Issues with adding Madison Miller to tax exemption target areas
July 31, 2001

The criteria for including neighborhoods in the Multifamily Property Tax Exemption Program are found in Section 5.72.030 of the Municipal Code. Beyond the requirement that a tax exemption target area be located within an urban village, the criteria are broadly written and subject to considerable interpretation.

To date, both the Executive and the Council have supported a narrower application of the criteria, so that the tax impacts of the exemption program are kept manageable and there is some certainty of a *quid pro quo* for the tax revenues foregone. The lack of sufficient desirable housing has generally been treated as a threshold criterion for designating a target area, though it has been applied more flexibly when the need for more affordable housing is a major concern.

Conclusions about whether there is a lack of suitable housing in any given urban village have been based on Comprehensive Plan growth targets and the actual level of housing production. As spelled out in a Council presentation last year, the criteria as they have been applied are:

1. Must be an urban village

2. Low level of production of privately produced housing since the Comp. Plan became effective, compared to Comp. Plan targets.

3. Aggressive Comp. Plan growth targets - thus have the furthest to go.

4. Expression of local support for additional multifamily construction, in neighborhood plans, and/or through community groups.

The many letters we have received are an indicator of the strong support for adding Madison-Miller to the tax exemption program. The issues in Madison Miller are with the other criteria.

Madison-Miller has a relatively low 20-year growth target of 400 housing units. 201 units - half the 20-year goal - had already been completed by the end of 2000, and 91 additional units had received building permits. Madison-Miller is one of the five urban villages city-wide that made the most progress toward its housing goals in the first five years after the Comp. Plan. It is hard to make a case that the tax exemption program is needed to help Madison-Miller reach growth targets.

A few neighborhoods have been designated where housing affordability, rather than a lack of housing, was the primary community concern, but none with a growth rate as high as Madison Miller. These neighborhoods were designated with a tougher affordability standard: 40% of units affordable to households with incomes at or below 60% of median. (In other target neighborhoods, 25% of units are required to be affordable to households with incomes at or below 80% of median.) We have doubts about the value of the tougher requirement as a way to produce more affordable housing, as only one application for tax exemption has been received since the inception of the program and no projects have moved forward in target neighborhoods with the 40%-60% affordability standard. Further, Madison Miller is specifically asking for incentives for housing serving the 60%-80% income bracket. Market data from Dupre and Scott indicate that average rents in the Madison-Miller market areas are within the reach of people in this income bracket, so there is no current shortage. Proponents of adding this neighborhood are seeing new construction only in the higher rent ranges, or subsidized below 50%, and are concerned about maintaining affordability in the mid range over time.

Table ___. **Progress Toward Housing Goals: Proposed Program Neighborhoods**
Through 12/31/01

Neighborhood	20-year housing goal (units)	Actual Growth 1994-2000	% of goal	Active Permits	Est. % of goal incl. Active Permits
12th Avenue	540	482	89.3%	125	112.4%
Madison Miller	400	201	50.4%	91	73%
North Beacon	550	35	6.4%	12	8.5%
Lake City	1400	115	8.2%	288	28.8%