

February 5, 2018

## **CITY COUNCIL AGENDA MEMORANDUM**

### **SUBJECT**

Ordinance relating to the Bellevue Multifamily Tax Exemption (MFTE) program and amending sections 4.52.050 and 4.52.090 of the Bellevue City Code (BCC); providing for severability, and establishing an effective date.

### **FISCAL IMPACT**

Fiscal impacts were reviewed when the MFTE Ordinance was originally adopted in 2015. No new or different impacts are anticipated as a result of the proposed amendments.

### **STAFF CONTACTS**

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*Planning and Community Development Department*

### **POLICY CONSIDERATION**

Adopted in June 2015, MFTE regulations are codified in Chapter 4.52 of the Bellevue City Code (BCC). The regulations establish procedural and substantive program requirements, as well as designation of the areas within which MFTE projects may be developed. The proposal described below reflects the first full review and update of the program since its adoption.

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.

The proposed MFTE amendments would implement Action C-3 of Bellevue's Affordable Housing Strategy, which directs that the program should be updated to increase developer participation.

### **BACKGROUND**

At their November 13, 2017 Study Session, the Council considered findings related to the overall performance of the MFTE program, including multifamily permitting history, financial feasibility, developer feedback, and the experience of other cities implementing MFTE. Major findings included:

- Developer feedback and financial feasibility analysis suggest that the downtown MFTE affordability requirements should be adjusted to increase participation in the program. Based on the feasibility analysis, a change from 10 percent of units at 60 percent of median income and 10 percent at 70 percent of median income to 20 percent of units affordable at 70 percent of median income was recommended.<sup>1</sup>

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<sup>1</sup> Median income refers to median King County income.

- In the remaining designated areas, there has not been enough MFTE-eligible development to determine whether changes are needed. However, affordability requirements will be considered as part of ongoing planning initiatives, including the BelRed Look Back, Wilburton commercial area planning, and East Main station area implementation. The remaining areas will be monitored as development occurs.

Council directed staff to analyze whether graduated affordability levels, as used in the Seattle MFTE program, would improve Bellevue's MFTE participation and support development of affordable family housing in the form of two-bedroom MFTE units.

At the January 8 Study Session, the Council reviewed research conducted into the Seattle MFTE program. Major findings included:

- Because Seattle and Bellevue implement MFTE and related land use regulatory incentives differently, the two programs are not directly comparable.
- Seattle staff believe that, compared to the impact of market demand, MFTE measures to incentivize two-bedroom units have not significantly affected production of two-bedroom units.
- Bellevue's requirement for a minimum of 15 percent of units with two or more bedrooms in MFTE projects appears to be consistent with current market conditions.

Following discussion of the major findings, Council directed staff to prepare an Ordinance that would help to increase developer participation by adjusting affordability requirements in the downtown, providing reasonable flexibility in the application timeline, and clarifying the fee requirement. Staff has completed proposed amendments to the MFTE program consistent with Council guidance.

The proposed amendments are summarized below and detailed in Attachment A:

- Adjust the requirement for affordable units in the downtown 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.
- Authorize the Director of Planning and Community Development to accept MFTE applications after issuance of the first building permit, subject to specific criteria.
- State that the pass-through fee collected for the King County Department of Assessments is as set by King County.

### **EFFECTIVE DATE**

If approved, this Ordinance becomes effective on February 15, 2018.

### **OPTIONS**

1. Adopt the Ordinance relating to the Bellevue Multifamily Tax Exemption (MFTE) program and amending sections 4.52.050 and 4.52.090 of the Bellevue City Code (BCC); providing for severability, and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

### **RECOMMENDATION**

Option 1

**MOTION**

Move to adopt Ordinance No. 6400 relating to the Bellevue Multifamily Tax Exemption (MFTE) program and amending sections 4.52.050 and 4.52.090 of the Bellevue City Code (BCC); providing for severability, and establishing an effective date.

**ATTACHMENTS**

A. Redline version of proposed Ordinance  
Proposed Ordinance No. 6400

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

N/A