City of Bellevue

7/21/2026

CITY COUNCIL AGENDA TOPIC

Multifamily Tax Exemption Catalyst Program for Housing Opportunities in Mixed-Use Areas

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EXECUTIVE SUMMARY

DIRECTION

Staff will present analysis and recommendations regarding temporary adjustments to the city's Multifamily Tax Exemption (MFTE) program requirements in certain locations. These adjustments are designed to support the recent adoption of the Housing Opportunities in Mixed-Use Areas (HOMA) Land Use Code Amendment (LUCA).

Following discussion, staff are seeking City Council direction to prepare the Ordinance for final action at a future meeting.

RECOMMENDATION

Consider directing staff to finalize the Ordinance for final action at a future meeting.

BACKGROUND/ANALYSIS

MFTE Catalyst Program for HOMA Background

Bellevue's Multi-Family Tax Exemption (MFTE) program, consistent with allowances in state law, provides eight, twelve, and twenty-year property tax exemptions for new multifamily residential developments that provide a certain amount of on-site affordable housing.

On February 24, staff presented analysis regarding potential changes to the MFTE program alongside the HOMA LUCA. Staff determined that changes to MFTE incentives are not needed to offset the costs of mandatory requirements under HOMA and did not recommend any amendments. However, the council expressed interest in exploring a limited-term catalyst "supercharger" program within HOMA geographies, which would allow developers to double-count mandatory affordable units towards the MFTE incentive without the typical 15% required reduction in area median income (AMI) level served. A temporary loosening in MFTE program rules, although not strictly needed to offset costs, can be helpful in promoting residential development amidst difficult market conditions.

May 19 Direction

On May 19, the council received information regarding a MFTE catalyst supercharger program for non-Downtown areas of HOMA. Staff presented a recommendation for a six-year or 1,500-unit limited catalyst. Staff also provided information on a potential four-year catalyst period.

Councilmembers provided feedback and generally indicated support for the four-year catalyst program and expressed a desire to incorporate a look-back at progress and impact after two years. The council also concurred with the staff recommendation to modify code language to allow projects that pay a fee-in-lieu to participate in the MFTE program so long as they are eligible and fully satisfy the onsite affordability requirements.

The council directed staff to prepare draft legislation to establish a four-year supercharger catalyst program in non-Downtown HOMA areas and to modify code language around fee-in-lieu.

Components of the Recommended Ordinance

Three changes are included in the recommended code updates, and a complete strike-draft of the changes is included as Attachment A.

4-Year Catalyst Program

Amendments are proposed for a time- and geographically-limited exemption for MFTE projects from the typical 15% required reduction in AMI level served when double counting other affordable housing program units towards the MFTE requirement, as known as a supercharger.

Non-downtown HOMA areas are defined by corresponding land use districts and include Office, Neighborhood Business, Community Business, Neighborhood Mixed Use, Office and Limited Business, Office and Limited Business 2, Mixed Use: 8 Story, Mixed Use: 16 Story, Factoria 1, Factoria 3, and Eastgate TOD. Downtown land use districts are not included under this catalyst program.

The catalyst program was directed for a period of four years and for administrative simplicity would be set to expire on December 31, 2031.

Use of Fee-in-Lieu

Amendments are proposed to strike language that prevents projects that pay a fee-in-lieu from participating in the MFTE program. Projects would need to be eligible for the program and fully satisfy onsite requirements of application exemption.

Application Timing

Amendments to the MFTE code adopted on February 3 included amendments to align the MFTE and Land Use contract and covenant processes by amending MFTE language requiring execution prior to building permit issuance. These amendments were proposed acknowledging the ability of the Office of Housing Director to amend contracts or accept late MFTE applications, as provided by code.

Staff has identified the need for additional amendments to clarify the application process and exceptions.

Staff are proposing to incorporate language for MFTE applications to be received at least 60 days in advance of building permit issuance. This allows developers and staff time to review and, as applicable, approve an application and complete the execution and recordation requirements prior to building permit issuance. This revision is consistent with previous versions of the code.

As proposed, BCC 4.52.050(D) will set the general expectation that a complete application be received no less than 60 days before the first building permit is issued for an eligible project. However, the proposed text for BCC 4.52.050(E), a new subsection, will allow the Office of Housing Director to make exceptions to the general MFTE application procedure, provided certain criteria are still satisfied. Specifically, staff are proposing to clarify that projects seeking an exception do not need to meet the eligibility criteria under BCC 4.53.040(E) to have a covenant recorded before building permit. Staff are also proposing that projects seeking an exception to the application timeline submit, in addition to a complete application, a recorded covenant no less than 60 days prior to the issuance of occupancy.

Combined, these amendments clarify processes and guarantee adequate timing to complete administrative procedures under both base and exception circumstances.

Clean-up of Internal Citations

In light of recent amendments to the City's Land Use Code (LUC), staff have observed the need to revise specific citations within the MFTE Code that referenced outdated and recodified provisions to the LUC. These edits do not result in any substantive changes and are intended to better align the LUC and MFTE Code.

Next Steps

Council is asked to consider the strikethrough draft code language in Attachment A for direction. Depending on the council's direction, staff will return with the code for final adoption. As the MFTE program lies within the City's Finance Code (BCC 4.52), Planning Commission review and recommendation is not required. A public hearing is not required as no new residential target areas are identified as part of this update.

Following final adoption, staff will continue to monitor MFTE incentive usage to report out at a two-year lookback to evaluate housing production, affordability outcomes, and other financial and tax impacts.

POLICY & FISCAL IMPACTS

Policy Impact

The purpose of the MFTE Supercharger catalyst program is to encourage dense residential development following the recent upzoning of the city's mixed-use areas, with the goal of unlocking development feasibility in an otherwise prohibitive market environment. The update aligns with HO-13 in the Comprehensive Plan's Housing Element to "provide incentives to encourage residential development for a wide range of household types and income levels in mixed use areas throughout the city."

Fiscal Impact

The adoption of a catalyst MFTE "Supercharger" is expected to increase the fiscal cost of the program in the form of taxes shifted and foregone within the City of Bellevue. The direct impact to the City will vary by project, but the recommended catalyst program rules are projected to result in an additional $7.6 million of shifted and foregone taxes between 2026 and 2044 over base program participation.

OPTIONS

1. Direct staff to finalize the Ordinance for final action at a future meeting.
2. Provide alternative direction to staff.

ATTACHMENTS

A. Code Strike Draft

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N/A