

Multifamily Tax Exemption Program: Updates to Accommodate Recent Changes in State Law

Housing & Finance Committee Presentation
September 10, 2021



City of Seattle

Multi-Family Tax Exemption (MFTE) Overview

- 12-year property tax exemption for income and rent restrictions on 20% or 25% of units
- Program is voluntary; buildings can exit at any time
- High production of income and rent restricted housing as a result of steady program participation;
- 5,400 MFTE rental units currently in service, generally between 60-85% AMI.
- Authorized by state and implemented locally



Changes at the state level

Changes made to RCW authorizing the MFTE program during the 2021 legislative session, including:

- 12-year extension option
- Tenant relocation assistance & notification
- 20-year exemption - permanently affordable homeownership
- Labor equity requirements can be a condition of participation

Proposed Legislation - Approach

- Update SMC now to accommodate required or time sensitive changes
- Resolution with intent to address other programmatic issues during renewal in 2023

Proposed Legislation - Summary

- **Update 1:** Extension option for properties expiring over next 2 years
- **Update 2:** Supporting tenant stability
- **Update 3:** 20-year exemption option for permanently affordable homeownership projects
- **Accompanying resolution:** Address other program priorities in 2023

Update 1: Extension Option for Rental Projects

- 9 projects with 350 MFTE units expiring in 2021 & 2022
- Deeper affordability levels than what is required for new developments
- Current programmatic requirements will apply
 - 4.5% rent moderator
 - Annual income certification

Update 1: 2021 & 2022 Expiring Projects

PROPERTY	Neighborhood	MFTE Units
THE MURAL APTS	West Seattle	28
THORNTON PLACE	Northgate	56
PRATT PARK	Central Area	49
ALTAMIRA APTS	West Seattle	32
BROADWAY BUILDING	Capitol Hill	19
EQUINOX APTS	Eastlake	41
ASCONA APTS	Chinatown/ID	12
PATENT 523	Capitol Hill	59
BALLARD ON THE PARK	Ballard	54

Update 1: Proposed Affordability Limits for Extensions

- MFTE projects receiving an extension will be 13-24 years old
- RCW requires extending properties meet current program requirements
- Extension proposal calibrated to result in continued participation, given lower rents in older buildings as compared to comparable newer buildings

Update 1: Proposed Affordability Limits

Unit Type	Current Affordability Limits for Expiring Projects (Program 3)	Affordability Level for New Projects (Program 6)	Proposed Affordability Level for Extensions (RCW caps at 80% AMI)
SEDUs* (some units in project)	80%	40%	30%
SEDUs* (all units in project)	80%	50%	40%
Studios	80%	60%	50%
1-bedrooms	80%	70%	60%
2-bedrooms	90%	85%	75%
3-bedrooms	90%	90%	80%

*This designation will apply to units under 400 net square feet, since expiring properties pre-dated SEDUs in the land use code.

Update 2: Supporting Tenant Stability

- Tenants within new income guidelines will get new, lower rents once current lease expires
- Tenants within old income limits but over new income limits will be grandfathered in at old MFTE rents levels
- At unit turnover, all MFTE units will convert to new limits

Update 2: Transitioning Rents Upon Extension

	Current MFTE Rents for Expiring Properties (Program 3)	Proposed MFTE Rents for Extensions
< 400 NSF	N/A	\$607
Studio	\$1,619	\$1,012
1 bedroom	\$1,815	\$1,388
2 bedroom	\$2,343	\$1,952

Update 2: Tenant Relocation Assistance

- Property owners must pay tenants at or below 80% AMI one month's rent within 90 days of rent restriction ending. Applies to:
 - New projects authorized after July 25, 2021
 - Projects choosing an extension
- In each of the final two years of rent restrictions, the property owner must provide notice of the above relocation assistance by Sept 30 to households occupying MFTE units.

Update 3: Supporting Permanently Affordable Ownership Projects

- RCW now allows a 20-year exemption for permanently affordable homeownership projects:
 - 99-year ground lease
 - Re-sale restricted to households at 80% AMI
 - On-going enforcement by a qualified non-profit organization
- Change supports 5 permanently affordable projects in the pipeline with more projects anticipated

Accompanying Resolution to Address Other Priorities

- MFTE program will:
 - ✓ Achieve affordable housing
 - ✓ Advance labor equity outcomes
 - ✓ Provide extension options for projects expiring after 2022
- OH to provide information and analysis during renewal consideration
- Input will be gathered from a variety of stakeholders, including developers, tenants, affordable housing organizations and labor.

Questions?