

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO 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, 5.73.040, 5.73.090, 5.73.100, 5.73.105, and 5.73.110 of the Seattle Municipal Code to allow extended property tax exemptions under certain conditions; to allow exemptions for up to 20 years for permanently affordable homeownership; to add reporting requirements for permanently affordable homeownership; and to make technical changes, consistent with chapter 84.14 of the Revised Code of Washington as amended.

Summary and background of the Legislation:

The MFTE Program exempts the residential portion of a building from property taxes for owners who income and rent restrict 20% or 25% of the units in newly constructed buildings. Currently, the tax exemption and unit restrictions expire after 12 years. State law establishes minimum program requirements and gives local municipalities discretion to adopt additional conditions. Seattle’s program has been in place since 1998 and has been renewed six times; income and rent levels for set-aside MFTE units have generally become lower over time; the current iteration of the MFTE program expires on December 31, 2023; renewal will be considered in 2023. .

The legislation addresses required and time sensitive changes either authorized or required by chapter 84.14 RCW, as amended by SB 5287, which the state legislature passed in the 2021 legislative session. Specifically, the legislation:

- Provides a 12-year extension option to MFTE properties expiring in 2021 and 2022
- Provides a 20-year exemption option for permanently affordable homeownership projects.
- Adds the minimum tenant protection requirements under the RCW into the SMC.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

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?

There are two ways to evaluate the MFTE program’s tax impacts and cost. The first and simplest approach quantifies the amount of exempted property tax burden – that is, the amount of property tax that MFTE property owners collectively avoid in a given year by providing income and rent-restricted set-aside units. Other taxpayers (non-exempt) absorb this tax burden. The second way of evaluating MFTE’s tax impacts and cost considers the amount of net new property tax revenue that MFTE properties’ new construction value would have generated absent MFTE. As intended under State law, the majority of that potential revenue is forgone when MFTE properties’ new construction value is excluded from the tax base for the duration of the exemption period. The remainder of the net new revenue is collected, with the associated net new tax burden shifted to other taxpayers.

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

If the legislation is not adopted, owners of properties with expiring MFTE will begin paying the taxes on the residential improvements in those properties. County tax revenues will increase as expected and there will be no impacts to the City’s General Fund.

3.a. Appropriations

 This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2021 Revenue	2022 Estimated Revenue
16600 / Office of Housing Operating Fund	OH	Application fees for an additional 12-year property tax exemption; the fee would be same as required for applications for owners of newly constructed properties; revenues are used for MFTE program administration, including compliance monitoring over the 12-year exemption period	\$49,000	\$50,000
TOTAL			\$49,000	\$50,000

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?

Is this change one-time or ongoing?

Anticipated revenue is one-time.

Revenue/Reimbursement Notes:

Revenue estimates assume that in owners of all 11 multifamily properties with MFTE expiring in 2021 and 2022 will apply to extend their property tax exemptions for an additional 12 years. Two of the 11 properties are affordable housing and qualify for lower fees.

3.c. Positions

___ This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

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

County tax revenues will be impacted if property tax exemptions are extended for another 12 years for multifamily properties. Expenses paid from the City of Seattle's General Fund are supported primarily by taxes and the most significant revenue source is the property tax.

b. Is a public hearing required for this legislation?

No

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

No

d. Does this legislation affect a piece of property?

The legislation allows owners of 11 multifamily properties totaling 2,267 units to extend their exemptions from ad valorem property taxation for an additional 12 years. The properties are in the following residential submarkets: 23rd & Union-Jackson, Ballard, Bitter Lake, Capitol Hill, Chinatown/ID, Eastlake, Northgate, and West Seattle Junction.

e. 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?

MFTE tenants (typically 65-90% AMI) appear to be disproportionately white as compared to lower income populations. In 2020, OH began requiring MFTE property owners to ask tenants for demographic information, which will help OH evaluate the degree to which MFTE achieves racially equitable outcomes.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No

- 2. 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

- 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: