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Proposed Ordinance 944: Multifamily Property Tax Exemption Program Changes

October 4, 2021



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Multifamily Property Tax Exemption

- “MFTE,” also known as “PTE”
- Shoreline’s primary affordable housing tool
- Incentive-based
- Designates residential targeted areas (RTAs)
- Increases residential options in RTAs
- Directs future population growth to RTAs
- Supports development densities that reinforce economic base & transit use



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MFTE Incentive

- 12-year property tax exemption

Not applicable to land value or non-housing-related improvements

Public Benefit

- 20% of units affordable at 80% Area Median Income



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Completed MFTE Project Locations (RTAs)

- Aurora Ave N Corridor
- Ballinger Way NE
Commercial Area
- North City Business District
- Southeast Neighborhoods
Commercial Area

No completed MFTE projects (RTAs)

- **145th Street Station
Subarea**
- **185th Street Station
Subarea**
- Hillwood Commercial Area
- Richmond Beach
Commercial Area
- Ridgcrest Commercial
Area



Financial Impact

Sample 12-Year MFTE Project

- Property Tax on Improvements assumed at \$0 for 12 years
- Other revenue generated estimated to far exceed total revenues generated prior to development:
 - One-time revenues estimated at approximately \$1.25 million
 - Ongoing revenues estimated at:
 - \$17,500 prior to redevelopment
 - Including property taxes on improvements
 - \$69,000 per year during 12-year period
 - Assumes \$0 in property taxes on improvements



Proposed Ordinance 944

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1. Extension and expansion of MFTE in the light rail station subareas.
 - a) Eliminate 2021 MFTE expiration in the subarea RTAs
 - b) Expand the MFTE boundary to add newly-enacted Phase 2 zoning
2. Establishment of 20-year MFTE program
3. Adoption of a 12-year extension for 12-year-program MFTE projects



Discussion

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- Affordability vs. Market rate?
- MFTE station area RTA expansion?
- Number of projects that could switch from 12 to 20 year?
- High-capacity transit frequency—
scheduled service hours?

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Affordability vs. Market rate?

- Comparing market rent for buildings 12 years in age to affordability required by MFTE

Affordability vs. Market

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Shoreline Multifamily Rent			
	2013	2021	2025
4-5 Star:	\$1,388	\$1,802	\$2,175
3-Star:	\$1,069	\$1,518	\$1,833
Savings/premium:	\$319	\$284	\$342

Market Rent vs. Affordability Limits			
	2013	2021	2025
4-5 Star:	\$1,388	\$1,802	\$2,175
Affordable Unit Rent	\$1,388	\$1,519	N/A
Savings/premium:	\$0	\$283	N/A



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MFTE station area RTA expansion?

- Ord. 944: Current phase zoning
- Discussed: Full extent of Station Areas



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Number of projects that could switch from 12 to 20 year?

- Five (5) projects have applied
- \$618 application fee
- Discussed: Application fee waiver to encourage adoption of 20-year program

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High-capacity transit frequency— scheduled service hours?

- Ord. 944: 15-minute frequency minimum service level (20-year program eligibility criteria)
- Discussed: Clarifying regular service hours

Amendments

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- Expand MFTE station area RTA to match entirety of station area boundaries
- Application fee waiver to switch to 20-year program
- Clarify 20-year program eligibility criteria regarding scheduled frequency of high-capacity transit

185th St. Station Area Boundary

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- Motion:

“I move to replace the map shown in Exhibit A to Ordinance No. 944, Attachment I 185th Street Station Subarea, with a new map as shown in Attachment B to tonight’s staff report.”

148th St. Station Area Boundary

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- Motion:

***“I move to delete SMC 3.27.030
Attachment H 145th Street Station
Subarea and replace it with a new map
as shown in Attachment C to tonight’s
staff report.”***

Application Fee Waiver

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- To encourage eligible 12-year program applicants to switch to 20-year program
- Motion:

“I move to add a new Section 2 to Ordinance No. 944 allowing for conversion of pending MFTE applications to 20 years, and renumber the existing sections accordingly, as shown on page 5 of the staff report.”

THANK YOU

