

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Sections 5.73.010, 5.73.020, 5.73.030, 5.73.040, 5.73.050, 5.73.060, 5.73.070, 5.73.080, 5.73.090, 5.73.100, and 5.73.110, adding Section 5.73.105, and repealing Section 5.73.120 of the Seattle Municipal Code to renew and modify the Multifamily Housing Property Tax Exemption program.

Summary and background of the Legislation:

The proposed legislation would:

- Encourage inclusion of family-size units in more MFTE-participating buildings
- Expand geography from 39 targeted areas to all land zoned for multifamily
- Facilitate a broader range of unit types in MFTE (congregate residences and 3BR units)
- Calibrate affordability requirements to ensure adequate public benefit in balance with incentive value
- Establish annual income re-certification requirement for tenants
- Increase application fee to fund enhanced compliance function
- Narrow MFTE program goals
- Establish initial lease-up report requirement
- Restrict up-front application fees that properties may charge prospective MFTE renters
- Require deduction of mandatory recurring fees (e.g. renters' insurance) from affordable rents
- Remove ambiguity in determining emerging unit types by establishing "bedroom" definition and improving floor plan requirements
- Remove expiration date

The current MFTE program is set to expire on December 31, 2015. The proposed legislation would renew the program with various amendments to existing code.

The initial MFTE program was established in 1998 as Chapter 5.72 of the Seattle Municipal Code ("SMC") pursuant to Ordinance 119237 and amended in 2000 pursuant to Ordinance 120135. The current MFTE program was established in 2004 as SMC Chapter 5.73 pursuant to Ordinance 121415, with subsequent renewals taking effect in 2008 and 2011 pursuant to Ordinances 122730 and 123550, respectively. The program was also amended in 2005, 2011, and 2015 pursuant to Ordinances 121915, 123727, and 124724, respectively

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation has direct financial implications.

Budget program(s) affected:	Community Development - 16600			
Estimated \$ Appropriation change:	General Fund \$		Other \$	
	2015	2016	2015	2016
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2015	2016	2015	2016
Positions affected:	No. of Positions		Total FTE Change	
	2015	2016	2015	2016
Other departments affected:				

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/#*	2015 Appropriation Change	2016 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

The current fee level does not adequately support the costs of operating the program. OH's annual costs to run the program are subsidized by fund balance, which will be depleted in the next 2-3 years. The expenses to operate the program will not change, and therefore no appropriation change is necessary, but OH will now have a sustainable funding source for the program.

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
Office of Housing Operating Fund, 16600	Office of Housing	MFTE Application Fees		A projected annual increase of approximately \$300,000
TOTAL				

Revenue/Reimbursement Notes:

The increase in anticipated revenue is a direct result of the increase in the application fee included in the legislation. The legislation changes the fee from \$3400 for mixed-use projects and \$3000 for residential projects, to \$10,000 for general applications and \$4,500 for applications from projects if at least seventy-five (75) percent of the total units in a project for which a tax exemption is sought are Affordable Units. The increase will generate an estimated \$300,000 more to support the management and monitoring of the MFTE program, which is currently not a self-supporting program.

Based on initial discussions with developers, we do not anticipate that the increase in application fees will have a material effect on program participation overall. The application fee constitutes a very small proportion of projects' total development budgets, and a reasonable increase in the fee would likely dissuade very few if any property owners from applying for the tax exemption. In some limited cases of smaller buildings, the increased application fee may have an impact on whether a developer chooses to participate in the program.

The fiscal note does not assume any changes to property tax revenues in 2016. Expanding the geography from 39 targeted areas to all land zoned for multifamily may create incentives for additional projects with low-income units. Any property tax revenue impacts would be in later years and cannot be estimated at this time.

3.c. Positions

_____ This legislation adds, changes, or deletes positions.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2015 Positions	2015 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

Position Notes:

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
No.
- b) **Is there financial cost or other impacts of not implementing the legislation?**
The City stands to lose potential revenue from application fees if the legislation is not implemented.
- c) **Does this legislation affect any departments besides the originating department?**
No.
- d) **Is a public hearing required for this legislation?**
Yes. Per RCW 84.14.040 a public hearing is required for the designation of a residential targeted area. Public hearing is set for September 17 at 9:30 am at CHAHSER.
- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
Yes. Per RCW 84.14.040, notice has to be given in two consecutive weeks with the second notice not less than 7 days before the hearing for the designation of a residential targeted area. The City Attorney's Office is currently reviewing the public notice, which is set for publication.
- f) **Does this legislation affect a piece of property?**
The proposed legislation would enable MFTE participation in all areas zoned for multifamily use. The proposed legislation includes a map illustrating all multifamily areas in the city.
- g) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**
Yes. The proposed legislation increases the availability of affordable housing in the City, which can advance racial equity. The Office of Housing is using the racial equity toolkit to inform program renewal.
- h) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**
N/A
- i) **Other Issues:**

List attachments/exhibits below: