



City of Bellevue

Multifamily Tax Exemption

Catalyst Program for Mixed-Use Areas

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May 19, 2026



Direction

Consider directing staff to finalize amendments to the Multifamily Tax Exemption program consistent with staff recommendations and prepare legislation for consideration at a future meeting.

AGENDA



Background



MFTE/HOMA Analysis



Staff Recommendation



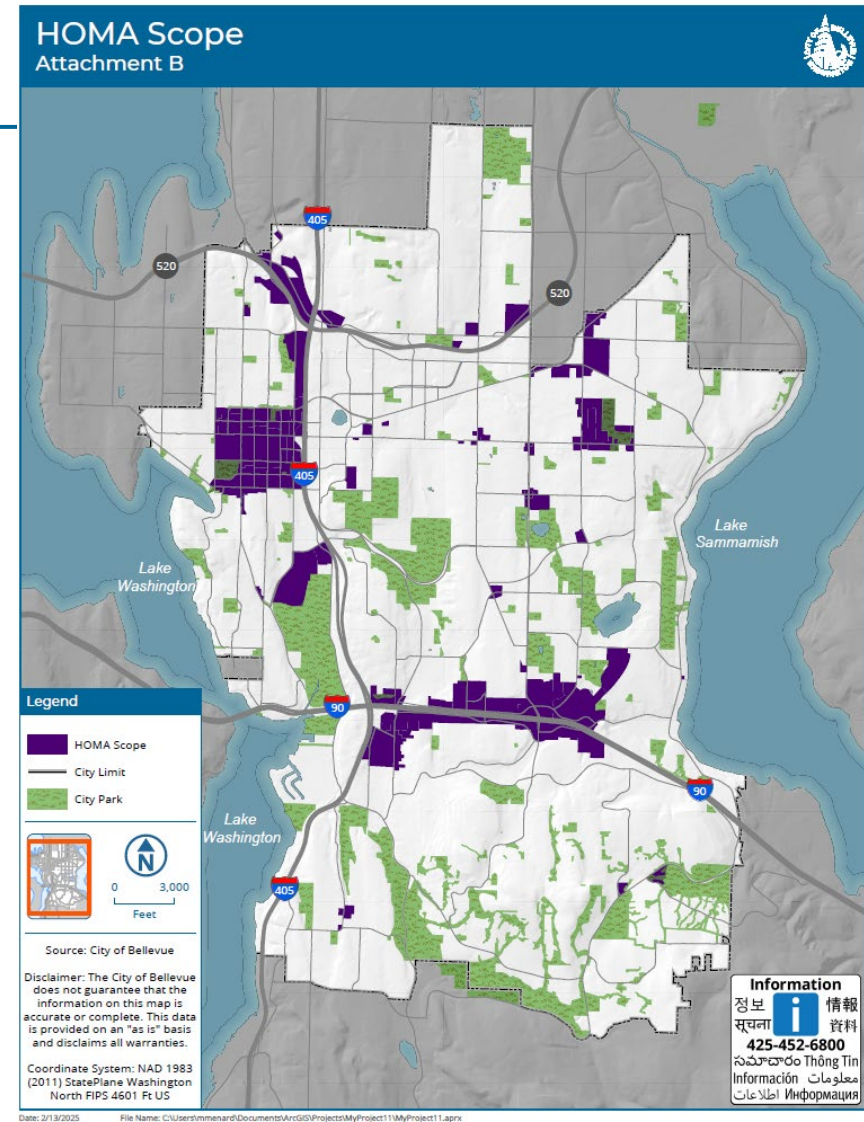
Next Steps



Background

Scope

- **Multi-Family Tax Exemption**
 - Locally authorized limited-term property tax exemption authorized by RCW 84.14
- **“Supercharger”** – Refers to an exemption from a reduced affordability requirement for overlapping MFTE and land use incentives
- **“Catalyst Program”** - Limited term benefit provided in a certain geography



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)

Note: New Wilburton catalyst program does not apply to MFTE

Other 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

Background

- Feb 3 - **new 8-year MFTE** activated if inclusionary requirements are adopted in LUC
- Feb. 24 - MFTE recommendation presented alongside **HOMA**
 - Staff recommendation: supercharger not needed to offset costs
 - Chamber recommendation: 6-year catalyst
 - HDC recommendation: no supercharger
- Direction to return within 90 days following staff **analysis of catalyst MFTE** options and fiscal impact



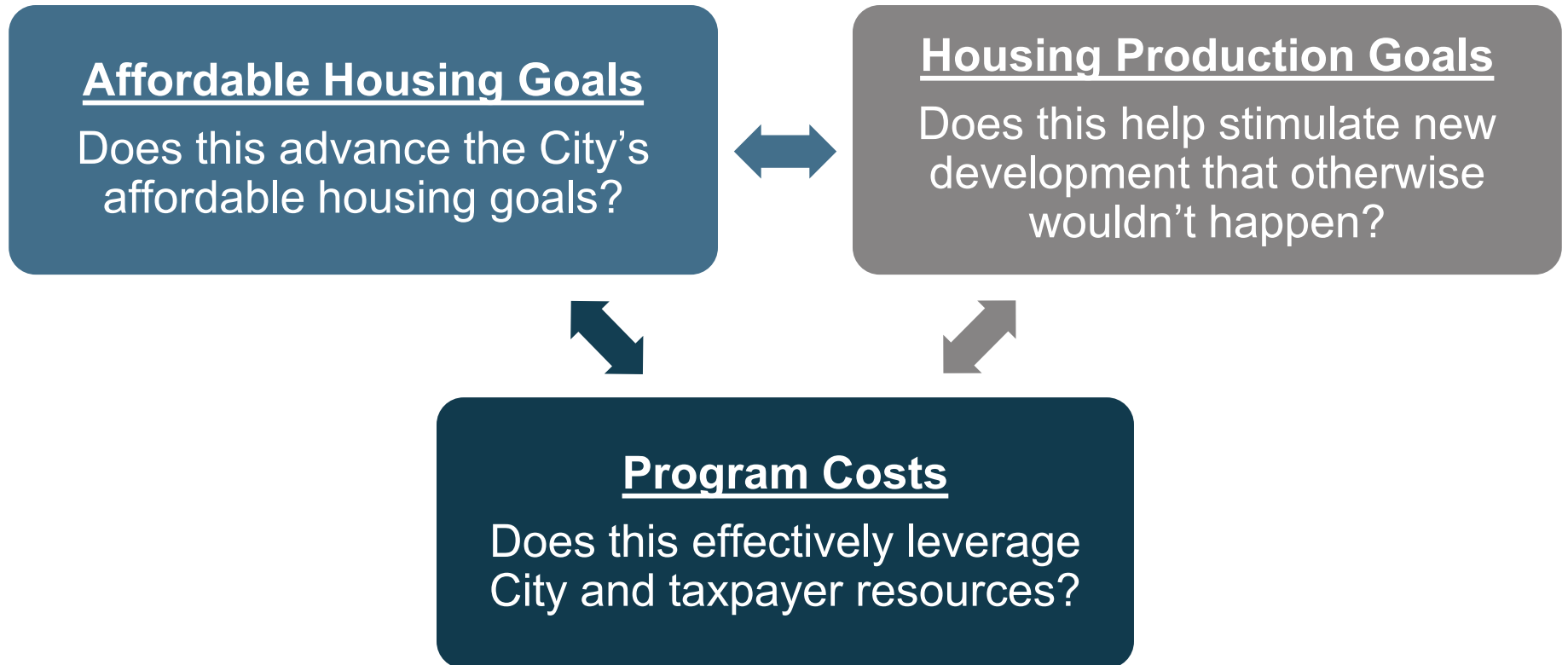
MFTE / HOMA Analysis

Program Requirement Comparison

	Baseline HOMA Requirements	Baseline HOMA with MFTE Requirements	Supercharger Requirements
12-Yr MFTE Requirement* <i>(Expires after 12 years)</i>	N/A	10% of units affordable @ <u>65% AMI</u>	10% of units affordable @ <u>80% AMI</u>
LUC (Inclusionary) Requirement <i>(Affordability does not expire)</i>	10% of units affordable @ <u>80% AMI</u>	10% of units affordable @ <u>80% AMI</u>	10% @ of units affordable <u>80% AMI</u>

*Alternate 8-year MFTE option available

Key Policy Considerations



Analysis/Forecasting Scope

Comparing Existing MFTE & 6-Yr Catalyst

Outcomes (2026-2044):

- Affordable units created
- Cost to City of Bellevue (tax shift/foregone taxes)
- Renter savings and net developer tax savings (development feasibility)

Assumptions:

- Units Built
- MFTE Participation Rate
- Rent Growth
- Tax Rates/Growth

Summary of Findings

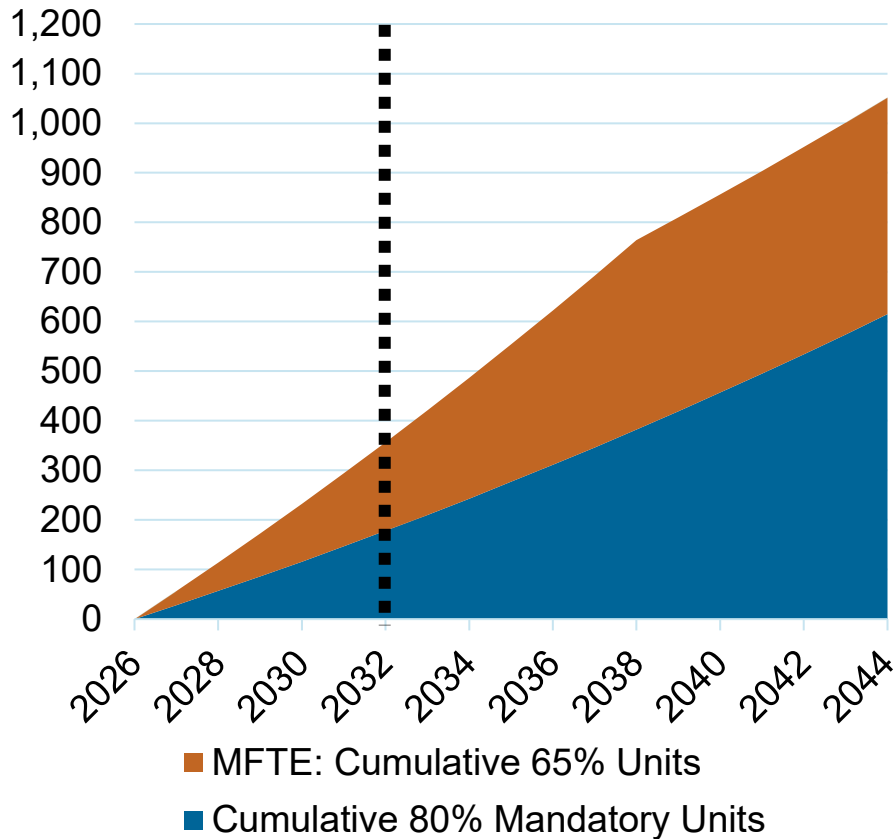
Projected from 6-Yr Catalyst (2026-2044)

	Existing Program	6-year Catalyst
Cumulative Shifted Taxes	\$64.1M	+ \$10.9M
Cumulative Foregone Taxes	\$6.5M	+ \$1.2M
Cumulative Total Fiscal Impact	\$70.5M	+ \$12.0M
80% AMI MFTE Units Created	0	+ 255
65% AMI MFTE Units Created	615	- 179
Total MFTE Units Created	615	+ 76
Avg. Monthly Renter Savings	\$1,671	- \$368
Avg. Monthly Developer Savings	\$1,601	+ \$368

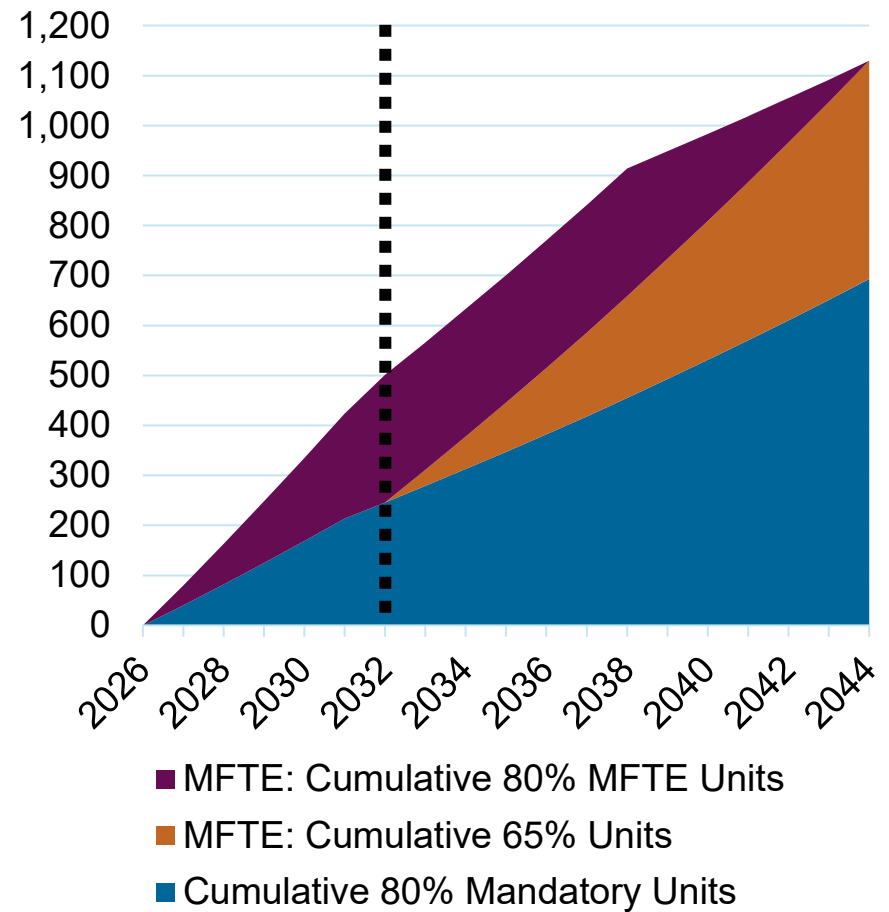
- **More total units:** 12.4% increase in total new MFTE units (+76)
- **Less deeply affordable units:** 29% decrease in new 65% AMI units (-179)
- **More cost:** 17% increase in shifted and foregone taxes (+\$12 M)
- **Greater developer benefit over renter benefit** during catalyst period

Projected Affordable Unit Count

Existing Program



6-year Supercharger Catalyst





Staff Recommendation

Recommended Approach

Combination Unit + Time Limit: Earlier of 1,500 Units or 6 years

Context

- In line with historical MFTE participation and would accommodate six 250-unit projects in HOMA areas
- Comp Plan identifies 7,700 units for HOMA planned growth

Rationale

- **Known and Bounded Fiscal Impact:** Unit limit establishes a ceiling on additional shifted and foregone taxes
- **Market Conditions:** Unit limit incentivizes near-term development amidst a challenging market cycle

2026-2044 Scenario Projections

	6-year Catalyst	Staff Recommendation: 1,500 units/6 yrs	Option B: 4-year Catalyst
Cumulative Shifted Taxes	+ \$10.9M	+ \$8.8M	+\$6.9M
Cumulative Foregone Taxes	+ \$1.2M	+ \$0.9M	\$0.7M
Cumulative Total Fiscal Impact	+ \$12.0M	+ \$9.8M	+\$7.6M
80% AMI MFTE Units Created	+ 255	+ 210	+166
65% AMI MFTE Units Created	- 179	- 147	-116
Total MFTE Units Created	+ 76	+ 63	+50
Avg. Monthly Renter Savings per unit	- \$368	- \$325	-\$280
Avg. Monthly Developer Savings per unit	+ \$368	+ \$325	+280



Next Steps

Code Amendment Scope

1. Allow for a catalyst period in HOMA areas where MFTE units “double-counted” towards the mandatory requirement do not require deeper affordability
2. Provide rules for the vesting of the catalyst program
3. Revise rules to allow for MFTE to be used alongside fee-in-lieu payments

Next Steps

- Following council direction tonight:
- Prepare strike draft for a future meeting
- Implement MFTE catalyst tracking process





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