

## **MFTE Fiscal Impact Analysis**

This is a preliminary assessment of projected fiscal impacts of the MFTE program, and will undergo additional analysis as more information is available.

### **Shifted and Foregone Taxes**

The tax exemption provided by the MFTE program results in two direct costs – shifted taxes and foregone taxes. Shifted taxes are taxes that would have been paid by the property but are instead “shifted” and paid by other property taxpayers during the length of the tax exemption. Foregone taxes are taxes that would have been collected by taxing districts if not for the exemption.

Shifted Taxes: New projects are taxed annually on the value of their improvements, even before the project is fully complete and the MFTE exemption takes effect. By the time a project does receive its tax exemption, the county has therefore already assessed some of its value and added it to the base levy. Once added to the base levy, taxing districts can continue to collect that amount in future years – even if the property owner receives a tax exemption. Therefore, that burden is “shifted” to other taxpayers. This includes not only City of Bellevue residents, but property owners across the state.

Foregone Taxes: Once the MFTE tax exemption does take effect, any additional assessed value is not added to the tax rolls until the exemption expires. This is “foregone” tax revenue that taxing jurisdictions do not collect for the length of the exemption. This affects collections for the City of Bellevue as well as King County, Washington State, Sound Transit, and other taxing authorities. Once the exemption ends, taxes are no longer shifted or foregone, and the property assumes its full share of taxes.

The ratio between shifted and foregone taxes varies from project to project depending on the timing of construction, making it difficult to forecast. In Bellevue, historically around 70% of the property’s value is assessed prior to the MFTE exemption and therefore shifted rather than foregone. Additionally, as mentioned above, shifted and foregone tax impacts are not only felt within the jurisdiction the MFTE property is located, but by residents and taxing districts all across the state. As a result, the City of Bellevue is further impacted indirectly by other MFTE programs across the state.

MFTE has a real, measurable fiscal impact on other property owners and taxing jurisdictions that will grow as program participation increases. Taxes exempted under MFTE result in higher property taxes for other Bellevue residents. Meanwhile taxes foregone under MFTE result in lower City collections, including those that fund public facility improvements that residents *have* voted for. As new properties continue to enroll in MFTE, these fiscal impacts will therefore significantly affect the City’s ability to pass new levies and fund existing programs. A city-wide Supercharger and a 12-year extension are expected to amplify that impact and is why staff continue to recommend a measured approach to both options.

## 2025 MFTE Fiscal Impact

In 2025, 6 projects containing 253 MFTE units in total received a tax exemption from the City of Bellevue's MFTE program.

- \$3.5M in taxes were exempted.
- \$2.6M or 74% of taxes were shifted and \$900K or 26% of taxes were foregone.
- \$1.1M of shifted taxes were passed directly to Bellevue property owners.
- \$122K of foregone taxes would have gone directly to the City of Bellevue.
- MFTE increased the median Bellevue homeowner's tax bill by \$18.11, or 0.16%.
- A new 200-unit building is estimated to add an additional \$3.32 to the median homeowner's tax bill.
- This analysis does not account for taxes shifted as a result of MFTE programs adopted by other cities and jurisdictions.

Bellevue MFTE Fiscal Impact Summary	2019	2020	2021	2022	2023	2024	2025
Number of MFTE Units	31	31	63	63	84	84	253
<b>\$ Total Tax Shifted</b>	\$312,536	\$321,964	\$812,745	\$800,243	\$1,276,735	\$1,265,354	\$2,591,553
<b>\$ Tax Shifted to Bellevue property owners</b>	\$136,516	\$135,590	\$344,575	\$335,077	\$560,425	\$541,312	\$1,105,389
<b>\$ Tax Paid by Median Bellevue Home</b>	\$7,727	\$8,149	\$8,501	\$9,078	\$11,149	\$10,183	\$11,165
<b>\$ Tax Shifted to Median Bellevue Home</b>	<b>\$2.03</b>	<b>\$1.90</b>	<b>\$4.77</b>	<b>\$4.93</b>	<b>\$9.10</b>	<b>\$7.78</b>	<b>\$18.11</b>
<b>As a % of Total Tax Bill</b>	0.03%	0.02%	0.06%	0.05%	0.08%	0.08%	0.16%
<b>As a % of Bellevue Taxes</b>	0.23%	0.23%	0.56%	0.53%	0.65%	0.61%	1.20%
<b>\$ Total Tax Foregone</b>	\$119,803	\$150,880	\$279,561	\$253,419	\$404,764	\$408,875	\$903,707
<b>As a % of Total Collections</b>	0.02%	0.03%	0.05%	0.04%	0.06%	0.06%	0.13%
<b>\$ Tax Foregone to City of Bellevue</b>	<b>\$13,500</b>	<b>\$15,696</b>	<b>\$28,238</b>	<b>\$26,237</b>	<b>\$50,960</b>	<b>\$51,600</b>	<b>\$122,146</b>
<b>As a % of City Collections</b>	0.02%	0.03%	0.04%	0.04%	0.06%	0.06%	0.13%

## MFTE Fiscal Impact Projection

While the impacts of shifted and foregone taxes are currently relatively modest, additional MFTE exemptions will increase these effects. The below projection is based on currently known or anticipated MFTE pipeline projects (through 2032) and future anticipated housing production growth (2033 and beyond). These are assumptions based on currently available information; actual unit counts and fiscal impacts may vary. Staff will monitor actual fiscal impacts over time.

### Projected Cumulative MFTE Unit Count Every 3 years

2026	2029	2032	2035	2038	2041	2044	2047	2050
338	499	975	1,241	1,344	1,562	1,462	1,577	1,686

The below tables illustrate how the tax shift to the median Bellevue homeowner is expected to increase over time compared to other City of Bellevue property tax levies. Two scenarios are shown – one assuming that voted levies expire, and one assuming they are extended.

**Projected MFTE Tax Shift as a Percent of Total City Property Tax Levies  
Every 3 Years (Assuming Voted Levies Expire)**

2026	2029	2032	2035	2038	2041	2044	2047	2050
1.63%	2.68%	5.64%	9.67%	15.17%	18.54%	18.60%	21.30%	24.17%

**Projected Annual MFTE Tax Shift as a Percent of Total City Property Tax Levies  
Every 3 Years (Assuming Voted Levies are Extended)**

2026	2029	2032	2035	2038	2041	2044	2047	2050
1.63%	2.56%	5.42%	7.11%	8.41%	10.29%	10.33%	11.83%	13.44%

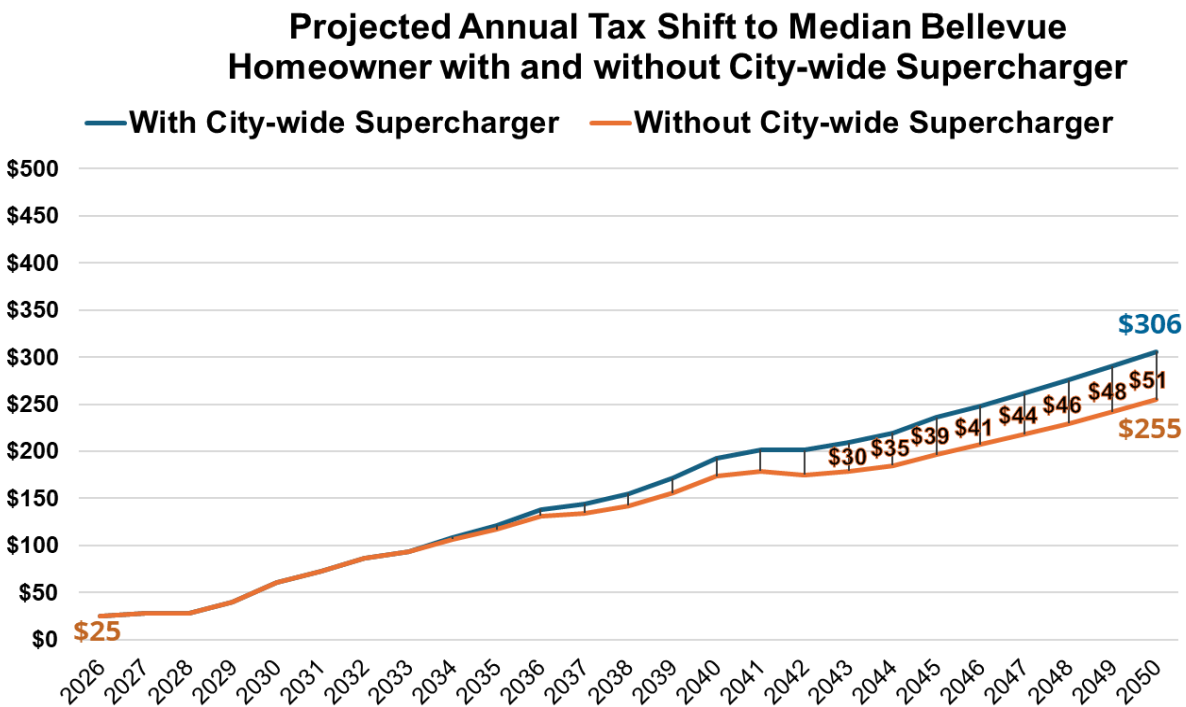
The above projections reflect historical data on housing growth and MFTE participation, estimated future assessed values from the City's Finance and Asset Management Department, and a relatively conservative 3% annual assessed value growth assumption. While this is a reasonable base case scenario, actual fiscal impacts may change depending on a variety of inputs, as described below:

Input	Assumption	Effect on Tax Shift/Foregone Taxes
MFTE Participation Rate	75%	Higher percentage = more tax shift and foregone taxes.
Appraised Imps. Value per unit	\$400,000	Higher value = more tax shift and foregone taxes.
% of Value Assessed prior to MFTE Exemption Certificate	70.0%	Higher percentage = more tax shift and less foregone taxes.
Bellevue Tax Burden per \$1 taxed	\$0.43	Higher value = more tax shift and no effect on foregone taxes.
Bellevue Tax Foregone per \$1 taxed	\$0.12	Higher value = no effect on tax shift and more foregone taxes.
Annual Tax Rate Growth	0%	Higher percentage = more tax shift and foregone taxes.
Annual Multifamily Value Growth	3%	Higher percentage = more tax shift and foregone taxes.
Annual Home Value Growth	3%	Higher percentage relative to Bellevue Total AV Growth = no effect on total tax shift and foregone taxes, but higher tax shift paid by homeowners.
Annual Bellevue Total AV Growth	3%	Higher percentage relative to Annual Home Value Growth = no effect on total tax shift and foregone taxes, but lower tax shift paid by homeowners.

**City-wide Supercharger and MFTE Extension Fiscal Considerations**

Note: Staff does not recommend city-wide application of the Wilburton Supercharger or the adoption of an MFTE extension. The following is an analysis of potential fiscal impacts if the city were to apply the Wilburton supercharger citywide at this time or allow for the 12-year extension.

The introduction of a city-wide Supercharger would be expected to increase participation in the MFTE program, therefore increasing its fiscal impacts. Since the last major update in 2021, the City of Bellevue's MFTE program has been used in approximately 75% of market rate multifamily projects. If participation increases from 75% to 90% with the adoption of a city-wide Supercharger, staff projects the annual tax shift for the median Bellevue homeowner will rise by 20% (or \$51), from \$255 to \$306 per household by 2050.



Staff explored the possibility of introducing a 12-year extension as part of this code update, ultimately recommending that it be considered at a later time. This recommendation is partially informed by the anticipated fiscal impact of an extension. A property tax exemption of 24 years instead of 12 would significantly increase tax shift and foregone tax impacts over time. By 2050, if all forecasted projects extend their MFTE exemption, staff projects the annual tax shift for the median Bellevue homeowner will rise nearly 70 (or \$175), from \$255 to \$430 per household.

## Projected Annual Tax Shift to Median Bellevue Homeowner with Extension vs. No Extension

