



Multifamily Tax Exemption Program



Bellevue City Council Study Session

November 13, 2017

Affordable Housing Strategy

Action C-3

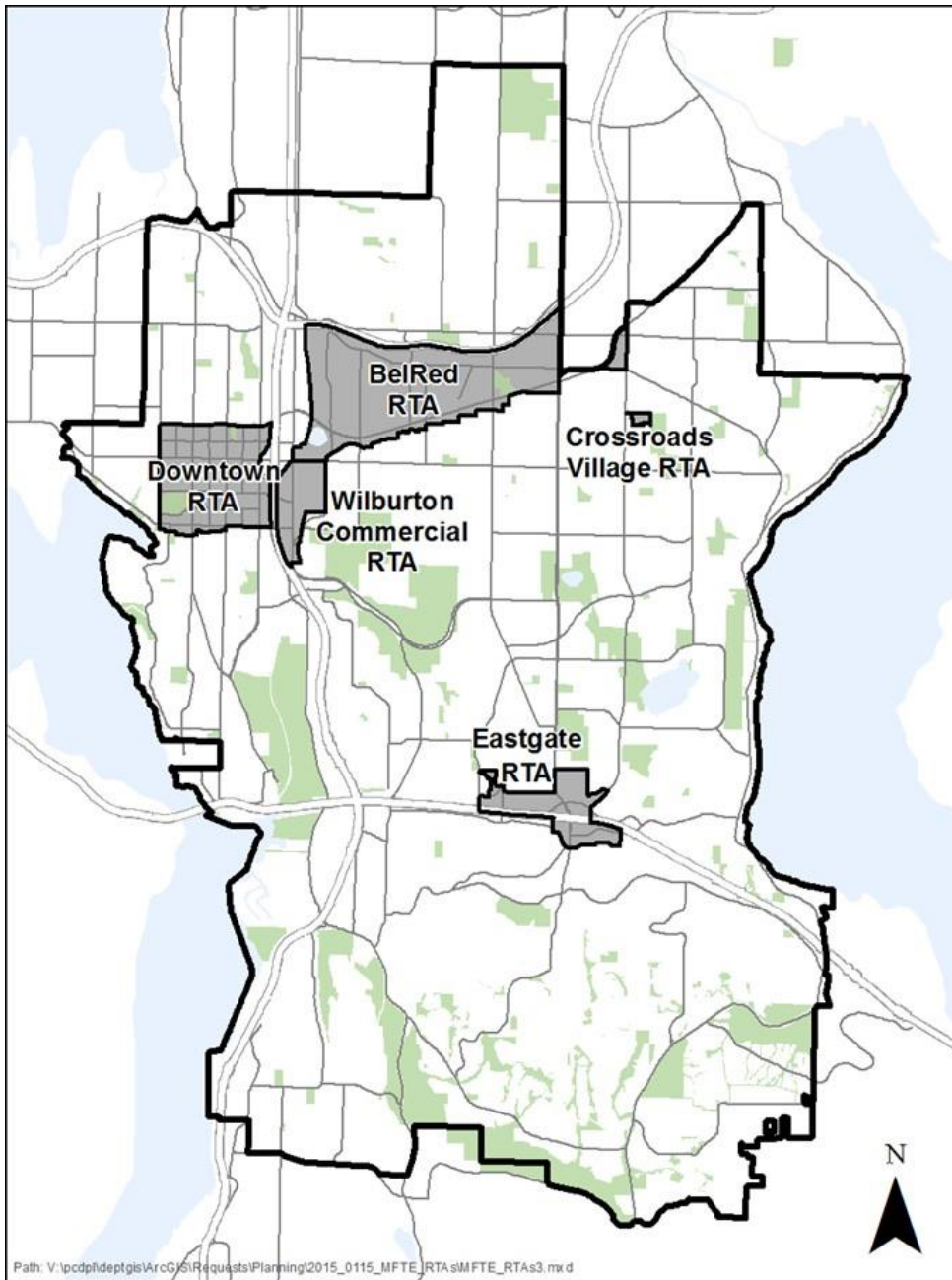
Update existing tax exemption programs for affordable housing to increase participation by developers of new housing



MFTE Overview

- Voluntary incentive
- 12-year property tax exemption on residential improvements
- Set aside 20% of units affordable to low- and moderate-income households



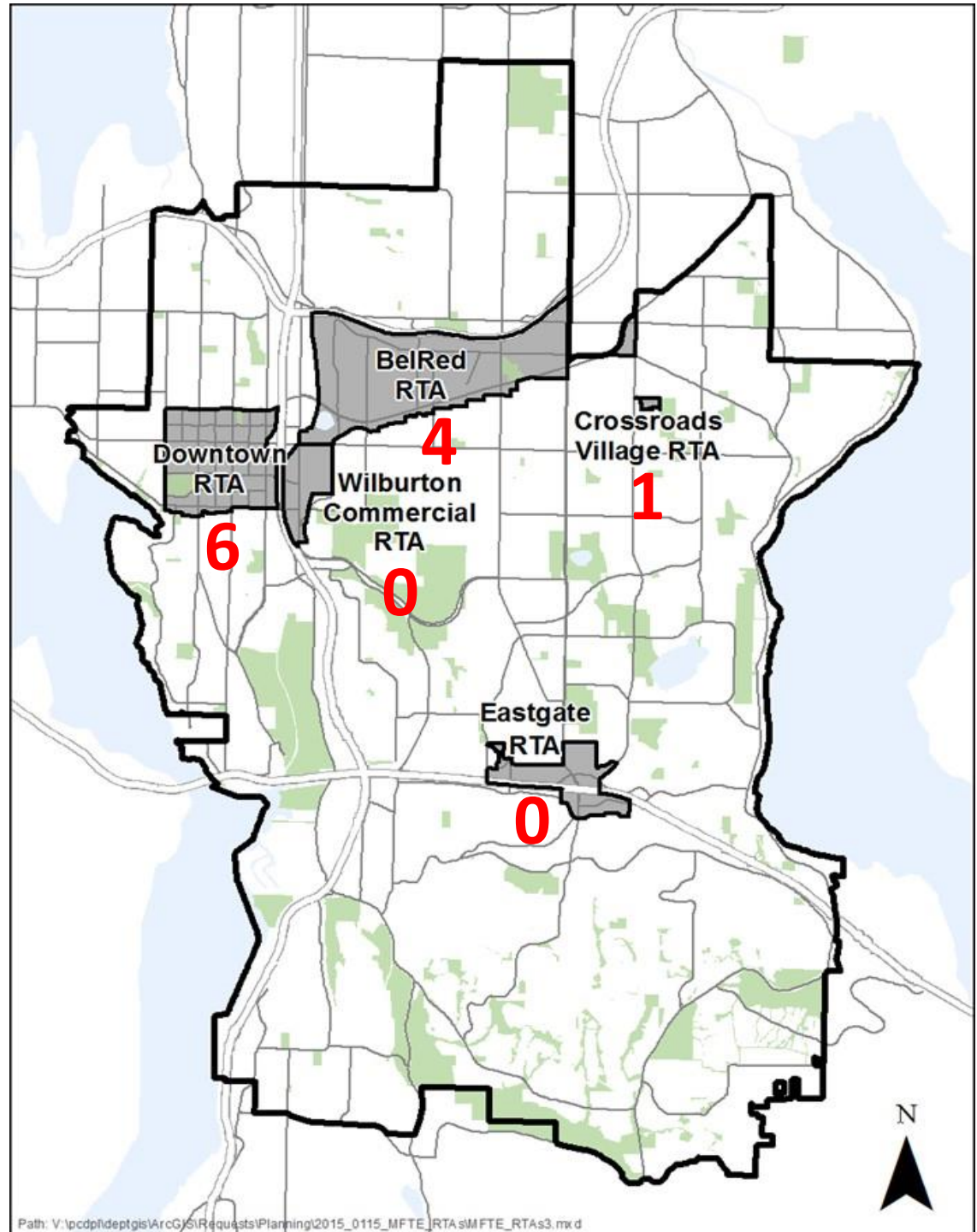


Residential Target Areas

Multifamily permits

(June 2015 – present)

11 projects in
Downtown, BelRed
and Crossroads
Village RTAs



MFTE in other cities

- Most successful where program has been in effect the longest
- MFTE performance in Bellevue comparable to other cities that have adopted recently



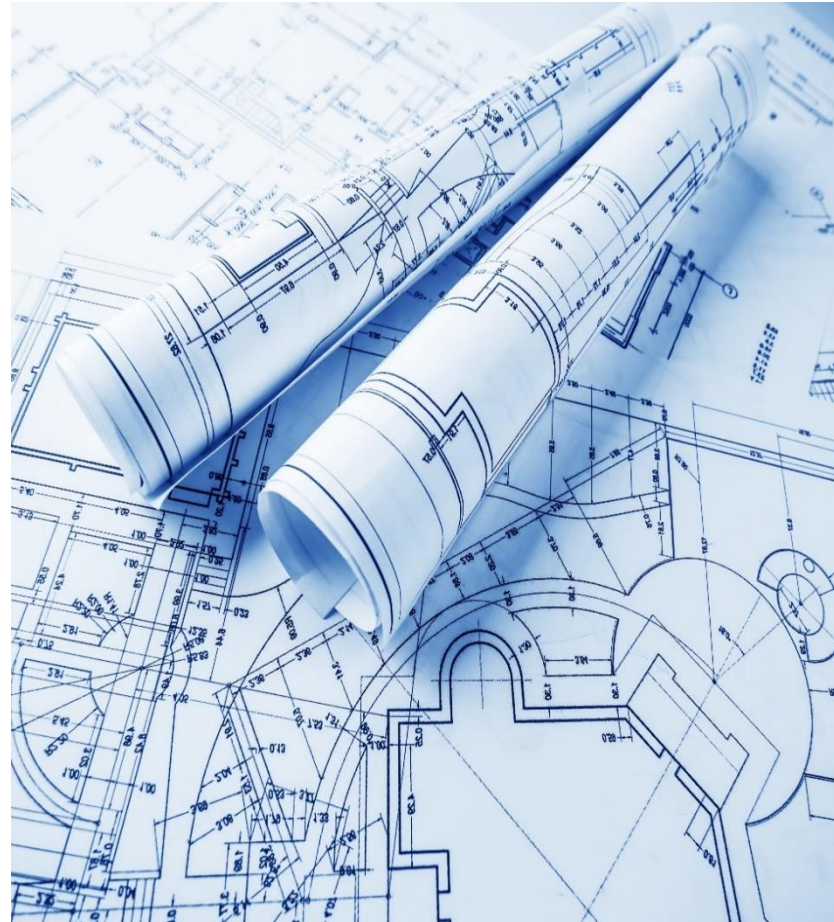
Developer comments

- Lack of familiarity with MFTE
- Interested if tax benefit would provide greater benefit than lost rents
- Question financial feasibility in Downtown



Feasibility review assumptions

- Mix and size of units
- Rents per square foot
- Value of property tax exemption
- Acceptable level of return: 110% – 130%
- Tested with downtown developers



Return on MFTE participation

	BelRed		Downtown	
	<i>Node</i>	<i>Outside Node</i>	<i>Current</i>	<i>Recommended</i>
MFTE	100-110%	100-110%	<100%	100-110%
MFTE + land use incentive	>130%	120-130%	110-120%	~130%

Staff actions

- Timely and clear information to developers
- Incorporate consideration into planning initiatives: BelRed, Wilburton, East Main
- Monitor and manage program



Council direction requested

- Amend MFTE requirement for affordable units in Downtown
 - 20% of units affordable to household incomes at 70% of median

