

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Updating the MFTE to increase participation by developers of new housing.

STAFF CONTACTS

Mac Cummins, Director, 452-6191
Terry Cullen, Comprehensive Planning Manager, 452-4070
Deborah Munkberg, Senior Planner, 452-2898
Arthur Sullivan, ARCH Program Manager, 861-3676
Planning and Community Development Department

POLICY ISSUES

Should Bellevue’s MFTE program be adjusted per Affordable Housing Strategy Action C-3: *Update existing tax exemption programs for affordable housing to increase participation by developers of new housing?*

Several policies in Bellevue’s Comprehensive Plan recognize and support the City’s commitment to improve affordable housing opportunities across the city, including Economic Development Element policy ED-16, and Housing Element policies HO-21, HO-23, and HO-24.

DIRECTION NEEDED FROM COUNCIL

ACTION	DIRECTION	INFORMATION ONLY
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Staff is providing an update to City Council on staff actions to (1) promote MFTE participation and (2) request direction on whether and how to adjust MFTE participation requirements in Downtown.

BACKGROUND/ANALYSIS

In June 2015, the City of Bellevue adopted an MFTE program and designated BelRed, Downtown, Eastgate, Crossroads Village, and Wilburton as residential target areas (RTA) under the program. In exchange for a 12-year property tax exemption on the residential improvement, participating developers are required to set aside 20% of the units as affordable to low and moderate-income households. See Attachment A for a program overview and Attachment B for a map of designated residential target areas.

Staff reviewed the eleven multifamily permits issued in the RTAs since MFTE was adopted in 2015 and found that the majority of those who did not participate either were already in the permitting process when MFTE was adopted or were not aware of the program. One downtown project is participating in the MFTE. See Attachment C.

Staff also reviewed how Bellevue's experience with MFTE compares to other cities in the region. In general, MFTE is most successful where the program has been in effect the longest. Cities that adopted in the 1990s have had significantly greater participation in MFTE than more recent adopters. Of the five surveyed cities that adopted after 2010, only Bellevue has had MFTE participation.

Staff invited developers active in the BelRed and Downtown RTAs to provide feedback on the program. In general, most were not familiar with the program, but expressed interest in participating if they could be confident that the tax exemption would provide greater benefit than the lost rents. Some said that they felt that the program might not be financially feasible in the downtown due to the high rents that the downtown commands.

To test the question of MFTE financial feasibility, staff prepared a financial review of development scenarios in BelRed and downtown. In the downtown, staff found that an adjustment could better provide for economic feasibility. For the downtown only, MFTE affordability requirements should be adjusted from 10 percent of units affordable at 60% of King County median income and 10 percent affordable at 70% of median income to 20 percent of units affordable at 70 percent of median income.

For the remaining RTAs, the MFTE performance in Bellevue is comparable to the experience in other cities two to three years following adoption. However, increased efforts to raise developer awareness of the program; consideration of MFTE as part of ongoing planning initiatives; and regular monitoring and management could improve overall program performance. Specifically, staff will take the following actions:

- a. *Provide timely and clear MFTE information to developers.* Incorporate MFTE information as part of the required pre-application meeting and design review submittal package.
- b. *Incorporate consideration of MFTE into current planning efforts.* Ongoing and scheduled planning initiatives, including Wilburton commercial area planning, BelRed Look Back, and East Main TOD implementation, will consider potential for changes in designated target areas, and addition of new areas, such as East Main.

Monitor overall performance in all target areas and recommend changes for continued program effectiveness. As part of the Affordable Housing Strategy implementation, staff has committed to an ongoing process to assess progress and maintain accountability. For MFTE, this will include an annual inventory of MFTE units created, identification of trends over a three- to five-year period and recommendation of changes as needed to promote continued participation and growth in the program.

OPTIONS

1. Direct staff to prepare an amendment to the MFTE ordinance that adjusts the requirement for affordable units from 10 percent of units affordable at 60 percent of King County median income and 10 percent of units at 70 percent of median income to 20 percent of units at 70 percent of median income.
2. Provide alternative direction to staff.
3. Take no action.

RECOMMENDATION

Option 1

ATTACHMENTS

A. MFTE Overview

B. MFTE residential target areas

C. Multifamily permitting history June 2015 – 2017

D. MFTE feasibility analysis

E. Survey of cities using MFTE B.

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A