

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
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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 Chapter 5.73 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 renews the MFTE program with emphasis on maintaining estimated Program 5 participation rates. Specifically, the legislation modifies requirements for renter-occupied Multifamily Housing, improves readability, deletes duplicative provisions, clarifies deadlines and requirements, and facilitates more streamlined program administration of Chapter 5.73. Changes include:

- Reductions to the affordability levels for MFTE studio and one-bedroom units from the current 65 percent and 75 percent respectively, to 60 percent and 70 percent.
- Increases the affordability levels for buildings with only Small Efficiency Dwelling Units from 40 percent AMI to 50 percent AMI.
- To qualify for the lower 20% MFTE Unit set-aside, eight percent of units in the project must be 2+ bedroom units.
- An Area Median Income (AMI) moderator was added. In years where AMI increases, income and rent increases will be restricted to the percentage increase in AMI or 4.5%, whichever is lower. In years where AMI decreases, rent and incomes will remain the same until such time as AMI increases again.
- Language was added regarding affirmative marketing and equal access to amenities, similar to other incentive housing programs.
- The legislation clarifies that the Office of Housing must receive a complete MFTE application. This eliminates up to two separate 28-day rounds of back and forth between the Owner and staff to collectively work on completion of the application, while continuing to allow for flexibility for additional information to be sought or provided as needed.
- Provides added flexibility by allowing applications to be submitted up to six months prior to completion as documented by temporary certificate, or - if no temporary C of O - a

permanent certificate of occupancy, or - if no certificate of occupancy is required - a final building inspection (all verifiable in Accela)

- The legislation includes a new deadline of 60 days prior to expiration for requests for extension of the Conditional Certificate of Tax Exemption. This enables staff sufficient time to review and respond to requests before expirations occur. If a Conditional Certificate expires and a request for extension is not received, the legislation clarifies that the City shall assume the MFTE application has been withdrawn by the Owner.
- The legislation also includes a new deadline for applications for Final Certificates for Tax Exemption – 30 days within completion of the project. This is necessary because the Compliance Period, which includes lease up of MFTE Units by Eligible Households, starts upon the date of the Final Certificate.
- The legislation maintains Congregate Residences as an eligible unit type and provides clarification that Congregate Residences, which provide for sleeping rooms rather than Dwelling Units, do not qualify for the lower 20% MFTE Unit set-aside.

The current MFTE program is set to expire on December 31, 2019. The proposed legislation renews the program for four years.

**2. CAPITAL IMPROVEMENT PROGRAM**

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

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation amend the Adopted Budget?       Yes  No

Appropriation change (\$):	General Fund \$		Other \$	
	2019	2020	2019	2020
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2019	2020	2019	2020
				\$3,000
Positions affected:	No. of Positions		Total FTE Change	
	2019	2020	2019	2020

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

- The MFTE program includes taxes that are both shifted to other taxpayers and foregone revenue.

- a. Shifted amounts are paid by other taxpayers. In 2019, there are 4,827 affordable MFTE units (including units in market rate projects and projects with additional affordability restrictions) and the shifted tax payment was \$22.58M.
- b. Foregone amounts are not collected at all, resulting in less funds for the City, County, State and other jurisdictions like school districts. In 2019, there were 4,827 affordable MFTE units (including in market-rate projects and projects with other affordability restrictions), resulting in \$7.5M in forgone revenue to the City. This amounts to \$21.66M over 5 years of the program.

**Is there financial cost or other impacts of *not* implementing the legislation?**

MFTE is the City’s largest annual affordable rental production program and one of the City’s only tools to provide rental household to incomes between 60-80% AMI. If this legislation did not pass, the City would lose a program that on average produces approximately 600 units per year of rental housing affordable to households between 60-80% AMI.

The City stands to lose potential revenue from fees for requests for extensions of Conditional Certificates of Tax Exemption if the legislation is not implemented.

**3.a. Appropriations**

This legislation adds, changes, or deletes appropriations.

**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	2019 Revenue	2020 Estimated Revenue
Office of Housing Operating Fund, 16600	Office of Housing	MFTE Fees		A projected annual increase of \$3,000
<b>TOTAL</b>				

**Is this change one-time or ongoing?**

Ongoing

**Revenue/Reimbursement Notes:** The fee for requests for extension of a Conditional Certificate of Tax Exemption is increased from \$200 to \$500. This increase more accurately reflects the cost of staff review time and ongoing tracking of MFTE projects, which may be awarded extensions for up to 24 months. The \$10,000 MFTE application fee remains the same. The 2020 estimated revenue number in the box above applies only to the fee increase of \$300 for an estimated 10 extensions of Conditional Certificates.

### 3.c. Positions

\_\_\_\_\_ This legislation adds, changes, or deletes positions.

### 4. OTHER IMPLICATIONS

**a. Does this legislation affect any departments besides the originating department?**

No

**b. Is a public hearing required for this legislation?**

No, the public hearing required by RCW 84.14.040 for designation of the Residential Targeted Area was held on September 17, 2015 prior to City Council adoption of Ordinance 124877.

**c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

Yes. A copy of SMC 5.73, as amended, and summary of the legislation is posted electronically on the Office of Housing's website and changes to the legislation will be posted on the City Council's Full Council and committee agendas.

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

No. Notice per RCW 84.14.040 is for the public hearing for designation of the Residential Targeted Area, which was satisfied prior to adoption of Ordinance 124877.

**e. Does this legislation affect a piece of property?**

The proposed legislation continues to enable special property tax valuations for multifamily development in all zones in Seattle zoned for multifamily use.

**f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

The legislation increases the availability of affordable housing in areas where developers/Owners take advantage of the property tax exemption.

**g. 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).**

N/A

**List attachments/exhibits below:**