

# Multi-Family Tax Exemption Program Changes – Phase 1



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City Council Workshop

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# Summary of Today's Session

Based on prior feedback from CCRA, City Council, city staff and applicants, the MFTE Program needs refinement to address two priority areas:

- 1) Ensure that the maximum rents under the 8-10-12 Year options for providing affordable units are in fact affordable, based on actual Vancouver data
- 2) Refine the public benefit requirement for market rate housing to be tied to the value of the tax incentive and applied consistently from project-to-project.

This will be the first of two phases of proposed changes to the MFTE Program.

# Multi-Family Tax Exemption Program Background

- Intent of state program
- Two designated areas in City of Vancouver
- Exemption applies to new or rehabilitated multi-family housing: market-rate, or three levels of affordability
- Property tax exemption applies to multi-family improvements only, not land or non-residential

# MFTE Program Background

Four Options for Developers:

Term of Tax Abatement	Program Option
8 Years	Market Rate with Approved Public Benefit
8 Years	20% of units at 100% Area Median Income
10 Years	20% of units at 80% Area Median Income
12 Years	20% of units at 60% of Area Median Income

# MFTE Program Background

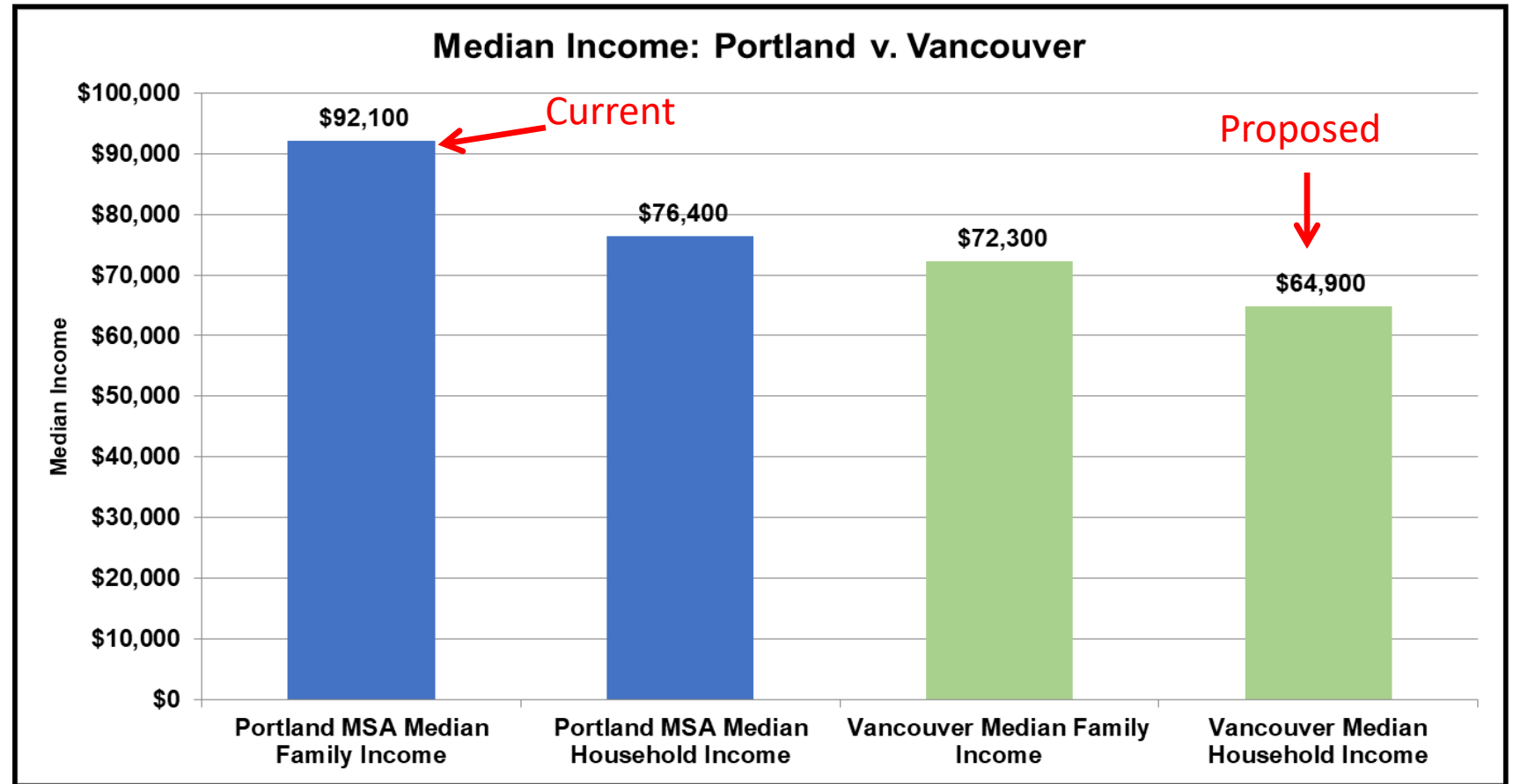
- Total of 30 projects; 2,600 units approved since 2001
- Estimated \$500 million in private investment
- Approximately 25% of total units approved as “affordable”
- Virtually all multi-family projects in the downtown in the past 20 years have utilized the MFTE Program

# Issue 1: Adjustment to Income/Rent Thresholds

- The city's MFTE program currently defines affordable rent in Vancouver using the Portland metropolitan statistical area's (MSA) median family income, which distorts income limits, effectively making the MFTE "affordable" rents **significantly higher** than if based on Vancouver incomes
- City staff recommend changing the definition of MFTE affordable rent to reflect Vancouver's median household income to adjust the program so rents are more comparable to actual conditions in Vancouver

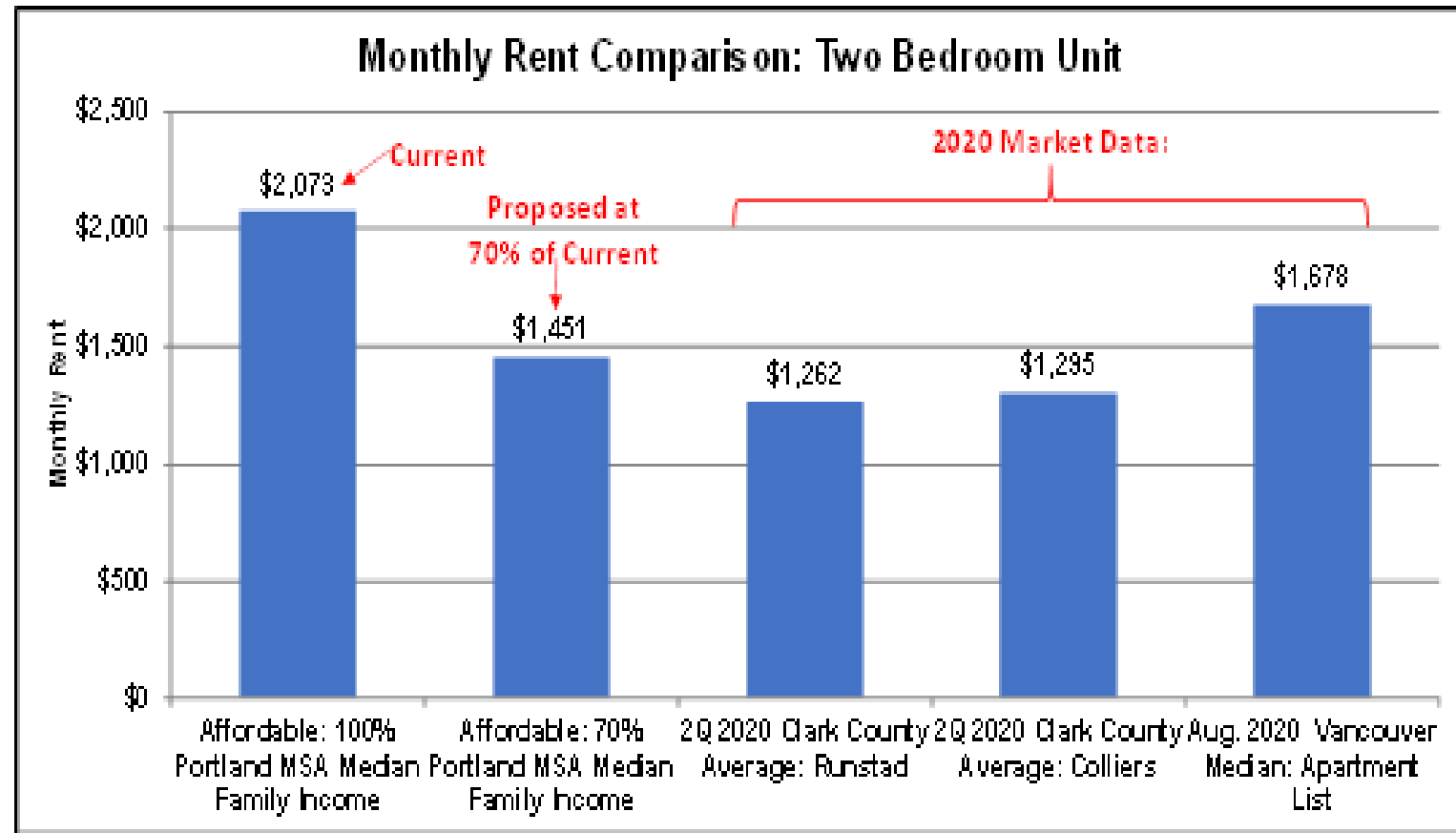
# Issue 1: Adjustment to Income/Rent Thresholds

- “Family” income excludes single person and non-family households
- Vancouver “families” roughly 10% of Portland MSA families
- Vancouver Median Household Income is 70% of Portland MSA Median Family Income



# Issue 1: Adjustment to Income/Rent Thresholds

- Vancouver Median Household Income is 70% of Portland MSA Median Family Income
- Proposed adjustment factor to MFTE affordable rents using Portland MSA Median Family Income = 70%



# Income Adjustment Results in Lower Rent Thresholds

- “Affordable” rent for a 2-bedroom apartment would be \$622 less than current program
- The midpoint of the rent for a 2-bedroom unit according to recent market surveys is \$1,470

Unit Size (#BR)	Current Affordable Rent Using Portland MSA Median Family Income	Proposed Affordable Rent Using 70% Adjustment Factor	Reduction: Dollar Amount	Reduction: Percent
Studio	\$1,613	\$1,128	-\$485	-30%
1	\$1,728	\$1,209	-\$519	-30%
2	\$2,073	\$1,451	-\$622	-30%
3	\$2,384	\$1,668	-\$716	-30%
4	\$2,672	\$1,870	-\$802	-30%

# Income Adjustment Results in Lower Rent Thresholds

- The 70% adjustment factor will also be applied to the affordable rent levels for the 10 and 12 year exemptions
- Proposal to use 55% and 45% adjustment for the 10 and 12 year exemptions for ease of administration for both City and developer

	8 Year Exemption	10 Year Exemption	12 Year Exemption
Unit Size (#BR)	Affordable at 70% of Portland Median Family Income	Affordable at 55% of Portland Median Family Income	Affordable at 45% of Portland Median Family Income
Studio	\$1,128	\$886	\$725
1	\$1,209	\$950	\$777
2	\$1,451	\$1,140	\$933
3	\$1,668	\$1,311	\$1,072
4	\$1,870	\$1,469	\$1,202

# City Has Authority to Adjust Program

City Council is authorized to adopt adjustments to affordability and income eligibility criteria by RCW 84.14.030(2) as follows:

*“The multiple-unit housing must meet guidelines as adopted by the governing authority that may include height, density, public benefit features, number and size of proposed development, parking, income limits for occupancy, limits on rents or sale prices, and other adopted requirements indicated necessary by the city or county.”*

# Other Jurisdictions Have Adjusted MSA Incomes

City	Exemption Term	Affordability Requirements	Income and Rent Limit Methodology
Burien	8 and 12 year	20% low/moderate	Follows King County's published rent and income limits
Edmonds	12 year	10% low, 10% moderate	Uses Snohomish County income data since Seattle-Bellevue area (King & Snohomish counties) incomes are higher than Edmonds city median
Tacoma	8 and 12 year	20% low	Uses 80% of Pierce County median family income and not Seattle MSA

## Issue 2: Public Benefit for Market Rate Apts.

Current broad definition of “public benefit” for 8-year market rate housing projects in exchange for not providing any affordable units has led to inconsistencies and confusion.

- *enhanced design*
- *public art*
- *additional parking or structured parking*
- *enhanced landscaping*
- *homeownership component*
- *energy efficiency*
- *consistency with subarea plan*
- *enhanced infrastructure (e.g. wider sidewalks, undergrounding utilities)*

# Options Considered Regarding Public Benefit

- **Option 1:** Retain the public benefit but define it more clearly in terms of: a minimum monetary value/cost of the improvement; where the public benefit should be located in relation to the project; and type of public improvement
- **Option 2:** Eliminate the public benefit and instead, require payment of a fee-in-lieu of \$2,000 per unit; to be directed to public projects or AHF
- **Option 3:** Eliminate the three tax exemption options that require maximum income and rent limits in favor of a single 8-year option and required payment in lieu of providing affordable housing units

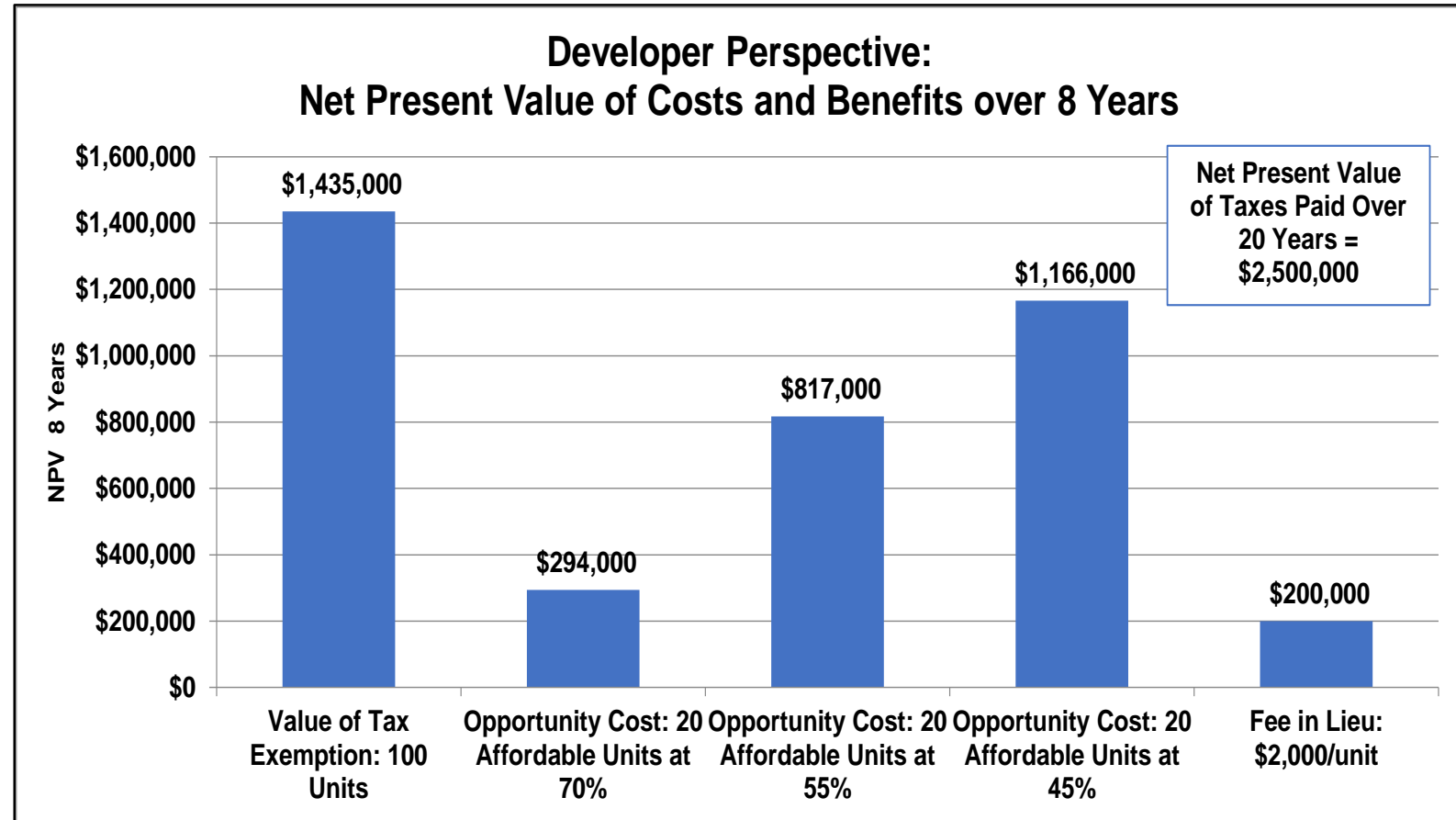
# Proposal: Change Public Benefit to “Fee-in-Lieu”

To improve consistency, as well as to target the “public benefit” to improving supply of affordable housing:

- For market rate projects with an 8-year exemption: replace “public benefit” requirement that is negotiated project-by-project with a per unit fee
- Establish a fee of \$2,000 per unit; for example, a 100-unit project would pay a fee of \$200,000
- Fees would then be directed to the City’s Affordable Housing Fund to leverage affordable units for lower income households for a longer period of time (20 years)

# Comparison of Developer Costs/Benefits

- Illustration only:  
Actual values will depend on project characteristics, rents, etc.
- Using this illustration the proposed fee-in-lieu is roughly comparable to the “cost” of providing affordable units



# City Center Redevelopment Authority Input

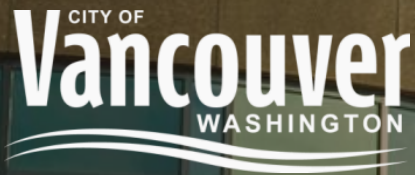
The CCRA, at a September 21 special meeting, indicated support for the two changes:

1. Revise Vancouver's MFTE Program to base income (and subsequently rent) thresholds on Vancouver Median Household Income instead of the current Portland MSA Family Income.
2. Revise the Public Benefit Requirement of market rate projects to be a Fee-in-Lieu in the amount of \$2,000 for each unit, to be directed to the City's Affordable Housing Fund.

# Next Steps

- 10/15/2020 CCRA Meeting re. Final Revisions, Implementation
- Nov. 2020 City Council Public Hearing to Adopt Ordinance Changes
- Q1-2 2021 CCRA and Council Meetings to Discuss Phase 2 of MFTE Program Adjustments (to include assessment of efficacy of the program, review specific policy goals, and consider boundary changes to MFTE area)

# Questions and Discussion



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