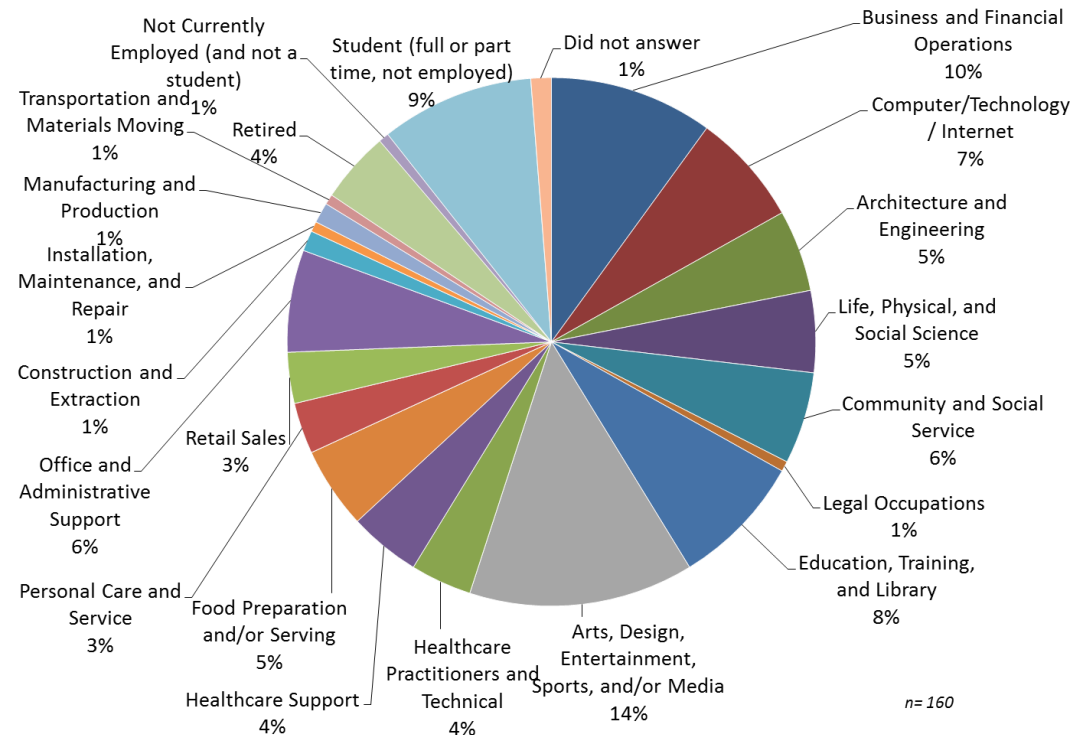
- Fewer than 10% students
- MFTE affordable homes located near major job centers

**MFTE Head of Household Employment Status**



n=160

**MFTE Head of Household Current Occupation**



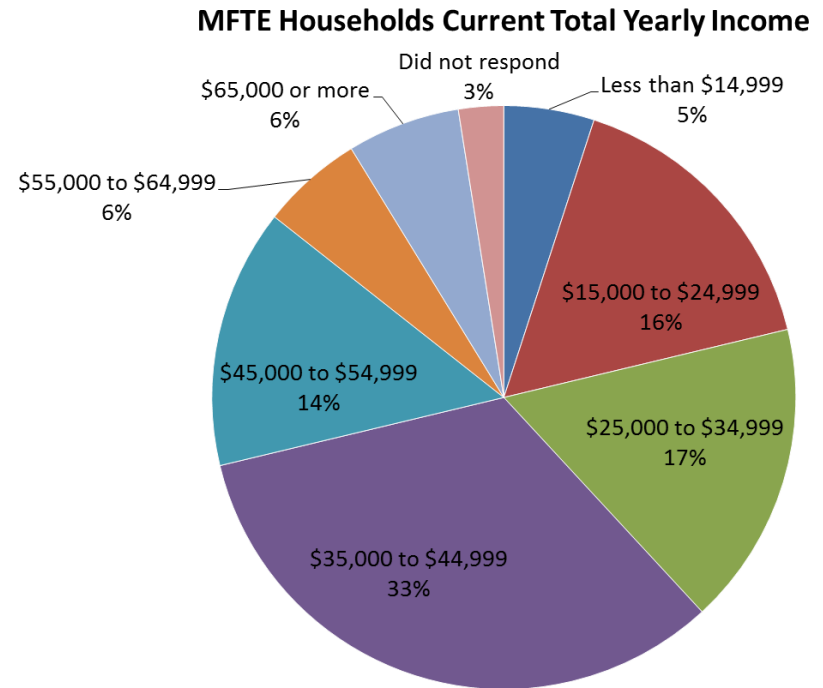
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# Serving Low- and Moderate-Wage Households

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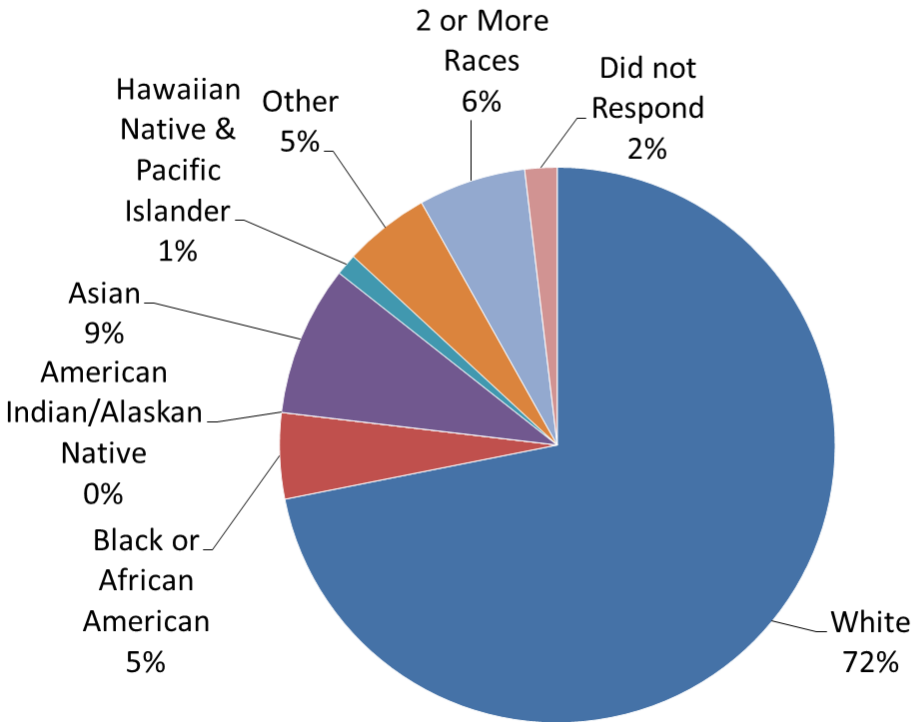
Average MFTE household size and income at point of move-in:

- ❑ Studio – 1 person, \$21,176
- ❑ 1BR – 1.4 people, \$37,386
- ❑ 2BR – 2.4 people, \$48,695
- ❑ Two-thirds of households earn below \$45,000

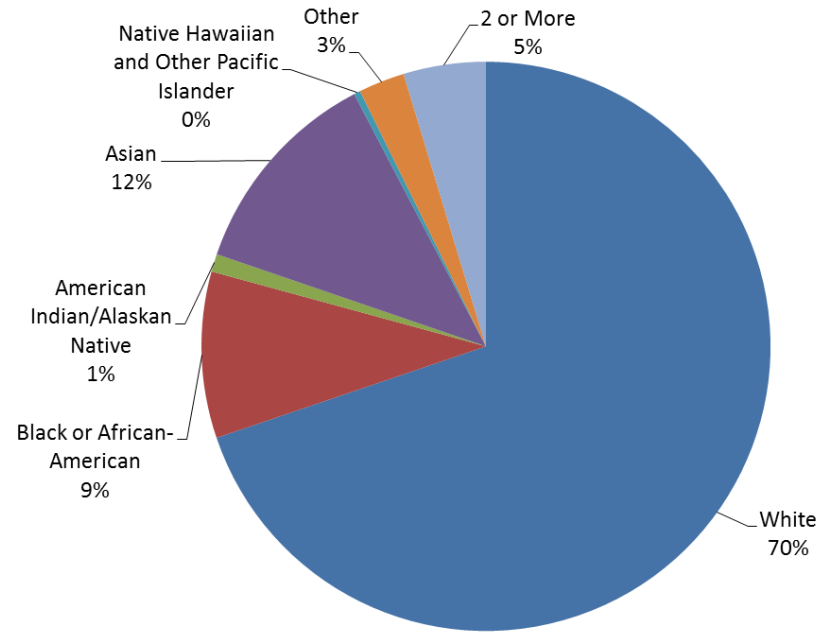


# Reflecting Seattle's Demographics

## MFTE Head of Household by Race



## Race of Householder in Renter-Occupied Homes, Seattle



Source: US Census Bureau, 2010 Census

# Response to 2012 Audit

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- 2012 City audit identified 19 recommendations
- Included action items for both OH and Council
- Substantial progress in tightening compliance
- OH has implemented most administrative recommendations, e.g.:
  - Improved oversight: new compliance position, on-site file audits to verify incomes and rents
  - Better documentation: thorough program guidance, new landlord reporting protocols
  - Streamlined processes: greater automation underway
- For legislative changes, upcoming program renewal presents a fresh opportunity, e.g.:
  - Reconsideration of program goals
  - Requirements for income requalification
  - Tighter definitions to eliminate gray areas