



# Multifamily Tax Exemption (MFTE) Code Amendments *Micro-apartments / “very small dwelling units”*

Emil A. King, AICP, Planning Director  
Lucy Zappone, Senior Planner  
*Community Development*

November 13, 2023



# Direction

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Direct staff to amend MFTE code definition of “Very Small Dwelling Units” from 300 to 320 square feet and change affordability level from 45% to 50% of Area Median Income.



# Agenda

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1. MFTE Program Overview & Why Update is Needed
2. Proposed Code Updates



# MFTE Program Overview

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- Program adopted in 2015 and last updated in 2021
- 12-year property tax exemption in exchange for affordability of 20% of total units in project
- MFTE focus on 80% AMI w/ deeper affordability (<65% AMI) for units benefitting from density incentives
- Special size definition and affordability level for “Very Small Dwelling Units” set in 2015 code



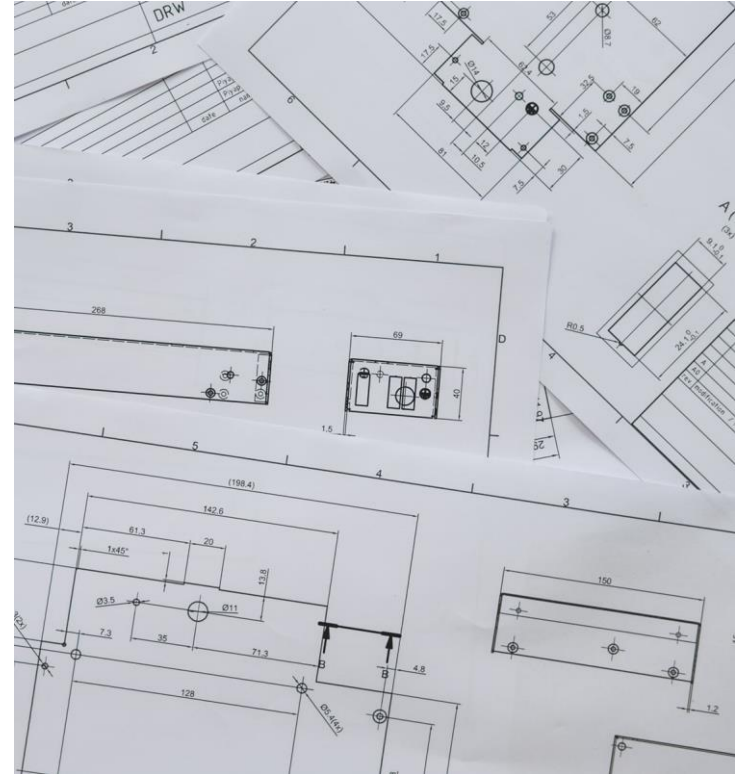


# “Very Small Dwelling Units” compared to Micro-apartments

- Current MFTE Code for “Very Small Dwelling Units”
  - 300 square feet or less
  - Affordable at <45% Area Median Income; applies to 25% of project’s units
- Micro-apartments LUCA
  - Adopted June 2023
  - 320 square feet or less

# Change 1: Increase Very Small Dwelling Unit Threshold

- Staff recommends increase to MFTE threshold from 300 to 320 square feet to be consistent with micro-apartment LUCA
- Removes potential for developers to receive 12-year tax exemption with units at market rents
- Developer feedback: change makes sense



# Change 2: Increase Affordability Level



- Staff recommends increase from 45% AMI (\$1,154/mo) to 50% AMI (\$1,282/mo) to encourage production and MFTE participation
- Applies to 25% of units
- Developer feedback: Higher AMI would encourage more qualifying Very Small Dwelling Units



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