

The background of the slide features a large, light blue, semi-transparent seal of the City of Mercer Island, Washington. The seal is circular and contains a central emblem with a star and wavy lines representing water. The words "CITY OF MERCER ISLAND" are written in a circle around the top, and "WASHINGTON" is written around the bottom.

# AB 5728: Multifamily Housing Property Tax Exemption - Repeal

City Council Second Reading

July 21, 2020

# Tonight

- Property tax revenue / tax shift
  - Hadley Example
- Councilmember Questions
- Staff recommendation / Motion

# Revenue Reduction

- Tables 1 & 2 in the City Council packet
- Revenue reduction: New tax revenue that is “lost” for the duration of the MFTE program
  - “New tax revenue” is based on the value of the new construction, less the tax revenue based on the existing construction value
  - Note: Difference in Total Levy amount in Table 1 versus Table 2, represents the revenue reduction each year
- Tax shift: property taxes paid on the existing construction value, that is now paid by other properties

# Hadley Example: Correction to July 7

- Hypothetical: If Hadley had participated in the 8-year MFTE program:
  - Owner savings: approx. **\$610,000** / year (approx. \$4.2 million over 8 yrs.)
  - Revenue reduction: approx. **\$160,000** / year (approx. \$1.2 million over 8 yrs.)
  - Tax shift: approx. **\$450,000** / year (approx. \$3.6 million over 8 yrs.)
    - Note: the tax shift on the Hadley is likely larger than most, given the previous site improvements
- Permanently create **21** affordable housing units (currently 13 provided)
- Approximate value of affordable units at 60% King County Median Income - public benefit of: **\$241,314** / unit (approx. \$5.1 million)

# Councilmember Questions

- Impact fee – affordable housing waiver (exemption)
  - Authorized by RCW 82.02, MICC 19.17 (School), 19.18 (Park), 19.19 (Traffic)
  - To qualify, units must be affordable at **50%** area median income
  - Only the affordable housing units are eligible (market rate units, commercial space subject to impact fees)
  - “Waiver” reduces developer’s payment of the impact fee by 80%
- May be used in conjunction with other affordability incentives (e.g. building height, MFTE program, etc)

# Staff Recommendation / Motion

- Staff recommendation:
  - Consider repealing MFTE program
  - Future work plan item: comprehensive review of City's affordable housing goals, policies, and programs
- Motion: Adopt Ordinance No. 20C-14