



City of Bellevue

Multifamily Tax Exemption

2025 Program Update

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October 21, 2025



Information Only

This item presents discussion of recommended updates to the City's Multifamily Exemption (MFTE) program, background information, and analysis.

AGENDA



MFTE Program Overview



2025 MFTE Update Background



Stakeholder Input and Technical Analysis

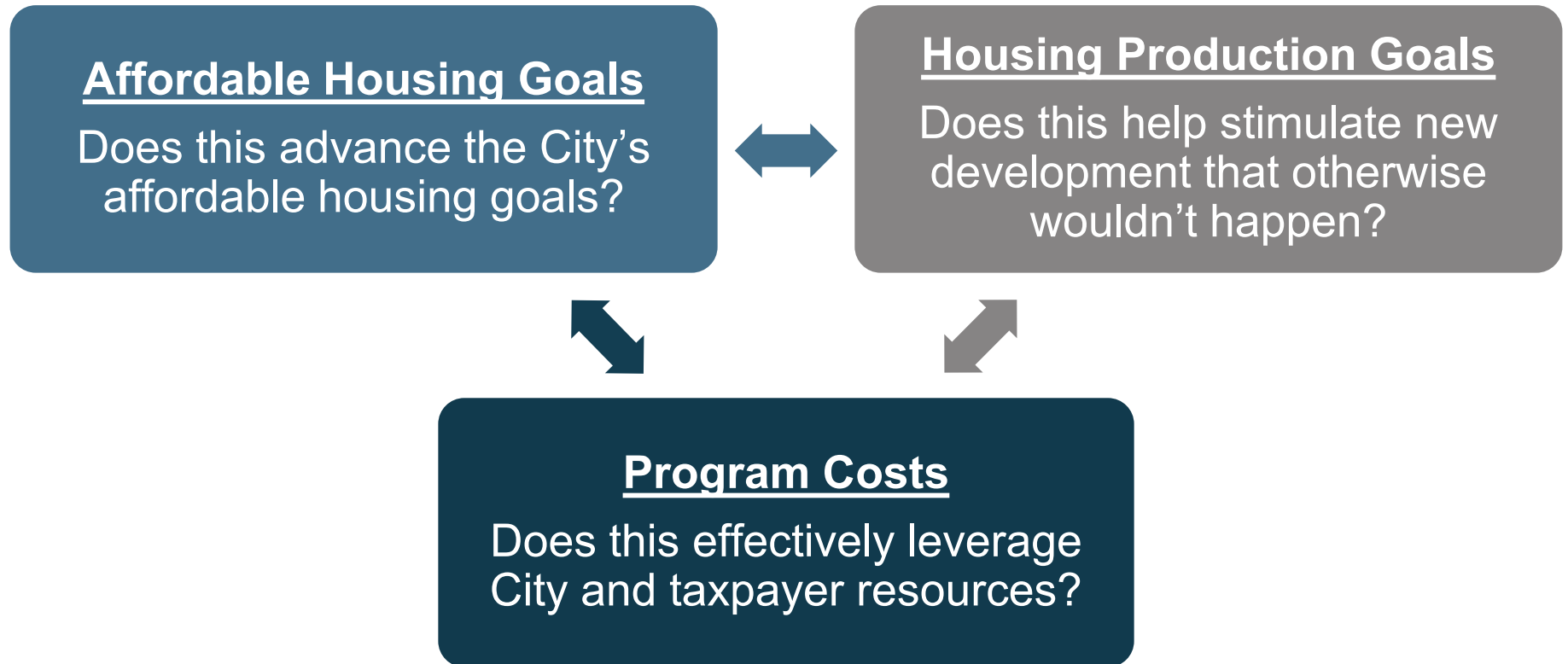


Staff Recommendations



MFTE Program Overview

Key Policy Considerations



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.

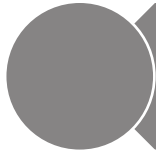
Where can the program be used?

- All areas zoned for multifamily use.

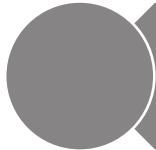
Statutory MFTE Options For Consideration



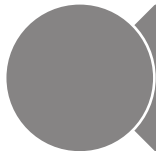
12-Year Program



8-Year Program



12-Year Extension



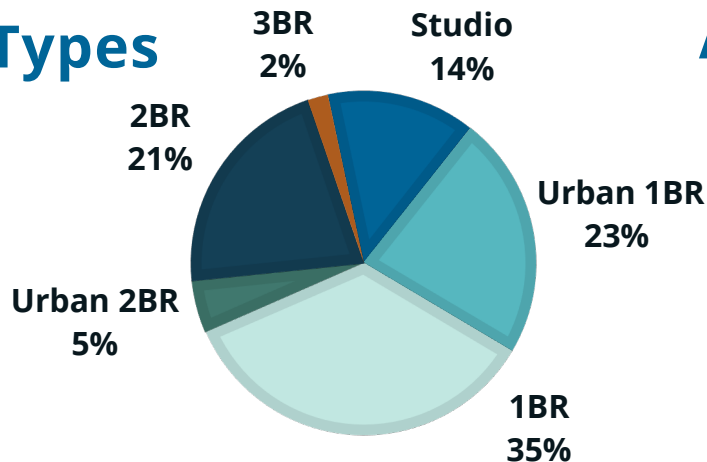
20-Year Homeownership Program

Options available
in RCW,
Not yet adopted
in Bellevue

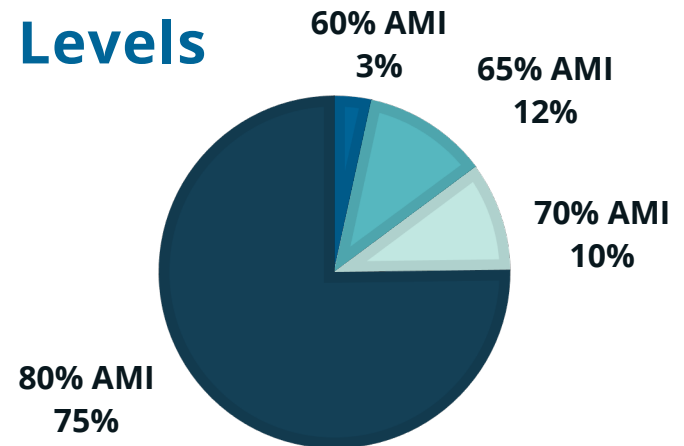
MFTE Production Summary

- 11 MFTE applications totaling 472 units
- 6 final tax exemption certificates, 5 in progress
- Average AMI restriction of 77%
- 78% utilization rate since July 2021 (7 out of 9 projects)

Unit Types

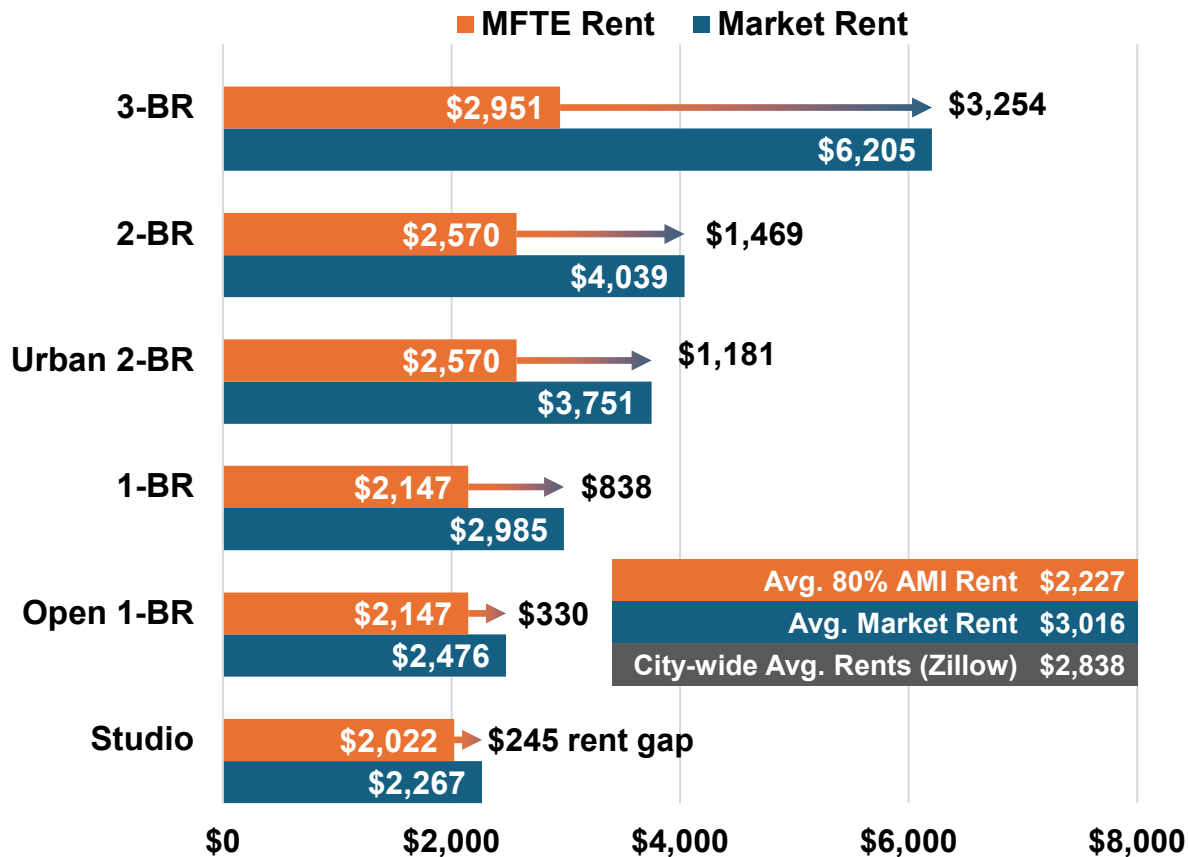


AMI Levels



80% AMI Rents Compared to Market Rents

80% AMI Rents vs. Market Rate Rents by Unit Type



What is 80% AMI?

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

On average, an MFTE renter at 80% AMI pays \$2,227 per month, **26.2% or \$789 less** than comparable market rate renters, nearly \$9,500 annually.

MFTE households earn, on average, 56% of AMI.

MFTE Affordable Housing Impact

Housing Stability

- Rent growth is limited to 3% annually for MFTE units.

Housing Equity

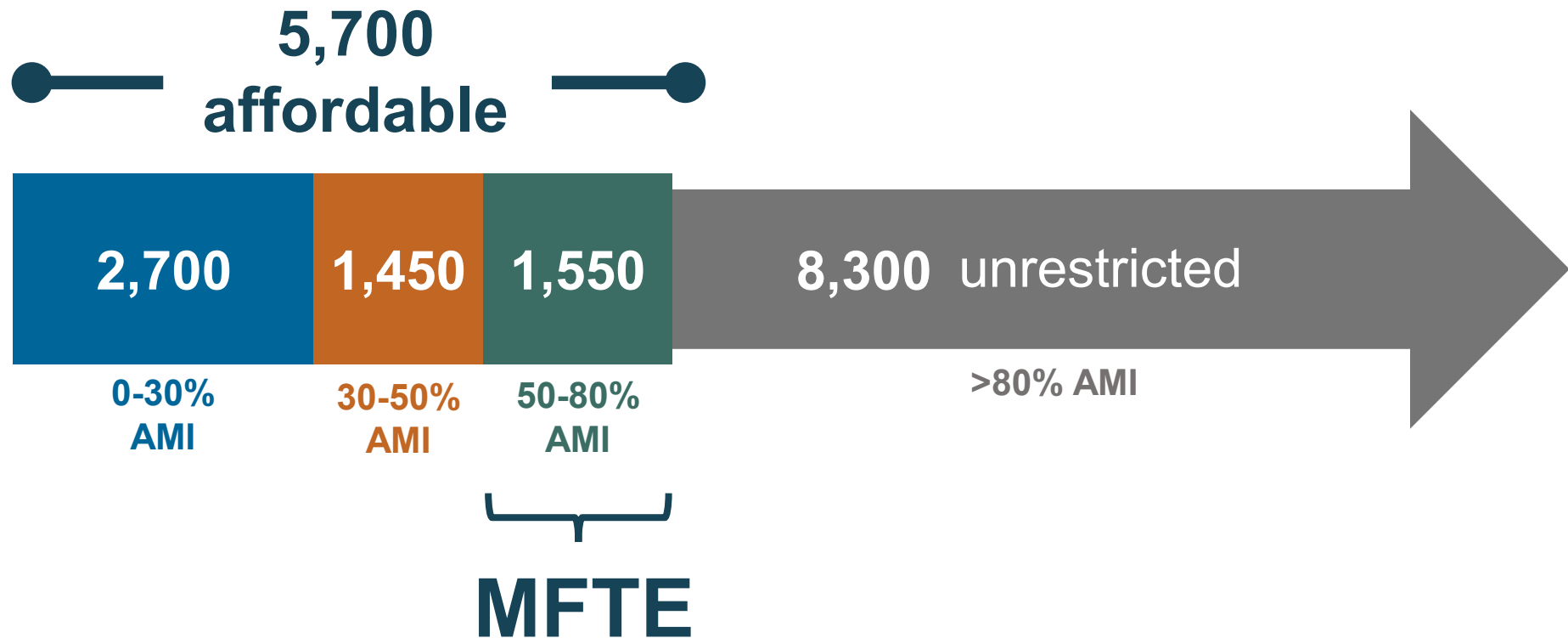
- Bellevue's MFTE projects tend to be located in vibrant, transit-accessible neighborhoods.
- MFTE provides housing for a range of professions.



High Quality Built & Natural Environment

Bellevue is a livable city with world-class places to live, work, play and learn.

10-Year Affordable Housing Target





2025 MFTE Update Background

2025 MFTE Update Goals

1. Address City Policy and Planning Goals
 - Expand MFTE Options
 - Incentivize Deeper Affordability
2. Address Requested Changes in Wilburton
 - MFTE and Mandatory Affordability Interaction
 - Affordable Housing Standards
3. Assess Existing Program and Potential Changes
 - Impact to Date
 - Technical Analysis of Costs and Benefits

2025 MFTE Update Scope

1) Evaluate New MFTE Program Options

- 20-year exemption for homeownership projects
- Eligibility for conversion projects (nonresidential to residential)
- 12-year extension
- 8-year program option in Wilburton

2) Alignment with Mandatory Affordability in Wilburton

- Consider a “Supercharger” program in Wilburton that would adjust rules for counting MFTE units towards other affordability requirements
- Consider an 8-year program to incentivize the deeper affordability options available under the mandatory land use requirements

Wilburton LUCA and MFTE Comparison

	Wilburton LUCA Requirement	Existing MFTE Program	New Wilburton "Supercharger"
Length of Affordability	Permanent	12 Years	12 Years
Affordability Requirement	10% at 80% AMI [★] , or 7% at 60% AMI, or 5% at 50% AMI	10% at 80% AMI plus 10% at 65% AMI	20% at 80% AMI

★ During the phase 1 catalyst period, the requirement is reduced to 5% at 80% AMI



Stakeholder Input and Technical Analysis

Engagement Summary

Stakeholder Presentations

- Bellevue Chamber PLUSH Committee
- Bellevue Development Committee
- Eastside Affordable Housing Coalition
- Eastside Housing Roundtable

Individual Interviews

- Developers
- Habitat for Humanity
- Peer Cities
- ARCH

Technical Workshops

- Hosted with BERK
- Series of three virtual workshops geared towards developers
- Used to refine and inform analysis

Engagement Themes

- General support for expanded program options and alignment of affordable housing standards
- Mixed feedback on the “Supercharger” program
 - Strong incentive for market rate developers
 - Concern regarding affordability levels and whether this will be applied city-wide
- Positive feedback on the current program’s administration
- Concern regarding affordability levels

Technical Analysis Questions and Findings

How does the Supercharger affect development feasibility?

- The Supercharger increases development feasibility to a moderate extent compared to the existing 12-year program requirements.

Could an 8-year MFTE option be structured to gain deeper affordability?

- An 8-year program option requiring a lower, permanent set-aside along with deeper affordability levels could be a desirable option alongside the Supercharger program.

Should the City adopt a 12-year MFTE extension?

- There is limited existing data on the Eastside to inform this analysis and draw general conclusions. Depending on tax and rent growth trends, deeper affordability requirements may be warranted.

2025 MFTE Fiscal Snapshot



The MFTE program resulted in **\$3.5M** of exempted taxes, of which **\$2.6M** were shifted and **\$900K** were foregone.

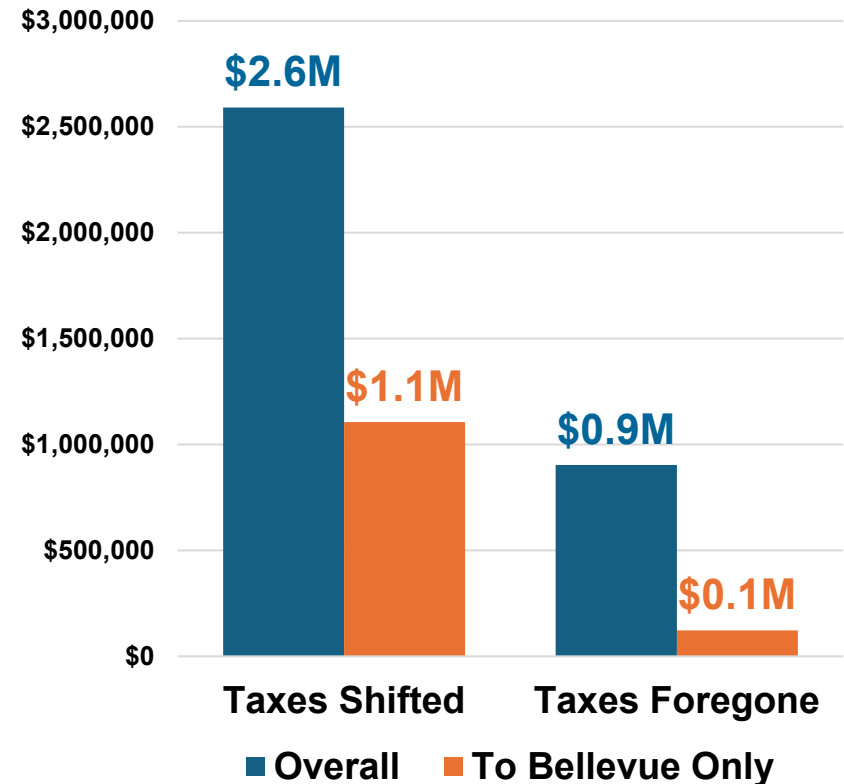
\$1.1M[★] of shifted taxes were passed to other Bellevue property taxpayers.

\$122K of foregone taxes would have gone directly to the City of Bellevue.

MFTE bought down over **\$2.5M** in rents – a benefit of approximately 75 cents per dollar exempted.



2025 Fiscal Impact

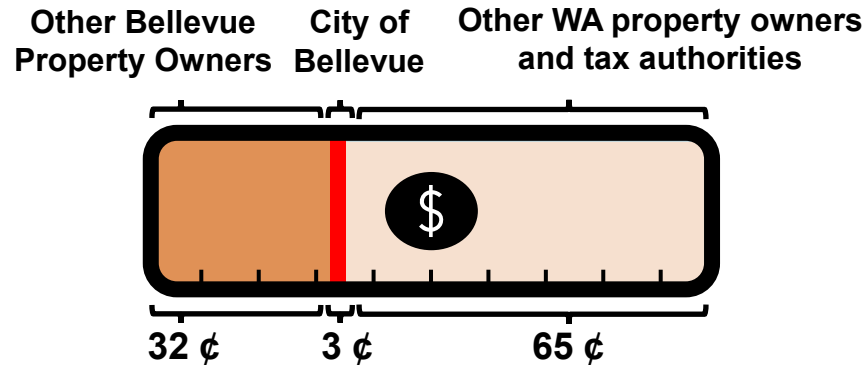


★ Does not account for taxes shifted to Bellevue from MFTE programs in other jurisdictions

Fiscal Impact of MFTE Options

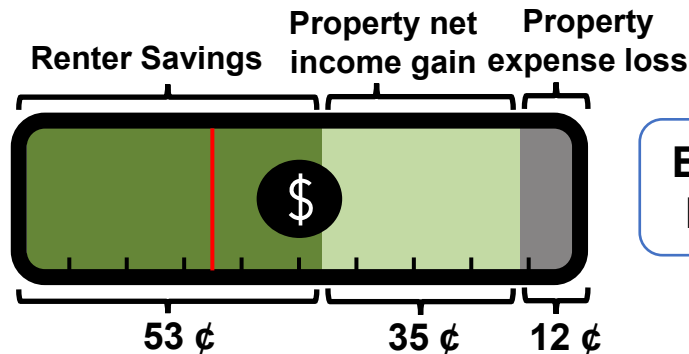
Annual MFTE Cost

Total cost to Bellevue of 35 cents for every \$1 exempted



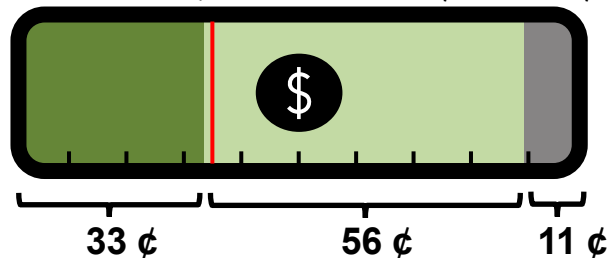
Annual MFTE Benefit

Renters receive the majority of the benefit



Existing 12-Year MFTE Program

Property owners receive the majority of the benefit



New 12-Year Supercharger

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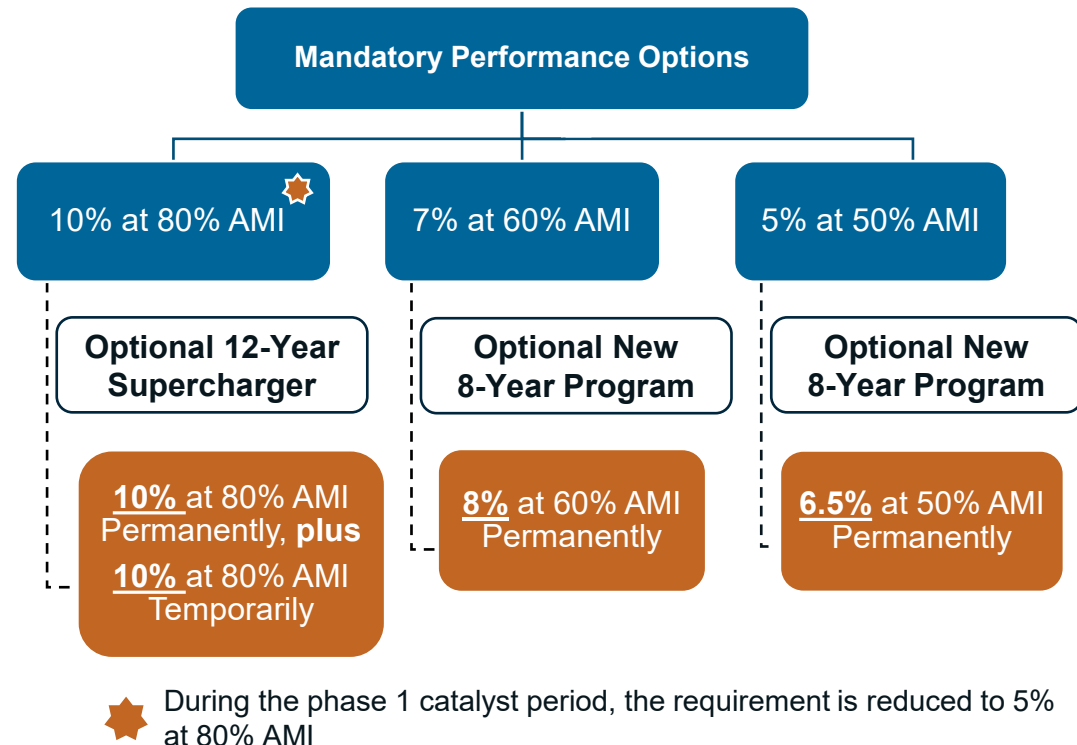
Staff Recommendations

1) New MFTE Program Recommendations

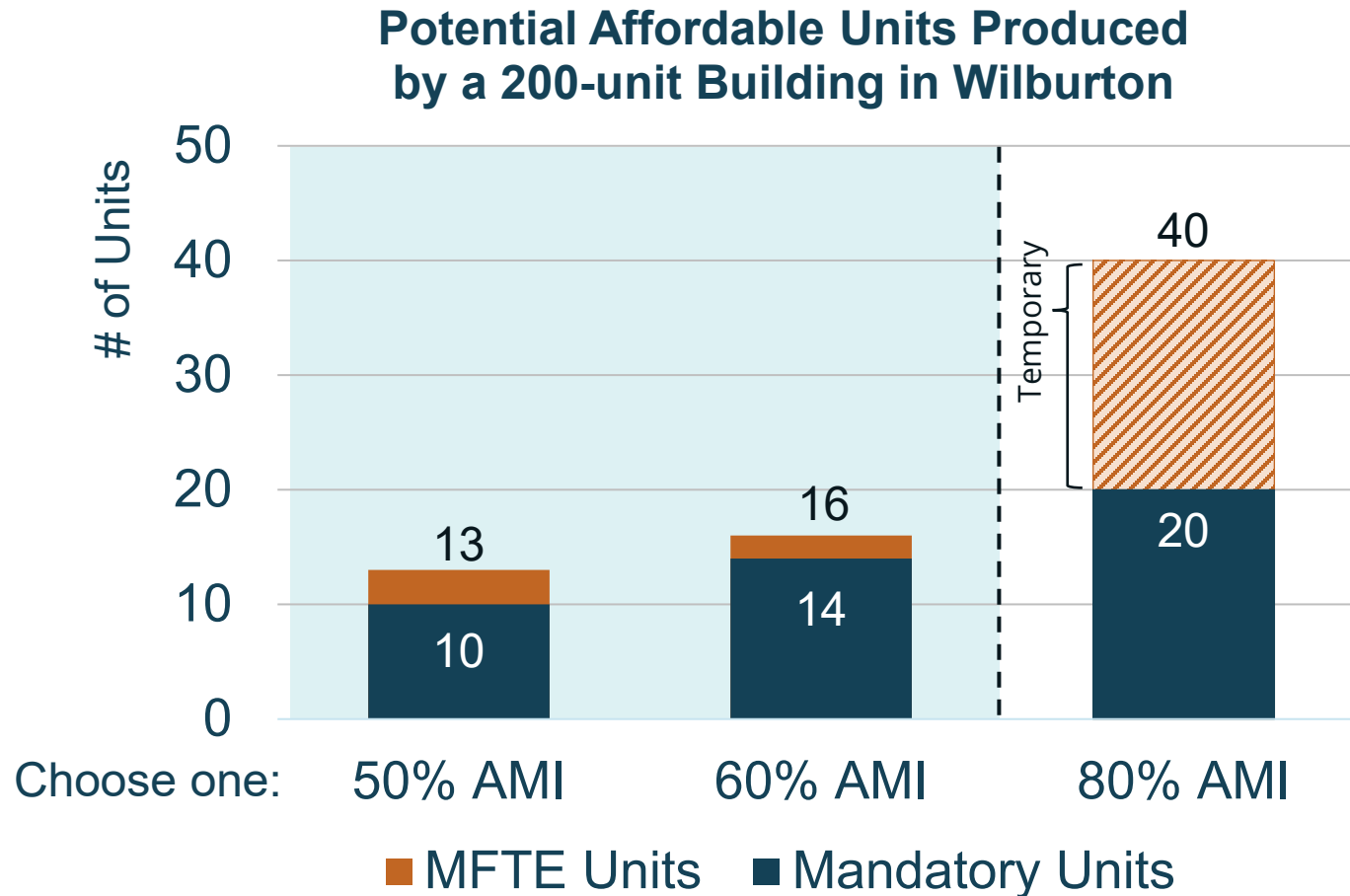
1. Adopt the 20-year exemption for homeownership projects citywide.
2. Extend the MFTE program to conversion projects citywide.
3. Do not adopt the 12-year extension at this time. Re-evaluate this option as part of a “look-back” within 4 years.
4. Adopt a new 8-year option in Wilburton only.

2) Alignment with Mandatory Affordability

1. Allow for the Supercharger **in Wilburton only**, with a “look-back” within 4 years to evaluate its impact.
2. Adopt an 8-year MFTE option alongside the Supercharger:
**8% of units at 60% AMI permanently, or
6.5% of units at 50% AMI permanently.**
3. Align affordable housing standards language with Wilburton Director’s Rule.



MFTE Options Compared



Summary of Recommendations

Affordable Housing Goals

- 8-year options in Wilburton
- 20-year homeownership program

Housing Production Goals

- Supercharger in Wilburton
- MFTE for conversions



Program Costs

- Evaluate outcomes of the Wilburton Supercharger
- Reassess 12-year extension as part of the look-back

Next Steps

- Return to council on December 2nd
- Potential code adoption by year end





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