



SEATTLE CITY COUNCIL

Finance and Housing Committee

Agenda

Friday, September 10, 2021

9:30 AM

Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or
Seattle Channel online.

Teresa Mosqueda, Chair
Lisa Herbold, Vice-Chair
M. Lorena González, Member
Andrew J. Lewis, Member
Dan Strauss, Member
Tammy J. Morales, Alternate

Chair Info: 206-684-8808; Teresa.Mosqueda@seattle.gov

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SEATTLE CITY COUNCIL
Finance and Housing Committee
Agenda
September 10, 2021 - 9:30 AM

Meeting Location:

Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or Seattle Channel online.

Committee Website:

<http://www.seattle.gov/council/committees/finance-and-housing>

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

In-person attendance is currently prohibited per Washington State Governor's Proclamation 20-28.15, until the COVID-19 State of Emergency is terminated or Proclamation 20-28 is rescinded by the Governor or State legislature. Meeting participation is limited to access by telephone conference line and online by the Seattle Channel.

Register online to speak during the Public Comment period at the 9:30 a.m. Finance and Housing Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Online registration to speak at the Finance and Housing Committee meeting will begin two hours before the 9:30 a.m. meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Submit written comments to Councilmember Mosqueda at Teresa.Mosqueda@seattle.gov

Sign-up to provide Public Comment at the meeting at <http://www.seattle.gov/council/committees/public-comment>

Watch live streaming video of the meeting at <http://www.seattle.gov/council/watch-council-live>

Listen to the meeting by calling the Council Chamber Listen Line at 253-215-8782 Meeting ID: 586 416 9164

One Tap Mobile No. US: +12532158782,,5864169164#

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

1. Strategic Investment Fund Proviso Lift

Supporting Documents: [Presentation](#)

Briefing and Discussion

Presenters: Ricco Quirindongo, Interim Director, Ubax Gardheere and Giulia Pasciuto, Office of Planning and Community Development; Traci Ratzliff and Lish Whitson, Council Central Staff

2. [CB 120156](#) **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.

Supporting

Documents:

[Summary and Fiscal Note](#)

[Presentation](#)

Briefing, Discussion, and Possible Vote

Presenters: Joy Hunt and Jennifer LaBrecque, Office of Housing; Traci Ratzliff, Council Central Staff

3. [Res 32017](#) **A RESOLUTION** calling for research, engagement and presentation of information to the Mayor and City Council on the Multifamily Tax Exemption (MFTE) program prior to considering renewal of the program in 2023.

Supporting

Documents:

[Summary and Fiscal Note](#)

Briefing, Discussion, and Possible Vote

Presenters: Joy Hunt and Jennifer LaBrecque, Office of Housing; Traci Ratzliff, Council Central Staff

E. Adjournment



Legislation Text

File #: Inf 1866, **Version:** 1

Strategic Investment Fund Proviso Lift



Strategic Investment Fund

Proviso Lift Legislation
Housing and Finance Committee
September 10th, 2021

Presentation Objectives

1. Background on Strategic Investment Fund (SIF)
2. Summary of RFP and Decision Process
3. Overview of Legislation and Next Steps

What is the Strategic Investment Fund (SIF)?

\$30 Million fund for acquisition of land and real estate originally created from the sale of City owned property in South Lake Union and formally allocated in the 2021 budget.

SIF Outcomes

The primary objectives of the SIF are:

- Respond to immediate displacement pressures.
- Create long-term impact by strengthening community relationships and growing community wealth in historically marginalized communities.
- Co-locate affordable housing with other community benefits such as affordable commercial spaces, public open spaces, cultural spaces, and childcare facilities.
- Fill gaps in the existing funding for community development.

2021 Timeline

June 2
RFP Published

July 14
Applications Due

September
Council approves
final spending plan

Info Sessions: Join one!
June 9 | June 15 | June 29

July & August
Review committee reads
and scores applications

SIF Underlying Criteria

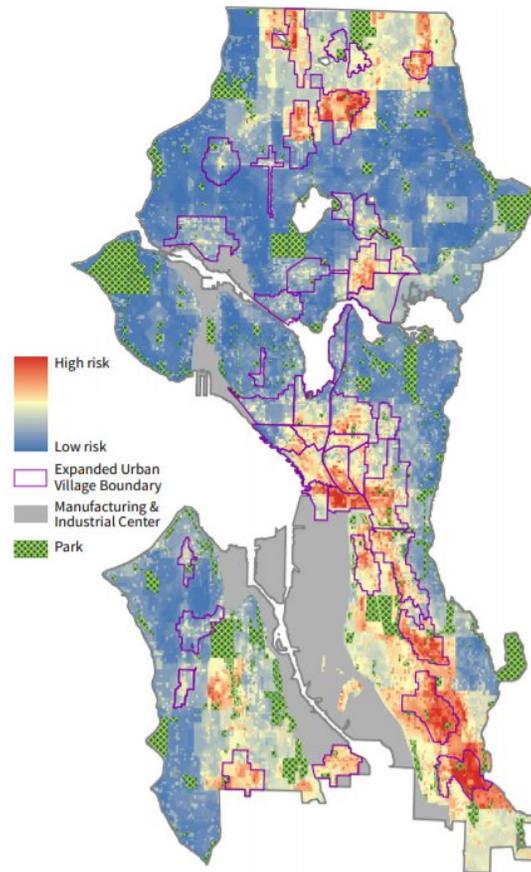
- Award must be used for acquisition of real estate, which could include:
 - Land
 - Land and Buildings
 - Buying a portion of an existing or planned development (i.e. the ground floor “condo” of an affordable housing project)
- Award cannot be used for:
 - Capacity building
 - Construction
- Maximum award: \$5 million
- No minimum award

Geography Criteria

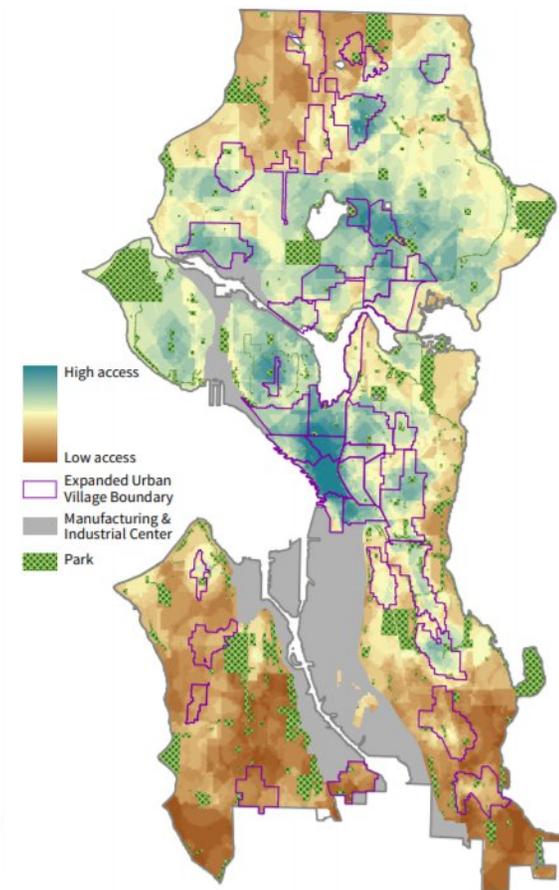
1. Located in the City of Seattle
2. High Displacement Risk and/or
3. Low Access to Opportunity
4. Proximity to significant planned or recent investments in parks and transportation

“We hope these criteria feel expansive, please tell us how you think your proposed site meets the geographic goals.”

Displacement Risk Index



Access to Opportunity Index



Who Could Apply?

- **Community Based Organizations** representing communities at highest risk of displacement, or who have been displaced from the geographic focus areas, including Black, Indigenous, people of color (BIPOC), Queer and Trans BIPOC (QTBIPOC), and low-income communities.
- **Commercial or residential tenants** at risk of displacement, including BIPOC, QTBIPOC, and low-income tenants and businesses, with an idea or momentum for community and wealth-building experiments in their building.
- **Property owners** in geographic focus areas interested in discounting their land and providing public benefits for communities experiencing displacement.
- **Developers or owners of affordable housing** projects with vacancies in commercial spaces, who are interested in offering community ownership opportunities in the building.

Community Advisory Group (CAG)

Representatives from

- Community based organizations
- Equitable development practitioners
- Philanthropy
- Funders
- Members of the Equitable Development Initiative, Equitable Communities Initiative Taskforce, and Cultural Space Agency

Application Review Process

100 applications received, totaling over \$330 Million in asks

CAG members sign conflict of interest and non-disclosure agreements

1st Round: CAG split into four groups (to manage conflicts of interest and assign reasonable reading list), each group reviews 25 applications and advances 5

2nd Round: Each CAG member reviews remaining 20 applications

Facilitated consensus process to identify \$30m in awards

Evaluation Criteria and Rubric

Criteria	Low Scoring	High Scoring
Build assets and wealth	No path to wealth-building for historically marginalized communities.	Transformational, generational opportunity for asset- and wealth-building.
Builds community	Does not build community consensus or collective vision.	Systemic community impact beyond this one project that serves as an example for future projects.
Responds to imminent displacement pressures	Proposal does not have imminent displacement impact.	Proposal addresses urgent displacement of residents, business tenants, and/or community institutions.
Project Readiness	Project is in an ideation stage and has an opportunity to address significant issues that would limit the project's implementation.	The organization, factoring in proposed capacity building, has a clear idea of how to deliver on the proposal and has adequately identified potential risks and mitigation.
Advances community capacity building for development and community self determination	Project does not advance community capacity for development and does not show how communities will have control over project outcomes and benefits.	Systemic community impact beyond this one project that serves as an example for future projects. Creates new models for community development.
Amplifies resources	Project has not identified other resources or cost-saving strategies.	Amplifies systemic resources, including community investment and non-financial resources.

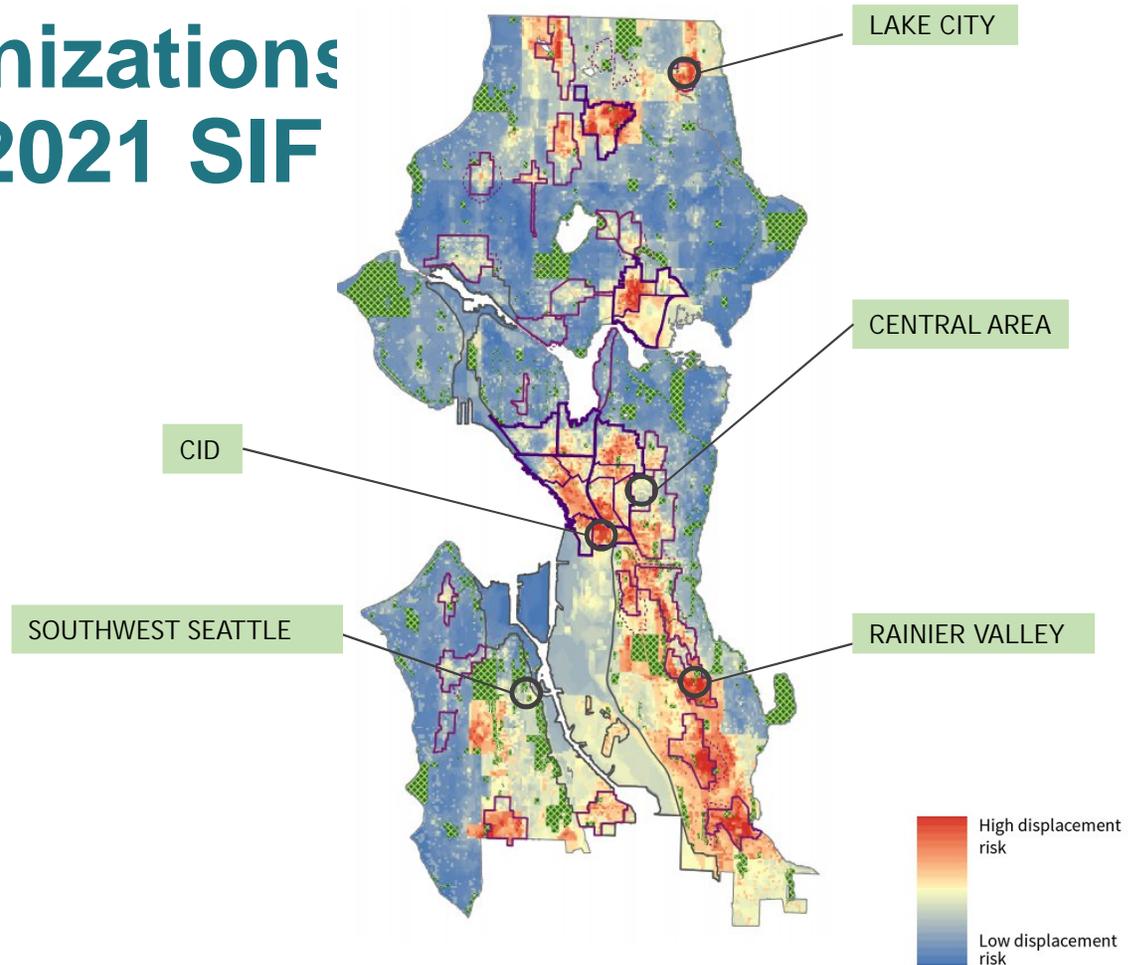
13 Projects/Organizations Selected for the 2021 SIF

Demographics:

- Black-led
- Indigenous Led
- Mixed BIPOC-led

Public Benefits:

- Affordable housing for Families and Seniors
- Childcare
- Cultural space
- Community space
- Small business incubation and preservation
- Open space
- Historic Preservation



Proviso Lift Legislation

Background

- 2021 Adopted Budget included \$30 Million for strategic land acquisition
- Council appropriated funds with a proviso, pending a spending plan from the Executive
- Spending plan determined through RFP process and decision making

Next Steps

- Legislation moves the \$30 Million allocation from Finance General to OPCD.
- Once proviso is lifted, OPCD will begin contracting process.
- Awards will not be announced publicly at this time due to sensitive nature of real estate transactions.
 - Will announce individual awards on a rolling basis once transactions finalize.

Contact

Rico Quirindongo, Interim Director

Ubax Gardheere, EDI Division Director

Giulia Pasciuto, EDI Division Staff



Legislation Text

File #: CB 120156, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

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.

WHEREAS, the state Legislature intends to achieve multiple goals by authorizing exemptions for the value of new multifamily housing from ad valorem property taxes, including increasing both affordable housing and market-rate workforce housing, creating permanently affordable homeownership opportunities, encouraging urban development and density, promoting economic investment and recovery, and creating family-wage jobs; and

WHEREAS, chapter 84.14 of the Revised Code of Washington (RCW) establishes minimum requirements for multifamily property tax exemptions and authorizes local jurisdictions to adopt or implement more stringent requirements, including a greater number of affordable units as a share of total residential units and deeper affordability for lower-income households; and

WHEREAS, in 2021, the state Legislature adopted Senate Bill (SB) 5287, amending chapter 84.14 RCW, which authorizes multifamily property tax exemptions under certain conditions; and

WHEREAS, chapter 84.14 RCW, as amended, authorizes local jurisdictions to extend multifamily property tax exemptions for an additional 12 years if, at a minimum, the owner agrees to meet the locally adopted requirements for new projects receiving a property tax exemption, as applicable at the time of

application for an extension; and

WHEREAS, chapter 84.14 RCW states that requirements for a multifamily property tax exemption should be relative to the size of the project and value of the property owner's tax benefit; and

WHEREAS, Chapter 5.73 of the Seattle Municipal Code, 2004 Multifamily Housing Property Tax Exemption Program, was adopted by Ordinance 121415 and amended by Ordinances 121700, 121915, 122730, 123550, 123727, 124877, 124919, and 125932; and

WHEREAS, Chapter 5.73 increases affordable housing opportunities in new multifamily housing by providing for special valuations of eligible improvements in areas zoned for multifamily development; and

WHEREAS, the City seeks to promote housing affordable to lower-income households in locations that help increase access to education, employment, and social opportunities, while supporting a more inclusive city and reducing displacement from Seattle neighborhoods or from the city as a whole; and

WHEREAS, the City seeks to increase permanently affordable homeownership opportunities; NOW,
THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.73.010 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.010 Purpose

The purpose of this Chapter 5.73 is to increase and maintain affordable housing opportunities in new and existing multifamily housing, including through rehabilitation of vacant buildings, within the city of Seattle. To achieve these purposes, this Chapter 5.73 provides for special valuations of eligible improvements in areas zoned for multifamily developments. In addition to increasing affordable housing, Chapter 5.73 seeks to affirmatively further fair housing as Seattle grows. Chapter 5.73 is intended to and should be interpreted and construed to comply with chapter 84.14 RCW.

Section 2. Section 5.73.020 of the Seattle Municipal Code, last amended by Ordinance 126278, is

amended as follows:

5.73.020 Definitions

“Affordable rent” means monthly rent plus tenant-paid utilities and any mandatory recurring fees required as a condition of tenancy for ~~((a dwelling unit, SEDU, or congregate residence sleeping room))~~ an MFTE unit that does not exceed 30 percent of the monthly percentage of median income ((as designated by this Chapter 5.73)) required by subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable.

“Affordable sale price” means a sale price for an MFTE unit that is affordable to an eligible household according to subsection 5.73.040.C.1.a or subsection 5.73.040.C.1.b, as applicable, as calculated by the Office of Housing according to a methodology consistent with subsection 5.73.040.C.

“Assessor” means the King County Assessor.

“Bedroom” means a ~~((habitable room))~~ sleeping area in a dwelling unit that meets the following criteria: (1) ~~((gross floor area equals at least 70 square feet))~~ requirements for a habitable space, as defined by Chapter 2 of the Seattle Building Code; (2) ~~((wall dimensions equal at least 7 feet))~~ minimum room widths and ceiling heights according to section 1207.1 and section 1207.2 of the Seattle Building Code; (3) natural ~~((lighting is provided through an exterior opening in accordance with Section 1204.2.2 of the Seattle Building Code, or through an opening to an adjoining room in accordance with Section 1204.2.1))~~ light requirements according to section 1204.2 of the Seattle Building Code; (4) natural ventilation ~~((is provided through an exterior opening in accordance with Section 1202.5.1 of the Seattle Building Code, or through an opening to an adjoining room in accordance with Section 1202.5.1.1 of the Seattle Building Code, or through an opening below grade in accordance with Section 1202.5.1.2))~~ requirements according to section 1202.5 of the Seattle Building Code; and (5) ~~((the habitable room is completely separated))~~ complete separation of the habitable space from other portions of the dwelling unit by walls and one or more exit access doorways, consistent with Chapter 2 of the Seattle Building Code.

“Compact unit” means a residential unit that is a SEDU, a congregate residence sleeping room, or a unit

with net unit area of 400 square feet or less, regardless of the number of bedrooms.

“Compliance period” means the period beginning ~~((with))~~ on the date of the Final Certificate and ending on December 31 of the ~~((twelfth))~~ final year of tax exemption according to Section 5.73.090.

“Congregate residence” is defined according to Section 23.84A.006.

“Conditional Certificate” means a Conditional Certificate of Tax Exemption.

“Contract” means the standard form agreement, prepared by the Office of Housing, between the owner ~~((of the multifamily housing))~~ or, for permanently affordable homeownership, a qualified non-profit organization and the City that contains the terms and conditions, including ~~((designation of and requirements))~~ for each MFTE ~~((units))~~ unit as designated according to the Final Certificate, for the duration of the compliance period as a condition of eligibility of the Multifamily Housing for a property tax exemption according to this Chapter 5.73.

“Director” means the Director of the ~~((City’s))~~ Seattle Office of Housing or any other City office, department, or agency that shall succeed to its functions with respect to this Chapter 5.73, or the Director’s authorized designee.

“Dwelling unit” is defined according to Section 23.84A.008.

“Eligible household” means:

1. ~~((A renter))~~ For renter-occupied multifamily housing, a household with total annual income, certified as a condition to initial occupancy of an MFTE unit, no greater than the applicable percentage of median income for the MFTE unit according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable ; or

2. ~~((An owner))~~ For owner-occupied housing, a household with total annual income, certified as a condition to purchase of an MFTE unit, no greater than the applicable percentage of median income for the MFTE unit according to subsection 5.73.040.C.1; or

3. ~~((A renter))~~ For renter-occupied housing, a household with total annual income verified upon

recertification according to Section 5.73.105 (~~((not to equal or exceed 1.5))~~) less than one and one-half times the maximum annual income for the MFTE unit according to the percentage of median income ((as designated)) according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable.

“Final Certificate” means a Final Certificate of Tax Exemption.

“Median income” means the annual median family income for the Seattle area, as published from time to time by the United States Department of Housing and Urban Development (HUD), with adjustments according to household size, which adjustments shall generally be based upon a method used by HUD to adjust income limits for subsidized housing, (~~(and)~~) which (~~((adjustments))~~) for purposes of determining affordability of rents or sale prices shall be based on the average size of household (~~((considered to correspond))~~) that corresponds to the size and type of the housing unit, all in a manner determined by the Director. In addition, further adjustments shall be made so that median income will not decrease from the prior year nor increase more than four and one-half percent from the prior year. The median income most recently published by the Director shall be used to calculate income limits and correlating rent or sale price limits. The Director may establish by rule the method for determining median income.

“MFTE unit” means a dwelling unit, SEDU, or congregate residence sleeping room in multifamily housing that is (~~((rented))~~) leased at an affordable rent to an eligible household according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable, or sold at an affordable sale price to an eligible household according to subsection 5.73.040.C.1.

“Multifamily housing” means the residential uses in (~~((one or more residential or mixed-use structures, each of which includes at least four net new dwelling units, SEDUs, or congregate residence sleeping rooms designed for permanent residential occupancy for which))~~) a project that may be eligible for a property tax exemption ((under)) according to this Chapter 5.73. ((may be eligible.))

“Owner” means the (~~((project))~~) owner or owners of record of the property that includes the multifamily housing. “Owner” shall not mean eligible household.

“Permanently affordable homeownership” means a dwelling unit that is:

1. Affordable housing as defined according to RCW 43.185A.010; and
2. Built by or sold to a qualified non-profit organization; and
3. Affirmatively marketed and sold to eligible households that receive homebuyer education and

counseling from a qualified non-profit organization; and

4. Subject to a 99-year ground lease or deed restriction, to be executed at initial sale and each

successive sale, that provides:

- a. Resale restrictions designed to provide affordability for eligible households with

annual incomes no higher than 80 percent of median income;

- b. A right of first refusal for a qualified non-profit organization to purchase the MFTE

unit at resale;

- c. Refinancing and home equity line of credit approval requirements; and

- d. Ongoing enforcement by a qualified non-profit organization.

“Permanent residential occupancy” means ~~((dwelling units, SEDUs, or congregate residence sleeping rooms))~~ residential units that provide permanent residences for ~~((renter or owner))~~ households. This excludes ~~((hotels, motels, short-term rentals,))~~ hotel, motel, and short-term rental units and other residences that predominately offer rental or vacation accommodations on a monthly, weekly, or daily basis.

“Project” means the project, as identified by ~~((a))~~ the current SDCI ~~((record))~~ building permit number with a CN or PH suffix, that includes the multifamily housing.

“Qualified non-profit organization” means a non-profit organization and any subsidiary or affiliate of such organization.

“Rehabilitation improvements” means the creation of at least four net new ~~((dwelling units, SEDUs, or congregate residence sleeping rooms))~~ residential units through either: (1) substantial improvements to a building that fails to comply with one or more applicable Seattle Building Code standards according to Title 22,

the residential portion of which has been vacant for at least 24 months prior to issuance of the first building permit; or (2) substantial improvements to a building that contains occupied residential units, provided the project causes no “displacement” as defined in subsection 22.210.030.E.

“Residential targeted area” means an area or areas designated by the City Council pursuant to this Chapter 5.73.

“SDCI” means the Seattle Department of Construction and Inspections.

“SEDU” means a “Dwelling unit - small efficiency” as defined according to Section 23.84A.008.

“Substantial compliance” means compliance with Title 22 building and construction codes applicable to rehabilitation improvements.

“Substantial improvement” (~~means any repair, reconstruction, rehabilitation, alteration, addition, or other improvement of a building or structure, the cost of which, in any five year period, equals or exceeds 50 percent of the market value of the structure before the improvement or repair is started. If the structure has sustained damage whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred, any repairs are considered substantial improvement regardless of the actual repair work performed~~) is defined according to the Seattle Existing Building Code, Chapter 2.

Section 3. Section 5.73.040 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.040 Eligibility

* * *

B. Additional requirements for renter-occupied multifamily housing:

1. ~~((H))~~ For an exemption according to subsection 5.73.090.A, if at least eight percent of the total ~~((dwelling))~~ residential units ~~((and SEDUs))~~ in the multifamily housing are configured with two or more bedrooms and the multifamily housing does not include a congregate residence, a minimum of 20 percent of the

total ~~((dwelling)) residential units ((and SEDUs in the multifamily housing))~~ shall be MFTE units promptly leased at affordable rents to eligible households with annual incomes at or below 40 percent of median income for SEDUs, ~~((within a building with a mix of unit types,))~~ at or below 60 percent of median income for studio units, at or below 70 percent of median income for one-bedroom units, at or below 85 percent of median income for two-bedroom units, and at or below 90 percent of median income for three-bedroom and larger units. ~~((This subsection 5.73.040.B.1 shall not apply to projects that include congregate residences.))~~

2. ~~((H))~~ For an exemption according to subsection 5.73.090.A, if fewer than eight percent of the total ~~((dwelling)) residential units ((, SEDUs, and congregate residence sleeping rooms)) in the multifamily housing are configured with two or more bedrooms or the multifamily housing includes a congregate residence, a minimum of 25 percent of total ~~((dwelling)) residential units ((, SEDUs, and congregate residence sleeping rooms in the multifamily housing)) shall be MFTE units promptly leased at affordable rents to eligible households with annual incomes at or below 40 percent of median income for congregate residence sleeping rooms, at or below 40 percent of median income for SEDUs ~~((within))~~ in a ~~((building with a mix of unit types)) project that also includes studio units, one-bedroom units, two-bedroom units, or three-bedroom units, at or below 50 percent of median income for SEDUs in ~~((buildings))~~ a project where 100 percent of the units are SEDUs, at or below 60 percent of median income for studio units, at or below 70 percent of median income for one-bedroom units, at or below 85 percent of median income for two-bedroom units, and at or below 90 percent of median income for two-bedroom and larger units. ~~((This subsection 5.73.040.B.2 shall apply to projects that include congregate residences.))~~~~~~~~

3. Each structure that comprises the multifamily housing, whether residential or mixed-use, shall include at least four net new residential units providing for permanent residential occupancy.

~~((3))~~ 4. If the total number of MFTE units calculated according to this subsection 5.73.040.B contains a fraction, then the number of MFTE units shall be rounded up to the next whole number.

~~((4))~~ 5. MFTE units ~~((, including when the MFTE units are in multifamily housing in more than~~

~~one building,)) shall ((generally meet)) satisfy the following requirements:~~

a. Distribution. Except as provided in subsection ~~((5.73.040.B.4.c, dwelling units, SEDUs, and congregate residence sleeping rooms in each building that comprises the multifamily housing))~~ 5.73.040.B.5.c, MFTE units shall be generally distributed throughout each structure ~~((in the development containing units))~~ that comprises the multifamily housing.

b. Comparability. ~~((Dwelling units, SEDUs, and congregate residence sleeping rooms in each building that comprises the multifamily housing))~~ MFTE units shall be generally comparable to the other units ~~((to be developed))~~ in each structure that comprises the multifamily housing in terms of the following:

- 1) Status as a dwelling unit, SEDU, or congregate residence sleeping room;
- 2) Number and size of bedrooms and bathrooms;
- 3) Net unit area measured by square feet;
- 4) Access to amenity areas;
- 5) Functionality; and
- 6) Term of the lease.

c. The Office of Housing shall develop, by rule, different distribution requirements for MFTE units within buildings greater than 95 feet in height as defined by the Land Use Code. The Office of Housing shall report to the Chair of the Housing, Health, Energy, and Workers' Rights Committee, or its successor committee, on proposed criteria at least 30 days prior to adoption of a rule.

C. Additional requirements for owner-occupied multifamily housing:

1. A minimum of either:

a. For an exemption according to subsection 5.73.090.B, 20 percent of the total dwelling units ((and SEDUs)) in ((the)) multifamily housing, which shall total at least four net new units, shall be MFTE units sold at affordable sales prices ~~((, in accordance with subsection 5.73.040.C.2,))~~ to eligible households with annual incomes at or below 100 percent of median income for studio units and one-bedroom units, and at

or below ~~((120))~~ 115 percent of median income for two-bedroom ~~((or))~~ and larger units, or

b. For an exemption according to subsection 5.73.090.C, 25 percent of the total dwelling units in multifamily housing, which shall total at least four net new units, shall provide permanently affordable homeownership for eligible households with annual incomes at or below 80 percent of median income.

2. Resale of ~~((an))~~ each MFTE unit shall not occur without prior notice to the Director.

a. ~~((Upon))~~ If the share and affordability of MFTE units is according to subsection 5.73.040.C.1.a, upon receipt of such notice, the ~~((tax exemption under this Chapter 5.73 shall be either (a) immediately cancelled in accordance with chapter 84.14 RCW, or (b) extended based upon a determination that the terms of the resale are consistent with this Chapter 5.73, including this subsection 5.73.040.C))~~ Director shall determine the status of the tax exemption according to subsection 5.73.110.E. ~~((The Director shall establish by rule the method for calculating an affordable sale price.))~~

b. If the share and affordability of MFTE units is according to subsection 5.73.040.C.1.b, the resale of an MFTE unit shall provide permanently affordable homeownership for eligible households with incomes no higher than 80 percent of median income.

3. Each MFTE unit shall be owned and occupied by an eligible household as its ~~((principle))~~ principal residence ~~((for the duration of its ownership))~~ and the eligible household shall not lease the unit ~~((,))~~ unless the Director ~~((approves))~~ provides prior approval of a limited short-term exception.

~~((4. The owner shall be responsible for any costs related to initial sales of MFTE units, including but not limited to marketing to eligible households, income verification, buyer education, and verification of buyer financing.~~

~~5))~~ 4. If the total number of MFTE units calculated according to subsection 5.73.040.C.1 contains a fraction, then the number of MFTE units shall be rounded up to the next whole number.

~~((6))~~ 5. ~~((Multifamily))~~ MFTE units in multifamily housing that is owned by a cooperative and occupied by the shareholders of a cooperative ~~((may qualify as))~~ shall be considered owner-occupied units for

purposes of this Chapter 5.73.

* * *

Section 4. Section 5.73.090 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.090 Exemption-Duration-Limits

A. The value of ~~((Multifamily Housing))~~ renter-occupied multifamily housing qualifying under this Chapter 5.73 ~~((will))~~ shall be exempt from ad valorem property taxation as provided in RCW 84.14.020(1) ~~(a)(i)(B) ((as follows:~~

~~1. For eligible renter-occupied multifamily housing as provided in this Chapter 5.73,))~~ for up to 12 successive years beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate, ~~((; or~~

2) B. ~~((For))~~ Except for permanently affordable homeownership, the value of each eligible owner-occupied MFTE ((Units in multifamily housing as provided in)) unit according to this Chapter 5.73 ((;)) shall be exempt from ad valorem property taxation as provided in RCW 84.14.020(1)(a)(ii)(B) until resale to a non-eligible household or for up to 12 successive years beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate, whichever is earlier.

C. The value of each eligible owner-occupied MFTE unit that provides for permanently affordable homeownership according to this Chapter 5.73 shall be exempt from ad valorem property taxation as provided in chapter 84.14 RCW for up to 20 successive years beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate.

D. Extended property tax exemption

1. As authorized by RCW 84.14.020(6), the Director may approve an extended exemption of the value of renter-occupied multifamily housing qualifying under this Chapter 5.73 from ad valorem property taxation for up to a total of 12 successive years beginning January 1 of the year immediately following the

calendar year that the original 12-year exemption expires according to subsection 5.73.090.A if:

a. The exemption from property taxes for the multifamily housing according to subsection 5.73.090.A expires on December 31, 2021, or December 31, 2022;

b. A written request for an extended exemption is received by the Office of Housing:

1) For properties with exemptions scheduled to expire on December 31, 2021, no later than 30 days from the effective date of the ordinance introduced as Council Bill 120153, and

2) For properties with exemptions scheduled to expire on December 31, 2022, between September 30, 2021, and March 31, 2022; and

c. The written request includes:

1) A brief written description of the project and a plan set that includes gross floor area by use, site plan, and standard floor plans for units in the multifamily housing;

2) For each residential unit in the multifamily housing, the unit number, floor plan, net unit area measured in square feet, location by floor level, location by building if the multifamily housing consists of multiple structures, and status as either a market-rate unit or MFTE unit;

3) Current rent roll for the multifamily housing;

4) For each residential unit in the multifamily housing, start date and end date of each lease and, for vacant units, the date the unit was vacated;

5) A copy of the most recent property tax statement for the multifamily housing;

6) A statement from the owner acknowledging the potential tax liability of the multifamily housing;

7) A recent title report documenting the legal description and ownership of the property that includes the multifamily housing, documentation satisfactory to the Director of the type and organizational structure of the owner, a sample signature block for the owner, and evidence satisfactory to the Director of authority of the owner representative that signed the MFTE extension request; and

8) A non-refundable check payable to The City of Seattle in the amount of \$10,000 if fewer than 75 percent of the total residential units in the multifamily housing are rent- and income-restricted, or \$4,500 if at least 75 percent of the total residential units in the multifamily housing are rent- and income-restricted.

2. A new contract shall be executed on the title of the property that includes the multifamily housing committing the owner to requirements according to this Chapter 5.73, except that:

a. MFTE units shall be promptly leased at affordable rents to eligible households with annual incomes at or below 30 percent of median income for compact units in multifamily housing that also includes units larger than compact units, at or below 40 percent of median income for compact units in multifamily housing with no units larger than compact units, at or below 50 percent of median income for studio units, at or below 60 percent of median income for one-bedroom units, at or below 75 percent of median income for two-bedroom units, and at or below 80 percent of median income for three-bedroom and larger units.

b. The contract shall allow multifamily housing to transition to compliance with subsection 5.73.090.D.2.a, consistent with subsection 5.73.090.D.6.

3. The owner shall provide to the Office of Housing verification of the annual income of the tenant household for each MFTE unit according to Section 5.73.105:

a. For properties with 12-year exemptions scheduled to expire on December 31, 2021, within 30 days from the effective date of the ordinance introduced as Council Bill 120153; or

b. For properties with 12-year exemptions scheduled to expire on December 31, 2022, by September 30, 2022;

4. The minimum number of MFTE units as a share of total residential units in the multifamily housing shall be twenty percent.

5. Upon approval of an extended tax exemption according to this Chapter 5.73, the Director shall

file a Final Certificate with the Assessor. The applicant shall provide the Office of Housing a check payable to the Assessor to cover the Assessor's fee for administrative costs.

6. To allow ongoing occupancy of MFTE units by existing tenants who, while they qualify as eligible households under pre-extension contracts, do not qualify as eligible households according to subsection 5.73.090.D.2.a, and to steadily transition multifamily housing to full compliance with extended exemption requirements, the following provisions apply:

a. For each MFTE unit that is occupied on December 31 of the calendar year the exemption would expire according to subsection 5.73.090.A, the affordable rent according to the current tenant's lease agreement as of January 1 of the subsequent calendar year and thereafter shall be:

1) No greater than according to subsection 5.73.090.D.2.a if the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one-half times the limit for the MFTE unit according to subsection 5.73.090.D.2.a; or

2) For compact units, studio units, and one-bedroom units, no greater than 80 percent of median income and, for two-bedroom and larger units, no greater than 90 percent of median income, provided the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one-half times 80 percent of median income or 90 percent of median income, as applicable, and at least one and one-half times the limit for the MFTE unit according to subsection 5.73.090.D.2.a;

3) According to subsection 5.73.105.B if the annual income of the tenant household, as verified according to Section 5.73.105, equals or exceeds one and one-half times 80 percent of median income for compact units, studio units, and one-bedroom units or equals or exceeds one and one-half times 90 percent of median income for two-bedroom and larger units.

b. Each vacant MFTE unit, including each MFTE unit that is vacant on December 31 of the calendar year the exemption would expire according to subsection 5.73.090.A, shall be promptly leased at an affordable rent to an eligible household according to subsection 5.73.090.D.2.a.

c. If the number of required MFTE units increases from 20 percent to 25 percent of total residential units according to subsection 5.73.090.D.4, the next available residential unit, consistent with subsection 5.73.040.B.5, shall be designated as an MFTE unit, as approved by the Office of Housing consistent with requirements of this Chapter 5.73, until 25 percent of the total residential units in the multifamily housing are MFTE units leased to eligible households.

d. From the date an MFTE unit first satisfies requirements for an extended exemption under subsection 5.73.090.D.2.a until the end of the compliance period, requirements according to 5.73.090.D.2.a shall apply.

~~(B)~~ E. The property tax exemption for multifamily housing does not apply to:

1. ~~((the))~~ The value of land or to the value of non-residential improvements or to the value of other improvements not qualifying under this Chapter 5.73; ~~((;))~~

2. ~~((nor does the exemption apply to increases))~~ Increases in assessed valuation of land and non-qualifying improvements; ~~((;))~~

3. ~~((or to increases))~~ Increases, made by lawful order of the King County Board of Equalization, the Washington State Department of Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law,

4. For rehabilitation improvements, the value of any improvements constructed on the property prior to the date the Office of Housing receives the application for the project according to Section 5.73.050.

F. For the purposes of chapter 84.55 RCW and chapter 36.21 RCW, the value of the multifamily housing shall be considered new construction on the date the exemption ends according to Section 5.73.090, as if the property were not exempt under this Chapter 5.73.

Section 5. Section 5.73.100 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.100 Annual ((Project)) MFTE certification

A. At such times as may be required by the Director, but no less than annually for the duration of the compliance period, the owner or a qualified non-profit organization, as applicable, shall file ~~((a project))~~ an MFTE certification with the ((Director)) Office of Housing, verified upon oath or affirmation, which shall contain such information as the Director may deem ((necessary or useful, including but not limited to)) needed to determine compliance with contract and Chapter 5.73 requirements and to assess costs and benefits to the public of this Chapter 5.73. At a minimum, the Office of Housing shall require:

1. For renter-occupied multifamily housing:

~~((1))~~ a. For each ((dwelling)) residential unit ((, SEDU, or congregate residence sleeping unit located)) in the multifamily housing qualifying for a property tax exemption under this Chapter 5.73, ((including each MFTE unit,)) a statement of the ((average vacancy rate and average)) contract rent, net of utility, sewer capacity charge, renter's insurance, and any other fees that are a condition of the lease, ((for)) during the previous calendar year;

b. Lease start and end dates for each residential unit in the multifamily housing and, for vacant units, the date the unit was vacated;

~~((2))~~ c. A certification that the ((amount of)) multifamily housing's gross floor area in permanent residential occupancy ((at the multifamily housing is the same as)) equal to or greater than the amount as verified at the date of the Final Certificate; ((, and is in compliance with the contract and the requirements of this Chapter 5.73;))

~~((3))~~ d. A description of improvements or modifications to the multifamily housing, if any, made after the date of the Final Certificate or ((last)) most recent annual ((project)) MFTE certification, as applicable;

~~((4. Documentation of compliance with the requirements of Section 5.73.040, as applicable;~~

5) e. ~~((For renter-occupied MFTE units,))~~ The verified annual income and household size of each eligible household, consistent with Section 5.73.105; ((at the time of initial lease-up or the most recent income recertification, and for owner-occupied MFTE units, the verified annual income of each eligible household at the time of initial purchase; and

6) f. ~~((Property))~~ A copy of the most recent tax assessment for ((the previous calendar year)) the property that includes the multifamily housing.

2. For permanently affordable homeownership, a qualified non-profit organization shall annually document compliance of each MFTE unit and eligible household with the requirements according to subsection 5.73.040.C.

* * *

D. ~~((The))~~ For renter-occupied multifamily housing, the owner shall also file a certification with the Director, verified upon oath or affirmation, containing the ((average vacancy rate and average)) lease start and end dates and contract rent, net of utility, sewer capacity, renter's insurance, and any other fees that are a condition of the lease, for each ((dwelling unit, SEDU, or congregate residence sleeping room)) residential unit in the multifamily housing ((, for)) during the final calendar year of the compliance period and ((for)) during the calendar year immediately following the compliance period. The first post-exemption certification according to this subsection 5.73.100.D shall be filed with the Office of Housing by March 31 following the expiration of the compliance period and the second post-exemption certification according to this subsection 5.73.100.D shall be filed by March 31 of the subsequent year.

Section 6. Section 5.73.105 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.105 Annual income ~~((certification))~~ verification

A. Annual MFTE certifications according to Section 5.73.100 shall include verification of income for each household occupying an MFTE unit. Income ~~((certifications))~~ verifications shall be in accordance with

standardized procedures and policies established by the Office of Housing for administration of this Chapter 5.73. ~~((and other programs that incentivize the inclusion of rent and income restricted units in predominantly market-rate residential buildings.~~

~~B. For renter-occupied MFTE units, the owner shall charge eligible households no more than the affordable rent until the annual income of the eligible household is determined upon recertification to equal or exceed 1.5 times the maximum annual income for the MFTE unit according to the percentage of median income as designated according to subsection 5.73.040.B.~~

~~C.) B. If ~~((, upon recertification of income,))~~ the annual income of a tenant of an MFTE unit, as verified according to this Section 5.73.105, equals or exceeds ~~((1.5))~~ one and one-half times the maximum ~~((annual income for the MFTE unit according to the percentage of median income as designated))~~ allowed according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable, the tenant shall no longer be an eligible household and the next available ~~((dwelling unit, SEDU, or congregate residence sleeping room))~~ residential unit of the same unit type in the multifamily housing, ~~((that is comparable to the MFTE unit occupied by such tenant))~~ as approved by the Office of Housing consistent with this Chapter 5.73, shall be newly designated as an MFTE unit and promptly leased to an eligible household. Upon lease-up of the ~~((comparable))~~ newly designated MFTE unit satisfying requirements of this Chapter 5.73, rent for the unit occupied by the tenant no longer qualifying as an eligible household may be leased at market-rate rent after expiration of the lease.~~

C. A tenant that refuses to provide income verification according to this Section 5.73.105 shall no longer be an eligible household and the next available residential unit of the same unit type in the multifamily housing, as approved by the Office of Housing consistent with this Chapter 5.73, shall be newly designated as an MFTE unit and promptly leased to an eligible household. Upon lease-up of the newly designated MFTE unit satisfying requirements of this Chapter 5.73, rent for the unit occupied by the tenant no longer qualifying as an eligible household may be leased at market-rate rent after expiration of the lease.

Section 7. Section 5.73.110 of the Seattle Municipal Code, last amended by Ordinance 125932, is

amended as follows:

5.73.110 Cancellation of tax exemption-Appeal

~~((A. If at any time the Director determines that the multifamily housing no longer complies with the terms of the contract or with the requirements of this Chapter 5.73, or for any reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest, and penalty imposed pursuant to State law.))~~

A. If an owner, owner representative, or qualified non-profit organization fails to promptly correct a finding of non-compliance with this Chapter 5.73, the Director shall notify the Assessor with instruction to cancel the tax exemption and assess additional taxes, interest, and penalty according to RCW 84.14.110. Upon receipt of Director's notice of intent to cancel the tax exemption, owner shall satisfy tenant relocation assistance requirements according to subsection 5.73.110.D.2.

B. An owner, owner representative, or qualified non-profit organization that has failed to promptly correct non-compliance with the contract or this Chapter 5.73 shall not be eligible for an extended property tax exemption according to subsection 5.73.090.D.

~~((B))~~ C. If the owner intends to convert any portion of the multifamily housing to ~~((another use))~~ non-residential uses or ~~((;))~~ if ~~((applicable,))~~ the owner intends to ~~((not comply with any condition to the tax exemption under this Chapter 5.73 or to))~~ opt out of the tax exemption and terminate the contract, the owner shall notify both the Director and the Assessor ~~((within))~~ at least 60 days prior to the date of the change in use ~~((; noncompliance, or termination))~~ or opt-out. Prior to the date of the change in use or opt-out, owner shall document satisfaction of tenant notification and relocation assistance requirements according to subsection 5.73.110.D, as applicable. Upon receipt of ~~((such))~~ notice from the owner, the Director shall notify the Assessor with instruction to cancel the tax exemption ~~((shall be canceled))~~ and assess additional taxes, interest, and penalty ~~((imposed pursuant to State law))~~ according to RCW 84.14.110.

D. Tenant notification and relocation assistance requirements

1. For multifamily housing approved for an exemption or an extended exemption according to this Chapter 5.73, by September 30 of each of the final two years of rent restrictions, due to expiration of the exemption or otherwise, the owner shall notify each household occupying a rent-restricted unit of relocation assistance requirements according to subsection 5.73.110.D.2.

2. For multifamily housing approved for an exemption or extended exemption according to this Chapter 5.73, within 90 days of the date rent restrictions end for a renter-occupied unit, due to expiration of the exemption or otherwise, owner shall provide relocation assistance to each household residing in a rent- and income-restricted unit, provided that the tenant household has an annual income no higher than 80 percent of median income, which shall be verified according to Section 5.73.105. The amount of the tenant assistance shall either be equal to the monthly rent according to the current lease agreement for the unit or an amount as required by federal, state, or local law, whichever is greater.

E. For owner-occupied MFTE units according to subsection 5.73.040.C.1.a, the tax exemption shall be canceled either (1) upon receipt of notice of resale according to subsection 5.73.040.C.2 or on (2) on December 31 of the twelfth successive year beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate, provided the resale is consistent with subsection 5.73.040.C, as applicable.

F. For owner-occupied MFTE units according to subsection 5.73.040.C.1.b, the tax exemption shall be canceled on December 31 of the twentieth successive year beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate, provided the resale is consistent with subsection 5.73.040.C, as applicable.

((C)) G. Upon determining that a tax exemption shall be canceled, the Director shall notify the owner or qualified non-profit organization, if applicable, by certified mail, return receipt requested.

H. The owner or qualified non-profit organization, if applicable, may appeal ((the determination)) cancellation of an exemption provided a notice of appeal specifying the factual and legal basis on which the determination of cancellation is alleged to be erroneous is filed with the Hearing Examiner within 30 days of

receipt of notice of cancellation. The Hearing Examiner will conduct a hearing pursuant to Section 3.02.090 at which all affected parties may be heard and all competent evidence received. The Hearing Examiner shall affirm, modify, or reverse the decision to cancel the exemption based on the evidence received. The Hearing Examiner shall give substantial weight to the Director's decision and the burden of overcoming that weight shall be upon the appellant. An aggrieved party may appeal the Hearing Examiner's decision to the King County Superior Court as provided in RCW 34.05.510 through 34.05.598.

Section 8. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its passage this ____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Office of Housing	Jennifer LaBrecque/206-684-0354	Miguel Jimenez

** 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:

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

Housing & Finance Committee Presentation
September 10, 2021

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?



Legislation Text

File #: Res 32017, **Version:** 1

CITY OF SEATTLE

RESOLUTION _____

A RESOLUTION calling for research, engagement and presentation of information to the Mayor and City Council on the Multifamily Tax Exemption (MFTE) program prior to considering renewal of the program in 2023.

WHEREAS, the Multifamily Tax Exemption (MFTE) program currently provides participating owners of new multifamily properties a full tax exemption on residential improvements for up to 12 years when a certain share of the units are income- and rent-restricted, generally for households with incomes between 60 percent to 90 percent of median income; and

WHEREAS the MFTE program is one of the City's primary tools for creating income- and rent-restricted units; and

WHEREAS, the 2021 legislative session included adoption of Senate Bill (SB) 5287, amending chapter 84.14 of the Revised Code of Washington (RCW) to authorize jurisdictions to provide owners of properties with expiring multifamily property tax exemptions the option to extend the exemption for a 12-year period, include labor equity standards as a condition of providing a tax exemption, approve 20-year tax exemptions for permanently affordable homeownership, and allow additional time for projects impacted by Coronavirus Disease 2019 (COVID-19) to receive a certificate of occupancy; and

WHEREAS, the COVID-19 pandemic impacted the real-estate market, making it difficult to assess how modifications to affordable housing incentive programs would address market gaps; and

WHEREAS, two council bills will be considered in 2021 that amend Seattle Municipal Code (SMC) Chapter 5.73 to implement new requirements and time-sensitive authorizations per chapter 84.14 RCW, including an extension option for properties with tax exemptions expiring in 2021 and 2022; and

WHEREAS, SB 5287 requires that, at a minimum, extended tax exemptions be conditioned on satisfaction of local MFTE requirements, which are in effect through December 31, 2023, per Section 5.73.120; and

WHEREAS, in 2023, the Mayor and Council are slated to consider renewal of Seattle’s MFTE program, which sunsets on December 31, 2023, per Section 5.73.120; and

WHEREAS, the City intends for program and policies to explicitly address and advance racial and social equity goals and to maximize public benefits, including development of low-income housing, and labor equity outcomes; and

WHEREAS, submittal of information related to achieving these goals will assist the Mayor and the City Council when considering renewal of the MFTE program in 2023; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The Multifamily Tax Exemption (MFTE) program will be designed to achieve affordable housing and other benefits. As part of MFTE renewal consideration, the Office of Housing shall provide information on and analysis of the following:

- A. Program participation rates, property tax savings, and differential between market-rate rents and restricted rents by unit type;
- B. Rent levels needed to house low-income working households more affordably and to address market gaps experienced by those households;
- C. Race and ethnicity, size, and income of households residing in MFTE units;
- D. Emerging market trends, including project types and configuration of units;
- E. Displacement impact, including demolition of existing buildings on sites where MFTE buildings are developed;
- F. Perspectives and input gained through engagement with a variety of stakeholders, including tenants, developers, and affordable housing advocates.

Section 2. The MFTE program will advance labor equity outcomes. As part of MFTE renewal consideration, the Office of Housing shall provide information on and analysis of the following:

A. Tax exemptions for new projects conditioned on payment of at least the prevailing rate of hourly wage established under chapter 39.12 RCW for journey level and apprentice residential and commercial construction workers;

B. Payroll record requirements consistent with RCW 39.12.120;

C. Tax exemptions for new projects conditioned on apprenticeship utilization requirements consistent with RCW 39.04.310;

D. A contracting inclusion plan developed in consultation with the Office of Minority and Women's Business Enterprises; and

E. Perspectives and input gained through engagement with a variety of stakeholders, including the Seattle Building and Construction Trades Council, other labor organizations, and developers.

Section 3. All extensions of expiring MFTE projects occurring after 2023 will be structured to achieve affordable housing and other benefits. As part of MFTE renewal consideration, the Office of Housing shall provide information on and analysis of the following:

A. General trends in rents for units in older and newer buildings;

B. For properties nearing year 12 of the tax exemption, MFTE unit rents and the annual incomes of tenant households residing in MFTE units;

C. For projects expiring in 2021 and 2022, the number of properties that chose to renew, the number and location of projects that chose not to renew, and income and demographics of tenants residing in MFTE units at time of extension or expiration of exemption. OH shall provide this information to the City Council on a quarterly basis beginning January 2022; and

D. Perspectives and input gained through engagement with a variety of stakeholders, including tenants, developers, and affordable housing advocates.

Section 4. The Office of Housing will provide the information and analysis described in Sections 1 through 3 of this resolution to the Mayor and City Council no later than June 30, 2023.

Adopted by the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its adoption this _____ day of _____, 2021.

President _____ of the City Council

The Mayor concurred the _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Office of Housing	Jennifer LaBrecque/206-684-0354	Miguel Jimenez

** 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:

A RESOLUTION calling for research, engagement and presentation of information to the Mayor and City Council on the Multifamily Tax Exemption (MFTE) program prior to considering renewal of the program in 2023.

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 resolution outlines information and analysis of the following issues, which will be used to help inform MFTE discussions when renewal is considered in 2023:

- Affordable housing and other benefits;
- Racial equity and displacement impacts; and
- Labor equity.

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?

The resolution outlines data and analysis to help inform consideration of MFTE renewal in 2023. This legislation has no financial impacts, although the MFTE program itself does.

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

No

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
- 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?
No
- 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?

The legislation directs the Office of Housing to provide information and analysis, including labor equity and demographics of households served, inform consideration of MFTE renewal in 2023 and to ensure that if the program is renewed that it advances racial and social equity goals.

- 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: