

**CITY COUNCIL STUDY SESSION**

Council extension of the Multifamily Tax Exemption (MFTE) program as established in Chapter 4.52 of the Bellevue City Code.

Mac Cummins, Director, 452-6191  
Emil King, Assistant Director, 452-5255  
Janet Lewine, Senior Planner, 452-4884  
*Community Development*

**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

Staff seeks Council direction to bring back an Ordinance for final adoption at a future meeting to extend the MFTE program either for an additional five years or without a subsequent expiration date. The MFTE program shall expire on December 31, 2019 unless extended by City Council by Ordinance.

**RECOMMENDATION**

Direct staff to bring back an Ordinance for final adoption at a future meeting to extend the MFTE program without a subsequent expiration date by amending section 4.52.130 of the Bellevue City Code.

**BACKGROUND & ANALYSIS**

The MFTE program is a voluntary affordable housing incentive for new apartment development. It has been used successfully by developers who receive a 12-year exemption from property taxes paid on the housing portion of qualifying projects in exchange for setting aside 20 percent of the units as affordable housing for income-eligible renters.

The City Council adopted the MFTE program June 15, 2015, (Ord. No. 6231) and amended the program to increase developer participation February 5, 2018 (Ord. No. 6400). Two downtown development projects have participated in the MFTE program, together adding 63 affordable apartments. Proposed projects in downtown and BelRed have expressed interest in the MFTE program but are not yet in the application process.

The MFTE program will expire by its own terms on December 31, 2019 unless the City Council extends the program by Ordinance. Staff has provided two proposed amendments for Councils consideration. One amendment would extend the MFTE program for another five-year period, while the other eliminates any expiration date. Attachment A shows both proposed amendments to BCC 4.52.130.

Based on program performance, staff recommends amending BCC 4.52.130 to not include a subsequent expiration date. The MFTE's five-year expiration provided a trial period to assure the program would perform as expected, and to monitor revenue impacts. Although participation has been lower than expected, the program has had no unexpected impacts. In addition, the Community Development Department has provided Council with regular updates on the MFTE program and will continue to provide these updates twice every year. With program extension, future apartment development in Downtown, BelRed and Eastgate is expected to include MFTE participation. Expansion

of the MFTE program to include Wilburton and East Main is expected to be brought to Council in 2020, including review of MFTE program requirements and Residential Target Area boundaries.

Notice requirements for initiating the program and designating residential targeted areas were taken when the MFTE Ordinance was adopted in 2015 and updated in 2018. Because no changes are proposed to the residential targeted areas notice is not required for this action.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

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 policy ED-16, and Housing Element policies HO-21, HO-23, and HO-24. The MFTE is supported by Strategy C of Bellevue's Affordable Housing Strategy: Create More Affordable Housing Choices.

### **Fiscal Impact**

No new or different fiscal impacts are anticipated as a result of the proposed program extension. Fiscal impacts were identified when the MFTE program was originally adopted in 2015.

The impact for taxing districts including the City, county and state (state school fund) is that the district will not receive any new revenue from the improvement value that is exempted through the MFTE program. For taxing districts that receive a set amount of revenue each year (e.g. school district EMS, library, flood district) the impact is that exempted new development will not increase the overall assessment base, and property owners would not see any reduction in property taxes that typically occurs as a result of adding the value of improvements to the tax role.

The first year for MFTE fiscal impacts was 2019, when one MFTE apartment received an exemption. A second apartment will start the 12-year exemption in 2020. In 2019 property tax for the MFTE apartment was reduced by \$432,340 (exempted revenue overall) with Bellevue's portion being \$48,436. This is .001 percent of Bellevue's 2019 budgeted property tax. The second property will have about the same exemption, starting in 2020.

## **OPTIONS**

1. Direct staff to bring back an Ordinance for final adoption at a future meeting to extend the Multifamily Tax Exemption program without a subsequent expiration date by amending section 4.52.130 of the Bellevue City Code.
2. Direct staff to bring back an Ordinance for final adoption at a future meeting to extend the Multifamily Tax Exemption program for an additional five years by amending section 4.52.130 of the Bellevue City Code.
3. Do not direct staff to bring back an Ordinance and provide alternative direction.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

- A. BCC 4.52 Multifamily Tax Exemption with proposed edits
- B. MFTE Program Description

**AVAILABLE IN COUNCIL LIBRARY**

N/A