

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Office of Housing	Kelli Larsen	Nick Tucker

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; renewing and modifying the Program, including to make changes in conformity with state law; repealing Chapter 5.72 of the Seattle Municipal Code; and amending Chapter 5.73 and Sections 5.75.090 and 23.50A.062 of the Seattle Municipal Code.

Summary and Background of the Legislation:

The proposed legislation renews and amends the Multifamily Housing Property Tax Exemption (MFTE) Program. Changes include:

- Repeals Chapter 5.72, a previous version of the MFTE program which expired at the end of 2002.
- Amends 5.73.010 to clarify the purpose of the MFTE program.
- Amends certain definitions for clarity and consistency.
- Amends the definition of “median income.”
- Continues the 4.5% annual cap established under the current program (referred to as “Program 6” in Office of Housing materials) for current tenants in existing Program 6 buildings.
- Establishes a new rent cap, whereby the rent for an eligible tenant in an MFTE unit may not increase by more than the annual maximum rent increase determined and published by the Washington State Department of Commerce in compliance with chapter 59.18 RCW, or the increase in the affordable rent limits posted by the Office of Housing from the previous year, whichever is less.
- Adds 5.73.040.A.7 to clarify that units must be configured consistent with the plan set approved by SDCI and the distribution and comparability requirements established in 5.73.040.B.5.
- Adds 5.73.040.A.9 to establish that fees that would apply only to residents in MFTE units are prohibited.
- Establishes allowable AMI levels under Section 5.73.040
- Establishes different affordability levels for some units with alternative bedrooms.
- Provides more guidance on how MFTE units should be distributed and comparable to market rate units in the same building.
- Restructures 5.73.040.C and clarifies responsibilities for the qualified non-profit organization providing permanently affordable homes.
- Amends MFTE application requirements in 5.73.050.
- Establishes an MFTE application fee of \$2,000 plus \$200 per unit, not to exceed \$10,000, rather than a base fee of \$10,000.
- Amends 5.73.060 to clarify the MFTE application review process.

- Amends 5.73.065 to establish a process to amend, subordinate, or terminate an MFTE agreement.
- Establishes that violation of city or state housing discrimination laws is grounds for cancellation of an MFTE agreement.
- Repeals 5.73.070.C, which applied to conditional certificate extensions for applications received on or before February 15, 2020.
- Amends the process and requirements for issuing final certificates established in 5.73.080.
- Repeals 5.73.090.B.
- Amends the process and requirements to apply for the 12-year property tax extension 5.73.090.C and requires a reduction in rent for MFTE units.
- Amends 5.73.090.E to clarify which components of a multifamily housing project are exempt from property taxes.
- Adds 5.73.090.G requiring the owner to provide written notice to the Office of Housing of an intent to appeal the valuation of the housing to the King County Assessor prior to filing such appeal.
- Amends the ongoing compliance reporting requirements established in 5.73.100.
- Amends the ongoing income verification requirements and process when the tenant is no longer an eligible household established in 5.73.105.
- Amends 5.73.110 to clarify and provide more detail on the process and requirements for cancelling a tax exemption.
- Adds 5.73.115, establishing tenant notice and relocation assistance requirements consistent with requirements under RCW 84.14.020.
- Amends 5.73.120 to eliminate a sunset date for the MFTE program, stating that the program shall continue until the authority granted under RCW 84.14 expires.
- Amends the elements required in the Office of Housing annual report established in 5.73.130.
- Adds 5.73.135, directing the City to regularly evaluate the MFTE program and provide guidance on when changes to the MFTE program should be considered.
- Adds 5.73.140 to authorize annual adjustments to the fees established in Chapter 5.73 based on changes in the Consumer Price Index.
- Amends 5.75.090 to clarify that the affordability requirements established in Chapter 5.75 are in addition to any other restricted units provided under any other agreement.
- Amends 23.50A.062 to update the affordability levels to align with Ordinance 127191.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project?

☐ Yes ☒ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City?

☐ Yes ☒ No

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

This ordinance restructures the MFTE application fee from a base \$10,000 fee to a base fee of \$2,000, plus \$200 per unit, not to exceed \$10,000. Most buildings with active MFTE agreements have enough units that would require the full \$10,000 fee, so it is unlikely that the fee revenue will be significantly reduced. Smaller projects may be more likely to apply, which could increase fee revenue.

The ordinance establishes a new fee of \$750 to amend, subordinate, or terminate an MFTE agreement. This is a minimal financial impact to the City.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

The changes to the City's MFTE program are intended to help improve the feasibility of building more housing in the city. The intent is that more developers may be able to make projects pencil with the assistance of MFTE, but it's difficult to say in a depressed housing market if there will be more applications than in recent prior years. In other words, while we are proposing what we hope is a more attractive program than the current one, we do not anticipate so many more applications that existing OH staff cannot manage the workload. In addition, various changes in the legislation and in OH's administrative policies for MFTE should reduce complexity associated with implementation and the overall administrative burden for both staff and program participants.

Please describe any financial costs or other impacts of *not* implementing the legislation.

Not implementing this program will result in fewer feasible housing projects, or at a minimum will delay feasibility of future projects. Construction of new housing projects does increase the property tax base for the City even when the property is exempted from taxes. The exact financial impact of the legislation is difficult to assess due to the many factors that affect housing market conditions.

Please describe how this legislation may affect any City departments other than the originating department.

N/A

4. OTHER IMPLICATIONS

a. Is a public hearing required for this legislation?

No.

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

No.

c. Does this legislation affect a piece of property?

This legislation does not affect a specific property but could have a positive effect on the feasibility of constructing new housing throughout the city where multifamily housing is allowed.

d. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

Increasing the supply of income-restricted affordable housing and the overall supply of housing in the City will improve housing affordability, which disproportionately affects low-income households and communities of color. Establishing that housing discrimination is grounds for cancellation of the MFTE agreement could increase compliance with fair housing laws.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.

N/A

iii. What is the Language Access Plan for any communications to the public?

The Office of Housing will utilize the Language Line as needed to communicate with MFTE applicants and tenants.

e. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.

Increased production of multifamily housing in the City of Seattle will enable relatively lower carbon impact lifestyles compared to single-family housing or multifamily housing in less centrally located areas. Newly constructed housing will meet current energy efficiency standards that will reduce emissions compared to older housing.

- ii. **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.**

Newly constructed housing will meet current building code standards which will create more climate-resilient housing units compared to older housing.

- f. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

This ordinance amends the MFTE program but does not qualify as a major programmatic expansion.

- g. **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

No.

5. ATTACHMENTS

Summary Attachments: None.