Department of Commerce
Multifamily Property Tax Exemption Guidance and Study

Engagement Strategy (4 February 2021)

Overview

The 2021-2023 State Operating Budget (Section 111, Page 69) provides a funding proviso for Department of Commerce (Commerce) to conduct a study and report to the legislature on the implementation of the Multifamily Property Tax Exemption (MFTE) program. RCW 84.14.100 requires Commerce to develop guidance for local governments, and to develop and implement an auditing system.

The overall goals of the project are to:

- Measure and understand the impacts of the MFTE program on housing production
- Provide guidance on program design and implementation
- Make recommendations to increase the public benefit of the program

Expected deliverables include the following:

- A **workplan** and **engagement plan** that incorporates the scope of work and objectives as described here.
- An **MFTE Administration Workbook** based on the life cycle of an MFTE program which highlights best practices and provides sample forms, worksheets, and tools for consistent statewide implementation.
- A **legislative report** that identifies current practices, provides a set of six case studies, and evaluates key characteristics of the program
- **Reports** to the Department of Commerce detailing recommendations on reporting process, changes in assessor practices and developing a state-wide auditing program for future implementation.
- A set of two **webinars** to provide information to interested groups on the results of the project.

Summary of Engagement

Engagement activities for this project are expected to involve the following:

1. Coordination with an **Advisory Committee** for advice and feedback on interim work products and deliverables.
2. A set of **surveys** and **interviews** to solicit insights on MFTE best practices, the current state of implementation with cities, and potential areas for change.
3. More detailed **discussions with representatives from six cities** to be used as case studies for the legislative report, which may follow from earlier interviews conducted for the Workbook.
4. Communication of the project results with **training webinars** about the contents of the Workbook and record-keeping and auditing of MFTE programs.
5. Additional communication through conference and workshop **presentations** to relevant organizations.

The results of these activities are expected to inform all work products, including both the Workbook and the legislative report.

Topic Areas for Engagement

As part of the project, the engagement activities would be expected to collect information about the following elements. Note that these topics and questions may overlap across multiple types of organizations engaged with the MFTE program.

General considerations

- Staff time requirements
- Other administrative costs and technical assistance needs
- Policy obligations for affordable housing
- Role of the state in supporting MFTE programs
- Administrative process details (e.g., rounding, multiple occupants)

Program development

- Overall information needs in program development
- Estimates of general demand for affordable units
- Methods used for developing residential targeted areas
- Methods used to develop program parameters (e.g., affordability levels, set-aside requirements, interactions with other incentives, etc.)
- Methods used for assessing displacement risks
- Other considerations (e.g., promotion of family-sized units)
- What are the estimated costs versus benefits to local governments?
- Technical support needs

Participation: Developers

- Information/support needed by developers from cities for an MFTE program
- Costs associated with participation (e.g., foregone rent revenue, etc.)
- Benefits from participating in an MFTE program (e.g., tax benefits, other incentives)
- How do developers make the final decision about whether to participate?

Participation: Multifamily property owners

- Impacts of MFTE on property value and operating income
- Administrative costs associated with the program
- Challenges with ongoing monitoring obligations (tenants and city)
- Coordination of tax exemption closures
- How do property owners make the final decision about whether to continue to participate?

Participation: Owners of individual MFTE units

- Distribution of information about the availability of affordable units
- Availability/accessibility of MFTE owner-occupied units versus other owner-occupied affordable units
- Availability of other sources of support for property purchase
- Challenges with the application process
- Challenges with ongoing monitoring and recertification obligations (tenants and city)

Participation: Tenants / affordable housing providers

- Distribution of information about the availability of affordable units
- Availability/accessibility of MFTE rental units versus other affordable rental units
- Challenges with the application process
- Availability of other sources of rent support
- Challenges with yearly monitoring and recertification processes
- Challenges with relocation at the end of the process

Participation: Assessors

- Processes for receiving notifications about tax exemptions
- Processes for closure of tax exemptions
- Identified conflicts with existing processes (e.g., tax shifts)
- Estimates of the value of tax exemptions
- Potential solutions for existing issues

Tax exemption closure

- Costs of protecting low-income and cost-burdened tenants from displacement
- Available resources for relocation assistance
- Other options for affordable housing programs to reduce or prevent displacement
- Processes for renewal of the tax exemption

Ongoing monitoring and record-keeping

- Systems used for tracking data
- Additional data that would demonstrate compliance
- Actual affordability levels/cost burdens versus thresholds used
- Estimated production of affordable housing from MFTE program
- Estimated versus actual tax impacts

Review and revisions to programs

- Processes for regular review of program performance
- Estimated yields in affordable housing
- Identified issues and priorities for changes in the program
- Efforts to provide updates to the MFTE program
- Effectiveness of changes since implementation

1. Advisory Committee

Terms of Reference

An Advisory Committee has been developed by Commerce to provide ongoing feedback for the project and deliverables. This Committee is intended to provide expert review of key elements of the project, as well as provide support for other activities, such as interviews and case studies.

Although the Committee has an important role to play in this project, these representatives will not be considered the final decision-makers on the project. Commerce will consider the comments received from the Committee when making final approvals of all deliverables. For transparency, feedback on content provided by the Committee will also receive responses from the project team, defining how this feedback was used in the process.

Membership

This Committee currently includes representation from the following:

- City government
  - Larger cities with established MFTE programs
  - Smaller cities which have been allowed to use MFTE through E2SSB 5287
- Supporting housing organizations (e.g., ARCH)
- Real estate investors
- County tax assessors
- The Department of Revenue

Other representation may be coordinated to consider the following:

- Other developers involved in MFTE projects
- Broader representation from central / eastern Washington cities
- Local affordable housing organizations involved that may rely on MFTE for projects (e.g., Washington Low Income Housing Alliance, Spokane Low Income Housing Consortium, Spokane Housing Authority, etc.)
- Other organizations involved with broader issues with housing and affordability (e.g., Futurewise)

Current Advisory Committee members include the following:

City/Organization	Name	Position
ARCH Bellevue	**Mike Stanger**	Senior Planner
Bainbridge Island	**Jennifer Sutton**	Senior Planner
Bellingham	**Chris Koch**	Planner II
Clark County	**Jill Blair**	Commercial Appraiser
Ellensburg	**Kirsten Sackett**	Community Development Director
Ellensburg	**Jamey Ayling**	Planning Manager
Ferndale	**Michael Cerbone**	
Kenmore	**Bryan Hampson**	Development Services Director
Kent	**Haley Bonsteel**	Long Range Planning Manager
King County	**John Wilson**	County Assessor
Lacey	**Grant Beck**	Planning & Development Services Manager
Lake Union Partners	**Cait Carew**	Principal
Lakewood	**Dave Bugher**	Assistant City Manager
Lynnwood	**Karl Almgren**	City Center Program Manager
Moses Lake	**Cari Cortez**	Housing and Grants Coordinator
North Bend	**Rebecca Deming**	Community Development Director
Olympia	**Darian Lightfoot**	CDBG Program Manager
Seattle	**Jennifer LaBrecque**	Manager, Planning and Programs
Spokane	**Teri Stripes**	Planning and Economic Development
Tacoma	**Debbie Bingham**	Project Manager
Vancouver	**Samantha Whitley**	Housing Programs Manager
Walla Walla	**Preston Frederickson**	Development Services Director
The Wolff Company	**McKenzie Darr**	
Department of Commerce	**Anne Fritzel**	GMS Housing Programs Manager
Department of Revenue	**Ras Roberts**	Exemptions and Deferrals Manager
Department of Revenue	**Amber Cervantes**	Exemptions Specialist
Department of Revenue	**Linda Smith**	Exemptions Program Supervisor

This list will be subject to change during the project

Meetings and coordination of feedback

As the Advisory Committee is likely to be large and multiple meetings will be necessary to receive feedback on project materials, effective coordination will be essential. We envision that coordinating with the Committee will require monthly meetings in 2022, with the potential for additional meetings if deemed necessary for the review of deliverables. Scheduled meetings will typically be on the third Tuesday of every month as follows:

Date	Content
February 15, 2022	**Meeting 1: Introduction.** The Committee will be introduced to the project team. The engagement approach and workplan will be discussed, as well as the Workbook outline and potential contributions from Committee members.
March 15	**Meeting 2: Initial results from city interviews.** Findings will be presented regarding the results of the interviews conducted to date. This will focus on the findings from the initial interviews, which will be targeted specifically at cities. Additional information will be presented from other research to support the findings developed as part of the interviews.
April 19	**Meeting 3: Additional interview results and pro forma model.** Findings will be presented from the remaining interviews, with a focus on the non-city participants engaged. This will include a discussion of information and data used to support these findings as well. This meeting will also be used for the review of a preliminary version of the pro forma financial tools to be incorporated into the Workbook and utilized for assessments in the legislative report.
May 17	**Meeting 4: Draft MFTE Workbook presentation.** The committee will receive a draft version of the MFTE close to the meeting date, and this meeting will be used to present the major findings and outline the best practices identified in the Workbook. Committee members will have the opportunity to submit additional comments.
May 28	**Meeting 5: MFTE Workbook discussion 1.** Based on the initial presentation, the committee will discuss the Workbook and necessary changes.
June 17	**Meeting 6: MFTE Workbook discussion 2.** This session will include a final review of proposed changes to the MFTE Workbook and describe the next steps in the process.
September 20	**Meeting 7: Case Studies.** At this meeting, the work to date in developing the case studies will be reviewed, with a presentation of an overall narrative and major points to be included in the legislative report.
October 18	**Meeting 8: Additional reports.** We will review preliminary findings and recommendations for program improvements from the legislative report and other Commerce reports.
November 15	**Meeting 9: Draft Legislative Report presentation.** This meeting will include a presentation and subsequent discussion about the legislative report.

Additional meetings may be coordinated with the Advisory Committee after the end of this schedule for further review of other project deliverables.

Notes about the coordination of advisory committee meetings:

- Coordination and moderation of these meetings will be at the discretion of the Commerce PM. The consultant team will participate in these meetings but will not be responsible for chairing the meetings or providing administrative support (e.g., meeting minutes).
- Communication with the committee will preferably be through the Commerce PM. If the consultant team needs to coordinate with the committee as a whole, the Commerce PM will be copied on all correspondence.
- All Committee meetings will be held remotely over Zoom or another video teleconferencing service. These meetings will be recorded specifically for transcripts only, with the consent of the participants required in advance.
- Agendas and all necessary elements for review will be submitted to the Committee at least one week in advance, and preferably up to two weeks in advance. These materials must be reviewed by the Commerce PM prior to distribution.
- The Advisory Committee has not been convened to provide approval for the project deliverables, only to provide advice and guidance. Final approval for all work products will be with Commerce and client project manager.
- Given the potential volume of the comments to be submitted, any submissions of feedback after committee meetings should be submitted to the Commerce PM to be compiled and sent to the BERK project team with any necessary notes about feedback/input from the Committee.

2. Interviews (with surveys)

A series of interviews will be coordinated with the following general groups:

- Local governments (cities and counties)
- Affordable housing organizations
- Multifamily / mixed-use developers
- Multifamily / mixed-use property owners
- MFTE unit tenants / single-unit owners
- County tax assessors
- Other organizations as required

These interviews will be conducted in three phases:

- For the **first phase** (early February), initial interviews will be coordinated with cities represented on the Advisory Committee. These are intended not only to solicit initial feedback on the instrument/questions, but also to provide more detailed feedback from key members of the Committee. These interviews will likely include:
    - Bellingham

- Vancouver
- Spokane
- Ellensburg
- North Bend
- Kent

These interviews will also be coordinated to evaluate the time necessary to compile interview notes and synthesize findings for the project. This will be used to determine a final count for the interviews to be conducted in the second phase.

- In the **second phase** (late February–early March), a short, high-level survey will be used to gauge the interest of city and county representatives in being interviewed. This online survey will be deployed via SurveyMonkey, which would allow for respondents to provide basic information and sign up for an interview. This survey will be promoted by Commerce, and municipal organizations such as the Association of Washington Cities will also be contacted to help promote this survey. A stratified sample of respondents will be used to ensure a reasonable cross-section of results.
- The **third phase** (late March), will include non-city participants, and will focus on providing supporting information for the report. These will be coordinated through targeted requests with the assistance of Commerce and the Advisory Committee, and will include housing agencies/developers, tenants, county assessors, and other organizations as required.

Additional notes about the coordination of interviews:

- These interviews are intended to last for no more than 45 minutes, with questions drawn from the points under the "Topic Areas for Engagement" section above. The scripts developed for these interviews will be reviewed and approved by the Commerce PM prior to use, and interviewees will receive the list of questions in advance.
- These interviews will be coordinated over Microsoft Teams (or Zoom if required). With consent, these interviews will be recorded <u>specifically</u> for the purpose of taking transcripts of the meeting.
- Interview notes and transcripts (if applicable) will be provided to the interviewee to ensure that any corrections can be made to the information provided.
- Aside from the interviews conducted with the cities, other interviews may be coordinated as small group discussions, especially if it is likely that similar responses will be presented (e.g., tax assessors). This will be discussed and planned with the Commerce PM as required.

3. Case Study Discussions

Follow-up interviews will be coordinated by six cities selected as case studies for the legislative report. Ideally, these communities will be engaged as part of earlier interviews, and additional interviews will be used to coordinate further information collection. This may include engaging a broader range of local representatives, including finance, long-range planning, human services, and other related departments.

Engagement with case study cities is envisioned to include additional interviews for each city, with potentially a small group discussion with city representatives. This may depend on the availability of local staff and the information required for the individual case study.

Ideal candidates for case studies would include the following types of communities:

- 1–2 cities with established programs with high yields of housing (e.g., Seattle, Tacoma, Renton, Spokane, Bellevue, Redmond).
- 1–2 cities which have provided recent amendments to their MFTE programs.
- 1–2 cities with existing programs that have had low or no yields of affordable (and/or market-rate) housing.
- 1–2 smaller cities that have been looking to develop MFTE programs under new changes to the law (e.g., North Bend, Ferndale).

These case studies should be distributed geographically as appropriate to ensure good coverage of communities outside of the Central Puget Sound Region.

Additional notes about the coordination of the case study discussions:

- Agendas for small group meetings and questions for additional interviews will be submitted to the Commerce PM for review prior to use.
- These interviews will be coordinated over Microsoft Teams (or Zoom if required). With consent, these interviews will be recorded specifically for the purpose of taking transcripts of the meeting, with the videos deleted after the transcripts are received.
- Following these meetings, interview notes and transcripts (if applicable) will be provided to the participants to ensure that any corrections can be made to the information provided.

4. Webinars

The deliverables for the two webinars will be coordinated with Commerce staff, with requirements for these presentations developed with the Commerce PM. Additional details will be coordinated during the project.

5. Presentations

Conference and presentations will be coordinated to provide opportunities for relating preliminary and final results to interested professionals, and present opportunities for discussion and feedback from a wider audience. Preliminary presentations will include:

- Washington State Affordable Housing Advisory Board (AHAB) – October
- American Planning Association – Washington Chapter – October

Other presentations will be coordinated where possible, including the Housing Washington conference in October, and opportunities with MRSC and other organizations.

After these presentations, we will coordinate with Commerce staff to determine whether feedback and input provided at these presentations would suggest that further refinement of the results would be necessary, especially with respect to final recommendations provided to the legislature.

Final Documentation

As a final deliverable for the engagement process, a "What We Heard" element will be included in an appendix of the legislative report. This material will include the following:

- An outline of all engagement activities conducted throughout the project, including a list of all participants that provided feedback and input over time.
- An account of all feedback provided throughout the engagement in the project, including details on how these elements were considered in the final draft of project deliverables.
- Outstanding elements considered to be out of the scope for this work, but could be considered for feedback in subsequent work in this area.

This appendix will keep individual feedback confidential, but will ensure that there is a full and transparent accounting of the input received over time and the resulting responses.