



# PRESERVATION TAX EXEMPTION

Preserving healthy, quality housing options for  
very low-income renters

# Preservation Tax Exemption - Goals

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- Improve housing health and quality for very low-income residents
- Prevent displacement of long time community members in areas that are gentrifying, near transit investments, high quality schools
- Maintain affordability

# Preservation Tax Exemption

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- State legislation to authorize a local option
- State legislation designed to be flexible and allow local communities to meet local rental market needs
- Targeted at existing buildings, not new construction

# Affordability

Very  
low-  
income  
renters

50% of  
AMI

- Targeted to serve very low-income tenants
- Below market rate
- High cost communities may go up to 60% of AMI
- Communities may also go below 50% of AMI or set rents at below market level

# Affordability

25%  
of  
Units

- 25% of Units must be affordable
- Communities may require higher set-aside to address local market conditions

# Exemption value

- **15 year tax exemption** for residential buildings and land, minus state portion of taxes (owner pays state portion of property taxes)
- Value of exemption varies widely depending on assessed value of property and many other factors including, number of units, rent levels, condition of building and location of property.

# Exemption Value – Seattle

Built , 21 Units

100% Market Rents                      \$288,900/year rent income  
(\$1050/mo 1 BR, \$1,445/mo 2 BR)

25% Units at 60% of AMI              \$281,000/year rent income

Difference                                      \$7,900

Exemption Value on land and buildings minus 24.6% state taxes = \$18,705

**\$ 18,705 (exemption) - \$7,990 (rent discount) = \$10,805  
benefit to property owner per year**

# Exemption Value – Kent, WA

Built 1991, 26 Units

100% Market Rents                      \$385,300/year rent income

25% Units at 50% of AMI              \$355,416/year rent income

Difference                                  \$29,884

Exemption Value on land and buildings minus 17.3% state taxes  
= \$35,142

**\$35,142 (exemption) - \$29,884 (rent discount) = \$5,358 benefit  
to property owner per year**

# Exemption Value – University Place

Built 1970, 64 Units

100% Market Rents                      \$618,000/year rent income

(\$725/mo 1 BR, \$825/mo 2 BR)

25% Units at 50% of AMI              \$586,000/year rent income

Difference                                  \$31,992

Exemption Value on land and buildings minus 14.4% state taxes  
= \$60,260

\$ 60,260 (exemption) - \$31,922 (rent discount) = **\$28,268**  
**benefit to property owner per year**

# Housing Quality Standards

- Must meet Uniform Physical Condition Standards, National Healthy Housing Standard, or substantially equivalent
- Waiver of some standards possible for limited time if owner using tax exemption as a resource to do rehab



# Local Options

- ▣ Targeting to specific neighborhoods susceptible to displacement
- ▣ Energy and water efficiency standards
- ▣ Cap on number of units participating in the program
- ▣ Tenant occupied single family homes
- ▣ Prevention of displacement

# Cancelation of Exemption

- Penalty – taxes, plus interest and administrative costs





# QUESTIONS?

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