

MFTE and HOMA Feasibility Analysis

Stakeholders have voiced varying perspectives regarding whether expansion of the Wilburton Supercharger to other neighborhoods is desirable. While some support a Supercharger program wherever mandatory affordability is adopted, others would like the Supercharger to be limited to Wilburton. In response to these comments, staff assessed the potential impacts of the program as part of the proposed Housing Opportunities in Mixed-Use Areas (HOMA) land use code amendment. Specifically, staff assessed whether the Wilburton Supercharger is needed to offset the cost of mandatory requirements in HOMA, and whether any other conditions in HOMA warrant an expanded Supercharger scope. Staff ultimately concludes that the Supercharger is not needed as an incentive to directly subsidize mandatory affordability requirements in HOMA.

Does the value of the upzoning through HOMA offset the cost of mandatory housing requirements, or is MFTE needed as an additional subsidy?

In 2024, the City commissioned Community Attributes Inc. to develop a pro forma model for the express purpose of evaluating the effect of various development incentives and mandatory housing requirements on development feasibility. This model informed the mandatory affordable housing approach in the draft HOMA code (summarized in the 10.8.25 Planning Commission [agenda memo](#)). Staff have now updated this model with the same inputs used in BERK's 2025 MFTE pro forma analysis in order to more accurately reflect recent market conditions.

With the updated inputs, the model indicates that the value of development incentives offsets the cost of new mandatory requirements under most market conditions but may not be as helpful during challenging development environments – consistent with CAI's original findings. This is captured in both residual land value (RLV) and yield on cost (YOC), two common measures of development feasibility.

Under the baseline, pre-HOMA code and current market conditions, the RLV of the prototype mid-rise building is \$59 per square foot. Under the HOMA scenario, this decreases to \$42 per square foot. The decrease indicates that development costs are currently too high relative to the capitalized value of the project – if the building were to be sold in today's market, the additional units created due to HOMA do not translate to proportionate additional value. However, the YOC does increase, indicating that the code changes result in greater annual property income relative to development costs.

Overall, this suggests that improved market conditions will amplify HOMA benefits, while deteriorating conditions will make them less valuable. Notably, the baseline assumes a required parking ratio of 1.0 per unit. This will decrease to 0.5 once the City adopts the provisions of Engrossed Substitute Senate Bill 5184 (ESSB 5184) by January 2027. As structured parking contributes significantly to midrise and high-rise residential development costs, this bill is expected to increase development feasibility in TOD areas. Once lower parking requirements take effect, the model indicates that this change alone will result in a greater benefit under the HOMA scenario compared to the baseline.

	Residual Land Value		Yield on Cost	
	Baseline	HOMA	Baseline	HOMA
Base Case	\$59	\$42	4.40%	4.45%
0.75 Parking Ratio	\$105	\$106	4.52%	4.58%
0.5 Parking Ratio	\$151	\$171	4.65%	4.72%

As development feasibility increases generally, either through higher rents or lower development costs, the model indicates that the LUCA is effectively designed to not only offset the cost of its mandatory affordable housing requirements, but to improve project returns (a more thorough sensitivity analysis is shown on page 3). The MFTE Supercharger is therefore not needed as a subsidy towards the cost of mandatory affordability – the LUCA provides sufficient offsetting value. However, projects can still elect to use the current 12-year MFTE program or new 8-year program, which continue to be strong incentives under the existing stacking rules and would further improve returns.

While certain mixed-use areas are not slated to undergo the level of height and FAR increases as adopted in Wilburton, the value of the upzone remains sufficient to cover the additional cost of mandatory affordable housing – as detailed in the above analysis. Outside of density increases, however, several elements of HOMA remain more favorable compared to Wilburton. Due to these elements, staff does not observe a greater need to pair the Wilburton Supercharger with HOMA.

Infrastructure Requirements – The Wilburton LUCA included access and open space requirements that would require developers to incorporate additional elements to their projects, increasing development costs. These infrastructure requirements are not proposed as part of HOMA.

Affordable Housing Bonus – The current HOMA proposal allows every one square foot of affordable housing provided to exempt four square feet of market rate housing from the total site FAR – *including* any onsite mandatory affordable housing. This effectively reduces the total percentage of units that are required to be affordable from 10% to approximately 7% of units at 80% AMI. In turn, this results in fewer double-counted MFTE units requiring deeper affordability. In Wilburton, only affordable housing produced in *excess* of the mandatory requirement can be used towards this exemption.

Calibrated Upzoning – Whereas the Wilburton LUCA was designed to catalyze dense TOD redevelopment in a specific neighborhood, HOMA is designed to unlock appropriately scaled residential development across the City. “Smaller” upzones, such as from 20’ to 60’ in Neighborhood Business districts may be just as valuable as they unlock midrise residential development entirely rather than just increasing residential density. Nonetheless, there are some areas that will undergo an upzoning on par with the mid-rise designations in Wilburton, such as Crossroads and Factoria. Overall, there are less opportunities in HOMA areas to incentivize high-rise TOD multifamily rental development through a Supercharger program, and staff anticipates less immediate uptake of a Supercharger program.

HOMA Sensitivity Analysis

The below sensitivity table examines the effect of the HOMA code changes under various market conditions. This is compared against a baseline scenario with no HOMA mandatory requirements or density incentives. MFTE is not considered in this sensitivity analysis.

Key Sensitivity Inputs	Sensitivity Scenarios			
	Base Case	Downside	Upside	Best Case
Residential Rents	100%	95%	105%	110%
Cap Rate	4.75%	5.00%	4.50%	4.25%
Construction Interest Rate	7.50%	8.50%	6.50%	5.50%
Development Costs	100%	110%	90%	85%
Parking Ratio	1.00	1.00	0.75	0.75
Operating Expenses	100%	110%	90%	90%
Key Outputs	Base Case	Downside	Upside	Best Case
Baseline Scenario RLV	\$59	(\$342)	\$521	\$821
HOMA Scenario RLV	\$42	(\$504)	\$671	\$1,073
<i>Difference (\$)</i>	<i>(\$18)</i>	<i>(\$162)</i>	<i>\$150</i>	<i>\$252</i>
Baseline Scenario YOC	4.40%	3.58%	5.53%	6.19%
HOMA Scenario YOC	4.45%	3.62%	5.62%	6.29%
<i>Difference (% points)</i>	<i>0.05%</i>	<i>0.04%</i>	<i>0.09%</i>	<i>0.10%</i>

- **Base Case:** The base case is reflective of existing market conditions. In this case, development is challenged and highly dependent on land value – if the owner’s land basis is very low or free, development may be feasible. As development costs are still high relative to the capitalized value of the project, the HOMA scenario results in a slight negative impact to residual land value. Here, HOMA is near the threshold at which it becomes a value-add in terms of RLV. On the other hand, the project’s yield on cost increases by 5 basis points, indicating that HOMA effectively increases the project’s annual income relative to development costs.
- **Downside Case:** The downside case reflects worsening market conditions, including higher project costs, higher interest rates, and lower rents. In this case, land values would need to be negative in order for development to pencil. Here, development is practically impossible. As residual land value is already negative under the baseline scenario, the square footage bonuses from HOMA simply amplify the negative value. However, the project yield continues to improve under the HOMA scenario.
- **Upside Case:** The upside case reflects improved market conditions, including lower costs, lower interest rates, compressed cap rates, and reduced parking requirements. In this case, residual land values are positive, and development is much more attractive. HOMA now has a strong positive impact on both residual land value and yield.
- **Best Case:** The best case reflects even stronger market conditions. Inputs are adjusted such that the proposed project meets a yield above 6%. HOMA has an even greater positive effect in this case.

Conclusion: HOMA improves residual land value in most market conditions but may not do so in very challenged development environments. From a developer profit standpoint, HOMA is helpful in most scenarios where development is feasible.

Conclusion: HOMA consistently improves project yields. From an annual income generation standpoint, HOMA is an improvement from the baseline scenario, and the value of HOMA increases even more as market conditions improve.

HOMA and MFTE Layering

The below sensitivity tables now layer in the City's MFTE program on top of both the baseline and HOMA scenarios.

MFTE Layering – RLV Impact	Base Case	Downside	Upside	Best Case
Baseline Scenario RLV	\$59	(\$342)	\$521	\$821
+MFTE (Existing Rules)	\$89	(\$300)	\$537	\$838
HOMA Scenario RLV	\$42	(\$504)	\$671	\$1,073
+ MFTE (Existing Rules)	\$99	(\$439)	\$719	\$1,135
+ MFTE Supercharger	\$138	(\$401)	\$760	\$1,179

MFTE Layering - YOC Impact	Base Case	Downside	Upside	Best Case
Baseline Scenario YOC	4.40%	3.58%	5.53%	6.19%
+MFTE (Existing Rules)	4.48%	3.70%	5.58%	6.24%
HOMA Scenario YOC	4.45%	3.62%	5.62%	6.29%
+ MFTE (Existing Rules)	4.57%	3.75%	5.73%	6.43%
+ MFTE Supercharger	4.65%	3.83%	5.82%	6.53%

Under the baseline scenario, with no HOMA mandatory requirement, developers may choose to use the City's existing MFTE program, which would restrict 20% of units at 80% AMI for 12 years. In the base case sensitivity, this would increase RLV by \$30 and YOC by 0.08 percentage points.

Under the HOMA scenario, two different MFTE rules are shown. Under the Existing Rules, units that overlap with the mandatory HOMA requirement must be rented at 65% AMI, while the remainder can be rented at 80% AMI. Under the Supercharger rules, all 20% of units can be rented at 80% AMI. In the base case sensitivity, the Existing Rules would result in a \$57 increase in RLV and 0.12 percentage point increase in YOC. The Supercharger would further improve those returns, resulting in a \$96 increase in RLV and 0.20 percentage point increase in YOC.

For an apples-to-apples comparison of development feasibility, the Baseline Scenario + MFTE row should be compared to the HOMA Scenario + MFTE (Existing Rules) row. This compares a project developed under the previous land use code against a project developed under HOMA, both under the existing, unchanged MFTE rules. In all cases other than the Downside case, the HOMA Scenario + MFTE (Existing Rules) combination produces higher residual land values and yields compared to the Baseline Scenario + MFTE. This indicates that the same project is more feasible when using MFTE under HOMA vs. under the current code, even with the existing

requirement for deeper affordability on double-counted units. In other words, no changes to MFTE are needed to offset the costs of HOMA's mandatory affordability requirements.

Furthermore, the relative impact of using MFTE at all is greater than that of the added Supercharger bonus. The existing MFTE rules increase Residual Land Value (RLV) by \$57 compared to a project that does not use MFTE. Meanwhile the Supercharger adds only an additional \$39, demonstrating that the existing MFTE program continues to serve as a strong incentive.

Consistent with prior feasibility studies, staff finds that HOMA enhances development feasibility before considering any MFTE incentives. Since the City allows mandatory units to then simultaneously apply towards MFTE, properties built under HOMA already make meaningful progress towards the 12-year MFTE program requirements. As a result, the current MFTE program offers not only equal, but greater value to a project built under HOMA compared to one built under the current land use code. While a Supercharger program could further enhance developer returns, it should be weighed carefully against its impacts, including weaker affordability outcomes for MFTE renters and higher property taxes for others.