



Legislation Details (With Text)

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On agenda: 4/30/2024
Final Action: 5/8/2024 **Ord. No.** Ord 127016

Title: AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.090 and Section 5.73.120 of the Seattle Municipal Code to allow extension of tax exemptions scheduled to expire on December 31, 2024.

Sponsors: Cathy Moore

Indexes:

Attachments: 1. Summary and Fiscal Note, 2. Office of Housing Memo, 3. Presentation, 4. Signed Ordinance 127016, 5. Affidavit of Publication

Date	Ver.	Action By	Action	Result
5/8/2024	1	City Clerk	attested by City Clerk	
5/8/2024	1	Mayor	returned	
5/8/2024	1	Mayor	Signed	
5/2/2024	1	City Clerk	submitted for Mayor's signature	
4/30/2024	1	City Council	passed	Pass
4/24/2024	1	Housing and Human Services Committee	pass	Pass
4/23/2024	1	City Council	referred	
4/8/2024	1	Council President's Office	sent for review	
4/3/2024	1	City Clerk	sent for review	
4/3/2024	1	Mayor	Mayor's leg transmitted to Council	

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.090 and Section 5.73.120 of the Seattle Municipal Code to allow extension of tax exemptions scheduled to expire on December 31, 2024.

WHEREAS, chapter 84.14 RCW authorizes local jurisdictions to provide 12-year multifamily property tax exemptions if, at a minimum, the owner agrees to meet the locally adopted affordability requirements for new projects, consistent with chapter 84.14 RCW, as applicable at the time of application for an

exemption; and

WHEREAS, chapter 84.14 RCW authorizes local jurisdictions to extend multifamily property tax exemptions for an additional 12 years if, at a minimum, the owner agrees to satisfy locally adopted requirements that are no less restrictive than those 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 ("MFTE Program"), was adopted by Ordinance 121415 and amended by Ordinances 121700, 121915, 122730, 123550, 123727, 124724, 124877, 124919, 125932, 126392, 126443, and 126792; and

WHEREAS, the MFTE Program authorized extended tax exemptions for eligible properties, for which tax exemptions expired at the end of the years 2021, 2022, and 2023; and

WHEREAS, on December 31, 2024, property tax exemptions are set to expire for 15 for-profit-owned multifamily rental properties, in which 342 of approximately 1,670 units are currently income- and rent-restricted; and

WHEREAS, the Seattle Office of Housing may not approve extension of property tax exemptions set to expire in 2024, even if requested by owners of those tax-exempt multifamily properties, without amending Sections 5.73.090 and 5.73.120 of the Seattle Municipal Code by City Council by ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.73.090 of the Seattle Municipal Code, last amended by Ordinance 126792, is amended as follows:

5.73.090 Exemption-Duration-Limits

* * *

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 the owner is in compliance with the MFTE agreement for the property's initial 12-year exemption from property taxes for the multifamily housing according to subsection 5.73.090.A and that exemption expires on (~~December 31, 2023~~) December 31, 2024, provided that:

a. A written request for an extended exemption is received by the Office of Housing no later than (~~June 30, 2023~~) July 31, 2024; and

b. 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, status as either a market-rate unit or MFTE unit, occupancy status, and current rent (according to the lease if occupied or asking rent if vacant), all in a form as prescribed by the Office of Housing;

3) A copy of the current rent roll for the multifamily housing;

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

5) 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

6) 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. For properties with 12-year exemptions scheduled to expire on ~~((December 31, 2023))~~ December 31, 2024, the owner shall:

a. ~~((Deliver prior))~~ No later than July 31, 2024, provide written notice to all tenants of MFTE units of owner's intent to pursue a 12-year extension of the property tax exemption;

b. ~~((Initiate annual))~~ For each MFTE unit tenant household without an annual income certification in the calendar year the exemption is set to expire, initiate income verification ~~((for each MFTE unit tenant household))~~ no later than ~~((June 30, 2023))~~ July 31, 2024; and

c. 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 by (~~September 30, 2023~~) October 31, 2024.

4. The minimum number of MFTE units as a share of total residential units in the multifamily housing shall be the same as according to the property's initial MFTE agreement (i.e., 20 percent or 25 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 owner shall be responsible for any administrative fees charged by the Assessor.

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, the affordable rent according to the current tenant's lease agreement as of January 1 of the calendar year subsequent to expiration of the initial 12-year property tax exemption 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) No greater than 65 percent of median income for compact units and studio units, no greater than 75 percent of median income for one-bedroom units, and no greater than 85 percent of median income for two-bedroom and larger units, provided the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one-half times 65, 75, or 85 percent of median income depending on the MFTE unit type, 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; or

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 65 percent of median income for compact units and studio units, one and one-half times 75 percent of median income for one-bedroom units, or one and one-half times 85 percent of median income for two-bedroom and larger units.

b. Each vacant MFTE unit shall be promptly leased at an affordable rent to an eligible household according to subsection 5.73.090.D.2.a.

c. 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 subsection 5.73.090.D.2.a shall apply.

* * *

Section 2. Section 5.73.120 of the Seattle Municipal Code, last amended by Ordinance 126792, is amended as follows:

5.73.120 Expiration of program

~~((The))~~ Except for extension of property tax exemptions as authorized in subsection 5.73.090.D, tax exemption program established by this Chapter 5.73 shall ~~((expire))~~ sunset on December 31, 2024, unless extended by the City Council by ordinance. ~~((Upon expiration))~~ After the program sunsets, no ~~((additional))~~ new MFTE applications under Section 5.73.050 shall be accepted. Pending Conditional Certificates and Final Certificates shall be processed as provided according to this Chapter 5.73.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

Scheereen Dedman, City Clerk

(Seal)