

**BELLEVUE CITY COUNCIL  
STUDY SESSION  
MAY 26, 2015**

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**MULTIFAMILY TAX EXEMPTION  
PROGRAM (MFTE)**

# Multifamily Tax Exemption 'MFTE'

## Council Meeting Objectives

### Tonight

1. Council review and feedback on draft MFTE Code  
(See: Response to Council Comments and Questions on the MFTE Program / 'Attachment B'.)
2. Direction to finalize a final MFTE Code for formal action at an upcoming meeting.

### Next Steps (at a later date)

1. Council adoption of an MFTE ordinance

# Multifamily Tax Exemption 'MFTE'

## Council Meeting Review Materials

Staff Memo

Draft MFTE Code (public hearing version)

Response to Council Comments and Questions on the MFTE Program

Proposed MFTE Residential Target Areas (RTAs)

- Bel-Red RTA

- Downtown RTA

- Eastgate Planning Area

- Newport Hills Commercial RTA

- Crossroads Targeted Commercial RTA (Top Foods)

- Wilburton Commercial RTA

Previous Council packet materials

# **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
- Revising the program over time

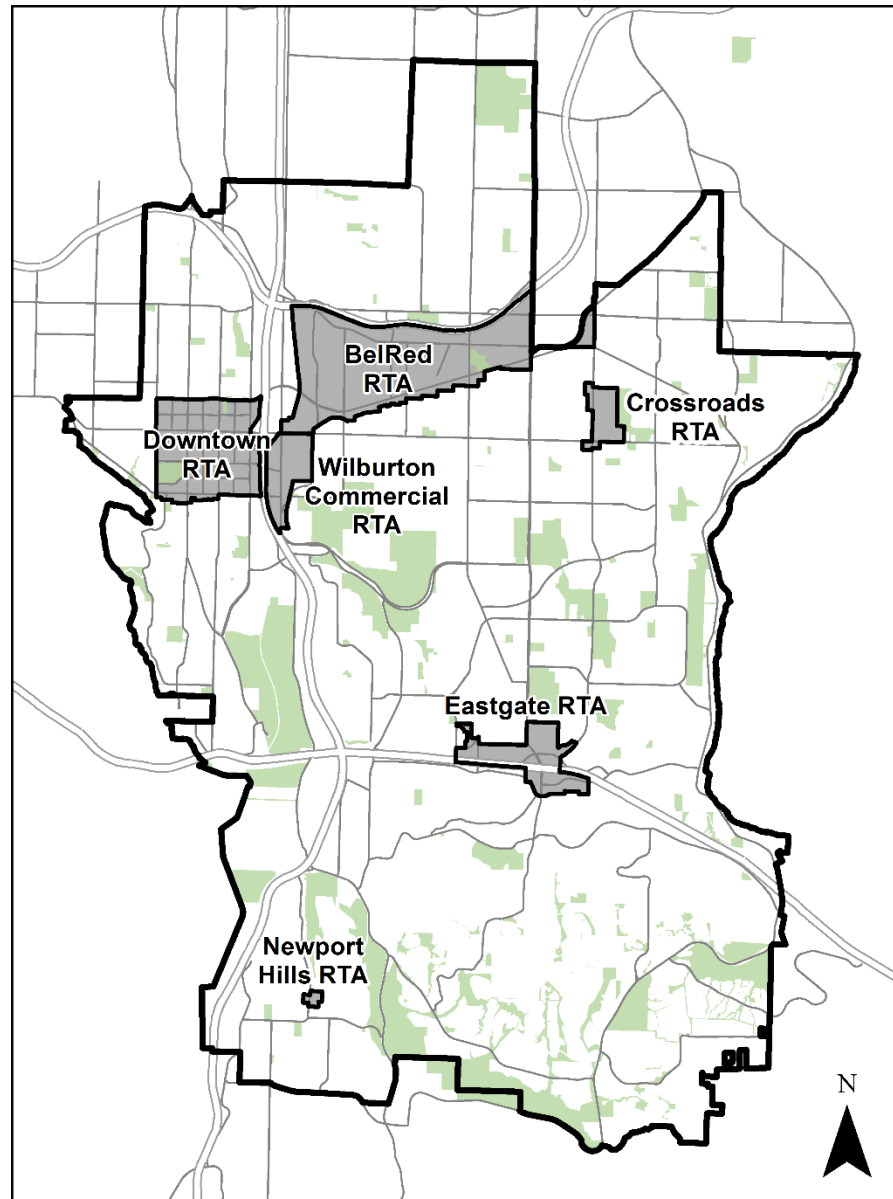
# Previous Council Meetings

- June 2, 2014: Study Session
- October 20, 2014 Study Session
- January 5, 2015 Review draft ordinance
- March 16, 2015 Public Hearing: RTA

# Draft Ordinance (January)

- Residential Target Areas (RTA)  
( See next slide)
- Length of exemption: 50 years
- 20% of units affordable
- Affordability level (see slide)
- Additional affordability in Bel-Red to account for FAR density incentive
- Only rental housing
- Phased affordability level for initial projects
- Administrative fees set by ordinance
- Annual monitoring to council
- Program expires end of 2019 unless extended by council.

## *Residential Target Areas*





# Draft Ordinance (January)

## Affordability Levels

*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

# Response to Council Comments and Questions

## Attachment B

1. Residential Target Areas: Should Newport Hills be included?

### *Potential Revision to Ordinance:*

#### **4.52.030 Residential targeted areas—Criteria—Designation—Rescission**

D. The following areas, as shown in Maps 1 through 5 in this section, meet the criteria of this chapter for Residential Targeted Areas and are designated as such:

1. Bel-Red Area;
- 2) Downtown Bellevue RTA
- 3) Eastgate Planning RTA
- ~~4) Newport Hills Commercial Area~~
- 4) Crossroads Village RTA (former Top Foods)
- 5) Wilburton Commercial RTA

# Response to Council Comments and Questions

## Attachment B

2. Housing Quality. Affordable units same quality as other units

*Potential Revision to Ordinance: Address in covenant or add language to ordinance.*

**4.52.040 (F) Project eligibility.** The mix and configuration of housing units (e.g., studio, one-bedroom, two-bedroom, etc.) used to meet the requirement for affordable units under Section 4.52.090 shall be substantially proportional to the mix and configuration of the total housing units in the project unless otherwise approved by the director. The affordable units will be constructed of similar quality as the other units in the Project.

# Response to Council Comments and Questions

## Attachment B

3. Duration of affordability. Duration of affordability should be shorter, e.g. 12 years.

### *Potential Revision to Ordinance:*

**4.52.040 Project eligibility (E).** Prior to issuing a certificate of occupancy, the owner shall record with the King County department of records and elections, an MFTE covenant in a form acceptable to the city attorney that addresses price restrictions, ..... Affordable units that are provided under this section shall continue to be made available to eligible households as affordable units for a minimum of ~~fifty~~ twelve years from the date of initial occupancy.

# Response to Council Comments and Questions

## Attachment B

### 4. Balanced Public Benefit.

*Potential Revision to Ordinance:* Achieve a cost-benefit ratio around 1.25 : 1.0 to 1.5: 1.0

a. Greater affordability levels. For the 20% affordable units, require the units to be at a more affordable level. Examples include:

- ❖ affordability levels at 60% - 70% of median based on unit size;
- ❖ all affordable units at 65% of median income
- ❖ Mix of affordability with half of affordable units at 60% of median income and half at 70% of median income.

b. Unit Mix . Ensuring a mix of housing serving a range of household sizes including families. (e.g. a minimum percentage of two and three bedroom units (e.g. 15%))

# Response to Council Comments and Questions

## Attachment B

### 5. Micro Housing. Staff update

#### *Potential Revision to Ordinance:*

##### **4.52.020 Definitions (K) “Micro Unit” means:**

A residential dwelling unit with square footage of less than ~~220~~ 300 square feet and includes: a living/sleeping area; a bathroom with a toilet, sink, and a shower or bathtub; and a food preparation area with a cooking appliance that may be portable, such as a microwave, a refrigerator, a sink, and not less than 4 square feet of contiguous countertop work area.

# Response to Council Comments and Questions

## Attachment B

6. Only for rental housing. Staff update to clarify council direction.

### *Potential Revision to Ordinance:*

**Section 4.52.040 Project eligibility (B)** The project must be new construction multifamily rental housing consisting of at least four dwelling units within a residential structure or as part of a mixed use development, in which at least fifty percent of the space within such residential structure or mixed use development is intended for permanent residential occupancy.

# Response to Council Comments and Questions

## Attachment B

### 7. Other Incentives.

Along these lines Section **4.52.090 Exemption—Duration—Affordability requirements—Limits** has separate affordability requirements in the Bel-Red area. This was to account for the FAR density bonus available as part of the Bel-Red plan and zoning regulations. City also already has impact fee waivers for affordable housing. Memo lists number of other ideas that have been presented in Seattle.

### Other questions / comments



# Multifamily Tax Exemption 'MFTE'



Uwajimaya Village, International District, Seattle