

CITY OF SEATTLE
ORDINANCE _____

COUNCIL BILL 118324

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Subsection 5.73.040.B of the Seattle Municipal Code to differentiate small efficiency dwelling units from other dwelling units for purposes of determining affordability requirements under the Multifamily Housing Property Tax Exemption Program.

WHEREAS, Section 5.73.040 of the Seattle Municipal Code establishes eligibility criteria for the Multifamily Housing Property Tax Exemption (MFTE) Program; and

WHEREAS, Section 23.42.048 establishes a definition for small efficiency dwelling units; and

WHEREAS, small efficiency dwelling units, as defined in Section 23.42.048, presently qualify as studio apartments for purposes of classifying dwelling unit types in MFTE projects pursuant to Subsection 5.73.040.B; and

WHEREAS, small efficiency dwelling units typically command market-rate rents lower than the maximum Affordable Rent that may be charged for units classified as studio apartments under Subsection 5.73.040.B; and

WHEREAS, Ordinance 121415 and Ordinance 123550 request the Office of Housing to periodically prepare reports on MFTE program activity and recommend program modifications as needed;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 5.73.040.B of the Seattle Municipal Code, which section was last amended by Ordinance 123727, is hereby amended as follows:

5.73.040 Eligibility((-))

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3 B. In addition to the requirements in subsection 5.73.040.A above, rental projects must
4 comply with the following affordability requirements from the date of application for the Final
5 Certificate of Tax Exemption ("Final Certificate") for the duration of the exemption period:

6 1. A minimum of 20 percent of all the units in the Project shall be Affordable
7 Units rented to tenants whose Household Annual Income is at or below 40 percent of Median
8 Income for small efficiency dwelling units, at or below 65 percent of Median Income for studio
9 units, at or below 75 percent of Median Income for one bedroom units, and at or below 85
10 percent of Median Income for two bedroom and larger units.

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12 2. If, in calculating the number of Affordable Units, the number contains a
13 fraction, then the number of Affordable Units shall be rounded up to the next whole number.

14 3. The mix and configuration of Affordable Units (e.g., small efficiency dwelling
15 units, studios, one-bedrooms, two-bedrooms, etc.) shall be substantially proportional to the mix
16 and configuration of the total housing units in the Project; provided that all units of two (~~(2)~~) or
17 more bedrooms may be combined into a single category for the purpose of compliance with this
18 provision. When the Project contains more than one (~~(1)~~) building, all of the Affordable Units
19 required by this subsection B may not be located in the same building.

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21 ***

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

1 Passed by the City Council the ____ day of _____, 2015, and
2 signed by me in open session in authentication of its passage this
3 ____ day of _____, 2015.

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5 _____
6 President _____ of the City Council

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8 Approved by me this ____ day of _____, 2015.

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10 _____
11 Edward B. Murray, Mayor

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13 Filed by me this ____ day of _____, 2015.

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16 Monica Martinez Simmons, City Clerk

17 (Seal)

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FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Housing	Emily Alvarado 684-3727 Mike Kent 684-0262	Lisa Mueller, 684-5339

Legislation Title:

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Subsection 5.73.040.B of the Seattle Municipal Code to differentiate small efficiency dwelling units from other dwelling units for purposes of determining affordability requirements under the Multifamily Housing Property Tax Exemption Program.

Summary of the Legislation:

The Seattle Office of Housing is proposing an amendment to project eligibility criteria for the Multifamily Housing Property Tax Exemption (MFTE) Program. The legislation would differentiate small efficiency dwelling units (SEDUs) from studio apartments and establish a lower affordability threshold for SEDUs that are set aside as affordable housing under the MFTE Program.

Background:

This legislation would amend Section 5.73.040 of the Seattle Municipal Code, which was last amended in 2011 by Ordinance 123727. Section 5.73.040 sets the affordability thresholds for income-restricted units in MFTE projects. In 2014, the City Council passed Ordinance 124608, which includes a definition for SEDUs. SEDUs are smaller than traditional studios and must meet the development standards prescribed in Section 23.42.048.

SEDUs are currently classified as studio apartments for purposes of determining applicable affordability requirements under the MFTE program. Section 5.73.040 requires income-restricted studio units in MFTE projects to be affordable to residents earning up to 65% of Area Median Income (AMI). Because market-rate rents for SEDUs are typically within the means of individuals earning 65% of AMI, property owners can often charge full market-rate rents for income-restricted SEDUs and still participate in the MFTE program. The proposed legislation would reduce the maximum rent threshold for income-restricted SEDUs in MFTE projects to a level affordable to individuals earning 40% of AMI. This change would help ensure that MFTE properties containing SEDUs provide ample public benefits through the provision of affordable housing.

Please check one of the following:

This legislation does not have any financial implications.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**

No.

b) **What is the financial cost of not implementing the legislation?**

There is no direct financial cost to the City of not implementing the legislation.

c) **Does this legislation affect any departments besides the originating department?**

This legislation does not directly affect any departments, though its implementation will rely on the Department of Planning and Development to confirm the proposed dwelling units' status as SEDUs.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

The City could develop and implement legislation to prohibit all projects containing SEDUs from qualifying for the MFTE Program.

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.

h) **Other Issues:** None.

List attachments to the fiscal note below: None.



City of Seattle
Edward B. Murray
Mayor

December 23, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill that would amend the existing Multifamily Housing Property Tax Exemption (MFTE) program by establishing affordability requirements for Small Efficiency Dwelling Units (SEDUs). The amendment would require any SEDU developer who seeks the tax exemption to restrict incomes and rents for a portion of those units at 40% of the Median Income.

The proposed Council Bill responds to recent changes in the Land Use Code that were contained in Ordinance 124608 (passed in October 2014). Among other things this ordinance established SEDUs as distinctive dwelling unit type. Units meeting the criteria for SEDUs are currently classified as studios for purposes of determining affordability requirements in the MFTE program. MFTE requires that 20% of dwelling units be income- and rent-restricted, and studios are currently restricted at 65% of the Median Income; for 2014, this equates to a maximum income for a single-person household of \$40,170 per year and a maximum rent of \$1,004 per month. However, SEDUs typically garner market-rate rents that are less than this amount. Altering the MFTE program to restrict set-aside SEDUs to 40% of the Median Income would have the practical effect of reducing the maximum income to \$24,720 per year and the maximum housing cost to \$618 per month (again, 2014 figures). This legislation would ensure that properties containing SEDUs that participate in MFTE provide ample public benefit through the provision of affordable housing. The MFTE program is voluntary, so if developers found the affordability requirements too onerous, they could forgo the tax exemption.

Passing the attached proposed Council Bill would ensure that the MFTE remains an effective tool in producing mixed-income housing and making Seattle a place where people of all incomes can afford to live. Thank you for your consideration of this legislation. Should you have questions, please contact Emily Alvarado at (206) 684-3727.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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