

**CITY COUNCIL REGULAR SESSION**

Ordinance repealing section 4.52.130 of the Bellevue City Code to eliminate the expiration date from the Multifamily Tax Exemption program; and establishing an effective date.

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**EXECUTIVE SUMMARY**

The Multifamily Tax Exemption (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.

**RECOMMENDATION**

Move to adopt Ordinance No. 6480

If approved, effective date: 10/31/2019

**BACKGROUND/ANALYSIS**

The City Council adopted the MFTE program on June 15, 2015 (Ordinance No. 6231) and amended the program to increase developer participation on February 5, 2018 (Ordinance 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'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. With program extension, future apartment development in Downtown, BelRed and Eastgate is expected to include MFTE participation.

The MFTE program will expire by its own terms on December 31, 2019 unless the City Council extends the program by Ordinance. On September 16 Council directed staff to bring back an Ordinance on the Consent Calendar to extend the Multifamily Tax Exemption program without a subsequent expiration date.

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.

Council will continue to receive regular updates on the MFTE program twice every year.

## **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. Adopt the Ordinance repealing section 4.52.130 of the Bellevue City Code to eliminate the expiration date from the Multifamily Tax Exemption program; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

- A. BCC 4.52 Multifamily Tax Exemption with edits to extend the program without a subsequent expiration date
- B. MFTE Program Description  
Proposed Ordinance No. 6480

## **AVAILABLE IN COUNCIL LIBRARY**

N/A