



# City of Seattle

Gregory J. Nickels, Mayor

## Seattle Planning Commission

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June 28, 2007

Honorable Councilmember Tom Rasmussen  
Chair, Housing, Human Services and Health Committee  
Seattle City Council  
PO Box 34025  
Seattle, WA 98124-4025

### **RE: Proposed Changes to Multifamily Tax Exemption Program**

Dear Councilmember Rasmussen:

The Planning Commission is pleased to provide you with its comments on proposed changes to the Multifamily Tax Exemption (MFTE) program. We have closely followed the Office of Housing's review of the program in past months, and offer the following comments on the Executive's proposed changes. Overall, the Commission feels the Executive's proposed changes will work to achieve Housing Goal 4 in the Comprehensive Plan, to 'Achieve a mix of housing types that are attractive and affordable to a diversity of ages, incomes, household types, household sizes, and cultural backgrounds.'

- **The rapidly changing housing market has sparked the need for Seattle to address a broader range of housing goals.**

The significant rise in housing costs, both for developers and consumers, has created the need to provide more housing choices for workers priced out of Seattle's market. The MFTE program is in a unique position to serve these people, for which few affordable housing tools exist. It is thus important to ensure the MFTE program is implemented to its fullest extent, and that its affordability requirements are set at a level to best serve Seattle's work force.

The rise in the cost of housing has created a situation where it does not make economic sense for many developers to participate in the MFTE program, as the benefit of the tax exemption is generally outweighed by the cost of the provision of the units with below-market rents. The Executive's proposal to adjust the affordability requirements is a sound strategy for increasing participation in the program, and thus the number of affordable units produced for Seattle's work force.

The Executive's proposal to expand the number of neighborhoods where the program is offered could also increase participation in the program, and, again, the number of affordable units produced for Seattle's work force.

By adjusting the affordability requirements and expanding the geographic area where the program operates, Seattle can achieve two goals – it can potentially bring

affordable units to areas where housing is expensive for consumers, and stimulate development in areas where housing is less expensive for consumers. Both changes in the program are worth pursuing, and should help stimulate construction of more affordable housing in Seattle.

- **The MFTE program should not be seen as competing with funds for very low-income housing.**

The Office of Housing has documented that many of the units on the market that are affordable to low and very low-income people are rented out by those with higher incomes. Providing affordable housing geared towards those making 90 – 120 percent of median income could lessen this pressure on low-income market rate housing. In addition, the City currently provides large subsidies to create housing for low-income households, and the private sector, through the use of low income tax credits, contributes to providing low-income housing as well. There are very few resources, however, to provide housing for workers beyond the low-income thresholds who are nevertheless priced out of Seattle's market, and the MFTE program's ability to do just that makes it an important tool for Seattle.

Seattle's affordability problem stems in part from a jobs-housing imbalance where the creation of jobs is outpacing the production of housing affordable to Seattle's work force. The MFTE program helps address this shortage, both by creating units targeted to specific income levels and market rate units that will become the next generation's older, more affordable units.

In addition, from a public finance perspective, if the MFTE program incentive can induce production of units that would not otherwise been created, then over the long term the program should have a positive affect on Seattle's tax base. From a short-term demand perspective, any creation of supply that would not have otherwise existed will help overall affordability in the City's multifamily housing stock, so long as new units do not replace existing, more affordable ones.

- **It is unlikely that affordable housing subsidies will increase, so Seattle must begin utilizing efficient solutions to the problem such as the MFTE program.**

Due to the growing lack of affordable housing in Seattle, all available tools to create affordable housing should be closely considered, carefully coordinated, and effectively leveraged. The lack of additional direct subsidy dollars or new potential funding sources for affordable housing means efficient strategies that collaborate with the private sector should be an important component of Seattle's efforts to address the need for affordable housing. The MFTE program presents an important opportunity to utilize one of these types of tools.

- **There are some aspects of the proposal that the Commission believes warrant further review**

The current proposal allows developers to provide a lower percentage of affordable units if 10 percent of units in the development are 2 bedroom. This percentage seems low, and should be raised. The definition of what constitutes a 'studio' versus a '1-bedroom' should be clearly articulated; units which lack legitimate bedroom, i.e. a room separated from the rest of the unit with a door and provided with an exterior window, should be classed as studios. In addition, while removing the right-of-first-offer and right-of-first-refusal provision for rental housing makes sense, it should be kept for ownership housing, as it provides a potentially valuable tool to the city and non-profits for keeping affordable units affordable.

The Planning Commission is an independent citizen volunteer advisory body that provides advice and recommendations to City officials on broad planning goals, policies and plans for the physical

development of Seattle. We thank you for this opportunity to assist you in your work and hope that we have been a valuable resource as an independent expert review body.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Finrow". The signature is written in black ink on a white background.

Jerry Finrow, Chair

cc: Mayor Greg Nickels  
Seattle City Council Members  
Tim Ceis, Deputy Mayor  
Adrienne Quinn, Director, OH  
Diane Sugimura, Director, DPD  
Rebecca Herzfeld, Council Central Staff  
John Rahaim, DPD  
Rick Hooper, OH  
Amy Gray, OH  
Traci Ratzliff, Council Central Staff