



# Multifamily Tax Exemption

## Program Update

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Community Development

March 15, 2021



# Direction

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Direct staff on policy questions regarding the MFTE Program Update. In particular, provide direction on the geographic expansion of the program and appropriate balance between the quantity of affordable units and depth of affordability.

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## Policy Issues

- A. Geographic Expansion
- B. Family-sized Units
- C. Affordability Levels
- D. Land Use Incentive Layering
- E. Life of Project Affordability
- F. Parking Costs



# Agenda

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1. Program Update Background
2. Existing Program Analysis
3. Geographic Expansion
4. Family-sized Alternative
5. Affordability Need + Resulting Levels
6. Laying Affordability Programs
7. Life of Project Affordability
8. Parking Costs



August Wilson Place, LIHI - 57 low-income units



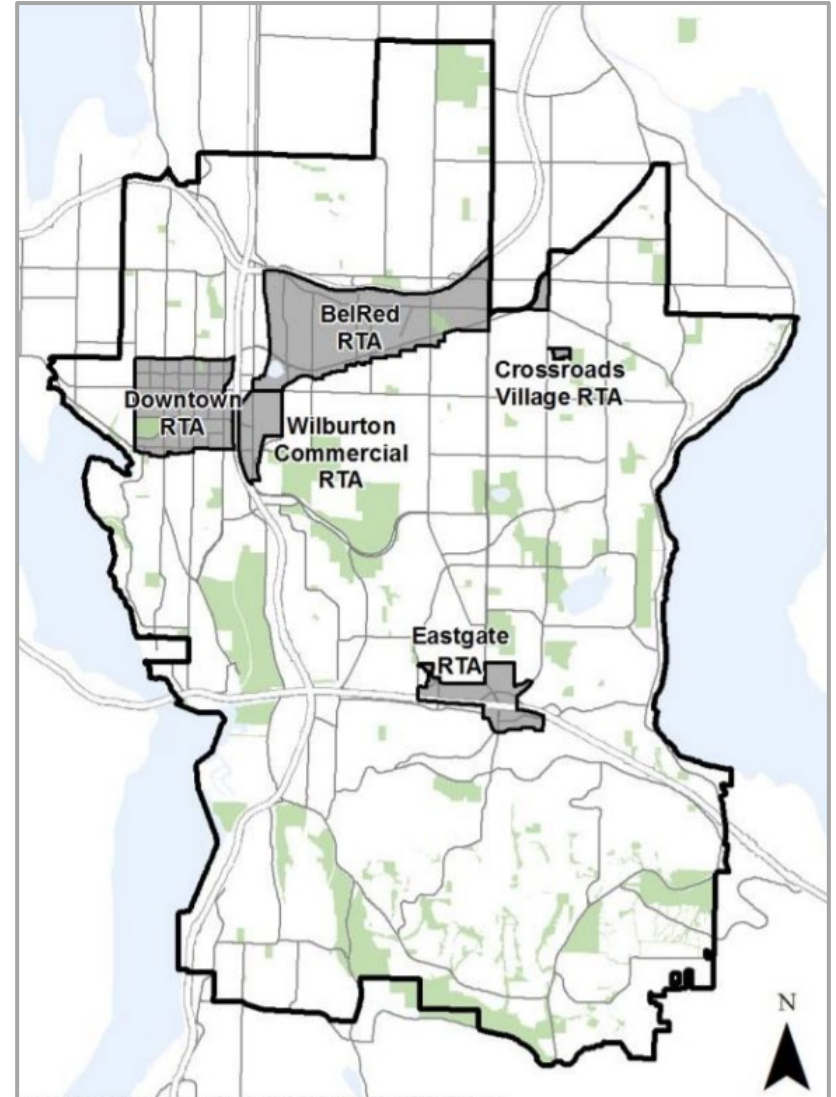
# Program Update Background

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# MFTE Program Overview

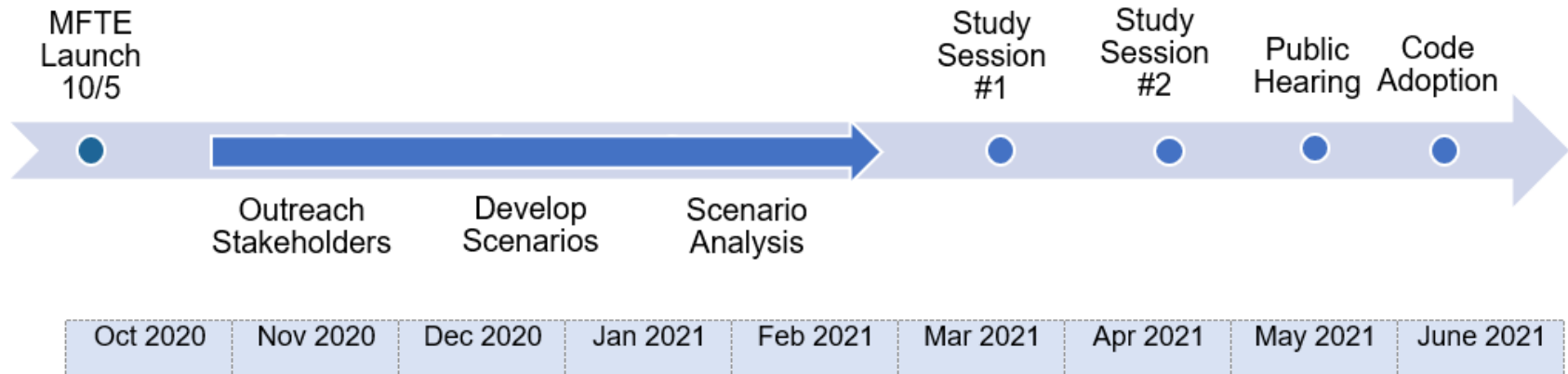
- 12 year residential tax exemption in exchange for 20% of units offered at 50-70% AMI (varies by Residential Target Area/RTA)
- Affordable units under 300sf must be offered at 45% AMI
- All areas must include 15% of units at 2+ bedrooms
- Overlaps with incentive programs (80% AMI)





# Program Update Schedule

- Policy focus in study session 1
- Code adoption is anticipated in June 2021





# Existing Program Analysis

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Cerasa, MFTE - 31 affordable units



# Outreach Overview

- Past utilization, current program: 15-20%
- Expected near-future utilization, current program: 40-50%

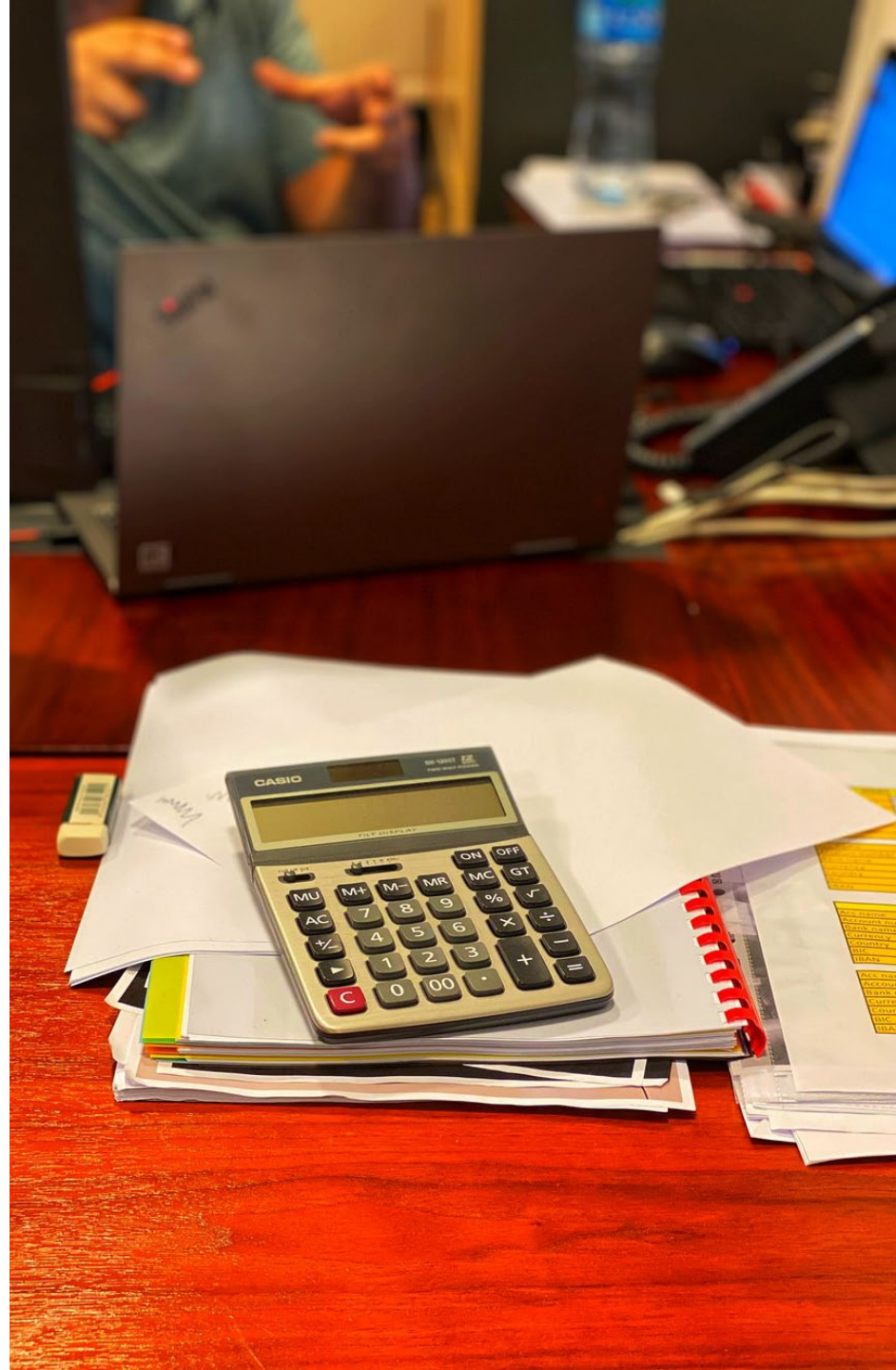
Stakeholder	Outreach Type/Quantity	Discussion Focus
Developers working on Projects in Bellevue (past-future)	21 of 32 projects	Why did not or will not use MFTE
Bellevue Chamber (PLUSH Committee)	Monthly meetings	Financial impacts of policy decisions, collaborative financial model development, potential program update details
Bellevue Downtown Association	3 meetings	General update direction and policy feedback on affordability levels and unit sizes



# Financial Model

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- Developed with Bellevue Chamber PLUSH Committee
- Calculates MFTE feasibility based on project type and potential program changes
- Feasibility Index (FI) compares cost of providing affordability and benefit from tax exemption
- FI targeted as 20-40 due to various risk factors, such as the variation in property taxes, affordable rents, and market rents





# Policy Questions

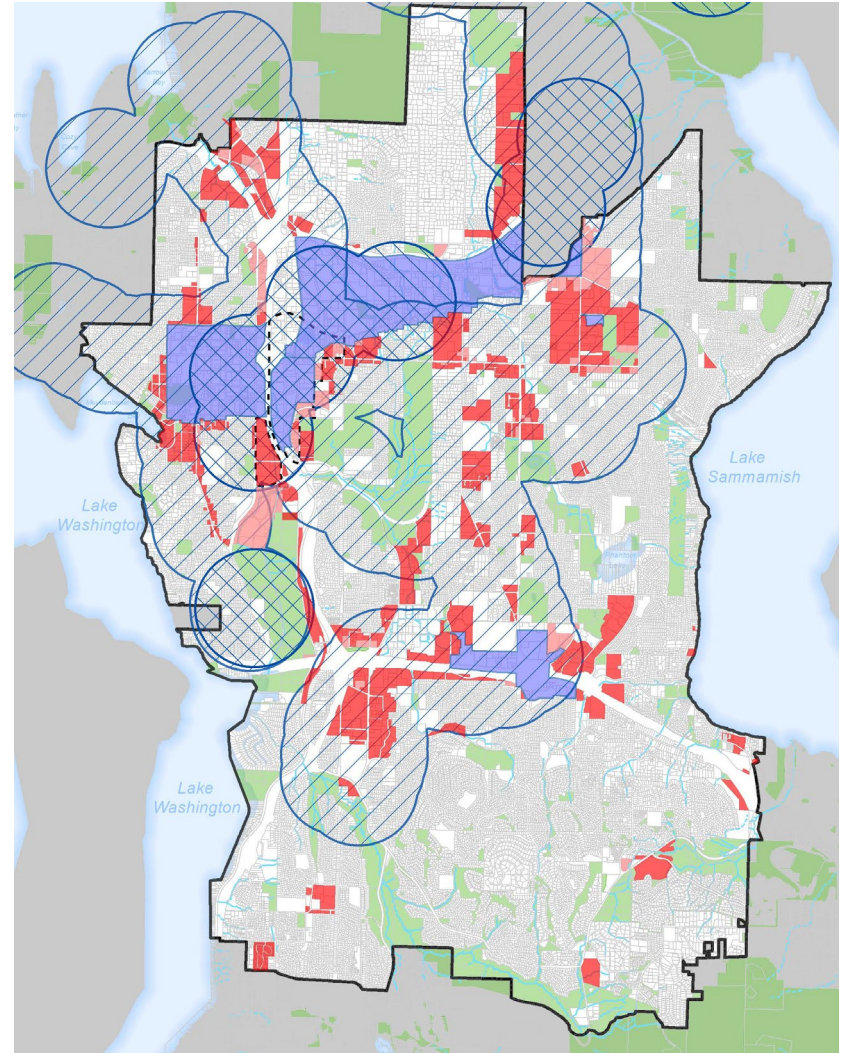
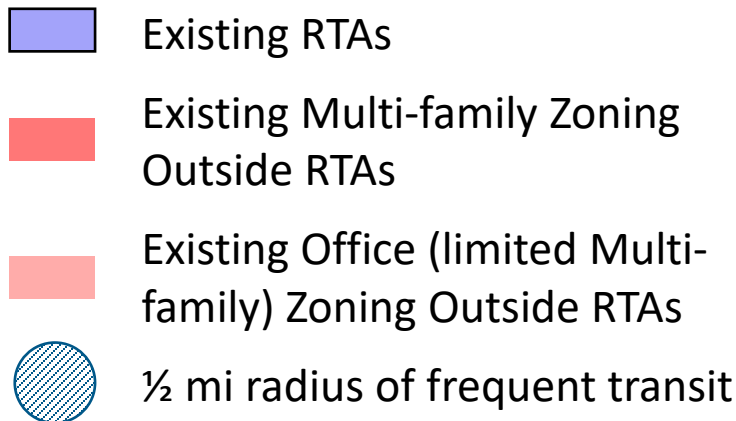
- A. Geographic Expansion
- B. Family-sized Units
- C. Affordability Levels
- D. Land Use Incentive Layering
- E. Life of Project Affordability
- F. Parking Costs



888 Bellevue Tower, MFTE - 32 affordable units

# Geographic Expansion

- Most multifamily zoning has access to transit
- Staff recommends expanding MFTE to all multifamily zoning
- No change to existing zoning



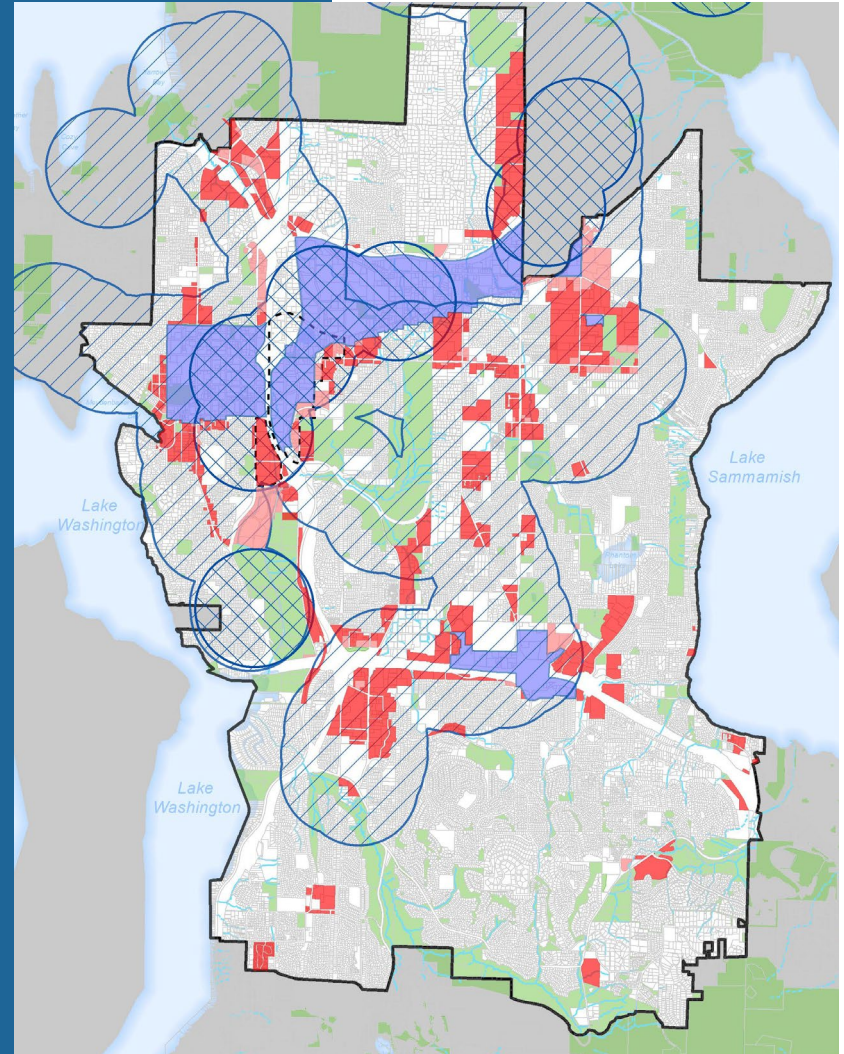


# Direction

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Direct staff on preferred approach to altering the existing residential target areas (RTAs) where the MFTE program may be utilized.

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# Family-sized Units

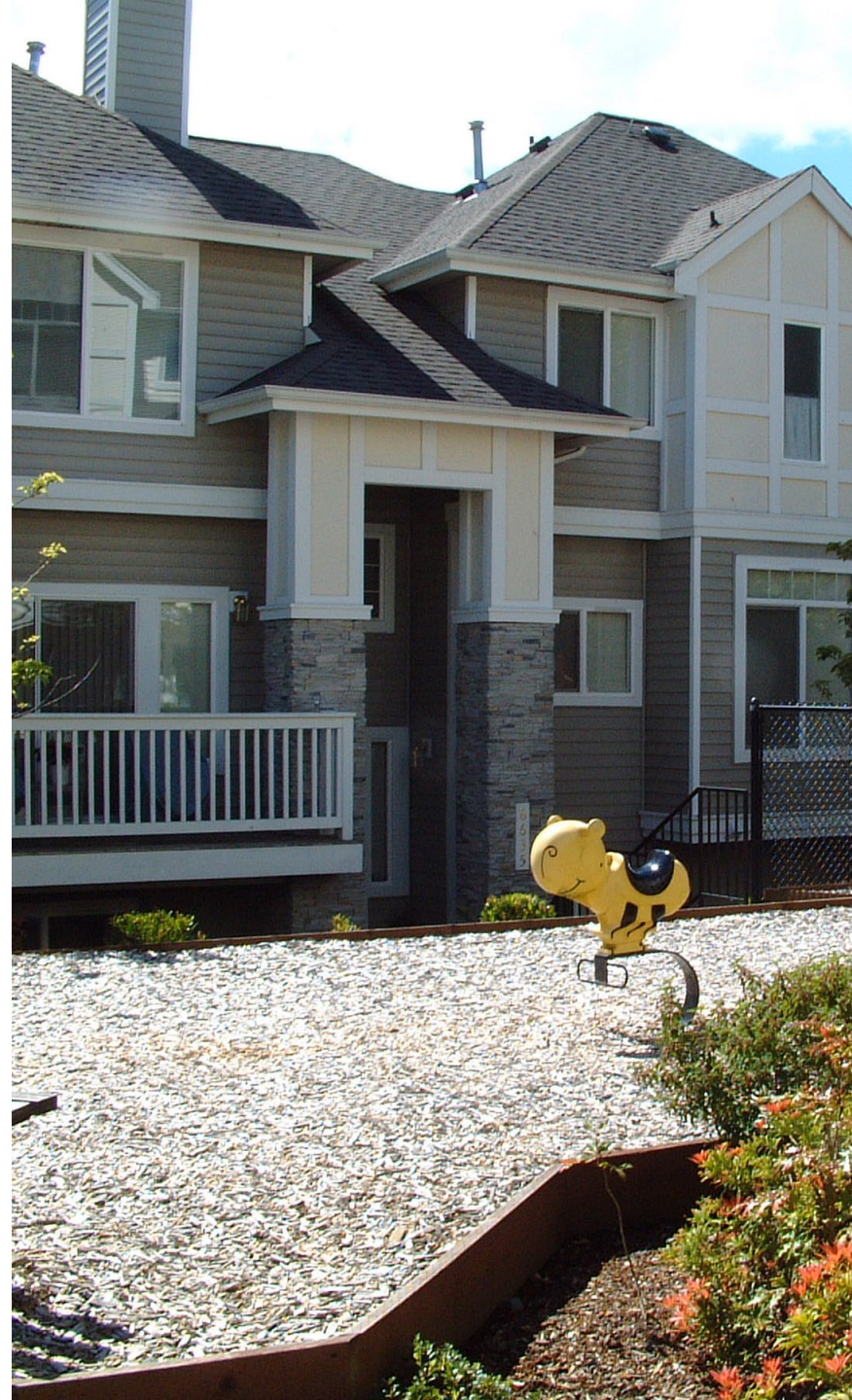
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Current requirement:

- 15% of units at 2 bedrooms or larger

Staff recommendation:

- Retain existing requirement
- Add alternate pathway of either more units (around 25% of units affordable) or deeper affordability (lower AMI requirement)



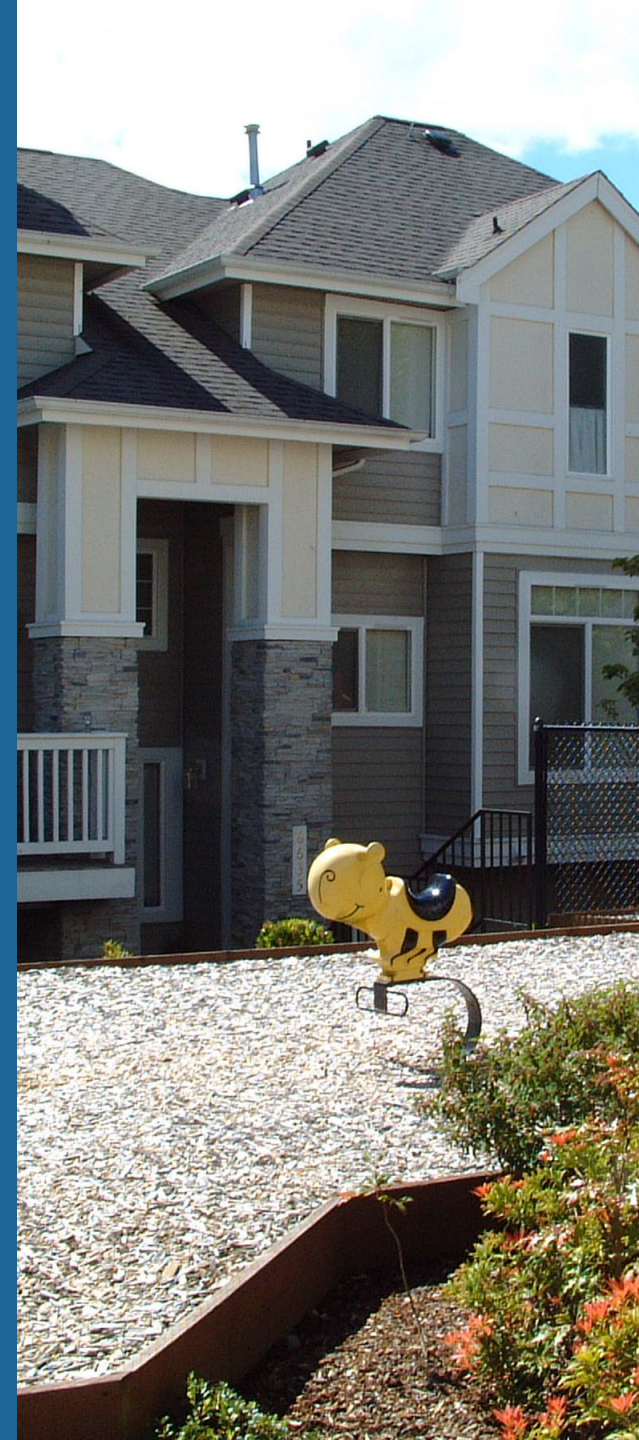


# Direction

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Direct staff to retain, add to, or amend the existing requirement that 15 percent of any MFTE project's units be 2-bedrooms or larger.

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# Affordability Levels

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# Current Unit Need + Supply

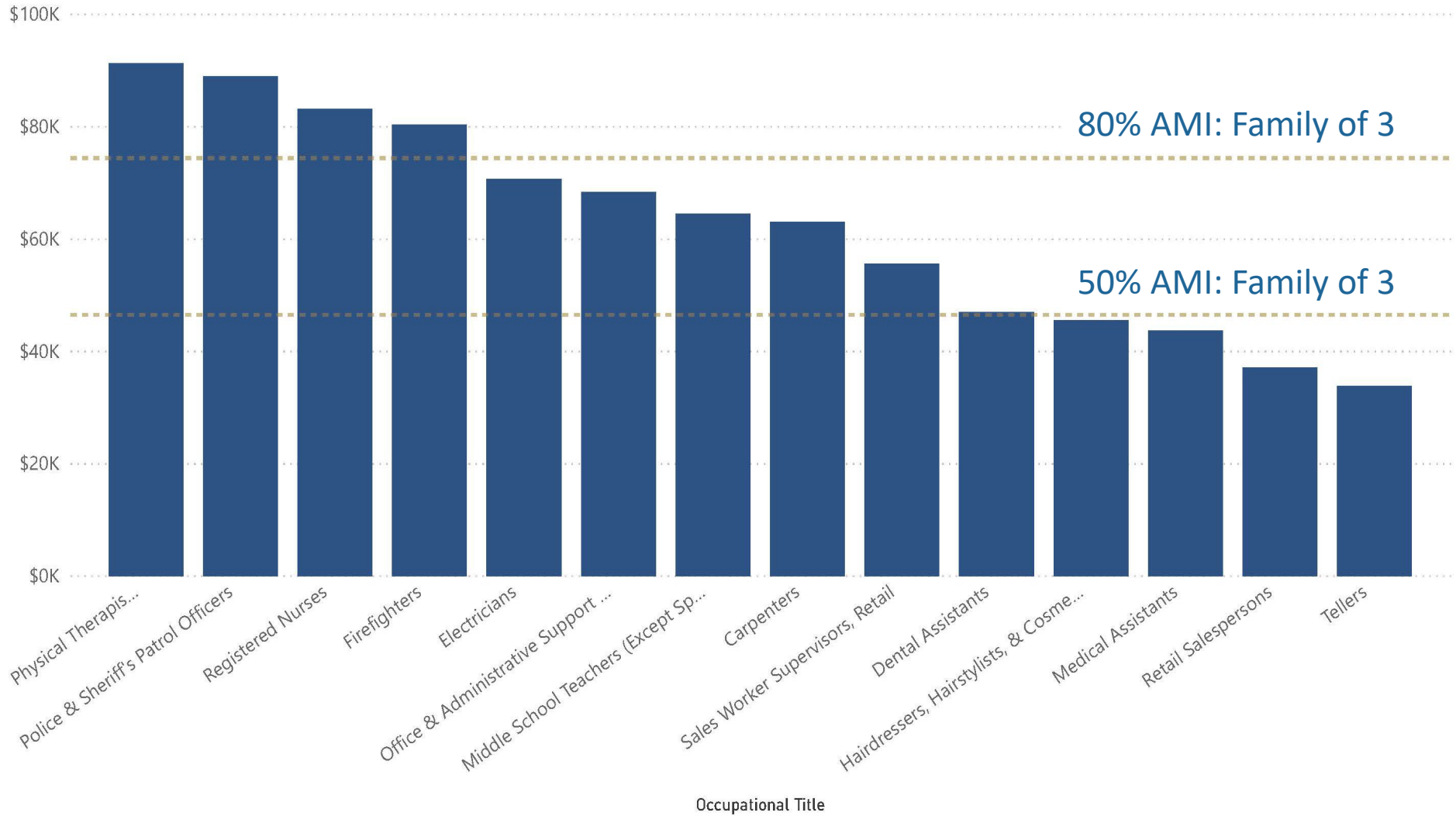
- Most 51-80% AMI Units house lower income families
- 80% AMI ARCH units house, on average, around 55% AMI households
- The greatest MFTE need is closer to 50% than 80% AMI

Unit Range	# of Bellevue Households (2017)	# of Bellevue Units, including regulated (2017)	Total Regulated Units (2020)
0-30% AMI	5,680	1,695	335
31-50% AMI	4,395	2,684	971
51-80% AMI	4,404	5,969	1,670
81%+ AMI	40,688	44,819	991





# Sample Salaries by AMI



# Balance of Affordability + Quantity

- The existing program would likely meet the AHS target of 65 units per year were it not updated, but shifting needs leave a desire for higher utilization





# Direction

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Direct staff to pursue a program update scenario regarding the balance between affordability levels and quantity of units achieved (specific AMI levels will be part of the next policy discussion).

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# Layering Affordability Programs

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# Layering Programs

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3 basic options, which impact the targeted AMI levels just discussed:

- A. Retain existing layering
- B. Remove ability to layer programs
- C. Allow layering of programs, with deeper affordability required for overlapping units



# Resulting Scenarios

Scenario	AMI Level (varies by area)	Feasibility Index (w/o Land Use Incentive)	Feasibility Index (w/ Land Use Incentive)	Land Use Incentive Overlap
1A: Max. Utilization	70-80% AMI	5 to 70	75 to 160	Permitted
1B: Max. Quantity	70-90% AMI	N/A	20 to 70	Not Permitted
2: Target Typ. Projects	80% AMI, 50% AMI for overlap	0 to 40	25 to 75	Permitted @ 50% AMI
3: Max. Affordability	70% AMI	-5 to 10	30 to 65	Permitted
Existing	50-70% AMI	-20 to -5	15 to 45	Permitted

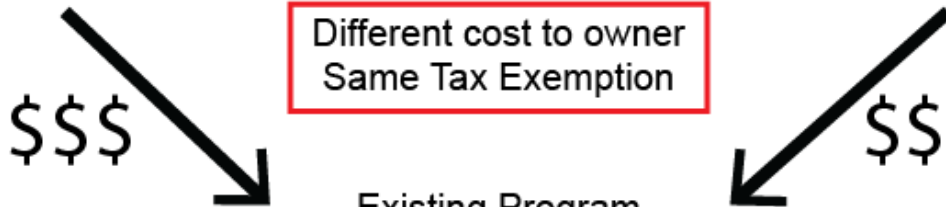
# Existing Program: Downtown

Market-rate Building

Land Use Incentive Only



~8% Units: LUI  
(0-15% depending on project and location)



Existing Program  
MFTE with or without LUI



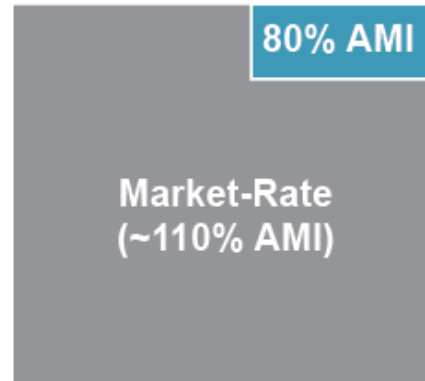
20% Units: MFTE

# Scenario 2: Downtown Example

Market-rate Building



Land Use Incentive Only



8% Units: LUI  
(0-15% depending on project and location)



Same cost to owner  
Same Tax Exemption

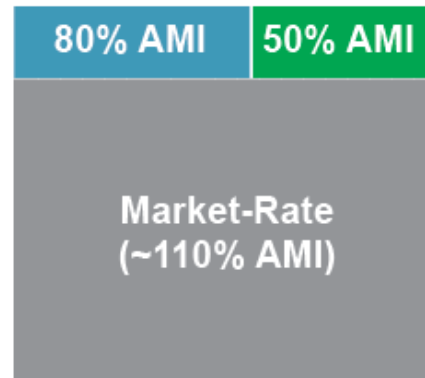


MFTE Only



20% Units: MFTE

MFTE + LUI



12% Units: MFTE

8% Units: MFTE+ LUI





# Resulting Scenarios

Scenario	AMI Level (varies by area)	Feasibility Index (w/o Land Use Incentive)	Feasibility Index (w/ Land Use Incentive)	Land Use Incentive Overlap
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3: Max. Affordability	70% AMI	-5 to 10	30 to 65	Permitted
Existing	50-70% AMI	-20 to -5	15 to 45	Permitted



# Direction

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Direct staff to pursue a program update scenario including AMI levels by location and the associated way in which units are permitted to overlap with other affordable housing programs.

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# Life of Project Affordability

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Cerasa, MFTE - 31 affordable units

# Potential 8-year Program

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- Currently: 12-years of tax exemption in exchange for 20% of the units to be affordable for 12 years
- Potential 8-year program: Create an alternative 8-year exemption in exchange for ~8% of units to be affordable for the life of the project
- Staff recommends waiting to discuss the possibility for longer-term affordability until next study session, due to proposed state legislation that may impact this decision



# Direction

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Direct staff to continue to monitor active state legislation and return with a potential program addition that allows for the possibility to extend the timespan of affordability under MFTE.

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# Parking Costs

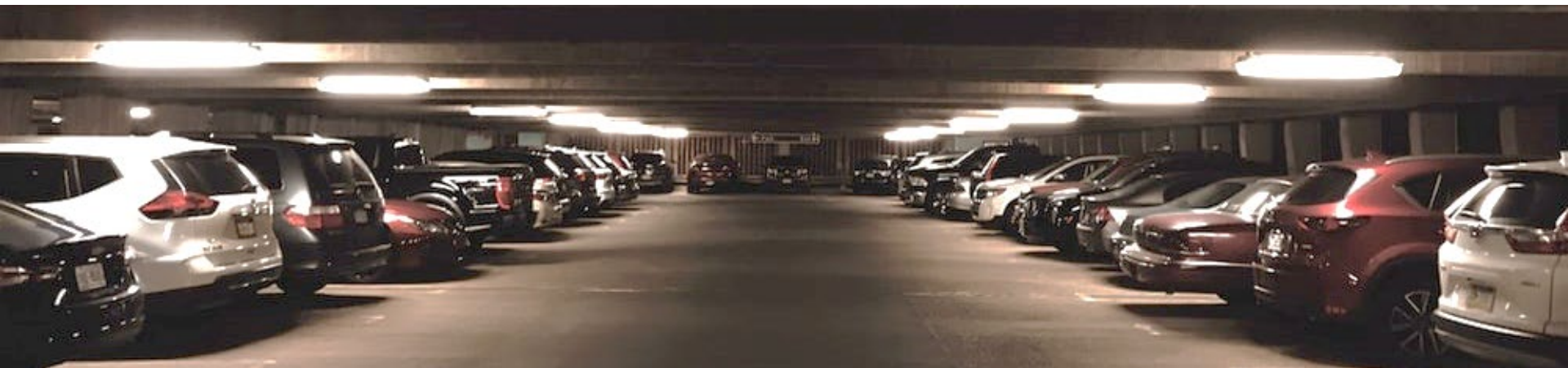
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# Parking Costs

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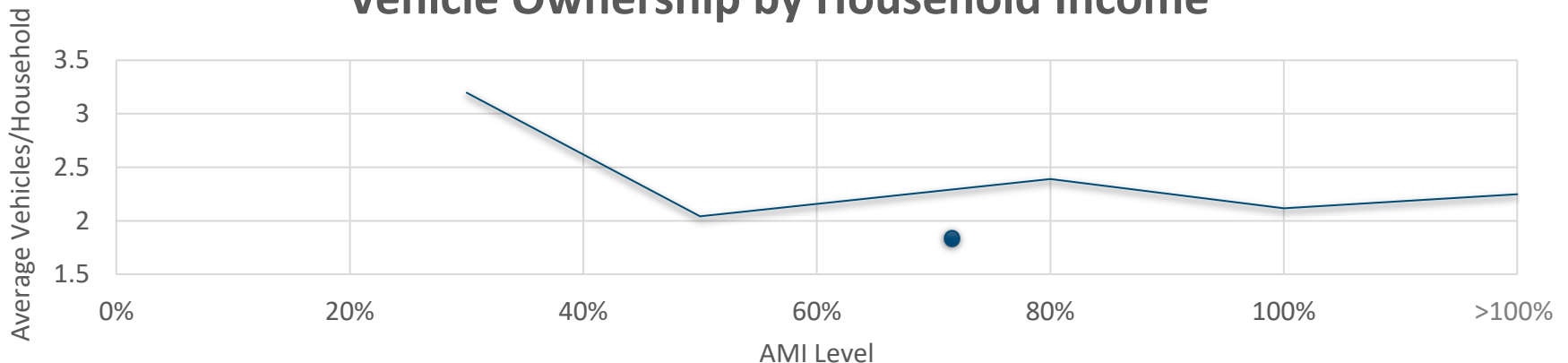
- The Land Use Code defines the required quantity of parking for a development project
- Covering the cost of a parking space for each affordable tenant costs the building owner an additional \$150 or so per month per affordable unit, equivalent to about 7-8% drop in AMI
- Staff recommends an alternative approach due to decreasing land use code parking ratios



# Parking Need

- Paying for parking further cost-burdens affordable tenants who need a parking space for daily activities
- 91% of households on the ARCH list looking for Bellevue housing need parking with their housing
- 26 of the 31 affordable tenants/households at Cerasa Apartments pay for parking
- 3/4 of employees in Bellevue earning less than \$50,000 drive to work

### Vehicle Ownership by Household Income





# Parking Opportunities

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- Most affordable tenants need cars, but Land Use Code minimum parking ratios often require fewer than one stall per unit
- Parking costs make their unit less affordable
- Affordable housing target costs were originally federally calculated based on limiting housing costs, which included parking at the time, to 30% of a household's income





# Parking Opportunities

Should parking be partially incorporated into the affordable rent totals?

## **If yes:**

*(staff recommendation)*

- Parking is partially covered for affordable tenants
- Less parking could be covered for affordable tenants in areas with frequent transit
- Consistent with planned shift in ARCH approach

## **If no:**

- Parking costs are separate from rent and offered at full price to all tenants
- This cost-burdens tenants
- AMI requirements for Units could be lowered as a result of decreased owner costs
- Inconsistent with planned shift in ARCH approach

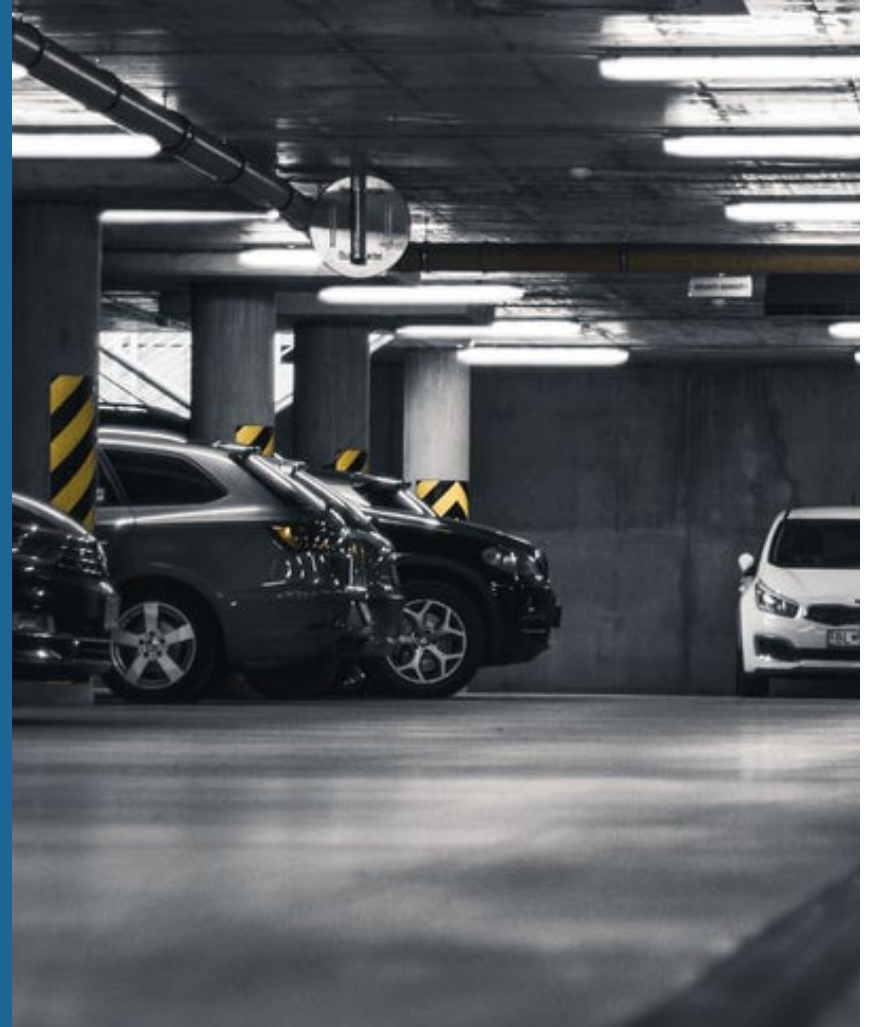


# Direction

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Direct staff to pursue a general parking approach, returning with specific recommendations at the next study session.

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# Direction

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Direct staff on policy questions regarding the MFTE Program Update. In particular, provide direction on the geographic expansion of the program and appropriate balance between the quantity of affordable units and depth of affordability.

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## Policy Issues (Staff Recommendation)

- A. **Geographic Expansion**  
(Expand to all multifamily zoning)
- B. **Family-sized Units**  
(Add alternative pathway with deeper requirements)
- C. **Affordability Levels**  
(Balanced, scenario 2)
- D. **Land Use Incentive Overlap**  
(Permit, require deeper affordability)
- E. **Affordability Extension**  
(Monitor and return with options)
- F. **Parking Costs**  
(Parking is partially covered for affordable tenants)