



# Multifamily Tax Exemption

## Program Update

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Community Development

May 24, 2021



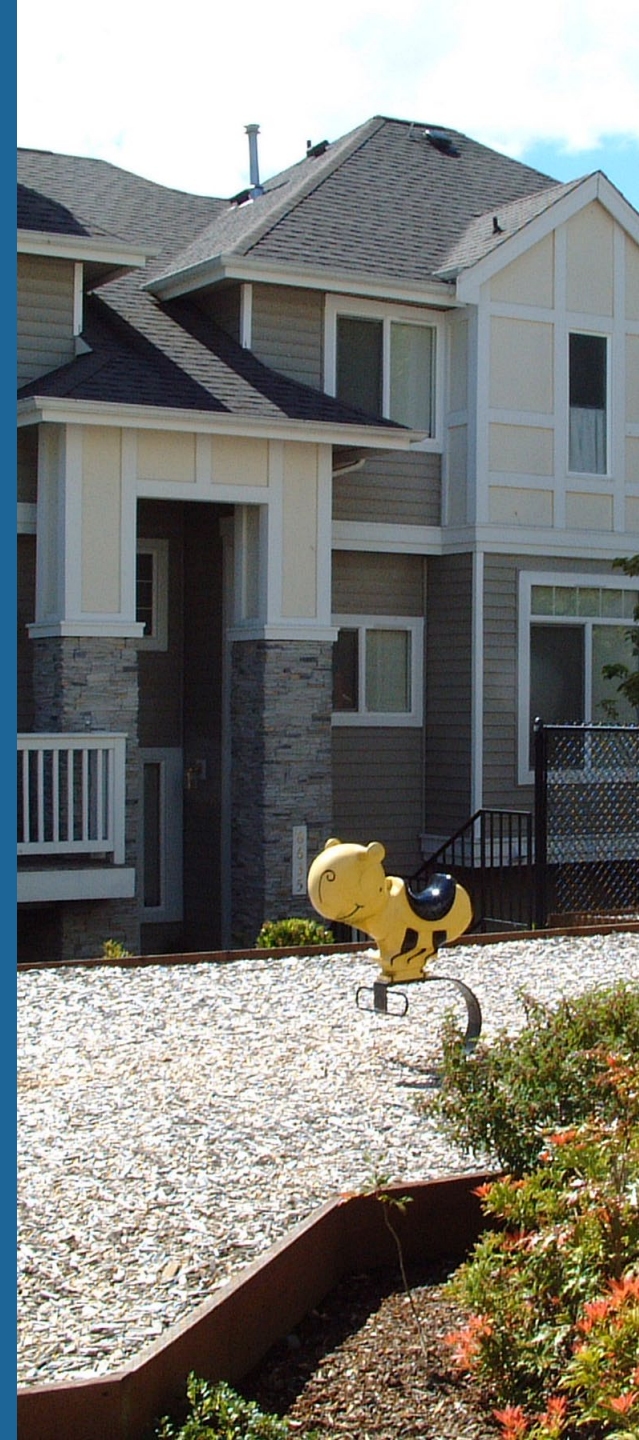


# Direction

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Staff will review Council's requested follow-up on the MFTE Program Update package from the April 19 study session. Following discussion, staff will seek direction to prepare for a public hearing and final action.

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# Agenda

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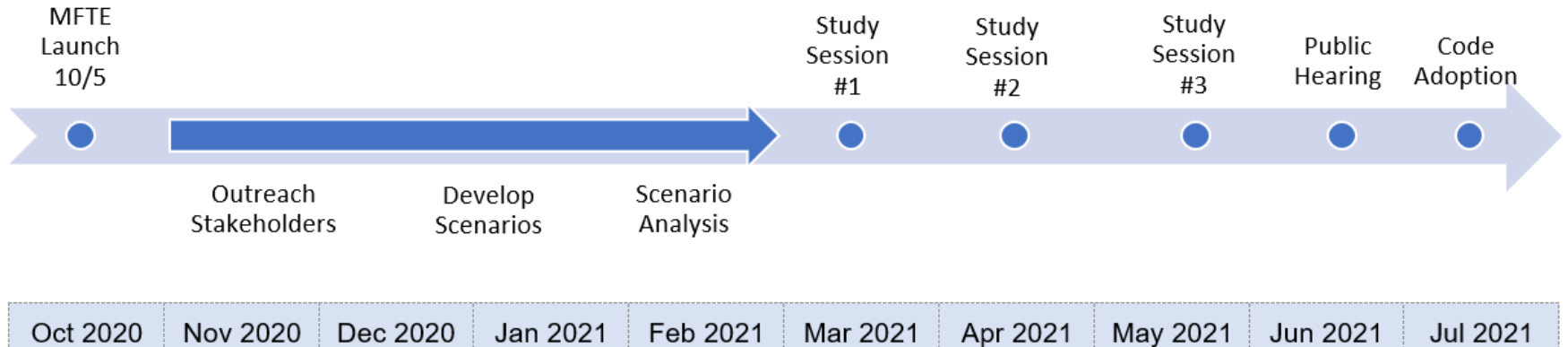
1. Schedule
2. Review Direction
3. Element Discussion
  1. Family-sized Unit Alternative
  2. Parking Approach
  3. Rent Stabilization
4. Next Steps: Public Hearing



August Wilson Place, LIHI - 57 low-income units

# Program Update Schedule

- Public hearing is required on geographic expansion.
- Code adoption is anticipated in July.







# Review Direction

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Cerasa, MFTE - 31 affordable units

# March 15 Direction

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- Expand MFTE-applicable areas (Residential Target Areas) to all multi-family zoning
- Simplify affordability across all MFTE areas to baseline of 80% AMI
- Allow for layering/overlapping of MFTE units with Land Use Code affordable units
- Require any layered/overlapping units to be offered at deeper affordability



# April 19 Council Comments

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- New potential package of program elements addressing:
  - Family-sized Unit Alternative amendment
  - AMI level for overlapping/layered units: 65%
  - 30% parking discount for affordable renters outside Downtown
  - 3% rent increase cap on returning/re-leasing MFTE tenants
- Interest from Council in this package and its comparison to existing program and previous staff recommendation







# Anticipated Utilization

Package	Most Impactful Program Elements	Anticipated Utilization
Existing Program	<ul style="list-style-type: none"><li>• 50-70% AMI, varies by location.</li><li>• Overlapping/layering permitted. No additional requirements</li><li>• 1 parking space per affordable unit (per MFTE covenant)</li></ul>	50-75 units/yr
4/19 SS Package at 65% AMI for overlapping	<ul style="list-style-type: none"><li>• 80% AMI everywhere</li><li>• Overlapping/layering permitted at deeper affordability level (65% AMI)</li><li>• 30% discount on parking for affordable tenants outside Downtown</li><li>• 3% rent increase cap on tenants renewing a lease in MFTE units</li></ul>	110-160 units/yr





# Elements Discussion

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# Family-sized Units

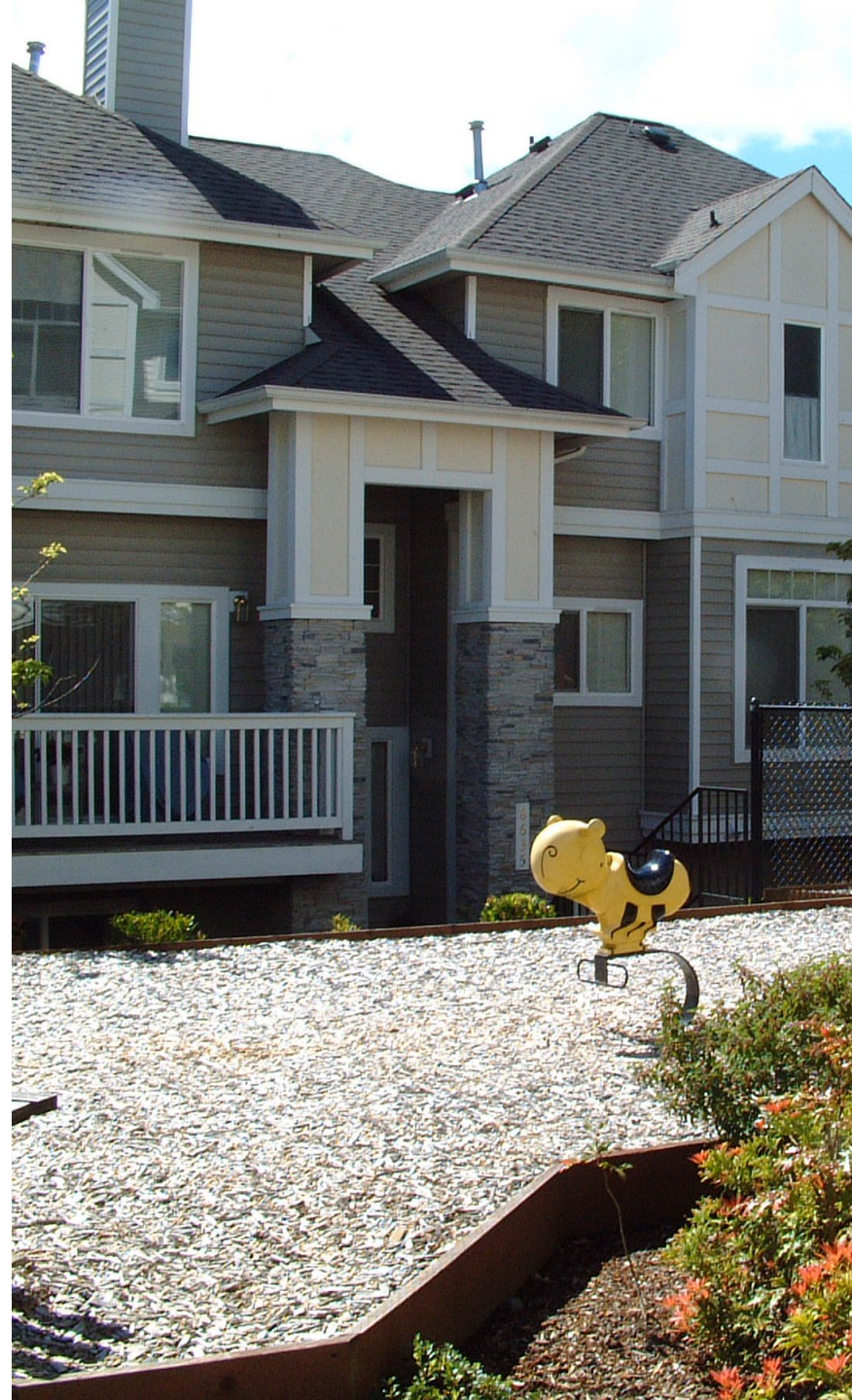
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Current requirement:

- 15% of units at 2 bedrooms or larger

4/19 Discussion:

- Retain existing requirement
- Add alternate pathway giving the developer the choice of offering either more units (25% of units affordable) or deeper affordability (70% AMI baseline, applying only to studios and 1-bedrooms)





# Current Parking Approach

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- LUC defines minimum required number of parking stalls. MFTE has no impact.
- All ARCH cities' boilerplate covenant includes one parking stall in the affordable rent
- Bellevue accommodates flexibility when provided with evidence of unique circumstances
- All ARCH cities plan to revise their approach to parking





# Discount Approach

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- Offer a 30% discount on parking stalls purchased by affordable tenants
- All parking costs would be beyond affordable rent totals
- New approach, different from other ARCH Cities
- Potential increased administration and compliance requirements



# Rent Stabilization Approach

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- Introduce new program element to cap affordable rent increases to 3%
- Only applies to renewed leases (about 40% in a given year)
- Has the potential to compound in subsequent years with high rent increases (about 15% of tenants may see this compounding effect)
- Allows for “catching up” by allowing up to a 3% increase in all years to catch up to HUD baseline
- Would potentially require additional administration





# Recent Affordable Rent Increases

	Family of 4 100% AMI	Yr over yr Change
1999	\$62,600	
2000	\$65,800	5.1%
2001	\$72,200	9.7%
2002	\$77,900	7.9%
2003	\$71,900	-7.7%
2004	\$71,900	0.0%
2005	\$72,250	0.5%
2006	\$74,300	2.8%
2007	\$75,600	1.7%
2008	\$81,400	7.7%
2009	\$84,300	3.6%

	Family of 4 100% AMI	Yr over yr Change
2010	\$85,600	1.5%
2011	\$86,800	1.4%
2012	\$88,000	1.4%
2013	\$86,700	-1.5%
2014	\$88,200	1.7%
2015	\$89,600	1.6%
2016	\$90,300	0.8%
2017	\$96,000	6.3%
2018	\$103,400	7.7%
2019	\$108,600	5.0%
2020	\$113,300	4.3%
2021	\$115,700	2.1%





# Next Steps

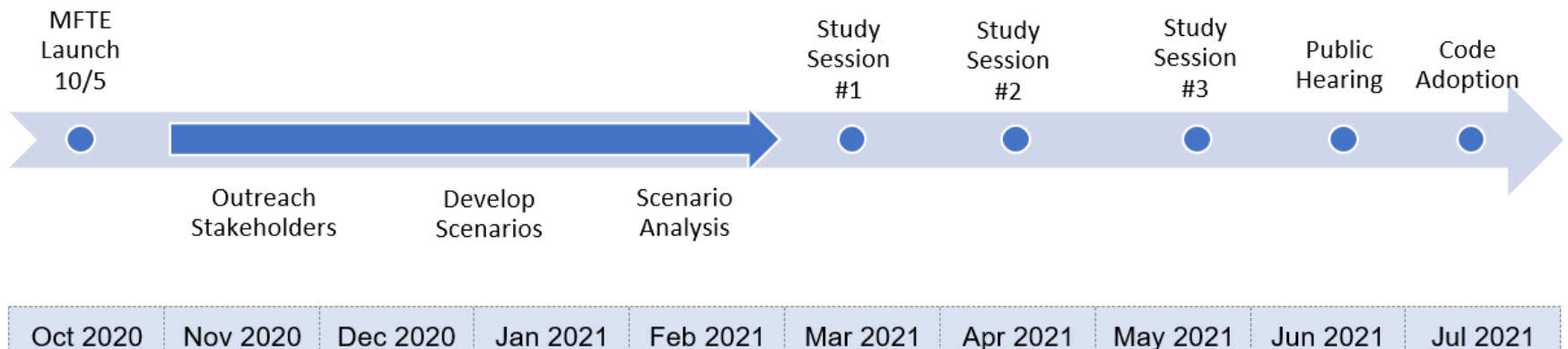
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# Program Update Schedule

- Public hearing potential date: June 28
- Draft code language as part of public hearing materials.
- Resolution is required prior to public hearing. Would come back on consent next session.
- Code adoption is anticipated in July.





# Direction

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Staff will review Council's requested follow-up on the MFTE Program Update package from the April 19 study session. Following discussion, staff will seek direction to prepare for a public hearing and final action.

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- Family-sized unit alternative
- AMI levels for overlapping
- Parking approach
- Rent stabilization
- Public hearing scheduling