

Expanding Affordable Housing Using Public/Private Partnerships

Multifamily Tax Exemption Program makes housing affordable to more renters.

ADA M. HEALEY

AS URBAN CENTERS GROW, the need for housing is increasing dramatically. Affordable housing arguably presents the greatest gap between supply and demand, and its incorporation in Vulcan Real Estate's market-rate projects is a high priority.

According to the April 2021 *Market Rate Housing Needs and Supply Analysis*, commissioned by Seattle, the city faces a shortage of nearly 21,000 rental units that are affordable and available to households earning 80 percent or less of the area median income (AMI). Demand for rental housing for these households is growing rapidly and continues to be underserved. No single tool will solve the affordability crisis, but replicable strategies exist that work to produce housing that can help change the current trajectory.

Public/Private Partnerships

In Seattle's Yesler Terrace community, for example, 20 percent of Vulcan's rental apartments are affordable to households earning 65 to 80 percent of AMI.

Completed in 2018 and 2019, Batik and Cypress, the company's first two projects at Yesler, are connected to the surrounding neighborhood and designed to bring neighbors and residents together, making it a place where people of all incomes, ages, and cultures are welcome. From the carefully selected artwork that celebrates diversity to the ground-level apartments with stoops, the community offers opportunities for residents of the 432 homes to interact within an immersive, multicultural environment.

A third project, Wayfarer, broke ground in early 2022 and will add 261 homes with a similar ratio of affordable units. A fourth site now in design will bring Vulcan's Yesler portfolio to more than 1,000 apartment units, including over 200 units of affordable rent- and income-restricted housing.

Immediately east of Seattle's central business district, Yesler Terrace was originally developed in the 1940s by the Seattle Housing Authority (SHA) as the city's first



publicly subsidized housing community. When the existing 561 low-income housing units were at the end of their useful life, SHA began to master plan the 30 acres (12 ha) as a mixed-income, transit-oriented neighborhood that would provide attractive new housing for residents across a broad range of incomes.

The Yesler Terrace Development Plan included upgrading neighborhood infrastructure, replacing dilapidated housing with new low-income apartments, and expanding the community to some 5,000 residential units. Vulcan was selected by SHA as the first private developer to invest at Yesler through its purchase of three sites in the master-planned community.

By overlaying a city program known as the Multifamily Tax Exemption (MFTE) Program, Vulcan was able to expand the affordability of some of the dedicated units, from 80 percent of AMI to 65 percent.

Incentive Programs

As urban land prices surge and construction costs mount, for-profit developers are finding it increasingly challenging to generate market rates of return when including affordable housing in their projects.

Designed to support mixed-income development and to ensure increased affordability as the city population rises, MFTE is a voluntary program that provides developers with a property tax exemption for a set period during which a portion of the units are offered at below-market rents

determined by the Seattle Office of Housing. The exemption helps offset the lower net operating income attributable to below-market rents for the affordable housing and helps the developer achieve a market return on its investment.

Nearby, Vulcan partnered with the city of Bellevue and other stakeholders to suggest updates to stimulate participation in that city's MFTE Program. Unanimously approved by the City Council and adopted in 2021, the revised MFTE Program provides sufficient incentives to encourage the development of affordable housing and paves the way for Ondina, Vulcan's first mixed-income residential project in Bellevue.

Participation in the MFTE has enabled Vulcan to meet its affordable housing production goals throughout Greater Seattle. To date, 20 percent of its 2,860 market rate units are affordable to households earning 65 to 85 percent of AMI.

Affordable housing is not an easy problem to tackle, but through creative partnerships and strategies that provide adequate incentives, developers can improve the supply of and access to equitable housing opportunities. **UL**

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