



SEATTLE CITY COUNCIL

Legislative Summary

CB 118324

Record No.: CB 118324

Type: Ordinance (Ord)
124724

Status: Attested by City
Clerk

Version: 2

In Control: City Clerk

File Created: 02/03/2015

Final Action: 02/27/2015

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.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Clark

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments:

Drafter: jaci.dahlvang@seattle.gov

Filing Requirements/Dept Action:

Approval History

Version	Date	Approver	Action
---------	------	----------	--------

History of Legislative File

Legal Notice Published:

☐ Yes

☐ No

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Full Council	02/02/2015	referred	Committee on Housing Affordability, Human Services, and Economic Resiliency			
Action Text: The Council Bill (CB) was referred to the Committee on Housing Affordability, Human Services, and Economic Resiliency							

Notes: City Clerk Note: This Council Bill was introduced as version 2a. Version 2a is provided in the Full Text.

1 02/05/2015

1	Committee on Housing Affordability, Human Services, and Economic Resiliency	02/19/2015	pass as amended
---	--	------------	-----------------

Pass

Action Text: The Committee recommends that Full Council pass as amended the Council Bill (CB).

Notes:

In Favor: 3 Chair Clark, Member Sawant, Licata

Opposed: 0

2	Full Council	02/23/2015	passed
---	--------------	------------	--------

Pass

Action Text: The Council Bill (CB) was passed by the following vote and the President signed the Bill:

In Favor: 8 Council President Burgess, Councilmember Clark, Councilmember Godden, Councilmember Harrell, Councilmember Licata, Councilmember O'Brien, Councilmember Rasmussen, Councilmember Sawant

Opposed: 0

2	City Clerk	02/23/2015	submitted for Mayor's signature	Mayor
---	------------	------------	---------------------------------	-------

Action Text: The Council Bill (CB) was submitted for Mayor's signature to the Mayor

Notes:

2 City Clerk 02/27/2015 attested by City Clerk

Action Text: The Ordinance (Ord) was attested by City Clerk

Notes:

2 Mayor 02/27/2015 Signed

Action Text: The Council Bill (CB) was Signed

Notes:

2	Mayor	02/27/2015	sent to Clerk	City Clerk
---	-------	------------	---------------	------------

Action Text: The Council Bill (CB) was sent to Clerk to the City Clerk

Notes:

CITY OF SEATTLE
ORDINANCE 124724
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, Sections 23.42.048 and 23.84A.008 establishes a definition for small efficiency dwelling units; and

WHEREAS, small efficiency dwelling units, as defined in Sections 23.42.048 and 23.84A.008, 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((-))

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

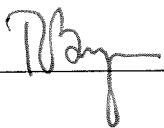
1. A minimum of 25 percent of any small efficiency dwelling units in the project shall be Affordable Units rented to tenants whose Household Annual Income is at or below 40 percent of Median Income. A minimum of 20 percent of all the other units in the Project shall be Affordable Units rented to tenants whose Household Annual Income is at or below 65 percent of Median Income for studio units, at or below 75 percent of Median Income for one bedroom units, and at or below 85 percent of Median Income for two bedroom and larger units.

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

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

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

1
2 Passed by the City Council the 23rd day of February, 2015, and
3 signed by me in open session in authentication of its passage this
4 23rd day of February, 2015.

5
6 
7 President _____ of the City Council

8
9 Approved by me this 27th day of February, 2015.

10
11 
12 Edward B. Murray, Mayor

13
14 Filed by me this 27th day of February, 2015.

15
16 
17 Monica Martinez Simmons, City Clerk

18 (Seal)
19
20
21
22
23
24
25
26
27
28

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:

X **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.

Memo

Date: January 29, 2015

To: Seattle City Council – CHAHSER Committee

From: Seattle Office of Housing, Emily Alvarado 684-3727, Mike Kent 684-0262

Subject: MFTE – SEDU Legislation

The proposed ordinance would reduce the maximum rent threshold for income-restricted Small Efficiency Dwelling Units (SEDUs) in Multifamily Tax Exemption (MFTE) projects to a level affordable to individuals earning 40% of Area Median Income (AMI).

What would this legislation do?

- The proposed ordinance would establish a lower affordability threshold for SEDUs that are set aside as affordable housing under the MFTE program. The proposed affordability level would align with existing affordability requirements for incentive programs related to SEDUs, which were approved by Council in 2014. This change would help ensure that MFTE properties containing SEDUs provide ample public benefits through the provision of affordable housing.

What prompted the need for this legislation?

- In 2014, the Council passed an ordinance establishing SEDUs as a new unit type, distinct from other unit types. Because existing Code does not set affordability requirements specifically for SEDUs in MFTE, the MFTE program would regard a SEDU as a studio, restricted at 65% of AMI. This translates to a maximum monthly housing cost of \$1,004 and a maximum annual income for a one-person household of \$40,170. However, typical SEDU market-rate rents are anticipated to be less than not only market-rate rents but also the restricted, affordable-rate rents for studios.

What would be the result of the lower affordability threshold in terms of affordable rent and annual income limits?

- 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, resulting in a maximum monthly housing cost of \$618 and a maximum annual income for a one-person household of \$24,720.

What is the Multifamily Tax Exemption (MFTE) program?

- The MFTE program incentivizes affordable housing by granting property owners a limited property tax exemption for 12 years. The City of Seattle has administered the program since 1998. In order to qualify, at least 20 percent of a building's units, proportionally distributed among various unit types, must be income- and rent-restricted. In return, property owners are exempt from paying property taxes on the

appraised value of the residential portion of their buildings; the appraised value of land and, in the case of mixed-use projects, non-residential space remains fully taxable.

STATE OF WASHINGTON -- KING COUNTY

--SS.

321600

No.

CITY OF SEATTLE, CLERKS OFFICE

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:124722-724 TITLE ONLY

was published on

03/13/15

The amount of the fee charged for the foregoing publication is the sum of \$54.25 which amount has been paid in full.



Affidavit of Publication

Subscribed and sworn to before me on
03/13/2015
Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

The full text of the following legislation, passed by the City Council on February 23, 2015, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>. Contact: Office of the City Clerk at (206) 684-8344.

ORDINANCE NO. 124722

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 124724

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.

ORDINANCE NO. 124723

AN ORDINANCE authorizing the Director of the Seattle Department of Transportation to execute an agreement between The City of Seattle and City Investors VII, LLC for a full block reconstruction of 8th Avenue North, between Thomas and Harrison Streets.

Date of publication in the Seattle Daily Journal of Commerce, March 13, 2015.

3/13(321600)