

Multi-Family Tax Exemption Program Changes to Income Limits

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City Council Public Hearing

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Summary of Presentation

- Proposed Change to VMC 3.22 – Multi-Family Tax Exemption Program
- Background of MFTE Program
- Explanation of Discrepancy Between Income Limits
- Explanation of Proposed Adjustment in Area Median Income
- City Authority to Make Adjustments to Income Limits
- Stakeholder and CCRA Input
- Next Steps

Proposed Change to MFTE Program

- The city's Multi-Family Tax Exemption(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
- The proposal would modify 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

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

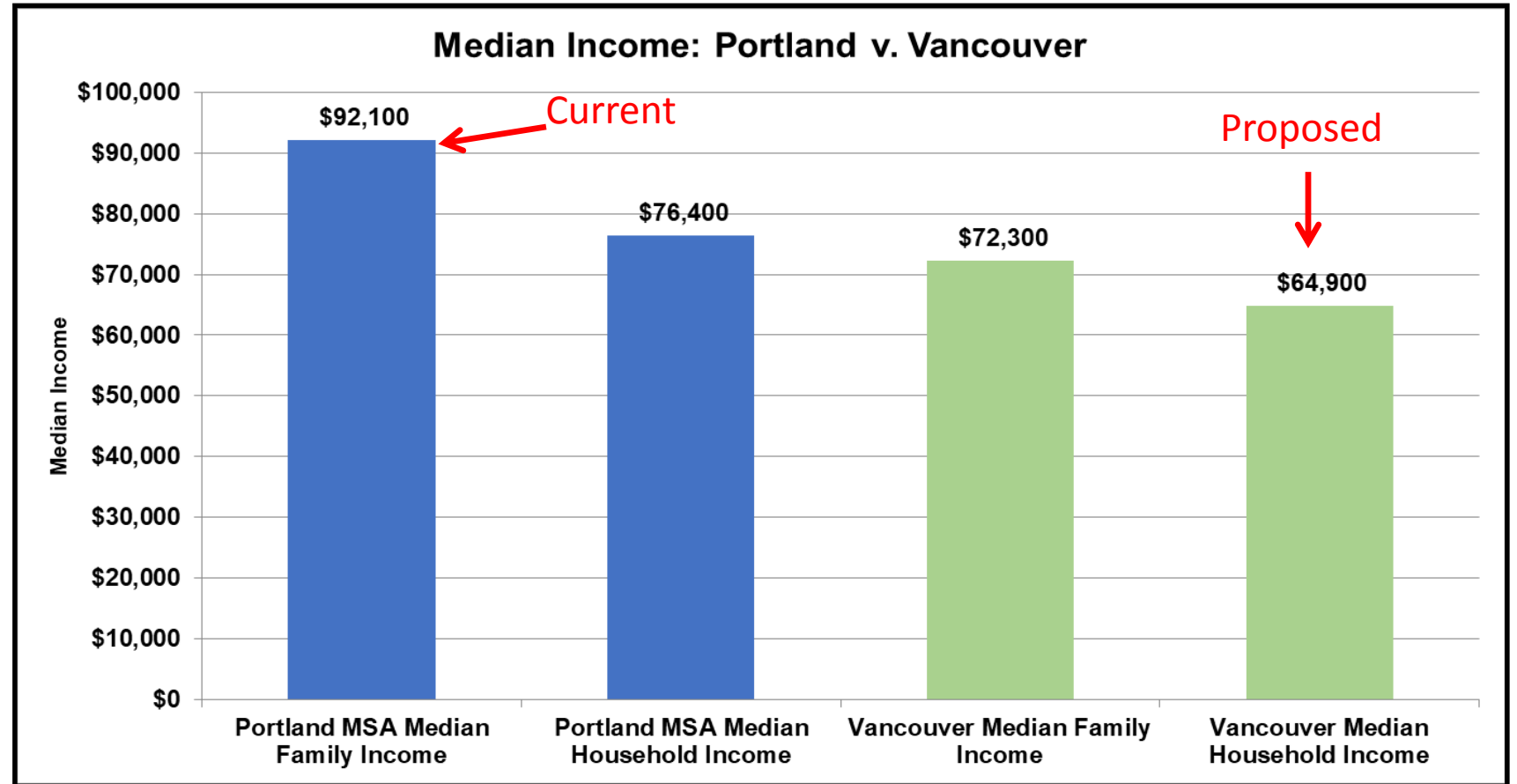
MFTE Program Background

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

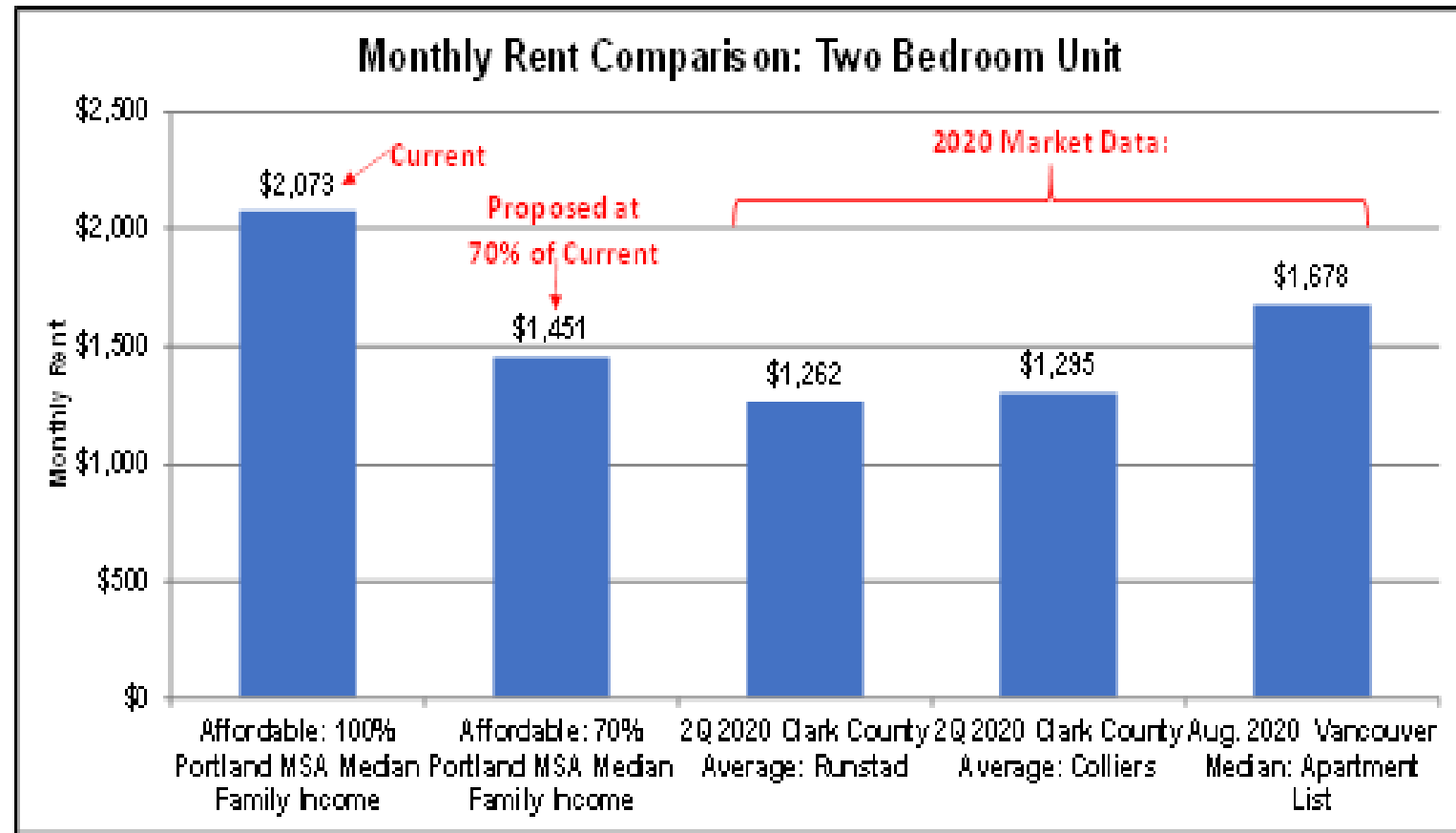
Adjustment to Income/Rent Thresholds

- “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



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 Vancouver Median Household Income	Reduction: Dollar Amount	Reduction: Percent
Studio	\$1,613	\$1,136	-\$477	-29.6
1	\$1,728	\$1,217	-\$511	-29.6
2	\$2,073	\$1,460	-\$613	-29.6
3	\$2,384	\$1,679	-\$705	-29.6
4	\$2,672	\$1,882	-\$790	-29.6

Income Adjustment Results in Lower Rent Thresholds

- The 70% adjustment factor will be applied to the affordable rent levels for the 8, 10 and 12 year exemptions
- Proposal to use 55% and 45% adjustment for the 10 and 12 year exemptions

	8 Year Exemption	10 Year Exemption	12 Year Exemption
Unit Size (#BR)	Affordable at 70% of Portland MFI	Affordable at 55% of Portland MFI	Affordable at 45% of Portland MFI
Studio	\$1,136	\$909	\$681
1	\$1,217	\$974	\$730
2	\$1,460	\$1,168	\$876
3	\$1,679	\$1,343	\$1,008
4	\$1,882	\$1,506	\$1,129

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

Development Stakeholder Outreach

- City Listening Sessions with stakeholders held in September, November
- Input received from approximately 25 developers of multi-family housing who have used the MFTE Program
- Representative feedback:
 - Proposed 30% drop in income threshold will make it harder for affordable projects to generate enough rent to be feasible
 - Consensus is that is “unlikely” that anyone will participate in program for affordable housing
 - Concern that projects mid-stream will have to meet new criteria; request for applications in process to be “vested” to current standard

City Center Redevelopment Authority Input

- The City Center Redevelopment Authority (CCRA) is charged with making recommendations to City Council on the MFTE Program, per their bylaws
- CCRA met on September 21 and December 3 to consider proposed changes
- Following discussion, CCRA agreed that the affordable rents under the MFTE program should be based on Vancouver Median Household Income, but that there should be ongoing monitoring of the program to understand impacts to the supply of new housing

Next Steps Regarding Further MFTE Changes

- 1/4/2021 Council Workshop on MFTE Public Benefit, Fee-in-Lieu
- Feb. 2021 Council Public Hearing on Changes to Public Benefit Requirement
- 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)

Recommendation

City staff recommend **approval** of the attached ordinance in order to base income and rent limits for projects that include affordable units under the Multi-Family Tax Exemption Program on the Portland-Vancouver-Hillsboro MSA median income, to be adjusted to reflect the Vancouver Median Household Income.

Questions and Discussion

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