



# UP FOR GROWTH

- washington -

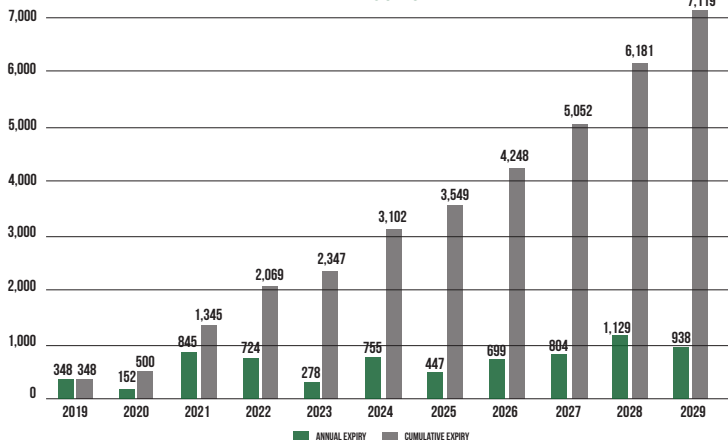
## SENATE BILL 5363 (PALUMBO, WAGONER, HUNT, MULLET, LIAS)

### Preserving Affordable Housing in Mixed-Income Communities By Enabling Cities to Extend the Multi Family Property Tax Exemption

#### ISSUE BACKGROUND

- According to Up for Growth National Coalition's *Housing Underproduction in the U.S.* report, Washington State is 225,000 homes short of meeting needed housing, as measured from 2000-2015.
- The housing shortage has led to severe cost burdening, declining homeownership, increased traffic congestion, adverse environmental impacts, gentrification and displacement, and increasing housing instability and homelessness.
- In every county in Washington at least 25% of households experience cost burdening, and in the majority of counties, over 30% of households are cost burdened. These burdens fall disproportionately on those who can afford it the least. For households earning 51%-80% of AMI in Washington State, 44% experience cost burdening.<sup>1</sup>
- In addition to addressing overall housing availability and affordability, Up for Growth Action advocates for prioritizing policies that enable more mixed-income communities.
- Recent studies have found that mixed income communities create significant benefits. Evidence from the Equality of Opportunity project,<sup>2</sup> the research of Patrick Sharkey,<sup>3</sup> and Eric Chyn's study of Chicago Housing Authority residents<sup>4</sup> all confirm that mixed income communities improve life outcomes for low-income residents.

**FIG. 1: AFFORDABLE HOMES EXPIRING OUT OF MFTE  
BY YEAR AND CUMULATIVELY**



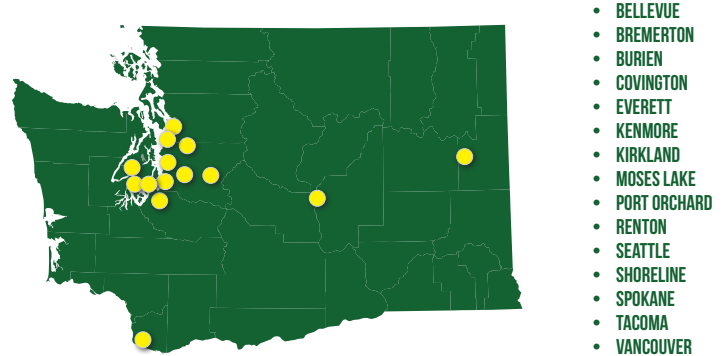
#### PROBLEM STATEMENT

- Washington State's Multi Family Tax Exemption ("MFTE") program was cited by the Obama White House as a national model for funding mixed-income residential communities.<sup>5</sup>
- Washington's MFTE program is facing a looming expiry cliff (see figure 1). Upon expiry these of affordable homes within mixed-income

residential communities will revert to non-income restricted market rates, even if tenants are in occupancy.

- Across the state, 2,000 units of affordable homes within mixed-income residential communities are set to expire between 2019 and 2022.<sup>6</sup>
- In Seattle alone, over 400 affordable homes will expire over the same timeframe.<sup>7</sup> Because these homes are in multifamily communities that rely exclusively on the MFTE as the source of affordable housing funding, at expiration these will significantly increase, resulting in displacement and economic hardship for these residents.

**FIG. 2: CITIES WITH AFFORDABLE HOMES THAT RELY UPON MFTE**



#### LEGISLATIVE SOLUTION

- SB 5363 preserves affordable housing for low and moderate-income residents in mixed-income communities by allowing Washington cities, at their sole discretion, to extend MFTE contracts for an additional 12 years.
- The extension provision is made available only for existing qualifying properties that currently use the MFTE program.
- Without this legislation, families occupying these affordable homes within mixed-income communities are at risk of being directly displaced.
- For the property to qualify for extension, the applicant must commit to continue renting or selling the affordable units for an additional 12 years.
- Cities set extension requirements as they see fit, so long as the extension requires at least an equivalent or greater set-aside percentage and at least an equivalent or deeper affordability requirement.
- The exemption does not apply to the value of the land or any non-residential additions.
- SB 5363 does not propose to expand the MFTE program to any projects that do not currently qualify for the program under the law.

<sup>1</sup> National Low Income Housing Coalition. (2018, June 26) 2018 Washington Housing Profile. Retrieved from: [https://nlihc.org/sites/default/files/SHP\\_WA.pdf](https://nlihc.org/sites/default/files/SHP_WA.pdf)  
<sup>2</sup> Harvard University (2015, May 4) New Research on Mobility: Studies by Profs. Chetty, Hendren, and Katz. Retrieved from: <https://economics.harvard.edu/news/new-research-mobility-studies-profs-chetty-hendren-and-katz>  
<sup>3</sup> Sharkey, P. (2013). Stuck in Place: Urban Neighborhoods and the End of Progress Toward Racial Equality. Chicago: University of Chicago Press.  
<sup>4</sup> Cortright, J. (2016, August 18). The role of mixed income neighborhoods in lessening poverty. Retrieved from: [http://cityobservatory.org/mixed-income-lessens\\_poverty/](http://cityobservatory.org/mixed-income-lessens_poverty/)  
<sup>5</sup> The White House. (September 2016). Housing Development Toolkit. Retrieved from: [https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing\\_Development\\_Toolkit%20f.2.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf)  
<sup>6</sup> Based on Analysis of Washington State Department of Commerce Data. December 2018.  
<sup>7</sup> MFTE Program Analysis from City of Seattle, Office of Housing. January 28, 2019.