Local Tools for Affordable Housing

Case Study

Seattle, Washington: Multifamily Tax Exemption Program

As a booming technology sector has attracted more people to Seattle, affordability across the city declined rapidly. Today, the rental market in the Seattle-Tacoma-Bellevue metropolitan statistical area (MSA) exhibits the third fastest rent growth in the nation, with rental prices expected to continue to rise. According to the National Low Income Housing Coalition, there is a deficit of 112,678 affordable and available units for renters at or below 50% AMI in the Seattle-Tacoma-Bellevue MSA. Of renters between 51% and 80% AMI, 47% are cost burdened, meaning they spend more than 30% of their income on housing costs and utilities.

To address this, Seattle developed the Multifamily Tax Exemption Program (MFTE). Like California’s Tax Exemption, the City of Seattle’s MFTE program provides a property tax exemption to owners of multifamily rental and for-sale residential projects. For rental properties, the property owner is excused from paying property tax on residential improvements in exchange for rent-restricting at least 20% of the units for income qualified households during the period of exemption. For condominiums or other for-sale multifamily properties, the tax exemption accrues to each of the owners of the income- and price-restricted units. The exemption does not apply to land or non-residential improvements. Under State law, the program allows a maximum 12-year exemption. By supporting the development of mixed-income rental properties, the MFTE program ensures affordability as Seattle communities continue to grow. There are nearly 4,500 MFTE apartments available throughout Seattle currently, with an additional 1,320 slated to enter the market by 2020.

Rent Burden in the Seattle-Tacoma-Bellevue MSA (2017)

<table>
<thead>
<tr>
<th>Category</th>
<th>% of renter households with cost burden</th>
<th>% of renter households with severe cost burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income (ELI)</td>
<td>83%</td>
<td>72%</td>
</tr>
<tr>
<td>ELI – 50% AMI</td>
<td>84%</td>
<td>36%</td>
</tr>
<tr>
<td>51% - 80% AMI</td>
<td>47%</td>
<td>6%</td>
</tr>
<tr>
<td>81% - 100% AMI</td>
<td>17%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened.

1 National Low Income Housing Coalition, [https://reports.nlihc.org/gap/2017/wa](https://reports.nlihc.org/gap/2017/wa)
Case Study: The Roost

A co-living artists’ community in Seattle’s vibrant Rainier Valley neighborhood, The Roost offers 33 units of micro-housing made affordable through the Seattle Homes Within Reach incentive program.

The Roost is located in the Rainier Valley neighborhood, now considered one of the trendiest parts of the city. In the 1990s, Rainier Valley saw an influx of artists as the early signs of gentrification took hold in the then-still-affordable neighborhood. While the U.S. Census Bureau proclaimed Rainier Valley the most diverse neighborhood in the country in 2010, the neighborhood has struggled to maintain its diverse artist population, and few remain today.

Neiman Taber Architects, which both designed and developed The Roost, worked with the city of Seattle to meet two of the neighborhood’s needs: 1) affordable housing; 2) support for the arts. The three-story property was completed in 2018 and offers 33 apartments, 24 of which house working artists and nine of which are subsidized by the Seattle Homes Within Reach Incentive program to assist households earning below 40% of the area median income (AMI). All 33 of the units are affordable at 80% AMI. In 2019, Fannie Mae refinanced the property with First Mortgage Debt of over $4,000,000.

The annual income and restricted rent levels for the MFTE are published by the Seattle Housing Authority, and currently limit rent to $702 per month per unit for those at the 40% AMI level. The market rate apartments at The Roost rent for an average of $1,200 per month, which is still below the average market range of $1,240 to $1,465 per unit. By participating in the MFTE program, The Roost is required to implement an Affirmative Marketing Plan, which will help individuals and households otherwise unlikely to apply for housing 1) know about the vacancies; 2) feel welcome to apply; and 3) have the opportunity to rent units.

In addition to rent-restricted and unrestricted apartments, the Roost offers 1,838 square feet of commercial space. Thanks to a years’ long partnership with the Seattle Office of Arts and Culture, The Roost’s commercial space is occupied by an organization that provides inspiration to the building’s artist residents: a nonprofit media lab that connects artists with social change movements to design, produce, and distribute art and media. By providing affordable artist housing, and serving as a community cultural space, The Roost is achieving the development team’s goal of fostering growth in the local arts in the central Seattle community.

Fannie Mae Financing

This transaction closed in the spring of 2019 utilizing Fannie Mae’s Multifamily Affordable Housing Special Public Purpose program.