

#13

ORDINANCE _____

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending subsection A.7 of Section 5.73.040 of the Seattle Municipal Code to modify replacement housing obligations.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection A.7 of Section 5.73.040 of the Seattle Municipal Code, which section was last amended by Ordinance 123550, is hereby amended as follows:

5.73.040 Eligibility

A. To be eligible for exemption from property taxation, in addition to other requirements set forth in this Chapter 5.73, the Multifamily Housing, for either rental or homeownership occupancy, must be in compliance with the applicable requirements below for the entire exemption period:

7. For new construction, if at any time during the 18 months prior to the date of submission of an application for exemption under this chapter, a building containing four ~~((where an existing rental housing building that contained four (4)))~~ or more dwelling units exists on the site and any of such units is occupied by a tenant or tenants receiving or eligible to receive a tenant relocation assistance payment under Chapter 22.210, and such building has been or will be demolished, then ~~((that were occupied and demolished on the site of the new project within eighteen (18) months prior to the application for exemption under this chapter,))~~ the Owner shall agree, on terms and conditions satisfactory to the Director, to replace all units that were occupied by a tenant or tenants receiving or eligible to receive ~~((any units within such building that were rented to tenants who received))~~ a tenant relocation assistance payment under ~~((SMC))~~ Chapter 22.210, subject to the following requirements:



1 a. For the duration of the tax exemption~~((first twelve (12) calendar~~
2 ~~years of operation of the replacement units))~~, the replacement units shall be affordable at or
3 below ~~((fifty))~~50 percent~~(((-50%))~~) of median income as adjusted for household size according to
4 the method used by HUD for income limits in subsidized housing and according to HUD rules
5 for the HOME program for presumed family size based on the number of bedrooms in a unit.

6 ***

7 Section 2. This ordinance shall take effect and be in force 30 days after its approval by
8 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
9 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

10 Passed by the City Council the ____ day of _____, 2011, and
11 signed by me in open session in authentication of its passage this
12 ____ day of _____, 2011.

13 _____
14 President _____ of the City Council

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16 Approved by me this ____ day of _____, 2011.

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18 _____
19 Michael McGinn, Mayor

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21 Filed by me this ____ day of _____, 2011.

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23 _____
24 Monica Martinez Simmons, City Clerk

25 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Legislative	Sara Belz / 4-5382 Amy Gray (OH) / 4-0262	NA

Legislation Title:

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending subsection A.7 of Section 5.73.040 of the Seattle Municipal Code to modify replacement housing obligations.

Summary of the Legislation:

This legislation amends subsection 5.73.040.A.7 of the Seattle Municipal Code (SMC) to clarify requirements related to the replacement of certain housing units that are demolished prior to or in connection with new construction of multifamily housing for which tax exemption is sought under the City's Multifamily Housing Property Tax Exemption (MFTE) Program.

Background:

The Office of Housing (OH) administers the City's MFTE Program, which provides a tax exemption on the residential portion of a qualifying project for up to 12 years. To be eligible for a tax exemption under the MFTE Program, at least 20 percent of the housing units in a rental project must meet specified affordability requirements. For homeownership projects, the exemption applies only to the affordable for-sale units.

Several years ago the City Council added a provision to the MFTE Program requirements in the SMC relating to projects that require demolition of certain housing units. More specifically:

- Any units in a building containing four or more dwelling units (a) that were occupied by low-income tenants who received relocation assistance under the Department of Planning and Development's Tenant Relocation Assistance Program, *and* (b) that were demolished within the 18 months preceding the submittal of an MFTE Program application have to be replaced;
- The replacement units must provide housing at rent levels affordable to tenants with incomes at or below 50% of area median income for twelve calendar years of operation of the replacement housing;

Very few of the MFTE applications approved to-date involved replacement housing issues. However, OH has learned that demolition of existing housing units on MFTE project sites typically occurs after an MFTE Program application is submitted. Demolition of the housing units after the date of an MFTE Program application does not trigger the replacement housing requirements currently included in the SMC.

The proposed legislation amends the existing replacement housing language in the SMC to



require replacement housing whether the demolition occurs within 18 months *prior* to the MFTE Program application or *after* the application so long as the building(s) demolished or to be demolished contained four or more dwelling units and at least one of the units was occupied during the 18 months prior to application by a tenant who received *or* was eligible to receive a relocation assistance payment.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
The legislation does not financially implicate the City in any way; however, it does require for-profit and nonprofit developers to replace certain housing units that are demolished. Such replacement units must be provided in addition to the affordable units that are a required component of all MFTE projects. Thus, the legislation may have direct financial implications for multifamily housing developers that choose to participate in the City's MFTE Program.
- b) **What is the financial cost of not implementing the legislation?**
None; see above.
- c) **Does this legislation affect any departments besides the originating department?**
This legislation does not directly affect any department besides OH. However, OH staff do work with Department of Planning and Development code compliance staff to verify the status of relocation licenses and to identify tenants that are eligible for relocation assistance payments.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
No; legislative action via ordinance is required to amend the SMC.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- g) **Does this legislation affect a piece of property?**
No.

Sara Belz / Amy Gray
LEG MFTE Housing Replacement FISC
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h) Other Issues: None.

List attachments to the fiscal note below: None.

