

**BELLEVUE CITY COUNCIL
STUDY SESSION
JANUARY 5, 2015**

MULTIFAMILY TAX EXEMPTION

Multifamily Tax Exemption 'MFTE'

Council Meeting Objectives

Tonight

1. Council review and feedback on draft MFTE Code
2. Direction to move forward to set a public hearing on Residential Target Areas and draft MFTE Code

Next Steps (at a later date)

1. A public hearing by the council on the proposed RTAs & Code (Tentatively Scheduled Feb. 17, 2015)
Notice requirements are specified in the RCW
2. Council approval of a resolution designating the RTAs
3. Council adoption of an MFTE ordinance – could occur by end of 1st quarter, 2015

Multifamily Tax Exemption 'MFTE'

Council Meeting Review Materials

Attachment A: Proposed MFTE Code

Attachment B: Key Questions related to the MFTE Codes Section

Attachment C: Proposed MFTE Residential Target Areas (RTAs)

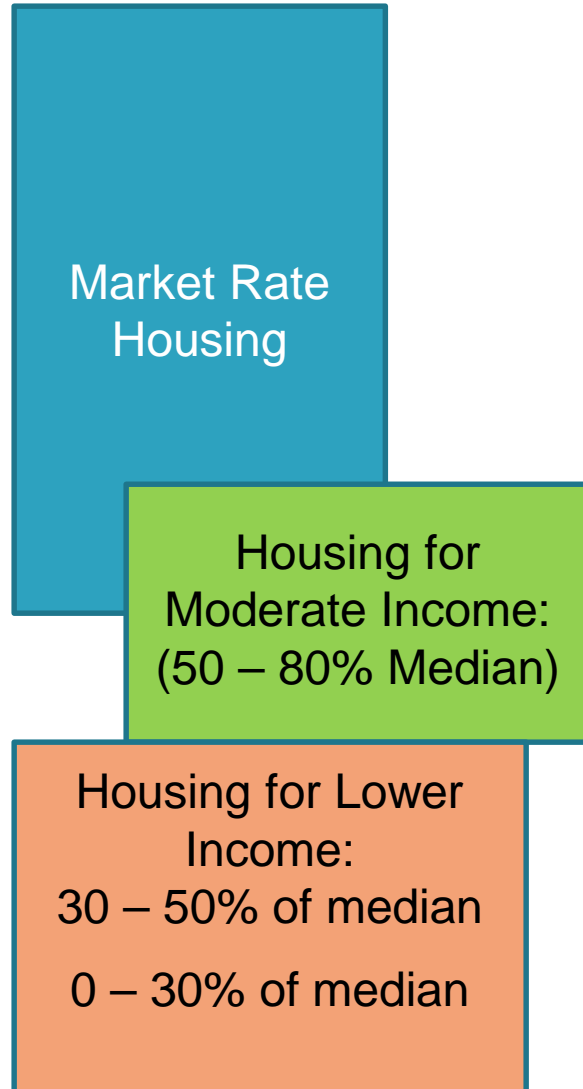
C1: Bel-Red RTA

C2: Downtown RTA

C3: Eastgate Planning Area

C4: Newport Hills Commercial RTA

Part of a Broader Housing Strategy



HOUSING STRATEGY PROGRAM

A. Market-rate – Increase diversity and general affordability

- Housing capacity to accommodate growth
- Allow diversity of housing – multifamily/ small single family

B. Incentive to create affordability through market.

- Land Use density incentives: (Bel-Red / Downtown / Other)
- Accessory Dwelling Units
- **Multifamily Tax Exemption Program**

C. Direct assistance program for lower income housing.

- ARCH Housing Trust Fund
 - Leverages other public fund sources
- Surplus Land
- Home Repair Program
- Human Services Funding
- Winter Shelter

Enabling State legislation: RCW 84.14

10-20-14 Attachment E: 'MFTE Summary / RCW 84.14'

- Exemption for 8 or 12 years.
- For 12-year exemption, public benefit must include 20% affordable housing.
- Exemption is only on improvement value of the multifamily units.
 - Taxes are still paid on the land and on non-residential uses
- Only available in city established Residential Target Areas (RTA).
- RCW gives cities flexibility to establish program to meet community's specific needs.

RCW allows flexibility for cities:

- Length of exemption - 8 or 12 years
- The affordability level provided
- The % of affordable units provided
- Residential Targeted Areas
- Ability to layer MFTE with other incentives
- Potential variation in requirements by targeted area
- Phased affordability level for initial projects
- Capping the program

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

1. What neighborhoods are established for program?
2. Does program apply to existing housing?
3. Does program apply to ownership housing?
4. How does code address displacement of existing housing or residents?
5. How long should MFTE program housing remain affordable?
6. Should program application fees be established, e.g. to recover administrative costs?
7. Should MFTE project applications be approved administratively or by council?
8. What affordability level should be required for MFTE affordable units?
9. Should residents of MFTE affordable units recertify their income annually?
10. Should the program be capped, e.g. duration or number of units?

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

1. What neighborhoods are established for program?

The draft code lists four mixed use areas for the program:

C1 Bel-Red RTA

C2 Downtown RTA

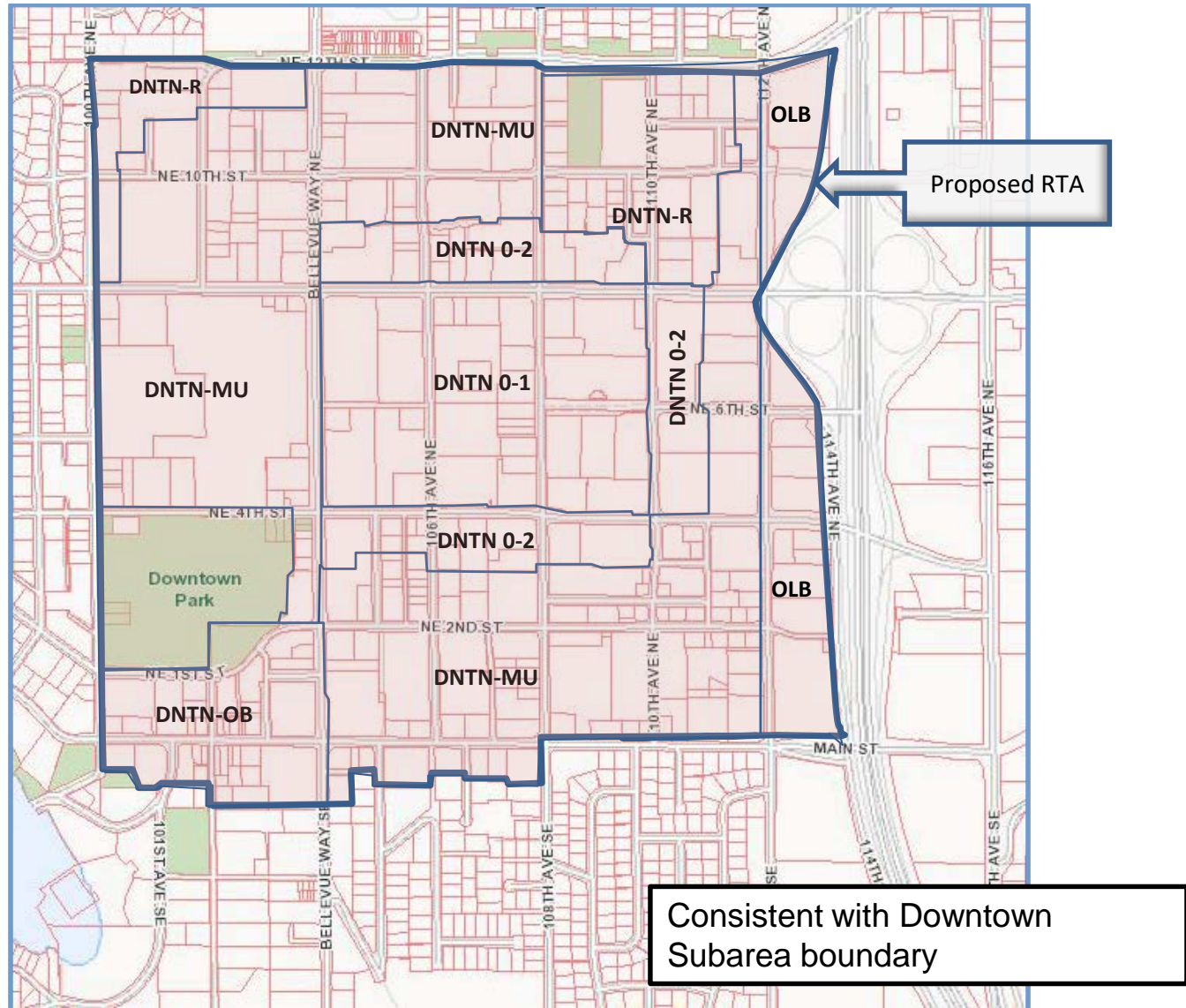
C3 Eastgate Planning Area RTA

C4 Newport Commercial RTA

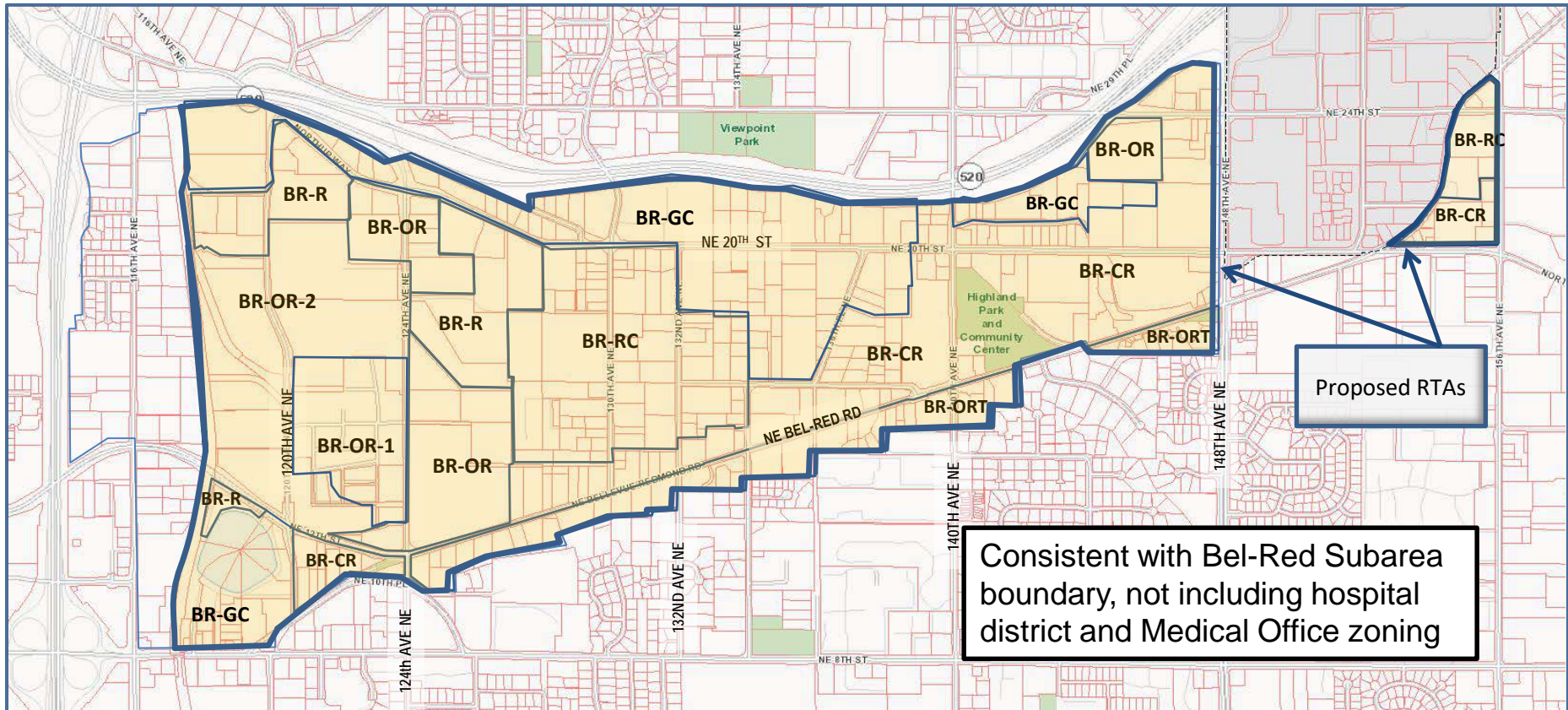
(maps on slides 8 - 11)

At this time, draft code does not include MF zones, Crossroads or Factoria

C2 Proposed Downtown Residential Target Area



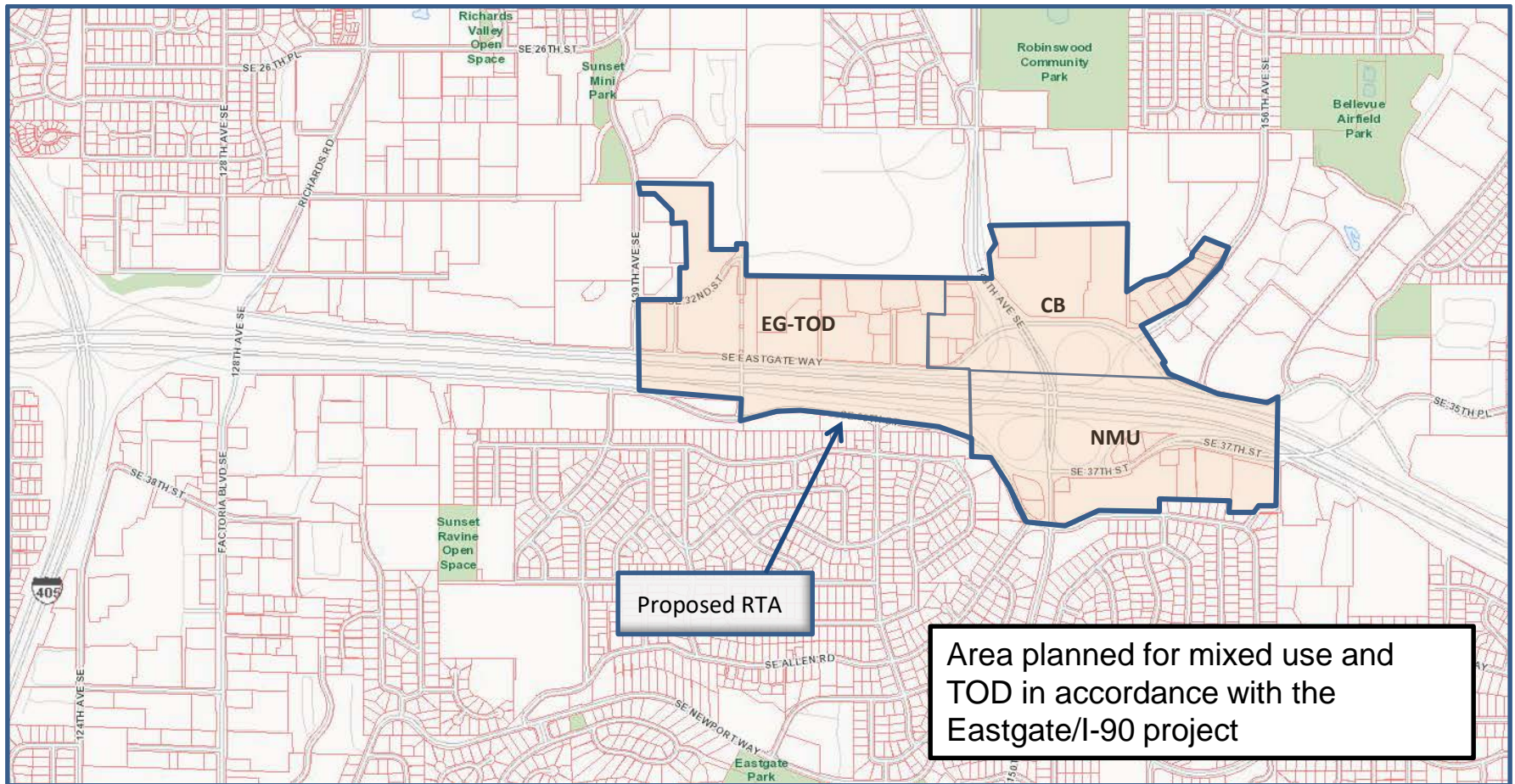
C1 Proposed Bel Red Residential Target Area



Proposed Bel-Red Residential Targeted Area (RTA)

Multifamily Tax Exemption Program

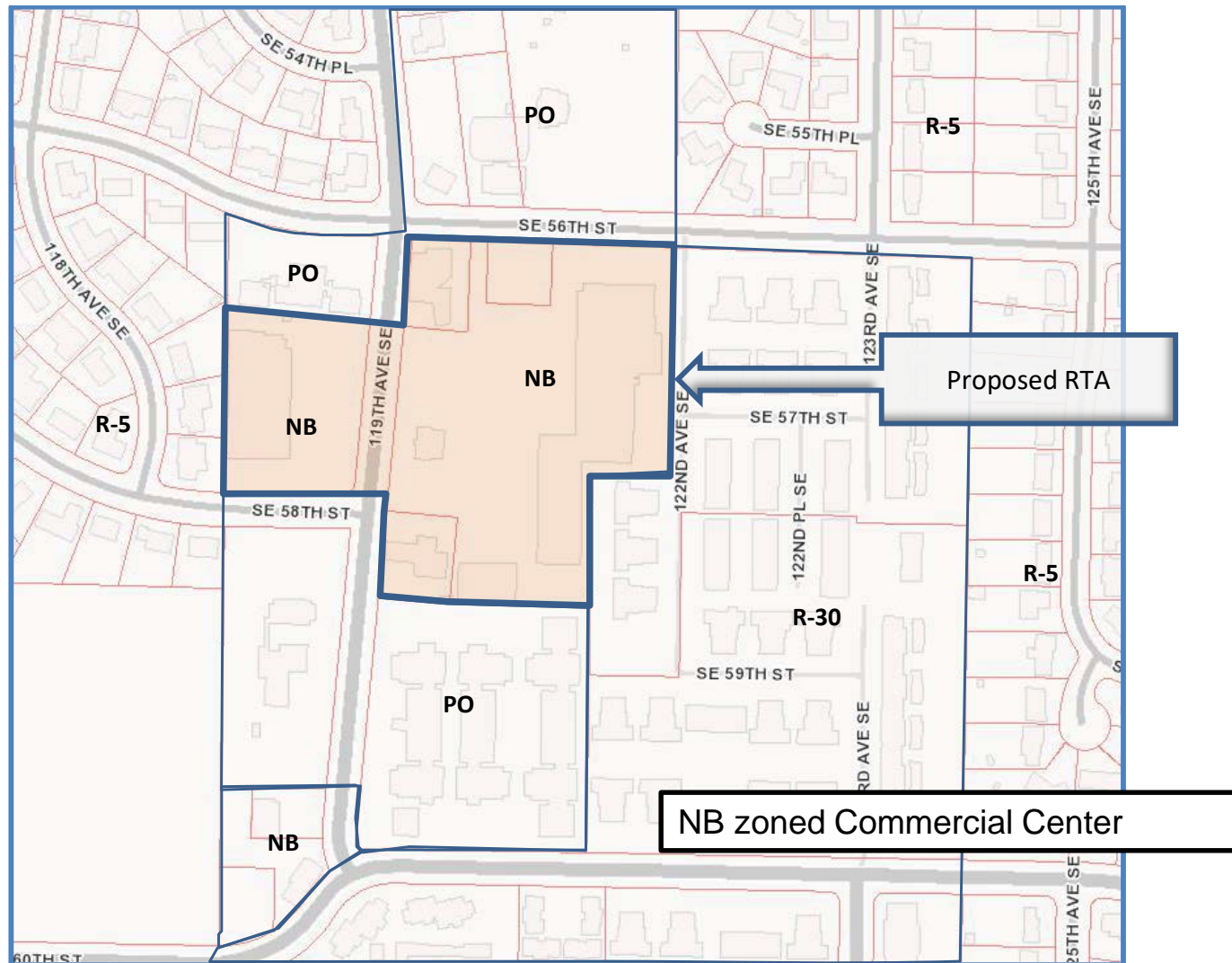
C3 Proposed Eastgate Planning Area Residential Target Area



Proposed Eastgate Residential Targeted Area (RTA)

CB = Proposed expanded Commercial Business District
EG-TOD = Proposed Eastgate Transit Oriented Development District
NMU = Proposed Eastgate Neighborhood Mixed Use District

C4 *Proposed Newport Hills Residential Target Area*



Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

2. Does program apply to existing housing?

The draft code is written to apply to only new construction

- *State legislation allows MFTE program to apply to rehab of existing housing but only when building is uninhabited or noncompliant with existing codes*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

3. Does program apply to ownership housing?

The draft code does not include program eligibility for ownership housing.

- *Exemption on ownership housing provides no direct economic benefit to the developer except for marketing (exemption benefits individual condo owners)*
- *Impractical to offer MFTE for all units where there are affordability requirements on a portion of the units.*
- *MFTE for ownership housing typically used where cities were trying to encourage housing in emerging market areas (e.g. Tacoma)*
- *Seattle & Kirkland allow for ownership housing, but exemption is only for the affordable units*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

4. How does code address displacement of existing housing or residents?

The draft code addresses displacement such that no existing subsidized housing will be lost

- *Consistent with Kirkland's MFTE program*
- *Seattle's MFTE program addresses both assistance to displaced residents and replacing lost housing*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

5. How long should MFTE program housing remain affordable?

The draft code requires units to remain affordable for 50 years

- *50 year affordability requirement provides a comparable public benefit with the MFTE program and Bellevue's other direct assistance affordable housing programs*
- *Bellevue and other ARCH cities typically have a 50 year affordability requirement when funding assistance and/or land use incentives are provided*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

6. Should program application fees be established, e.g. to recover administrative costs?

The draft code has language that city application fees will be set by ordinance

- *RCW allows for application fee not to exceed projected administrative costs*
- *Kirkland and Seattle charge application fees as well as additional fees for extensions and amendments.*
- *Kirkland's application fee is ~\$1,100; Seattle's \$3,000 - \$3,400*
- *There is a separate fee for the county assessor as required by the RCW*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

7. Should MFTE project applications be approved administratively or by Council?

The draft code has administrative approval of MFTE applications and contracts

- *Administrative approval reasonable since the code includes specific project eligibility criteria (Section 4.52.040)*
- *Code also includes annual reports to council on program activity and program assessment/ recommendations*
- *Seattle uses an administrative process for MFTE; Kirkland requires council approval*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

8. What affordability level should be required for MFTE affordable units?

The draft code proposes different requirements in different neighborhoods

Proposed Residential Target Area	Minimum % of Project Units	Affordable at or below % of KC Median Income
DT Bellevue // Eastgate	20%	45% AMI for 'micro' units 70% AMI for studio units 75% AMI for one-bedroom units 80% AMI for two-bedroom and larger units
Bel-Red	10% + 10%	10% of units at the affordability levels required in DT Bellevue / Eastgate <i>and an additional 10% of units</i> 40% AMI for 'micro' units 50% AMI for studio units 60% AMI for one-bedroom units 65% AMI for two-bedroom and larger units
Newport Commercial	20%	80% AMI for all unit sizes

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

9. Should residents of MFTE affordable units recertify their income annually?

The draft code includes language for households to recertify their income annually

- *Bellevue and other ARCH cities require annual recertification for direct funding assistance or incentive programs that create affordable units*
- *Existing residents allowed some flexibility in income limits to continue to pay affordable rent*
- *If income limit is exceeded existing residents required to pay market rent or move*
- *Ensures that the public benefit of the affordable units is serving those most in need*

Questions for Council

Attachment B: Key questions related to the Draft MFTE Code Language

10. Should the program be capped, e.g. duration or number of units?

The draft code caps the program's duration by setting a program end date at the end of 2019.

Other approaches to limit the use of a MFTE program include:

- Restrict the areas or number of properties allowed to use the program*
- Cap the number of units allowed to use the program*
- Have no explicit limitation beyond the definition of the RTAs – Use annual review process to decide if program should continue or be modified*
- The draft code uses the same approach as Seattle-- have an explicit program end date that requires council action to extend*

Multifamily Tax Exemption

Council Direction / Next Steps

To proceed with establishing a MFTE program, state law requires the following steps:

Action Requested Tonight

1. A public hearing by the council on the proposed RTAs. Notice requirements are specified in the RCW.

At a Later Date

2. Council approval of a resolution designating the RTAs
3. Council adoption of an ordinance establishing:
 - An application process and procedures including review authority, an appeal process, and fees
 - Annual monitoring and reporting process to property owners and state

Multifamily Tax Exemption 'MFTE'



Uwajimaya Village, International District, Seattle