

CITY COUNCIL AGENDA TOPIC

Ordinance amending chapter 4.52 of the Bellevue City Code to increase utilization of the City's Multifamily Tax Exemption (MFTE) Program and promote the construction of affordable housing by expanding program options, clarifying program standards, revising exemptions applicable to areas with mandatory inclusionary zoning or near frequent transit service, improving alignment with land use codes, updating definitions, administrative and monitoring provisions, and correcting typographical errors and internal citations; providing for severability; and establishing an effective date.

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EXECUTIVE SUMMARY

ACTION

This Ordinance is a Bellevue City Code Amendment to adopt proposed alterations to the City's Multifamily Tax Exemption (MFTE) program, including new city-wide program options, new options in Wilburton, changes to parking requirements, process updates, and other clean-up amendments. On January 13, following study session discussion, Council directed staff to bring back this Ordinance for final adoption.

RECOMMENDATION

Move to adopt Ordinance 6901

BACKGROUND/ANALYSIS

In 2015, the City of Bellevue first adopted a Multifamily Property Tax Exemption (MFTE) Program. Based on state law (Chapter 84.14 RCW), this program incentivizes the production of mixed-income multifamily residential buildings by allowing jurisdictions to offer a temporary property tax exemption for projects that include a specified amount of affordable housing. The most recent major update, adopted in 2021, expanded eligibility to all multifamily-zoned areas and introduced a citywide baseline requiring MFTE units to be affordable to households earning up to 80% of Area Median Income (AMI). This amendment also established new "overlapping" rules requiring projects that seek MFTE incentives for affordable units produced under the Land Use Code requirements to offer those overlapping units at a 15% deeper affordability level (i.e., 65% AMI rather than 80% AMI). The city also established rules regarding parking discounts, rent stabilization, and unit mix under this update.

On October 21, 2025, and January 13, 2026, Council reviewed recommendations for additional updates to the MFTE program designed to align the City's MFTE program with new Land Use Code updates, expand MFTE program options, and clarify program standards. Following the January 13 study session, Council directed staff to prepare the Ordinance for final action, consistent with staff recommendations. These updates can be summarized as follows:

- 1. Adoption of the Wilburton “Supercharger” Program**, whereby projects within the Wilburton TOD area may apply affordable units required under the Land Use Code towards the MFTE program requirements without offering those units at a 15% deeper affordability level – all applicable units could be affordable to households earning 80% AMI.
- 2. Adoption of a new 8-year Program option in Wilburton**, allowing projects to designate permanent affordability for either 8% of units at 60% AMI or 6.5% at 50% AMI in exchange for an 8-year tax exemption. These units may overlap with mandatory affordable units under the Land Use Code.
- 3. Adoption of a new 8-year Program automatically available in any future inclusionary zones**, allowing projects to designate permanent affordability for either 8.5% of units at 60% AMI or 7% at 50% AMI in exchange for an 8-year tax exemption. This option would only activate if and where any new areas of the city are subject to mandatory affordable housing requirements under the Land Use Code.
- 4. Adoption of a new 20-year homeownership program** that would provide a 20-year tax exemption for projects selling at least 25% of units to households at or below 80% AMI, with nonprofit or government sponsorship ensuring affordability for 99 years.
- 5. Allowing Conversion Projects to use MFTE** in addition to new construction projects.
- 6. Expansion of the Parking Discount Exemption for TOD areas**, whereby projects near frequent transit service are no longer required to provide a 30% discount for MFTE renters who choose to rent a parking stall.
- 7. Aligning MFTE and Land Use Code Language** to ensure that affordable units created under MFTE are subject to the same definitions and requirements as those created under the Land Use Code.
- 8. Aligning MFTE and Land Use Code Contracting Processes** to reduce administrative burden and confusion. MFTE contracts and covenants will now be executed before building permit issuance and consolidated with the Land Use covenant where possible.

These changes are reflected in the Bellevue City Code strike-draft (Attachment A).

Furthermore, staff has committed to aligning MFTE analysis with future Land Use Code Amendments (LUCA) involving mandatory affordable housing components. This includes the upcoming Housing Opportunities in Mixed Use Areas and BelRed LUCAs. Going forward, The Office of Housing and Development Services department will coordinate economic feasibility analysis to ensure that potential changes to MFTE are considered as part of the overall alignment of development incentives and requirements. Staff will present MFTE analysis as part of LUCA agenda materials, and if warranted, produce a strike-through draft of the recommended MFTE code changes. This is a process change and not explicitly reflected in the code amendments.

POLICY & FISCAL IMPACTS

Policy Impact

The recommended code amendments will expand program options, clarify how MFTE interacts with the mandatory affordability provisions, and ensure that language regarding affordable housing standards is consistent city-wide. This update aligns with HO-46 in the Comprehensive Plan’s Housing Element:

“Create financial incentives to encourage affordable housing. Explore opportunities to utilize multiple programs simultaneously to attain deeper affordability or otherwise meet unique needs.”

Fiscal Impact

Adoption of the proposed amendments may result in increased MFTE program participation, leading to additional shifted and foregone taxes as described in previous study session materials. Additionally, the expansion of MFTE options may result in increased administration and staff costs. Any increase in costs will be included for Council review in future budgets.

OPTIONS

1. Adopt the Ordinance amending chapter 4.52 of the Bellevue City Code to increase utilization of the City's Multifamily Tax Exemption (MFTE) Program and promote the construction of affordable housing by expanding program options, clarifying program standards, revising exemptions applicable to areas with mandatory inclusionary zoning or near frequent transit service, improving alignment with land use codes, updating definitions, administrative and monitoring provisions, and correcting typographical errors and internal citations; providing for severability; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

A. Bellevue City Code Strike Draft
Proposed Ordinance No. 6901

AVAILABLE IN COUNCIL LIBRARY

N/A