



# City of Seattle

## Seattle Planning Commission

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January 20, 2011

Honorable Councilmember Nick Licata, Chair  
Housing, Human Services, Health, & Culture Committee  
Seattle City Council  
PO Box 34025  
Seattle, WA 98124-4025

### RE: Multifamily Tax Exemption Program renewal

Councilmember Licata,

The Seattle Planning Commission supports renewing the Multifamily Property Tax Exemption Program (MFTE) and specifically supports and encourages the adoption of those program changes proposed by the Mayor and the Office of Housing.

#### Multifamily Tax Exemption has shown strong results:

- Over the past twelve years the MFTE has supported the production of over 2,000 new affordable housing units in projects that have created over 5,000 units in total.
- The program has been particularly active in the past two years and is an important tool used by affordable and market-rate housing developers alike.
- It has successfully created affordable housing in market-rate buildings in neighborhoods that would most likely be unaffordable to low-income families and individuals.

#### Multifamily Tax Exemption is an effective tool that helps Seattle achieve Comprehensive Plan (Comp Plan) housing goals:

- MFTE provides a powerful incentive for private property owners to build housing that helps fulfill the Comp Plan goals for housing growth and affordability. The Comp Plan specifically cites tax exemptions as one such policy (H8).
- Additionally, the Comp Plan encourages greater ethnic and economic integration through policies that strive to allocate subsidies increasing opportunities for low-income families to live where they choose (H16).
- Finally, the Comp Plan calls for policy that “allows for the use of public funds to subsidize low-income housing in otherwise market-rate housing developments in order to better integrate low-income households into the community” (H43), currently achieved in part through MFTE.

We have studied the adjustments to the MFTE which have been proposed by the Mayor and Office of Housing. It is our opinion that the proposed adjustments are reasonable and necessary improvements to the program. We offer the following recommendations and comments.

#### (1) Renew the MFTE program for five years and expand the Office of Housing’s reporting on the program to City Council.

Continue this successful program that meets housing creation and affordable housing goals. Expanding Office of Housing reporting requirements to Council, including annual project and program summaries as well as a 5-year program evaluation, will allow Council to ensure ongoing effectiveness and consider future adjustments as warranted.

**(2) Streamline project approval process and reduce application fees by discontinuing the City requirement for the City Council to adopt a resolution approving the contract for each project.**

Continued oversight of the MFTE Program by City Council is best achieved through recommended expanded reporting by the Office of Housing noted above. This is consistent with other Office of Housing programs in which City Council sets policy guidelines and reviews program progress. Furthermore, application materials should be updated as needed and the Office of Housing should be authorized to make appropriate revisions to these materials as needed to maintain an efficiently running program.

**(3) Adjust Rainier Beach Residential Targeted Area to include Neighborhood Commercial zoned properties immediately to the north of the current boundary.**

The proposed adjustment is approximately a 10-minute walk to the Rainier Beach light rail station. As described in the Commission's Seattle Transit Communities report, access to frequent, reliable transit service, such as light rail, helps reduce household transportation costs. This modest expansion is also consistent with Comp Plan policy and useful in meeting affordability goals.

**(4) Adjust affordability requirements with the goal of continuing to stimulate housing development and produce affordable housing opportunities throughout the course of market cycles.**

It is in the public's best interest to maximize affordability for its investment in tax exemptions. Ultimately, an effectively managed MFTE incentive program balances the City's commitment to affordability and housing creation with its commitment to stewardship of public resources. The Commission has reviewed the Office of Housing's analysis of affordability levels and believes that the Mayor's recommendation strikes that balance.

The proposed levels (70% for studios, 75% for one-bedrooms, 85% for two-bedrooms) enhance affordability while maintaining a program that will work in the marketplace.

|             | AMI Affordability |               |
|-------------|-------------------|---------------|
|             | 2008 – 2010       | 2011 Proposal |
| Studios     | 80%               | 70%           |
| 1 Bedroom   | 80%               | 75%           |
| 2+ Bedrooms | 90%               | 85%           |

Although there is some question about whether or not affordability levels should be adjusted from year to year in order to reflect changes in the housing market, it is our opinion that the program will be more effective if the housing industry has steady numbers upon which it can rely. While we support the modest recommended by the Mayor, in general we recognize that a steady standard provides stability and certainty for the industry. We suggest that any future changes to the MFTE program's design also be modest and occasional.

We applaud the work of the Mayor, Office of Housing, and City Council in contemplating and managing this important program. The MFTE program has proven successful over the years in meeting housing goals and should continue to be utilized in our effort to provide equitable housing throughout the City. We appreciate the opportunity to offer our insights and look forward to working with you in the future on this issue. Please contact me or our Director, Barbara Wilson at (206) 684-0431 if you have further questions.

Sincerely,



Josh Brower, Chair  
Seattle Planning Commission

cc: Mayor Mike McGinn  
Seattle City Councilmembers  
Rick Hooper, Maureen Kostyack, Amy Gray; Office of Housing  
Diane Sugimura, Marshall Foster; DPD  
Peter Hahn, Tracy Krawczyk; SDOT  
Darryl Smith, Ethan Raup, Liz Birkholz; Mayor's Office  
Rebecca Herzfeld, Traci Ratzliff, Sara Belz; Council Central Staff

**SEATTLE PLANNING COMMISSION RECORD OF DISCLOSURE & RECUSAL:**

- Commissioner Catherine Benotto disclosed that her firm, Weber Thompson, works on multifamily projects in Seattle.
- Commissioner Josh Brower disclosed that his firm, Brower Law PS, represents developers of single and multi-family housing and mixed use developments throughout the City.
- Commissioner David Cutler disclosed that his firm, GGLO designs projects and advises clients who own property that may be impacted by the Multifamily Tax Exemption program.
- Commissioner Colie Hough-Beck disclosed that her firm, HBB Landscape Architecture, works on multi-family projects in Seattle.
- Commissioner Marty Kaplan disclosed that his firm, Martin Henry Kaplan Architects, designs projects and advises clients who own property that may be impacted by the Multifamily Tax Exemption program.
- Commissioner Brad Khouri disclosed that his firm, b9 architects designs and develops multifamily project throughout the city of Seattle.
- Commissioner Chris Person disclosed that he is the executive director of Capitol Hill Housing which develops affordable multifamily projects throughout the City and currently has a project under consideration for property tax exemption under this program.
- Commissioner Matt Roewe disclosed that his firm, VIA Architecture, provides design services for multifamily projects in Seattle. He also disclosed that he serves as a Board Member of Capitol Hill Housing.