

January 5, 2015

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Multifamily tax exemption.

STAFF CONTACT

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POLICY ISSUES

Should the City amend the Bellevue City Code per RCW 84.14 to implement a property tax exemption for new development that provides affordable housing and/or other public benefit?

Comprehensive Plan Direction

The multifamily tax exemption (MFTE) addresses city-wide housing policy #HO-33: *Explore financial incentives to encourage affordable housing such as partial exemptions from city permit fees and use of the state property tax exemption program*; and #HO-12: *Provide incentives to encourage residential development for a range of household types and income levels in commercial zones*.

Council Priorities and Economic Development Plan Direction

The MFTE also promotes Council Priority #7 “*Promote housing opportunities for the needs of our diverse population*” and related direction to “*Bring forward a multifamily property tax exemption for Council’s consideration*”. In addition, Bellevue’s Economic Development Plan includes Direct Strategy E *Encourage a variety of housing choices within the city* and calls out the multifamily tax exemption program as a tool to be explored.

Over the years, Bellevue has supported various strategies to develop affordable housing in the community, including the establishment of ARCH, funding for affordable housing through the Trust Fund, affordable housing land use incentives, and other strategies. The Multifamily Tax Exemption program is one potential key element of a broader City housing program and may be incorporated into an overall housing strategy update.

DIRECTION NEEDED FROM COUNCIL

<input type="checkbox"/>	Action
<input checked="" type="checkbox"/>	Discussion
<input checked="" type="checkbox"/>	Information

Council feedback is requested on a draft MFTE code section and, if ready, direction to proceed to set a Public Hearing on this matter.

- Based on Council direction at previous MFTE Study Sessions, state legislation requirements, and the experience of other cities, Attachment A presents a draft MFTE code section to establish the Multifamily Housing Property Tax Exemption consistent with state enabling legislation RCW 84.14.
- Attachment B presents key MFTE program questions. State enabling legislation gives local jurisdictions flexibility to establish program incentives and requirements that meet a community's specific needs. Staff is seeking Council direction on these program questions to confirm important sections of the draft MFTE code section.
- Attachment C includes maps of four potential Residential Target Areas where the MFTE would be eligible. Staff is seeking Council direction on these proposed areas.

BACKGROUND

The multifamily tax exemption is a State authorized, short-term exemption from property taxes paid on the housing portion of new development within mixed-use urban areas. The multifamily tax exemption is being explored as a voluntary, affordable housing incentive within transit-served mixed-use districts and neighborhood commercial areas. This discussion follows Council's June 2 and October 20, 2014 Study Sessions.

October Study Session

At the October 20 Study Session Council reviewed and provided direction on MFTE principles and prototype approaches for the MFTE program to guide the development of a draft MFTE code section (Attachment A). Staff also addressed Council questions on the potential impacts of the program, particularly impacts to public revenues.

Council comment on the MFTE program included:

- Council members enquired about the overall cost benefit ratio of the program. Staff noted that the City's portion of the tax exemption created as much value as the City generally gets from its housing trust fund investments, but with the MFTE the City's contribution is leveraged by the tax exemptions from other taxing districts. The MFTE is a way to expand the City's affordable housing resources.
- It was also noted that the MFTE is one of the few state authorized affordable housing tools that cities are able to access, density incentives being another.
- The City benefits from development that occurs with the MFTE from the added value of the property and the commercial and retail space within the development. With the MFTE, some mixed income and workforce housing projects that may not be feasible without the incentive have an opportunity to go forward.
- Council provided comment and general agreement on the proposed MFTE Principles (Attachment D, MFTE Agenda Memo for October 20, 2014).

NEXT STEPS

If Council directs staff to proceed, state law requires the following steps to establish a multifamily property tax exemption:

1. Council approval of a resolution designating the residential targeted areas [RCW 84.14.040(2)]

2. A Public Hearing by the Council on the proposed residential targeted areas. Notice requirements for the hearing are specified in RCW 84.14.040(3).
3. Council adoption of an ordinance establishing:
 - a. An application process and procedures including administrative review authority, an appeal process [RCW 84.14.090(6)], and fees [RCW 84.14.080]; and
 - b. Monitoring and reporting process that addresses annual statements by the property owner [RCW 84.14.100(1)] and the City's Annual Report to the state.

Tonight, staff is seeking: 1) Council feedback on the draft Code section in Attachment A (key questions related to the Code and proposed residential target areas are presented in Attachments B and C); and 2) if the Council is ready, direction to proceed to set a Public Hearing on the draft Code.

ALTERNATIVES

1. Refine the draft MFTE Code and move forward to set a Public Hearing date, establishing MFTE Residential Target Areas in Bel-Red, Downtown Bellevue, Eastgate Planning Area, and the Newport Hills Commercial Area.
2. Provide alternative direction.

RECOMMENDATION

Alternative 1. Refine the draft MFTE Code and move forward to set a Public Hearing date, establishing MFTE Residential Target Areas in Bel-Red, Downtown Bellevue, Eastgate Planning Area, and the Newport Hills Commercial Area.

ATTACHMENTS

Attachment A: Proposed MFTE Code Section

Attachment B: Key Questions related to the MFTE Code Section

Attachment C: Proposed MFTE Residential Target Areas (RTAs)

C1 Bel-Red RTA

C2 Downtown RTA

C3 Eastgate Planning Area RTA

C4 Newport Commercial RTA

Attachment D: October 20, 2014 Study Session Agenda Memo and attachments