



Multifamily Tax Exemption

Program Update

Mac Cummins, Emil King, Thara Johnson,
Elizabeth de Regt

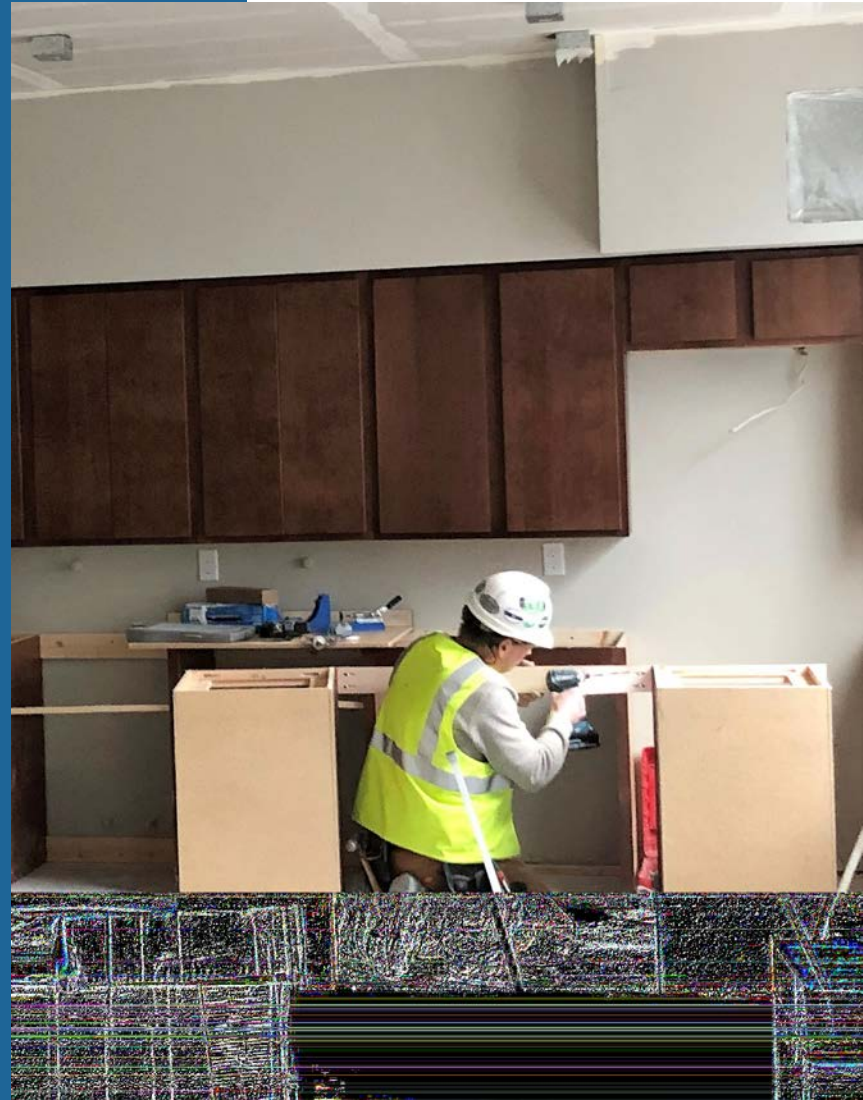
Community Development

October 05, 2020



Direction

Staff seeks direction to initiate work to update the existing Multifamily Tax Exemption (MFTE) program.





Agenda

1. Existing Program Overview
2. Program Utilization
3. Geographic Expansion Opportunities
4. Proposed Program Update Scope
5. Proposed Program Update Schedule



August Wilson Place, LIHI - 57 low-income units

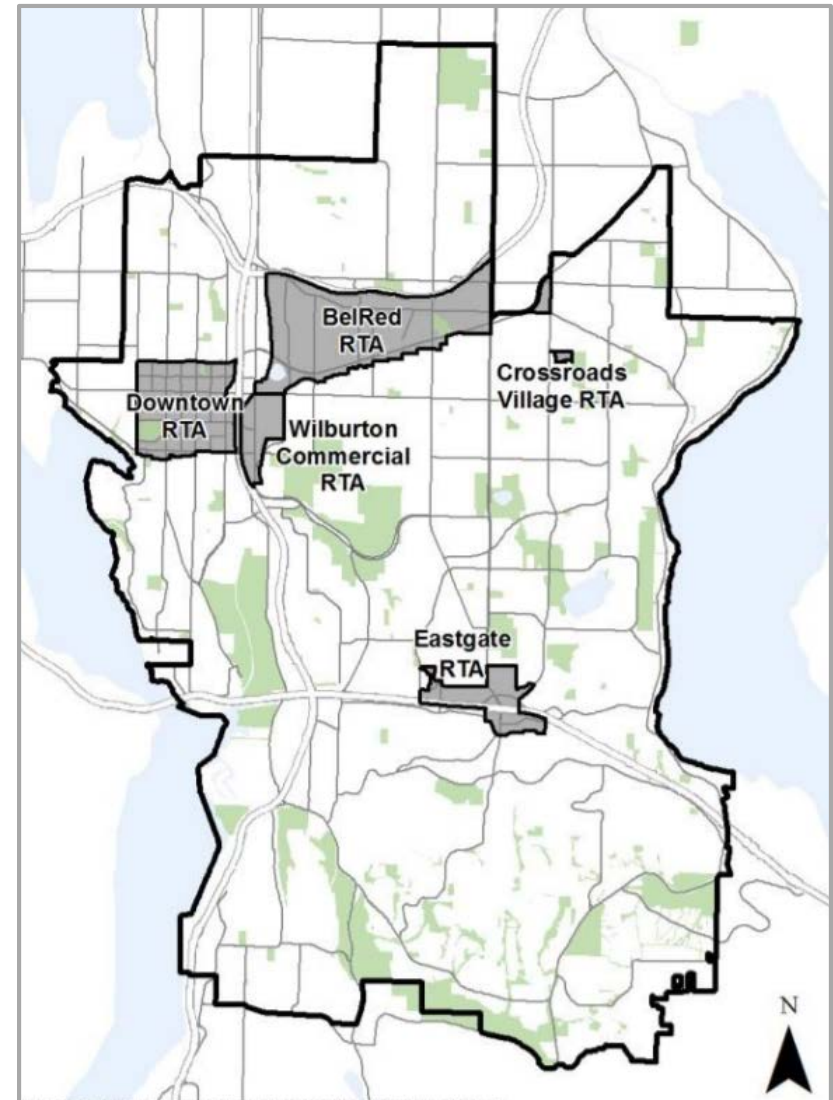


Program Overview



Program Overview

- 12 year tax exemption on residential improvements
- Provides 12 years of affordability for 20% of units
- Overlaps with incentive programs (80% Area Median Income) to create deeper affordability
- Applies only to Residential Target Areas (RTAs)



Requirements by RTA

- All areas must include 15% of units at 2+ bedrooms
- If any Affordable units are below 300 SF in size, they must be offered at 45% Area Median Income (AMI)

Location	MFTE Requirements
Downtown	20% units affordable at 70% AMI
Bel-Red	10% units affordable at 50% AMI and 10% units affordable at 70% AMI
Eastgate / Crossroads Village / Wilburton Commercial	10% units affordable at 60% AMI and 10% units affordable at 70% AMI



Program Utilization



Cerasa, MFTE - 31 affordable units

Program Utilization

- 2 projects totaling 63 affordable units have used the MFTE program since its adoption in 2015
- Both projects committed since the early 2018 Program Update
- The 2017 Affordable Housing Strategy estimated 65 units per year would be achieved through the MFTE
- Over 100 units potentially in pipeline for projects planned in the next year



888 Bellevue Tower, MFTE - 32 affordable units

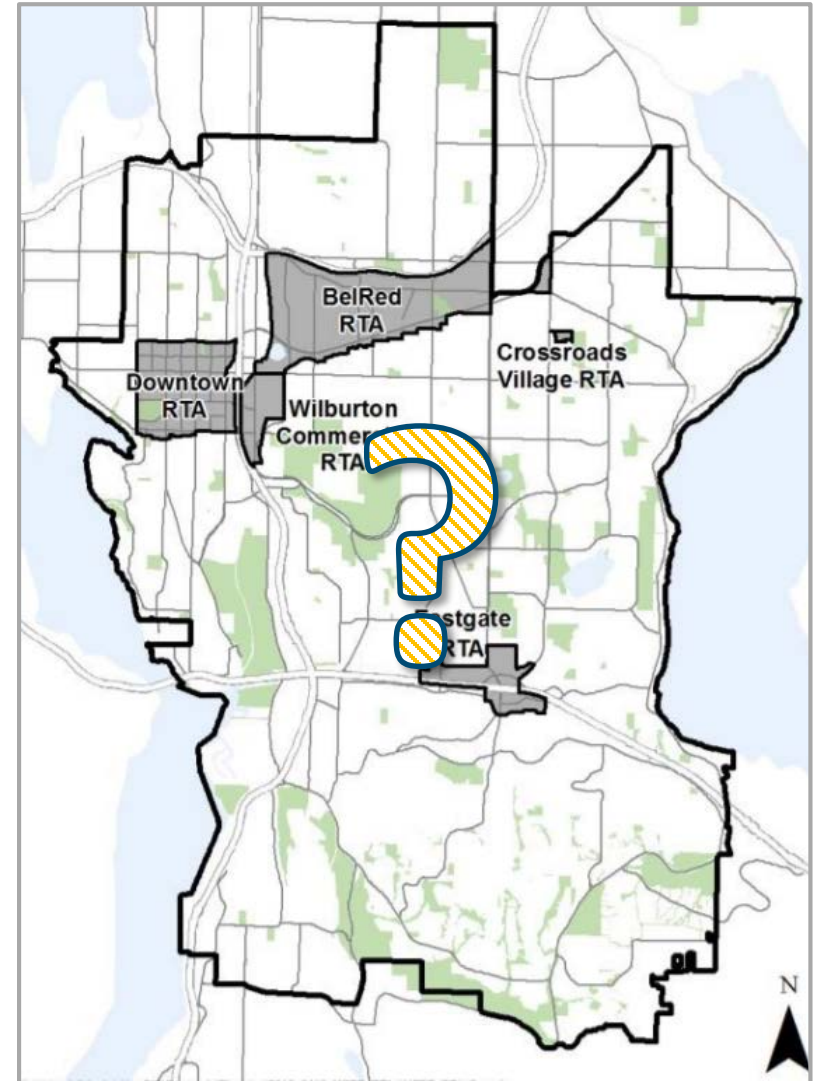


Geographic Expansion Opportunities



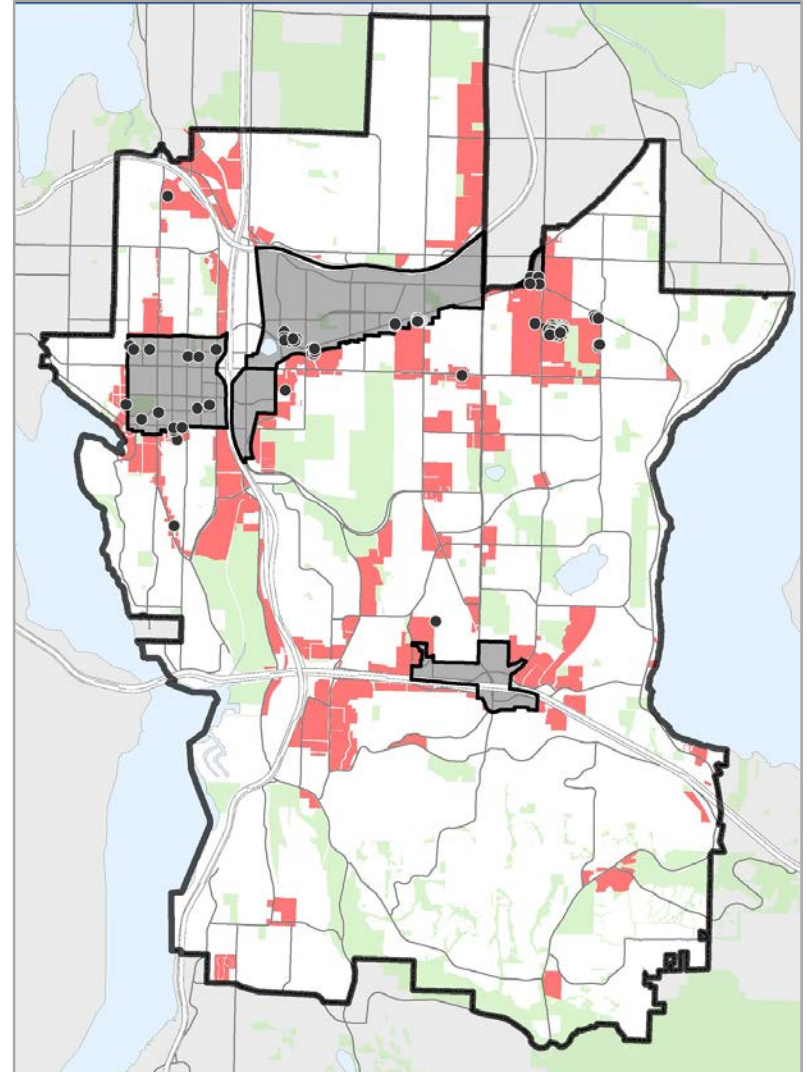
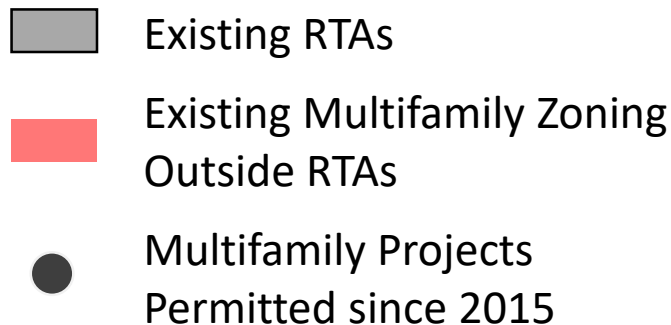
Targeted Expansion Opportunities

- Potential expanded RTA: Wilburton
- Potential new RTAs: East Main, other mixed-use areas that are expected to see development in coming years



General Expansion Opportunities

- 85.6% of multifamily units permitted since MFTE program adoption in 2015 are located in existing RTAs
- Very little development has recently occurred outside of the RTAs, but upcoming development may.





Proposed Scope and Schedule



Proposed Scope

- Program Update Goal: Increase program utilization while maintaining a commensurate balance between tax exemption and affordability provided

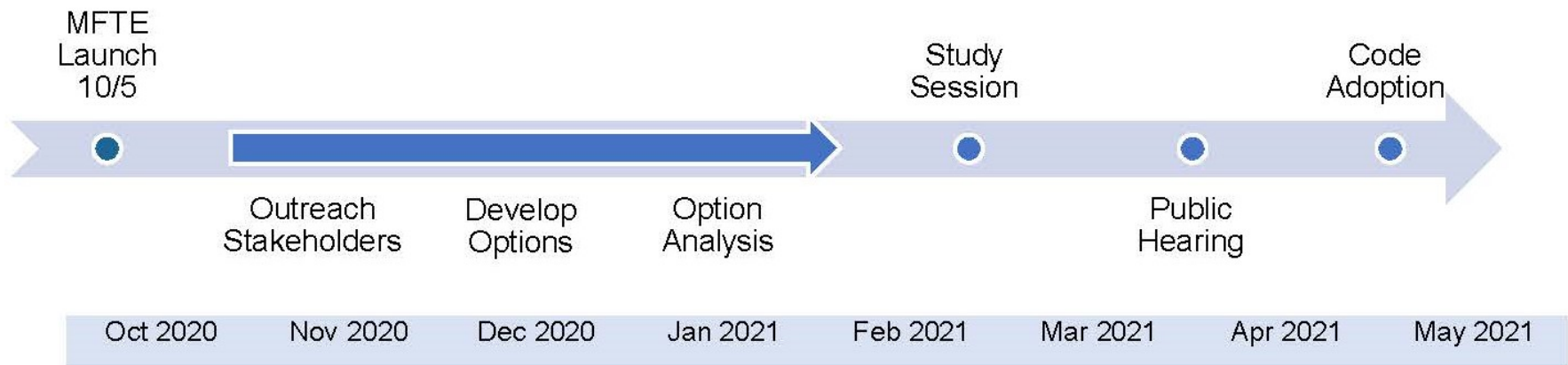


Proposed Scope

1. Outreach efforts to understand impact of existing program on developers, residents, and the community
2. Analyze expanding the program geographically
3. Evaluate updates to the existing program, focusing on but not limited to:
 1. AMI thresholds
 2. Incentive program interactions
 3. Unit mix and location within the building
 4. Program administration

Proposed Schedule

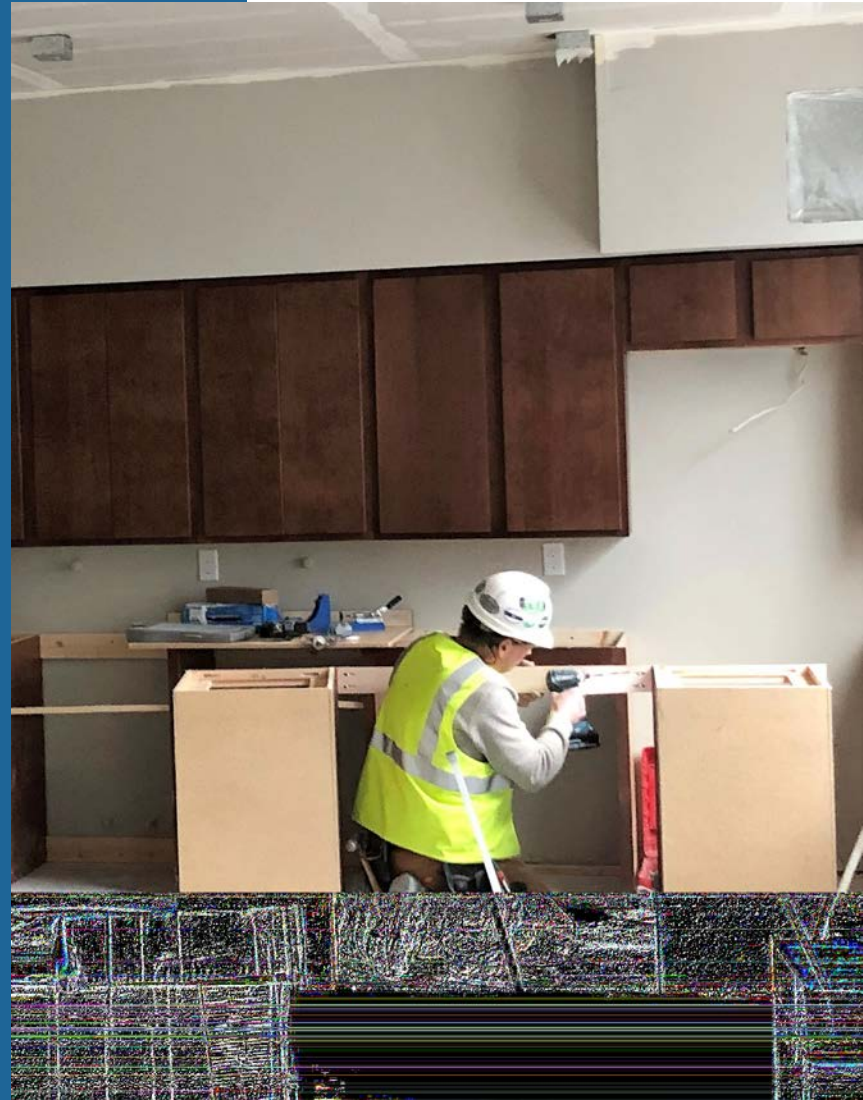
- Staff proposes returning to Council in early 2021 with a proposed set up program updates





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Comparing Cities' MFTE Programs

Provision	Bellevue	Kirkland	Redmond	Seattle
Units per Year, Last 3yrs	~20	~50	~40	~700
Year MFTE Adopted	2015	2004	2017	1999
Overlap with Inclusionary Program(s) Permitted?	Yes	Yes	Yes	No
Mandatory Inclusionary?	No	Yes	Yes	Yes
Length of Affordability	12 years	Life of Project	Life of Project	12 years
Family-sized Requirement	Yes, 15% of units	No	No	8% of units, or provide 25% affordable units
AMI Thresholds (for 12 year rental program)	45-70%, varies by location	Half at 50%, half at 80%	60-80%, varies by location	40-90%, varies by number of bedrooms
Ownership / 8-year Programs also available?	No / No	Yes / Yes (10% at 50% AMI)	No / Yes (10% at 50% or 60% AMI)	Yes / No