

# Reauthorization of Seattle's MFTE Program (P7)

Office of Housing  
October 23, 2024



City of Seattle



## **Vision**

Everyone has a healthy and affordable home.

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## **Mission**

We partner to create affordable housing by equitably investing to prevent displacement and increase opportunities for people to live in Seattle.



# MFTE program goals



**Supply:**  
Incentivize the  
creation of new  
apartments.

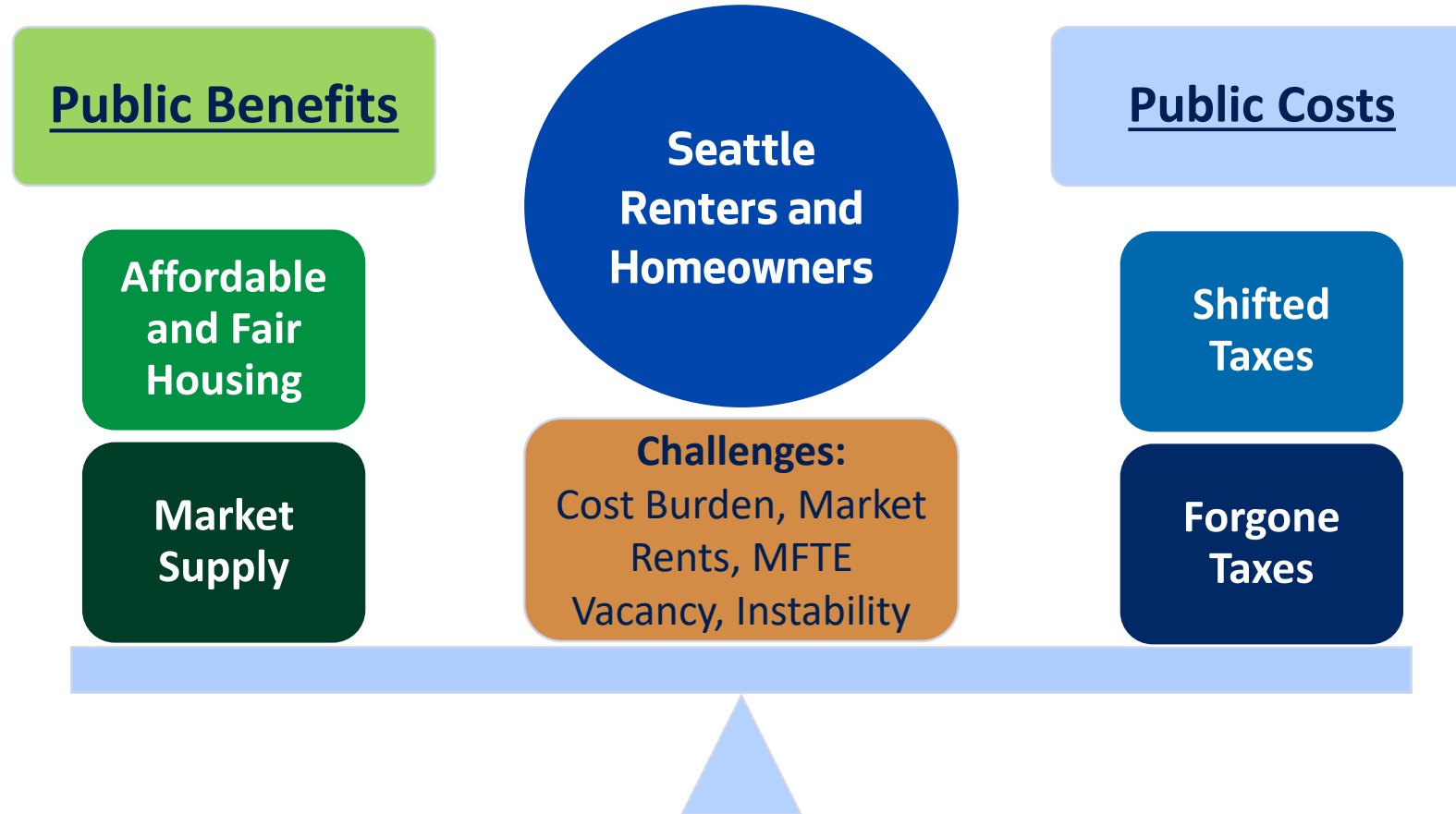


**Affordability:**  
Create income  
and rent-  
restricted  
homes.



**Fair Housing:**  
Housing and  
opportunity in  
all  
neighborhoods.

# Striving for balance of MFTE benefits and costs





# Topics for today's meeting

- Data and context for MFTE policy changes
- Feedback
- Program analysis
- Timeline for Reauthorization
- Three categories of proposals for review and feedback



# Seattle needs 112,000 new homes by 2044

Future housing needs broken down by AMI

Subsidized Rents				Unsubsidized / Market Rate Rents	
0-30% AMI PSH	0-30% AMI non-PSH	30-50% AMI	50-80% AMI	80-120% AMI	120% AMI+
15,024	28,572	19,144	7,986	11,572	29,702
OH affordable housing: PSH, rental, homeownership (30 – 80% AMI)				MFTE (40 – 90% AMI)	

Assumes average household size of 2.24

Source: Countywide Planning Policies, King County Growth Management Planning Council, 2023

# What's the difference?

MFTE apartments	OH-funded apartments
12 years of rent restrictions	50+ years of rent restrictions
Voluntary, property owners can opt out any time	Longstanding deed restriction
Option to extend to 24 years	Option to extend affordability at end of initial term
Income/rent limits average 72% of AMI Limits range 40%-90% of AMI	Income/rent limits average 45% of AMI Limits range 30%-60% of AMI

# Renter profile comparison

## MFTE apartments

- Average household (HH) income is 49% of AMI.
- 70% of HHs have incomes at or below 60% of AMI.

## OH-funded apartments

- Average household (HH) income is 22% of AMI.
- 96% of HHs have incomes at or below 60% of AMI.

Race / Ethnicity	MFTE	OH-funded	Citywide
White	45%	39%	61%
Black / African American	16%	33%	7%
Asian / Pacific Islander	22%	14%	17%
Hispanic / Latino	11%	11%	8%
American Indian / Alaska Native	1%	4%	0.4%
Multiracial	4%	5%	7%

Source: Internal OH data from 2023 and 2022; US Census Bureau 2022 ACS 5-Year Estimates, Seattle



# What we have heard from you



- Simplify income certification process.
- Clarify comparability requirements.
- Clarify unit definitions (open 1 bedroom).
- Remove barriers for students.
- Streamline the MFTE rent charts.
- Support “workforce housing”.

# MFTE renter survey results

- MFTE renters love where they live, value the program and report that MFTE allows them to afford to live in Seattle.
- Housing affordability is an issue for many.
- Finding information about MFTE, completing paperwork, and length of application process are challenges.
- Renters know the building's tax exemption could expire, which creates uncertainty and instability.

# Program benefits from University of Washington report

## Public Benefits

- 34,000 housing units built, 7,000 income-restricted.
- Primarily studios and 1-bedrooms in mid-rise buildings.
- In the same buildings, MFTE rents are lower than unrestricted units.
- Cost/benefit analysis found that for every \$1 of tax exemption granted, the public benefit is ~\$0.50 of rent discount for MFTE renters (~\$0.80 for P6 only).



# Mixed benefits and program challenges from University of Washington report

## Challenges

- 85% of MFTE renters are cost burdened, 25% severely (compared with 40% and 19% citywide).
- MFTE rents are at market rate in certain neighborhoods.
- Vacancy rates – varies by building, unit type, and neighborhood.
- There are opportunities to improve clarity of programs goals and administrative rules for City staff and developers.

# MFTE program costs

## Lost property tax revenue

For new construction values that are not assessed prior to the tax exemption going into effect.

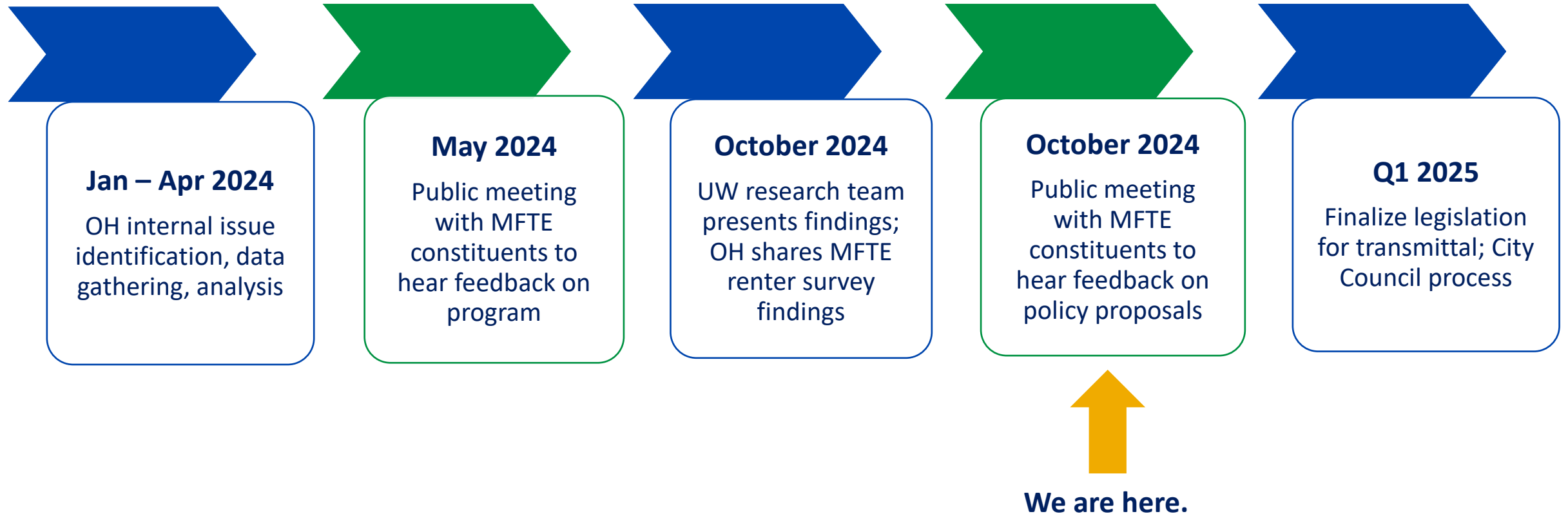
- As of 2023, approximately \$271 M of property tax revenue has been forgone for existing MFTE properties over 12 years.

## Shifted property taxes

To offset MFTE, other taxpayers pay the property taxes for MFTE properties.

- For 2024 alone, approximately \$80 M of property taxes were shifted to other property taxpayers (Families & Ed Levy is \$90 M)

# MFTE program reauthorization timeline





# Anticipate 2026 MFTE program updates

Following adoption of the #OneSeattle Comprehensive Plan, OH plans to:

1. Update the MFTE map to reflect geographic priorities.
2. Consider program changes to respond to specific market and submarket needs – this may include changes to rents and incentives for certain unit types in certain geographic areas.

# Next up, Program 7 proposals

1. Income documentation.
2. Programmatic updates.
3. Rent restrictions, comparability.
4. Application fees.



# Proposed MFTE Changes (1/3)

## Income documentation

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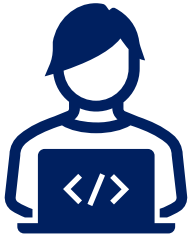
# Goals for proposed changes

- Reduce barriers for renters.
- Mitigate vacancies.
- Reduce paperwork for property managers and OH staff.

# Income verification proposal



**Option 1: Paystubs (3 months)**



**Option 2: The Work Number**



**Option 3: Employer Verification**

# Income verification Proposal



Discontinue collecting mobile payment app data (Venmo/Cash App), unless primary banking method.



# Income recertification proposal



Change full income recertification process from every year to every 3rd year and allow self-recertification of income in interim years.

# Poll



Are these changes going in the right direction?



Will these changes save administrative costs and time?



Will these changes shorten rental application approval timelines?



Will these changes reduce vacancy in MFTE apartments?

# Proposed MFTE Changes (2/3) Programmatic

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# Adopted eligibility criteria changes



Modified student eligibility criteria on Sept 5, 2024. Graduate students may provide a FAFSA showing need-based aid or most recent year's tax returns.

# Marketing proposal



Require properties to advertise MFTE units on their website, regardless of current availability.

## Rehab language (Office to Residential)



Update city code to reflect 2024 state law change to accommodate rehabilitation of offices for conversion to residential.



# Program changes: One income chart

- Use a single rent chart regardless of the version of MFTE applicable to a property (e.g., P3, P4, P5, P6).
- The separate rent chart for MFTE P6 is eliminated.
  - The P6 chart required lower rents than all other MFTE programs due to the application of an annual rent modifier.

# Program changes: RCW-required penalties\*



If a property has fewer restricted units than required, the penalty is the rent differential for number of months of noncompliance.



If income ineligible household was approved for an MFTE unit but moves out, the penalty is the rent differential for number of months of non-compliance.

*\* (RCW 84.14.100)*



# Extension applications proposal



An MFTE building may have an extension application denied if it has received a Summary of Non-Compliance and the property owner has not demonstrated good faith efforts to comply with program requirements.

OH will consider the impact on existing MFTE renters when denying an extension application.

# **Proposed MFTE Changes (3/3)**

## **Balancing public benefit and cost & Improving clarity**

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# Context

- Balancing public benefit with public cost, based on data.
  - Net Unit Area and AMI
  - Fees
  - Amenity areas
  - Owner-occupied apartments in MFTE properties
- Improving clarity of OH expectations.
  - Net Unit Area
  - Comparability
  - Application process



# Seattle renters have lower median income than owners

Seattle's area median income has increased 37% in the last five years.

Income limits for renter programs should be decided based on the actual incomes of the renter population (54% of total population).

INCOME LIMITS																					
	Percent of Area Median Income																				
Family Size	30%	40%	50%	60%	65%	70%	75%	80%	85%	90%	100%	110%	120%	130%	140%	150%	160%	170%	180%	190%	200%
1	\$27,170	\$36,230	\$45,290	\$54,350	\$58,880	\$63,410	\$67,940	\$72,460	\$76,990	\$81,520	\$90,580	\$99,640	\$108,700	\$117,750	\$126,810	\$135,870	\$144,930	\$153,990	\$163,040	\$172,100	\$181,160
2	\$31,060	\$41,410	\$51,760	\$62,110	\$67,290	\$72,460	\$77,640	\$82,820	\$87,990	\$93,170	\$103,520	\$113,870	\$124,220	\$134,580	\$144,930	\$155,280	\$165,630	\$175,980	\$186,340	\$196,690	\$207,040
3	\$34,940	\$46,580	\$58,230	\$69,880	\$75,700	\$81,520	\$87,350	\$93,170	\$98,990	\$104,810	\$116,460	\$128,110	\$139,750	\$151,400	\$163,040	\$174,690	\$186,340	\$197,980	\$209,630	\$221,270	\$232,920

77% AMI  
Median  
Renters:  
~\$79k

175% AMI  
Median  
Owners:  
~\$181k

2022 data from U.S. Census and HUD

# HUD includes renters and owners to estimate area median income

Residents	Median Household Income	Approx. % of HUD AMI for 2-person Household	Approx. % of HUD AMI at 60% of Seattle city Median HH Income
Owners	\$181,584	175% AMI	105% AMI
Renters	\$79,285	77% AMI	46% AMI

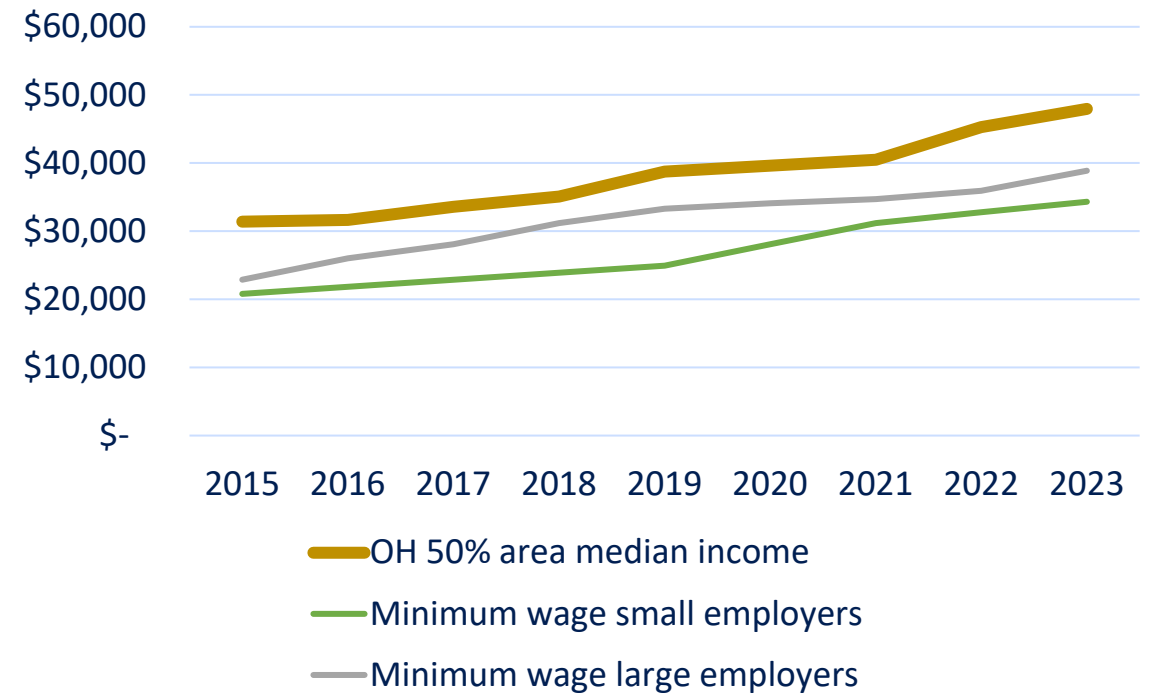
In city of Seattle, estimated average household size is 2.39 people for owners and 1.65 people for renters.  
In King-Snohomish counties, HUD median family income for a 2-person household is \$103,600  
2022 data from U.S. Census and HUD



# 50% AMI rent remains out of reach for minimum wage workers

Workers making minimum wage would be cost burdened by 50% AMI max rent.

Comparison of 50% AMI and Seattle Minimum Wage



# Who is likely to live in affordable housing?



**Richie and Renee are expecting a baby. They'd like a 1-bedroom but can only afford a studio apartment to raise their new family.**

Richie, Grocery clerk: \$41,538

Renee, Barista: \$35,880

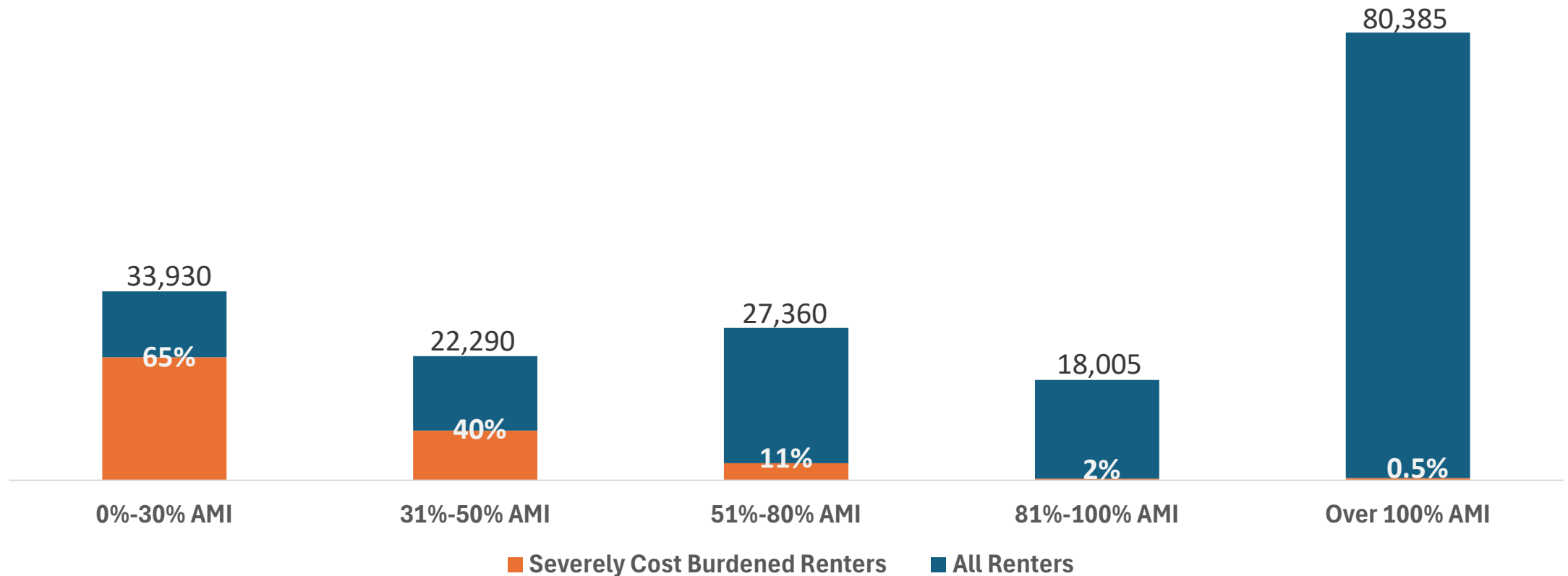
Household income: \$77,418

**Affordable monthly rent: \$1,935**

As a 3-person household, they are just above 50% AMI household income.

60% 2BR rent = \$2,034

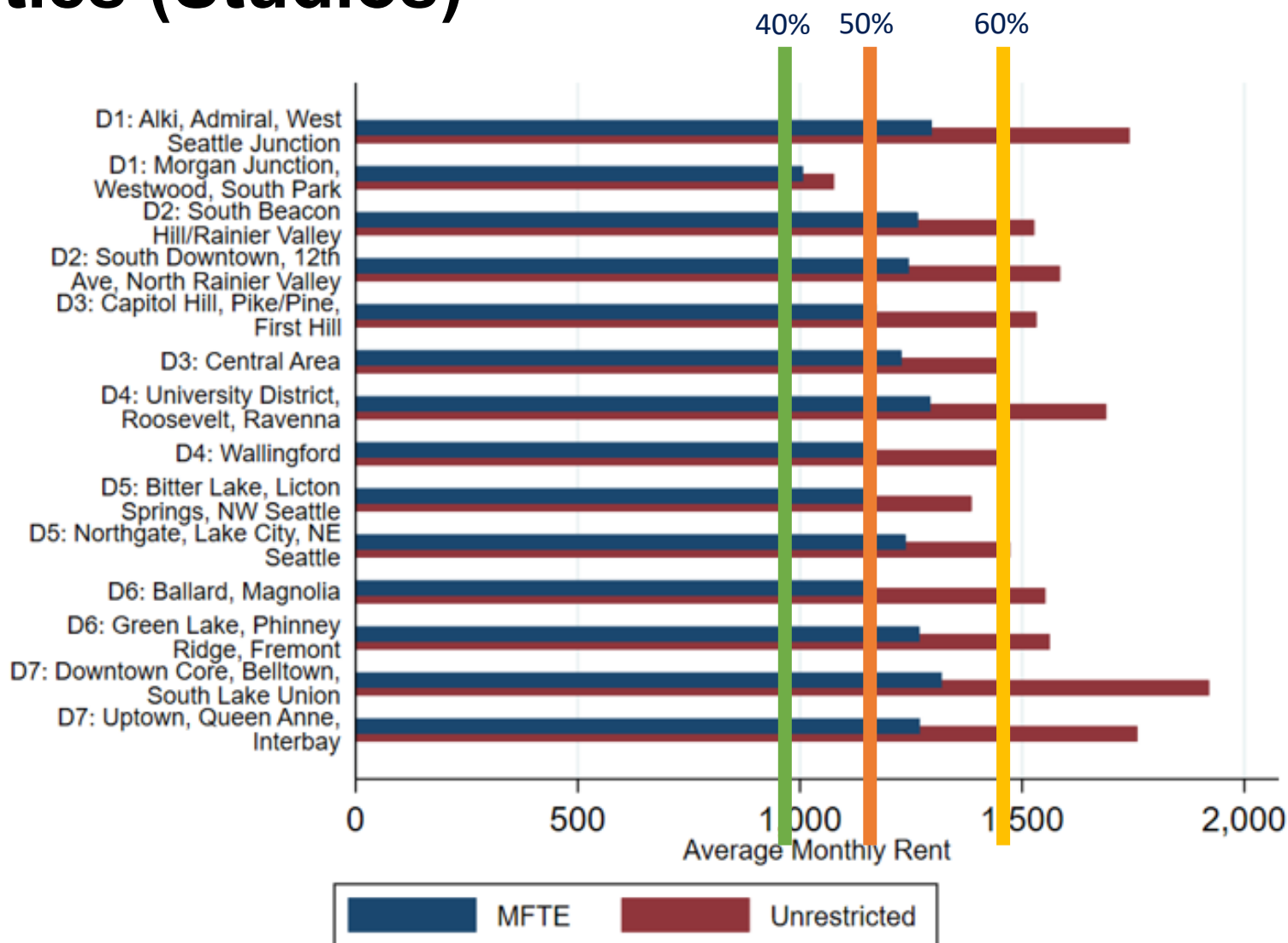
# Severe housing cost-burden affects renters with the lowest incomes



Source: US Department of HUD, CHAS 2017-2021, ACS 5-Year Estimates, Seattle



# Rents: Restricted v Unrestricted units in MFTE properties (Studios)



2023 OH max rents, studios:

**60%: \$1,438**

**50%: \$1,198**

**40%: \$959**

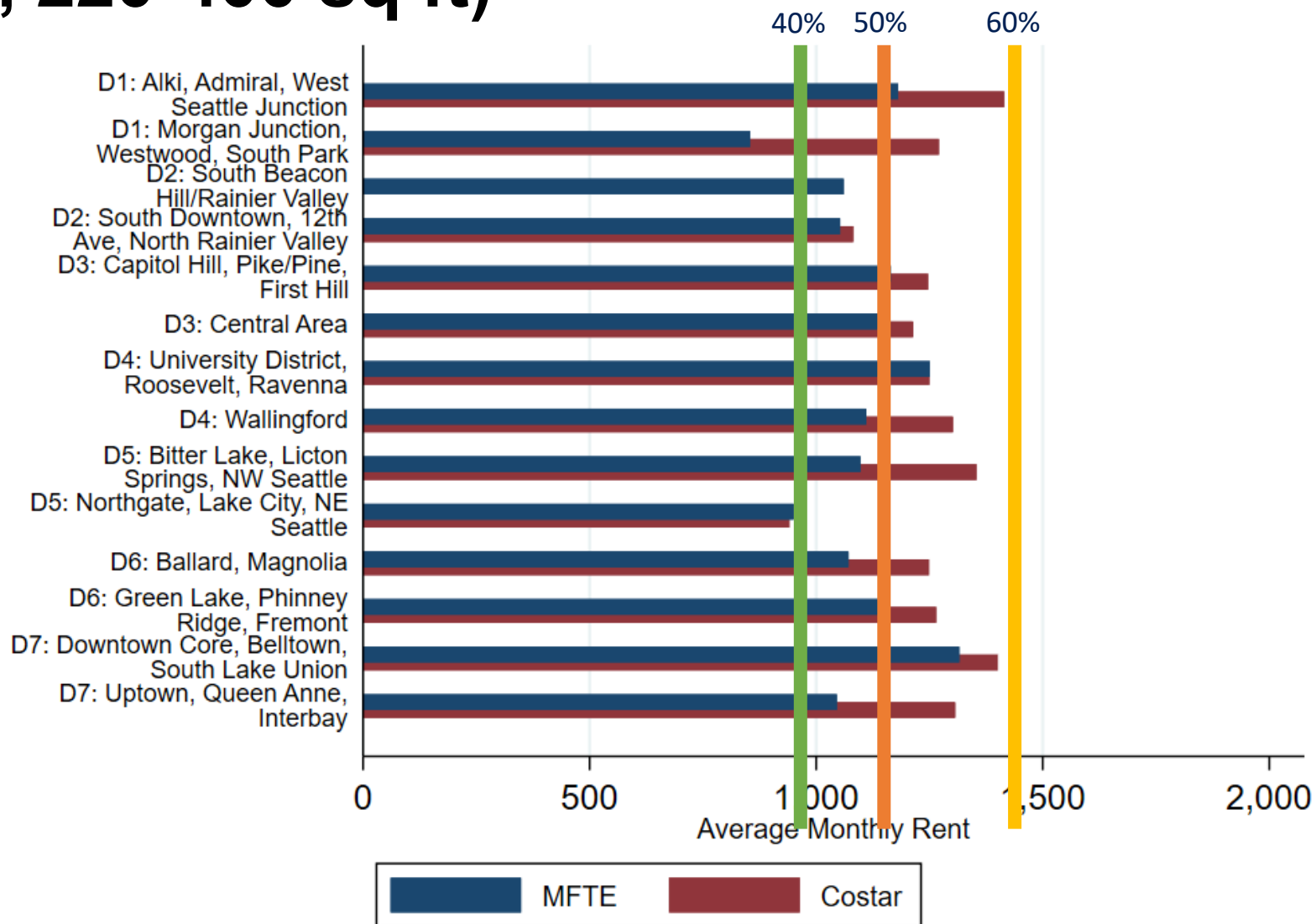
2023 P6 OH max rents, studios:

**60%: \$1,326**

**50%: \$1,105**

**40%: \$884**

# Rents: MFTE Restricted v Market (0-BR, 220-400 sq ft)



2023 OH max rents, studios:

**60%: \$1,438**

**50%: \$1,198**

**40%: \$959**

2023 P6 OH max rents, studios:

**60%: \$1,326**

**50%: \$1,105**

**40%: \$884**

# Working agreements and feedback

## Working agreements

- Use raise-hand function to get in queue for speaking.
- Be specific when adding to the dialogue via chat.

## What we're hoping to hear from you

- Do the changes add clarity?
- Are the changes feasible?
- Do the changes address the problem? If not, what do you recommend?

# Proposed MFTE rent limits respond to existing data

- Small unit MFTE rents are at market in multiple neighborhoods
- MFTE vacancy rate is 11%, with 38 buildings above 20%
- 25% of MFTE renters are severely cost burdened
- AMI in Seattle has increased 37% in 5 years
- The average MFTE unit rent limit is 72% AMI, and the average MFTE renter income is 49% AMI

# Net unit area and small unit proposal

- Using net unit area rather than configuration of unit (i.e., number of bedrooms) to establish rent levels.
- Pause on tax exemption for small units (<400 sq ft)



# DRAFT MFTE rent limit proposal

P6 Unit Types	P6 Rent Limit for New MFTE Properties	MFTE Rent to avoid cost burden for current renters
Congregate	\$924	\$1,107
SEDU	\$924 or \$1,155	\$1,107
Studio	\$1,386	\$1,107 - \$1,497
1-Bedroom	\$1,732	\$1,497 - \$1,932
2-Bedroom	\$2,525	\$1,497 - \$1,932
3-Bedroom	\$3,089	\$1,932 - \$2,861

DRAFT P7 Unit Size Ranges (net unit area)	DRAFT P7 Rent Limit Ranges for the net unit area range	DRAFT P7 Rent Limit AMI Ranges	CoStar Market Rents (mean rent by net unit area)
125-220 sq ft	\$800 - \$950	30-35% AMI	\$1,094 - \$1,138
221-400 sq ft	\$920 - \$1,200	35-45% AMI	\$1,420 - \$1,507
401-550 sq ft	\$1,200 - \$1,600	45-55% AMI	\$1,719 - \$2,056
551-700 sq ft	\$1,400 - \$1,900	55-65% AMI	\$1,886 - \$2,373
701-850 sq ft*	\$1,800 - \$2,400	65-70% AMI	\$2,186 - \$2,872
851-1,000 sq ft	\$1,900 - \$2,600	70-75% AMI	\$2,679 - \$3,351
1,001+ sq ft	\$2,600 - \$3,400	75-85% AMI	\$3,767 - \$5,844

\*2BR minimum size

# MFTE application fee proposal background

- Application fees have not been updated since 2015.
- Fees cover City staff costs for application review, agreement, conditional cert., review unit mix, inspection, final application review, final cert., documentation for Assessor, 12 years of compliance, collecting and analyzing data, annual reporting to WA State Dept. of Commerce.

# MFTE application fee proposals

**A:** Charge a per unit fee up front at initial application.

Building Size Example	Proposed Application Fee \$300 per unit
20 units	\$6,000
50 units	\$15,000
100 units	\$30,000
150 units	\$45,000
200 units	\$60,000
250 units	\$75,000

**B:** Lower initial application fee and larger per unit fee at final application submission.

**C:** Lower application fees but add per unit compliance fee paid over exemption period.

# Exclude fee-generating amenities proposal

- Exclude any amenities with regular and ongoing fees (monthly, quarterly, annual) from the tax exemption.
- This is intended for amenities such as gyms, pools, enclosed rooftop space, etc.

# Owner-occupied MFTE rental units proposal

- Units that are occupied by building owners and investors and their friends and family will not be tax exempt.
- Every housing unit must be affirmatively marketed and available to the public. Marketing of MFTE units and other housing units must be done simultaneously. This subsection 5.73.040.B.8 does not apply to units excluded from the property tax exemption at the option of the property owner.

# Comparability and distribution proposal

- Address distribution with 20%/25% of units **and** net unit area for each floor area (allow stacking if units are comparable and net unit area of MFTE units is equal to or greater than that of total units).
- Update unit comparability language in code to include exhaustive list of elements:  
The MFTE unit number of bedrooms, bedroom type (open or standard), heating and cooling, ERV ventilation, amenities (dens, lofts, balconies, decks, private outdoor space), appliances (refrigerator, range, oven, dishwasher, microwave, washer/dryer), storage/closets, and fixtures (lighting, kitchen, bathroom), finishes (flooring, counters) are equivalent to those of the other housing units in the multifamily housing.



# MFTE application timeline proposal

- Change initial MFTE application deadline from 180 days before TCO to before the building permit issuance.
- OH will require prompt signature on MFTE agreement (the goal is within 30 days of MFTE application approval).
- Accept final MFTE application no later than 30 days after the TCO is issued.

# Thank you for your comments!

- Please use the form linked in the chat to provide additional feedback or ask questions of staff.
- Comment period closes November 6 at 5:00 p.m.
- If you need assistance, e-mail [OFH\\_MFTE@seattle.gov](mailto:OFH_MFTE@seattle.gov)

