

MULTIFAMILY PROPERTY TAX EXEMPTION

Administrative Review: Results and Next Steps

February 13, 2013



Agenda

MFTE Review

*Feb 13:
Administrative
Procedures*

*Feb 27: Policy
Questions 1*

*Mar 13: Policy
Questions 2*

*Mar 27:
Follow-Up*

- 2012 in Review
- Administrative Improvements
- Results of Site Visits
- Next Steps

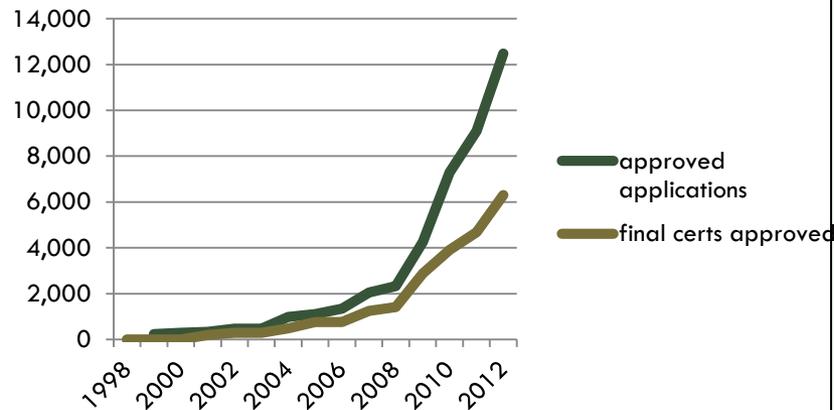
2012 MFTE Applications in Review

MFTE applications spiked in 2012: 34 approvals for 3,381 units (770 rent-restricted).

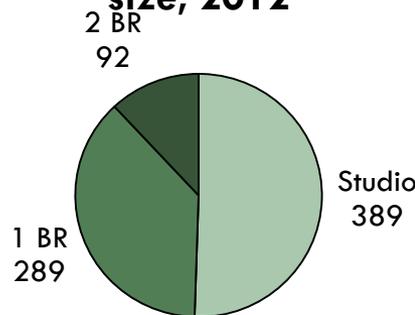
Smaller units dominate.

Five residential areas account for 529 of the rent-restricted units; the remainder is spread across 12 other areas.

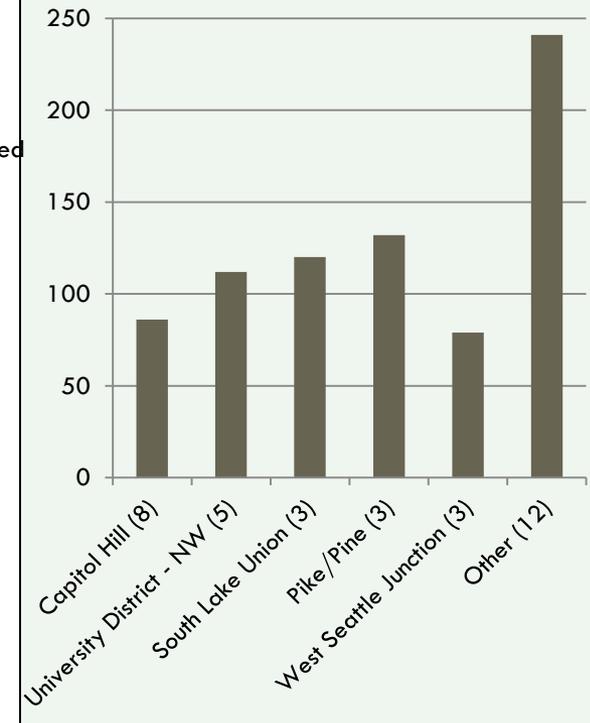
MFTE approvals by total unit count, 1998-2012



rent-restricted units by size, 2012



2012 approvals span 17 areas, but concentrated in 5



Administrative Improvements

Ten of the City Auditor's 19 recommendations concerned administrative procedures.

Progress on all ten is underway.

Intake and approval process

- Documented desk procedures.
- Will consider future opportunities for automation.

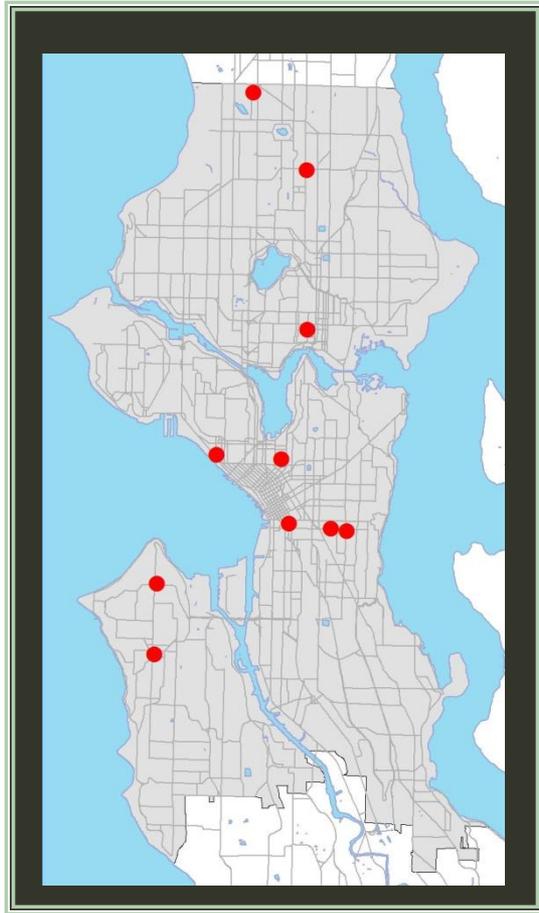
Monitoring and compliance

- Established a monitoring protocol: three-year cycle, 10%+ of MFTE units.
- Performed on-site reviews for 88 MFTE units.
- Developed a structured corrective action plan; implementation underway.

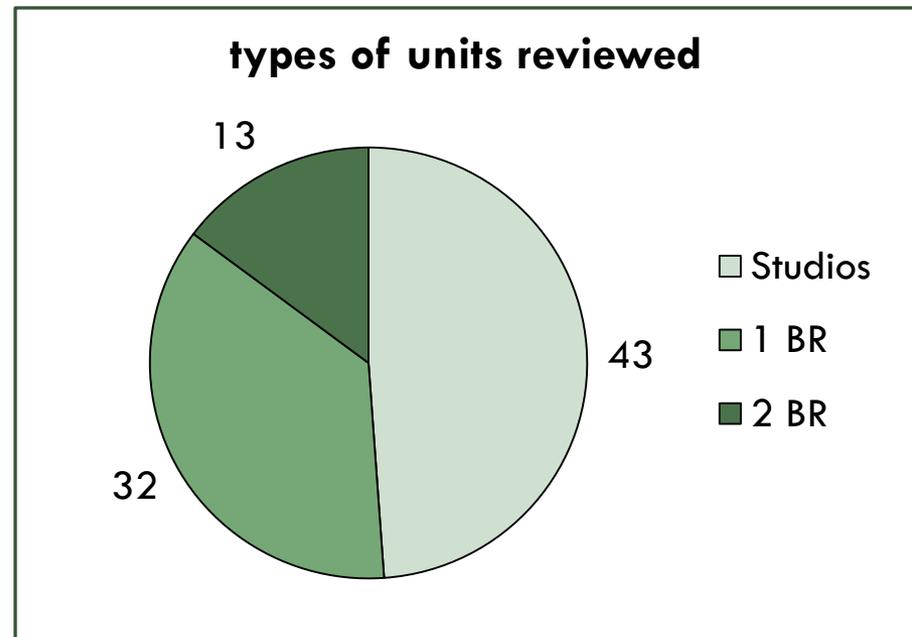
Reporting

- Exploring options for automation.
- Pending Council approval, may restructure reports to capture new information.

Site Visits: Process



- Reviewed on-site files for 88 rental units at 10 buildings.
- Representative sample by program year (2002-2011), unit type, and geography.



Site Visits: General Findings

Most irregularities concerned inadequate or ambiguous income documentation.

Follow-up required in 15 cases, and we plan further review for 3 buildings.

- Lease documents indicated proper MFTE rent levels.

TOTAL UNITS REVIEWED	88
Workforce	45
Student/Stipend	23
SSI/SSA/Disability	5
Follow-Up Pending	15

- On-site files and property manager reports revealed discrepancies in income calculations, but few cases of non-compliance.
- Most documentation problems were concentrated in several buildings: additional review planned for three properties.

Site Visits: Corrective Action

*File review underscored the need for **more prescriptive requirements** concerning income verification.*

OH is contacting property managers to obtain further income documentation, including:

- Tax returns to substantiate self-reported incomes
- Gift or stipend affidavits
- Provision of missing income documentation
- Clarification of income in cases open to interpretation (e.g., frequency of pay)
- Investigation of income sources for those tenants with implausibly low documented incomes.

Site Visits: Corrective Action, cont'd

Non-response or non-compliance carries consequences.

- Property managers must respond to OH information requests by March 15.
- In cases where they cannot adequately document incomes, they must designate alternate MFTE unit(s) and provide information on new MFTE tenant(s). Follow-ups to occur at 3- and 6-month intervals.
- Non-response or non-compliance will result in OH notifying King County to void the exemption.

Next Steps: Tenant Characteristics

Site visits revealed useful information about the tenants, including employment profile.

Sample Occupations

- Sales Clerk
- Taxi Driver
- Illustrator
- Bank Teller
- Automotive Tech
- Research Tech
- Restaurant Server
- Illustrator
- Game Designer
- Nanny

Average household size

UNIT TYPE	HOUSEHOLD SIZE
Studio	1.07
1 Bedroom	1.35
2 Bedroom	2.54

Average tenure

14 months

Average income

\$36,491

Rent burden threshold

\$912/mo
(30%)

Average rent paid

\$1,053/mo
(35%)

Sample Employers

- QFC
- Old Navy
- Fred Hutch
- REI
- Xerox
- Red Robin
- Best Buy
- Sears
- GameWorks
- Fed Ex
- Sheraton
- Apple
- Chase Bank

Next Steps: Initial Policy Choices

Administrative policy improvements already implemented or in the works.

Tenant data can help **inform choices on other policy questions** raised by Auditor and others.

Administrative Policy

- Maintain a monitoring protocol
- Establish more prescriptive requirements for determining and documenting income eligibility
- Adjust occupancy assumptions

Council Consideration (future discussion)

- Student eligibility?
- Permissibility of gifts and stipends?
- Periodic income requalification?
- Other substantive questions pending