



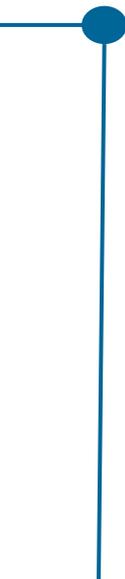
City of Bellevue

Multifamily Tax Exemption

2025-2026 Program Update

Bianca Siegl, Robin Xiao | Office of Housing

January 13, 2026



Direction

Staff will present the draft Multifamily Tax Exemption (MFTE) code update. Following discussion, staff seeks Council direction to prepare the Ordinance for final action at a future meeting.

AGENDA



MFTE Program Overview



Summary of Recommendations



Stakeholder Feedback



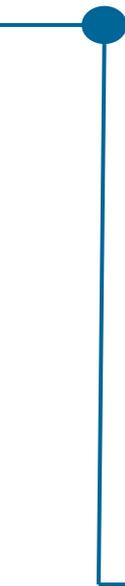
City-wide Supercharger and 12-year Extension Analysis



Fiscal Impact Projection

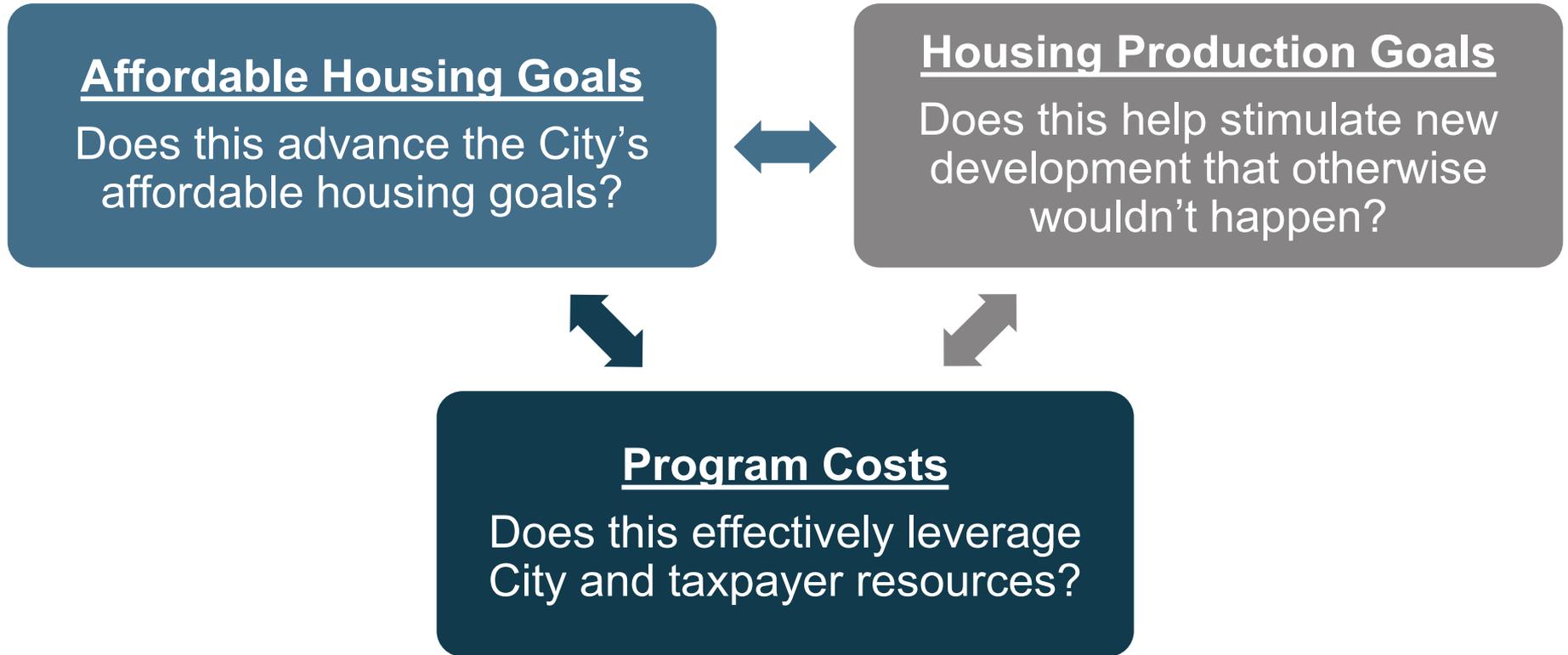


Strike Draft Summary and Next Steps



MFTE Program Overview

Key Policy Considerations



Existing MFTE Program Overview

What does the program offer?

- A **12-year property tax exemption** on the value of qualifying residential improvements for new multifamily properties.

What does the program require?

- **20% of units** must be reserved for households earning up to **80% Area Median Income (AMI) for 12 years**.
- Certain projects and units require deeper affordability.

Where can the program be used?

- All areas zoned for multifamily use.

2025-2026 MFTE Code Update Process

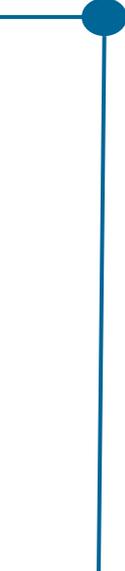
- Initial Outreach Efforts
- Stakeholder Interviews
- Solicit RFP and Begin Technical Analysis

- Study Session #1
- Ongoing Stakeholder Discussions
- Draft Code Language



- Stakeholder Workshops with BERK
- Consolidate Feedback and Finalize Analysis
- Develop Staff Recommendations

- **Study Session #2**
- Potential Adoption



Summary of Recommendations

Overview

Staff Recommendations

- Wilburton Supercharger
- Wilburton 8-year Programs
- 20-year Homeownership Program
- MFTE for Conversion Projects
- MFTE and Land Use Code Language Alignment
- Automatic 8-Year Program Paired with Inclusionary Zoning
- Expanded Parking Exemption for TOD Areas
- MFTE and Land Use Code Timing Alignment

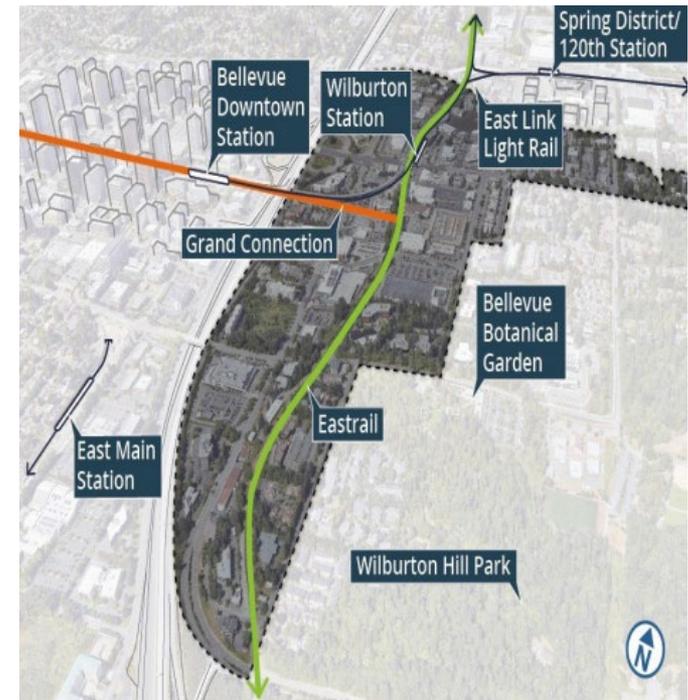
Not Recommended at this time

- City-Wide Supercharger
- 12-Year Extension

Wilburton Supercharger

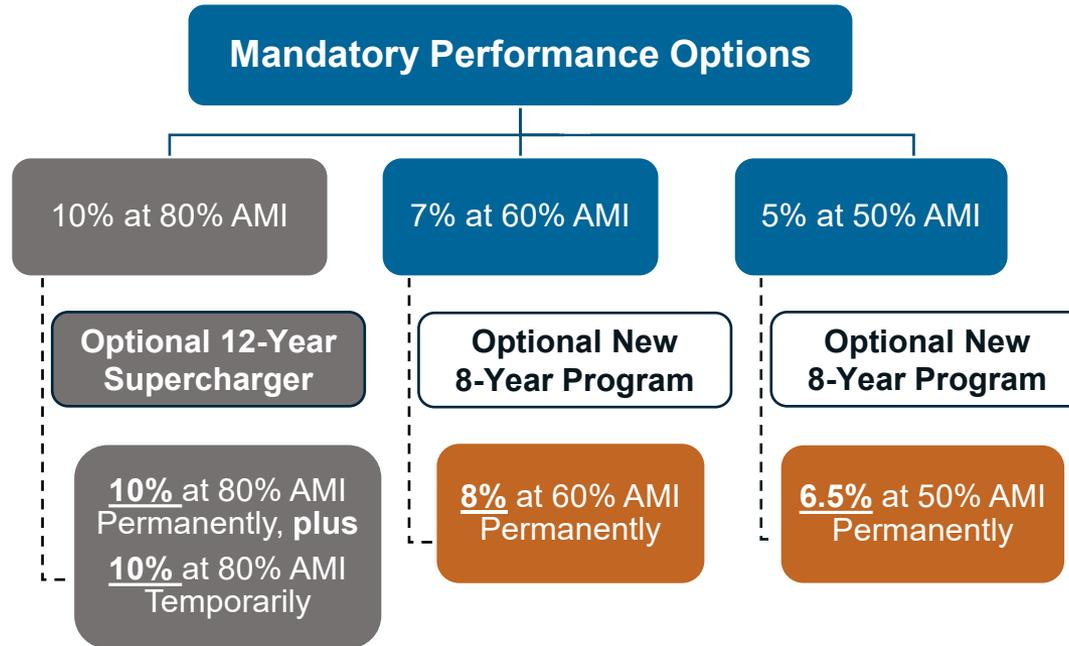
- Revise “double-counting” rules in the Wilburton TOD Area
- Look-back proposed within four years

	Existing MFTE Program	New Wilburton “Supercharger”
Length of Affordability	12 Years	12 Years
Affordability Levels	10% at 80% AMI plus <u>10% at 65% AMI</u>	20% at 80% AMI



8-Year Options in Wilburton

- New **8-year** tax exemption in exchange for additional units that are **affordable at 60% and 50% AMI for the life of the project.**



20-Year Homeownership Program

- New **20-year** tax exemption for projects
- **25% of units** must be built by or sold to a nonprofit or local government that ensures permanent affordable homeownership
- **<80% AMI** for 99 years
- Remaining 75% may be rented or sold at market rate



MFTE for Conversion Projects

- Explicitly allowing for conversion projects to use MFTE in addition to “new construction”



Aligning MFTE and Land Use Code Language

Goal: Ensure that affordable units created under MFTE have the same requirements as units created under the Land Use Code.

Key areas of alignment:

- Bedroom definitions
- Unit mix requirements
- Affordable unit selection and configuration



New: 8-year Program Option Paired with Future Inclusionary Zoning

- Exemption will be available when and where mandatory affordability is expanded to new areas
- Meets lower AMI needs
- Provides affordable units for the life of the project

Unit Affordability	Wilburton 8-Year Program Option	New 8-year Program Option Outside of Wilburton
60% AMI	8% of units	8.5% of units
50% AMI	6.5% of units	7.0% of units

New: MFTE Parking TOD Exemption

Existing Rules:

- 30% Discount for MFTE renters who choose to rent a parking space
- Exemption for Downtown projects

New TOD Exemption:

- Downtown exemption is expanded to all projects within a half mile of frequent transit

Why?

- Extra incentive to use MFTE in TOD areas (e.g., Wilburton)
- Current requirement potentially incentivizes MFTE renters to drive cars where other transit options are available

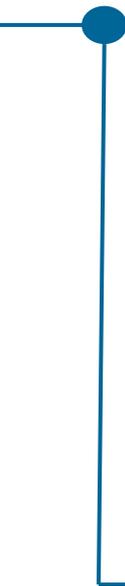
New: MFTE Contract/Covenant Timing

Currently:

- MFTE units and land use units require two sets of documents on two separate timelines
- MFTE documents are executed after building permit issuance, while land use documents are executed before

Recommendation:

- One consolidated contract/covenant for both MFTE and mandatory units
- Both executed prior to building permit issuance, unless director approves an extension



Stakeholder Feedback

Stakeholder Feedback Themes

Based on discussions with market-rate and affordable housing developers, PLUSH, HDC:

- Challenging multifamily development environment
- Desire to use MFTE to help multi-family development projects pencil
- Emphasizing connection between potential mandatory affordability requirements and MFTE as a cost offset
- MFTE as part of City's policy tools to encourage housing development
- Interest in a citywide "supercharger" paired with mandatory affordability and a 12-year extension for existing MFTE projects

Ongoing MFTE and LUCA Coordination

Moving forward, staff will evaluate MFTE alongside Land Use Code Amendments involving mandatory affordability.

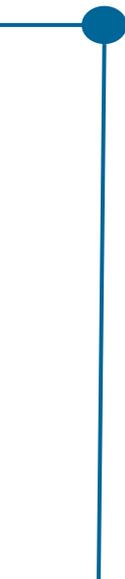
1. If changes to MFTE are recommended, the intent is to pair a strike-through draft along with the LUCA Council item
2. If changes are not recommended, the agenda materials will include analysis regarding the recommendation

Analysis already in progress for HOMA and BelRed LUCAs.

Incorporating Stakeholder Feedback

The proposed MFTE Code update reflects stakeholder priorities in a number of ways:

- Implementing Wilburton Supercharger
- New 8-year citywide MFTE option paired with mandatory affordability
- Removing parking discount in TOD areas
- Aligning code language and processes between MFTE and Land Use Code
- Pairing MFTE and LUCA economic analysis for future mandatory affordability requirements
- Planned MFTE look-back in 2029 to assess program status and alignment with City housing production goals



City-wide Supercharger and 12-year Extension Analysis

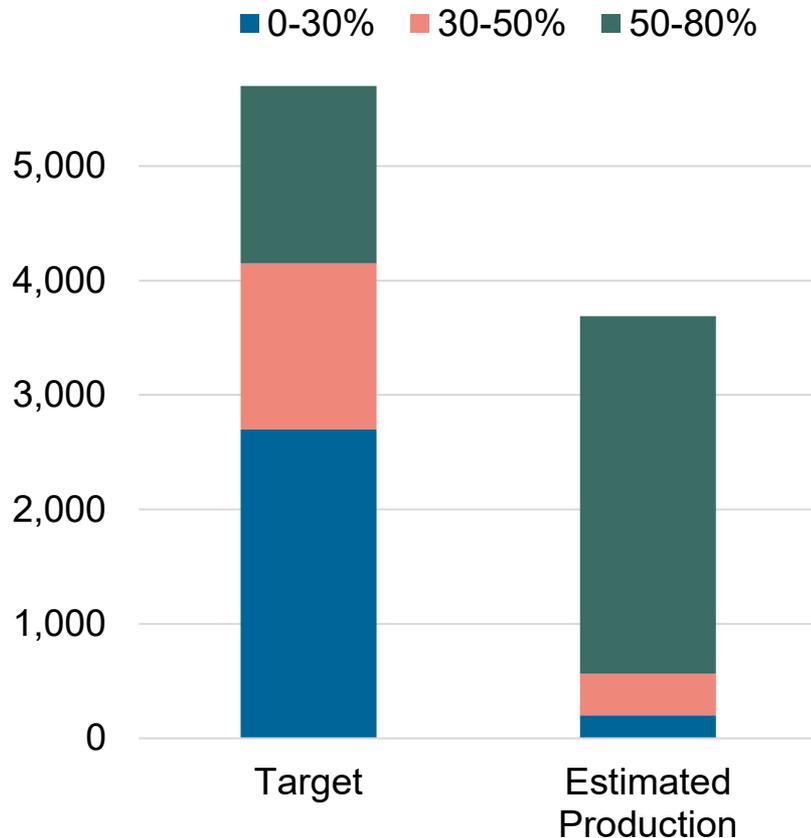
City-wide 12-Year Supercharger

A city-wide 12-year Supercharger would extend the same Wilburton Supercharger program automatically wherever mandatory affordability is expanded.

Recommendation

Do not adopt a city-wide 12-year Supercharger at this time.

Affordable Housing Production Goals



80% AMI

\$88k for a household of 1
\$101k for a household of 2

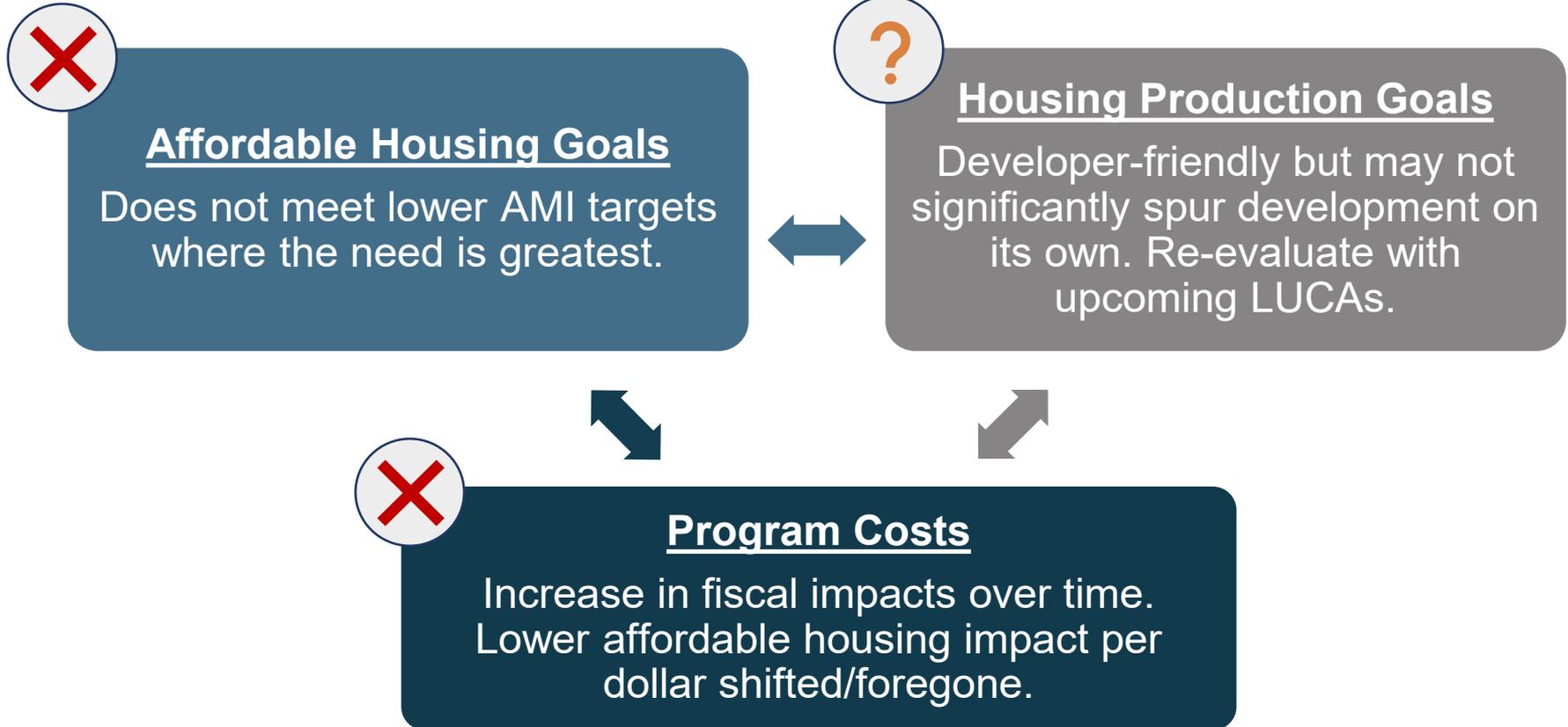
- 80% AMI is currently market rate for studio and 1-bedroom units
- MFTE households earn, on average, 56% of AMI.

Housing Production Goals

A city-wide supercharger could play a role in stimulating development. However, MFTE is only one tool amidst many factors affecting development.

1. The existing MFTE program continues to provide a desirable yet balanced incentive.
2. The Wilburton Supercharger is an added incentive meant to launch redevelopment in a new TOD neighborhood, but is not specifically designed to offset the costs of mandatory requirements.
3. The Supercharger concept only applies alongside mandatory affordability, which is currently limited to Wilburton. Staff will continue to assess its suitability alongside upcoming LUCAs.

City-wide Supercharger Considerations



Recommendation: Do not expand Wilburton Supercharger citywide at this time.

12-Year Extension

A 12-year extension would allow a property to receive up to 24 years of property tax exemption.

Bellevue's first expiration will be in December 2031.

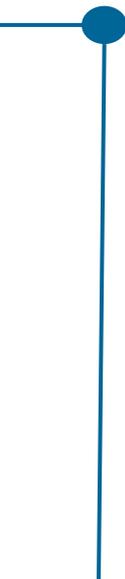
Recommendation

Do not adopt a 12-year extension at this time.

12-Year Extension Considerations



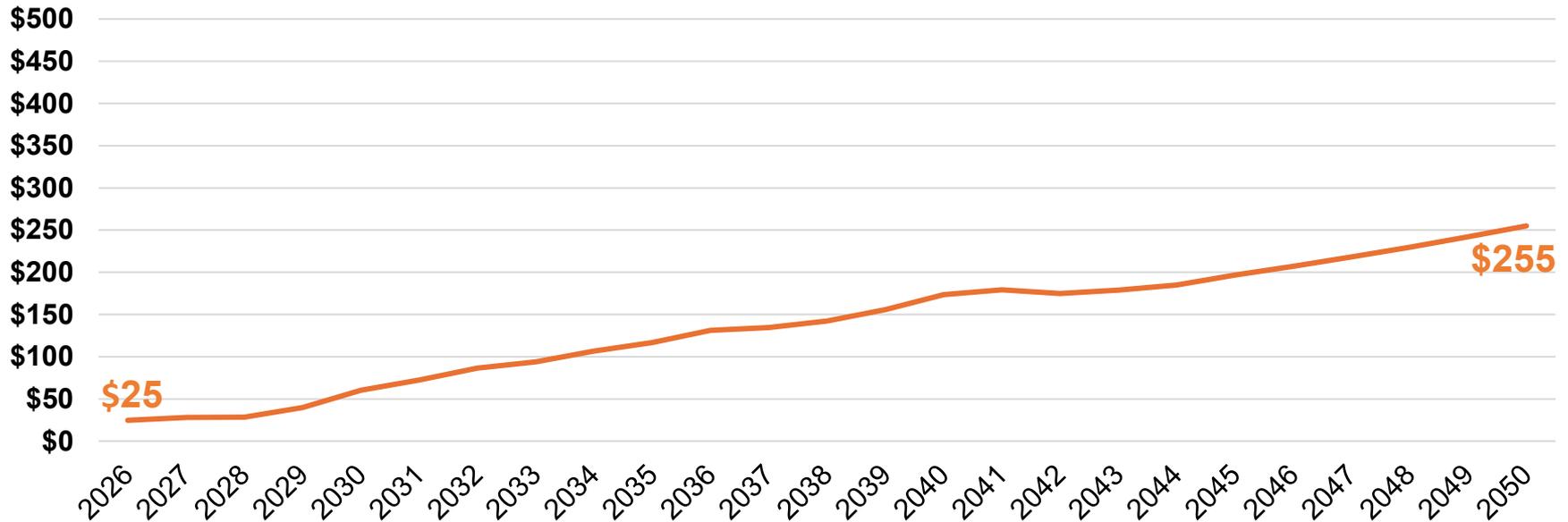
Recommendation: Do not implement 12-year extension at this time.



Fiscal Impact Projection

Fiscal Impacts: Baseline Projection

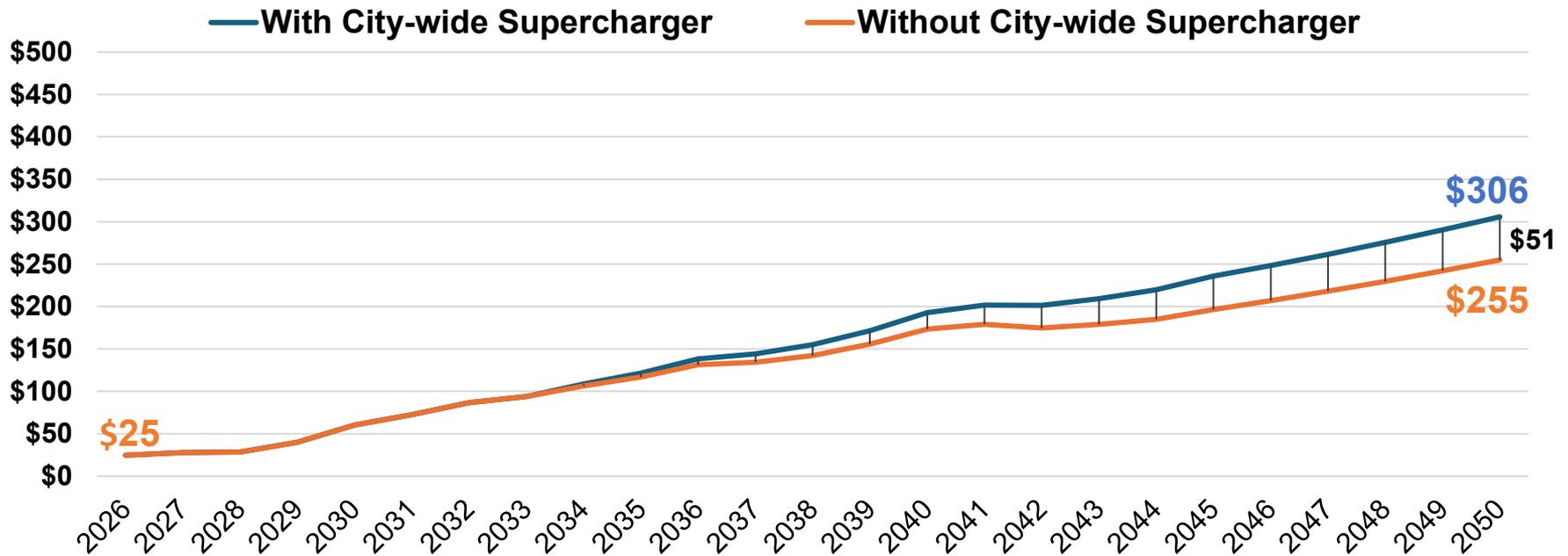
Projected Annual Tax Shift to Median Bellevue Homeowner



- Based on 2025 King County Assessor data
- Assumes a 75% MFTE participation rate
- Average annual tax shift increase of \$9.60

Fiscal Impacts: City-wide Supercharger

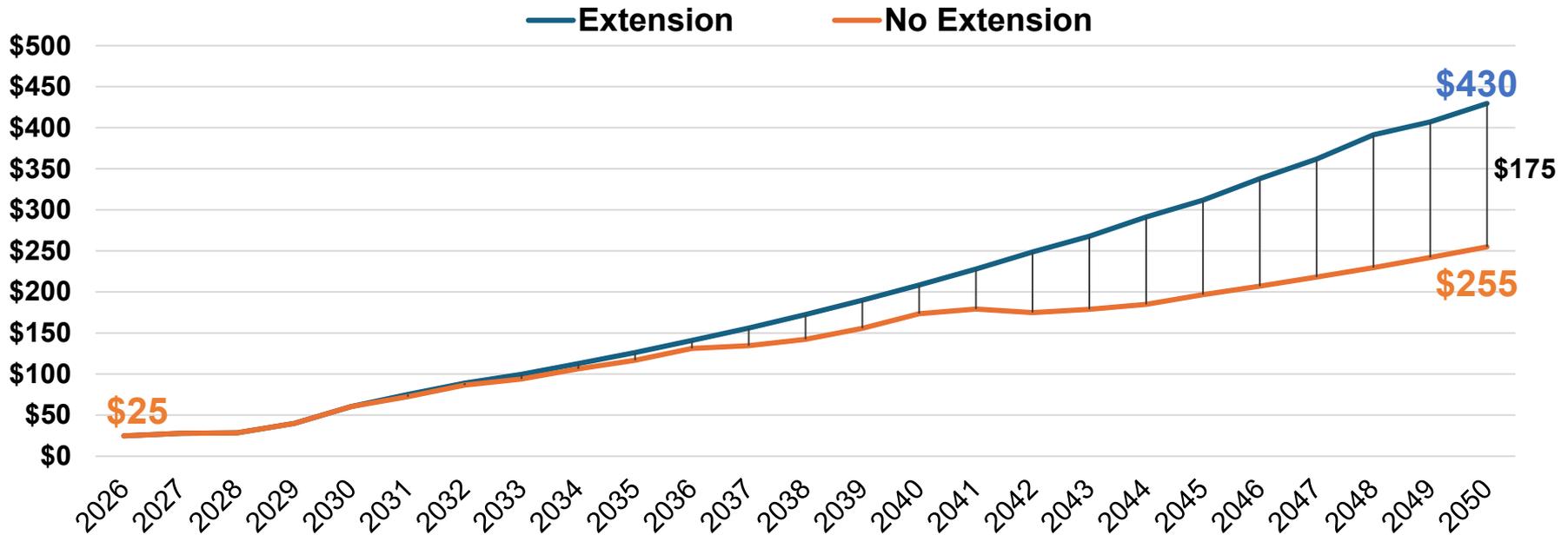
Projected Annual Tax Shift to Median Bellevue Homeowner with and without City-wide Supercharger



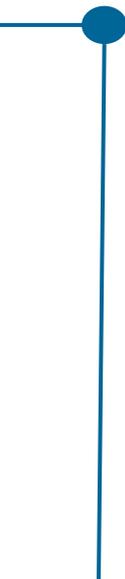
- May increase participation, resulting in greater public costs
- 20% increase in tax shift projected by 2050
- Projected loss in annual property tax revenue of \$2.0 million by 2050

Fiscal Impacts: 12-year Extension

Projected Annual Tax Shift to Median Bellevue Homeowner with Extension vs. No Extension



- Prolongs and increases the public costs of the program
- 70% increase in tax shift projected by 2050
- Potential loss in annual property tax revenue of over \$3.4 million by 2050



Strike Draft Summary and Next Steps

Strike Draft Summary

Staff Recommendations

- Wilburton Supercharger
- Wilburton 8-year programs
- 20-year Homeownership Program
- MFTE for Conversion Projects
- Automatic 8-year program paired with future inclusionary zoning
- Parking exemption for TOD areas
- MFTE and Land Use Code Language alignment
- MFTE and Land Use Code contracting process alignment

Not Recommended Now

- City-wide Supercharger
- 12-year Extension

MFTE Program Availability by Area

City-Wide

- 12-Year (Existing)
- **New** 20-Year Homeownership Program
- **New** MFTE for conversion projects

Wilburton Only

- **New** 12-Year Wilburton Supercharger
- **New** 8-Year (Wilburton Only)

Potential Future Inclusionary Zones*

- 12-Year (Existing), *with potential future changes evaluated alongside LUCAs*
- **New** 8-Year (Outside of Wilburton)

*Only activated if inclusionary requirements are adopted in the Land Use Code

Strike Draft Outcomes



Affordable Housing Goals

- New City-wide 8-year program paired with mandatory affordability
- 20-year homeownership program



Housing Production Goals

- New Wilburton Supercharger and 8-year MFTE options
- Allows MFTE in conversion projects
- Reduces certain parking requirements
- Aligns MFTE with LUC language and processes



Program Costs

- Limits adverse fiscal impacts
- Designed to provide a balance between renter and developer benefits

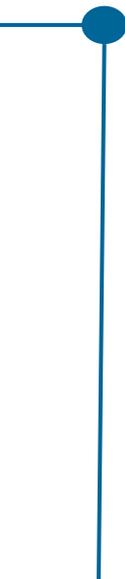
Next Steps

Following code adoption based on council direction tonight:

- Continued MFTE analysis alongside upcoming LUCAs
- MFTE look-back by 2029



Bellevue 10



Direction

Direct Staff to prepare the Ordinance for final action at a future meeting, consistent with Staff recommendations.