

Additional Analysis and Considerations for the Wilburton Supercharger and 12-Year Extension

Wilburton Supercharger Recommendation

The proposed Wilburton Supercharger program would adjust the City's rules regarding double-counting units such that any units satisfying both the Wilburton area mandatory land use requirement and MFTE program could remain at 80% Area Median Income (AMI) rather than 65% AMI as currently required under MFTE. A number of considerations and analytical findings related to a city-wide expansion of the Wilburton Supercharger inform staff's recommendation to limit the program to Wilburton at this time:

1. The existing MFTE program continues to provide a strong incentive to produce affordable housing while spurring market rate housing development across the city.

Staff analysis determined that the current MFTE program still provides a strong benefit for developers, even without the Wilburton Supercharger. One metric that developers mentioned during the engagement process is the net benefit received from the tax exemption after accounting for the rental loss. In order for MFTE to remain attractive, some developers identified a threshold of 20%, such that the developer receives 20% of the value of taxes exempted after accounting for the lower rental income (e.g., if \$100,000 of taxes are exempted annually, the developer would ideally lose no more than \$80,000 in rental income). Staff analysis determined that the *existing* MFTE rules, when used with the mandatory performance option in Wilburton, would result in a 35% benefit, already exceeding the threshold. The Supercharger would result in a significantly increased 56% benefit. Given that the existing MFTE program already provides a significant benefit, citywide application of the Wilburton Supercharger would be expected to provide even greater benefit to developers while playing a marginal role in incentivizing the use of MFTE.

2. The Wilburton Supercharger provides limited affordability to renters compared to the public cost of the program.

The tax exemptions provided by the Supercharger program are projected to result in a net cost to the City of Bellevue and property owners due to the shifted and foregone tax impacts of MFTE. Under the Wilburton Supercharger, MFTE provides approximately 33 cents of rent savings per dollar of tax exemption (the public benefit). Meanwhile the program costs Bellevue residents approximately 35 cents per dollar exempted (the public cost). When considering how efficiently MFTE directs public resources towards the creation of affordable housing opportunities, the Supercharger is not a compelling program at a large scale at this time.

Under the current rules, the program would provide a benefit of approximately 53 cents of rent savings per dollar of tax foregone, and the property would still gain 36 cents per tax dollar exempted – \$220,000 annually for the average mid-rise project. Under the existing program, the City is able to leverage public dollars to greater effect while still providing a strong incentive for market rate developers.

3. The Wilburton Supercharger is not intended as a subsidy for mandatory affordability requirements.

MFTE is not designed as a subsidy to cover the cost of new affordability requirements. In Wilburton, for example, the introduction of mandatory affordability was calibrated to a significant upzone, which has the effect of increasing land values and attracting new development. In this context, MFTE serves as an additional incentive rather than an offset. This would differ if mandatory affordability were adopted without any accompanying land-use changes, in which case the Supercharger could help attract developers who might otherwise be discouraged from building.

As one case study, the City owns a half-acre site in Wilburton (Wilburton TOD site). In September 2024, a formal appraisal identified its land value at \$200 per square foot or \$4.5M. In comparison, recent market transactions and estimates indicate a land value closer to \$300 per square foot or \$6.6M following the Wilburton LUCA. The code changes alone have therefore created \$2.1M in value.

4. New mandatory affordability has not yet been adopted outside of Wilburton.

The Wilburton Supercharger was designed in response to unique, short-term market challenges in the new Wilburton TOD area. It was part of a broader package of recommendations including open space and street requirements, building design changes, and sustainability strategies, in addition to mandatory affordable housing. While mandatory affordability is under consideration in mixed use neighborhoods and Bel-Red, Wilburton is currently the only neighborhood that has adopted it.

As additional neighborhoods adopt changes, staff will explore MFTE adjustments tailored to each area, balancing onsite affordable housing production incentives with greater affordable housing benefits. This phased approach will ensure that the costs and benefits of the MFTE program are carefully weighed in the context of broader neighborhood changes and city housing goals.

5. The Wilburton Supercharger would result in little progress towards the City's affordable housing goals.

The Wilburton Supercharger program would concentrate the production of affordable units at the 80% AMI level, which the City already has a robust supply of. While MFTE is not designed to meet the needs of the lowest income residents, in Bellevue there remains a strong need for units in the 50-65% AMI range serving working families earning moderate incomes. This is seen in the current composition of MFTE renters, who earn on average 56% of AMI, even while reaching to afford rents meant for 80% AMI. Particularly amongst studios and 1-bedroom units, 80% AMI rents are generally in line with, or above, market rate rental opportunities. Applying the Wilburton Supercharger city-wide would remove a key incentive for developing the more deeply affordable units that best meet community needs.

Overall, staff's analysis indicates that the benefit of a city-wide Supercharger in spurring housing development would be marginal, while a shortage of units below 80% AMI could

significantly impact housing stability for moderate income households. Moreover, any benefits from the Supercharger would be offset by the cost of the program to Bellevue property owners in shifted and foregone taxes. As such, staff continues to recommend limiting the Supercharger to Wilburton for now and evaluating its efficacy prior to any further expansion.

12-Year Extension Recommendation

If Bellevue were to adopt a 12-year MFTE extension option, projects using MFTE could receive an additional 12 years of property tax exemption following the initial 12-year program period, for a total of 24 years. An MFTE extension preserves affordable units for a longer period but no longer spurs new housing development (affordable or market rate). Therefore, the policy focus of any extension should be to ensure that the preserved units support the City's affordability goals and provide a meaningful public benefit relative to the public cost.

Staff does not recommend adopting the 12-year extension now due to the limited benefit it would provide for renters. Current 80% AMI rents at new MFTE buildings are in many cases at or nearing market rate rents – particularly among the studios and 1-bedrooms that make up the majority of units. As these buildings age, 80% AMI rents will only get closer to market rate, producing minimal savings for MFTE renters. Any extension would therefore require significantly reduced rent levels in order to maintain the benefit of the program.

Due to the limited information on the eastside, staff looked to the City of Seattle to assess the impact an extension could have. In 2023, a study of Seattle's MFTE program indicated that MFTE renter savings generally decreased during the extension period. On average, the public benefit produced by the extended units was 20-25% below newly created MFTE units, even after requiring a 10% decrease in AMI levels. This indicates that even deeper AMI levels may be warranted. The analysis also indicates that the impact of the flat decrease in AMI level varies significantly from property to property, and that a variable approach to extensions may be more effective in preserving units and ensuring a minimum level of public benefit.

In addition to the weak renter benefits exhibited by the extension program in Seattle, there is currently limited information to assess what approach to a 12-year extension would best serve MFTE renters in Bellevue. Compared to the 6 active projects in Bellevue, Seattle had 308 active MFTE projects in 2024. In 2025, they have 18 expiring MFTE projects with 810 MFTE units. Given the relatively recent adoption of Bellevue's MFTE program, no MFTE units will reset to market rate until 2031. Staff therefore recommend revisiting the program once there is more information and stakeholder focus on the topic. Within four years, staff will be able to consider additional property-level information, market conditions, and renter needs to develop a balanced extension program.