City of Burien

MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION: PROGRAM ASSESSMENT

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Contents

Introduction

The Multifamily Property Tax Exemption (MFTE) program in Washington State is authorized by Chapter 84.14 RCW ("New and Rehabilitated Multiple-Unit Dwellings in Urban Centers"). Under this statute, the findings in RCW 84.14.005 provide the intent of the tax exemption, which includes:

- Addressing the lack of desirable, convenient, attractive, and livable market-rate and affordable housing units in many urban centers to meet needs for growth.
- Adding needed residential units can support a mixed-income community and meet corresponding planning goals under the *Growth Management Act* (RCW 36.70A.020).
- Promoting housing growth in urban centers can help to reduce urban sprawl by reducing the need for residential development in other areas.
- Encouraging new multiple-unit housing development to support economic investment and recovery, and the creation of family-wage jobs, in urban centers.

For the City of Burien, the local MFTE program is enabled through Chapter 19.45 BMC ("Urban Center Development"). Under the purpose provided in BMC 19.45.005, the MFTE program in Burien is intended:

> *"…to encourage increased residential opportunities within an urban center, including affordable housing opportunities. It is further the purpose of this chapter to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities within these urban centers, including affordable housing opportunities."*

This memo is intended to provide a high-level summary of the enabling MFTE statute and the current implementation in Burien, and provide clear direction on recommended changes to align the program in Burien to recent amendments to the statute as well as changes in local needs.

Note that this memo relies in part on recent guidance provided on MFTE by the Washington State Department of Commerce.[1] This information source includes a more detailed explanation of MFTE programs and options, as well as other supporting materials and information.

[1] See the Department of Commerce MFTE Workbook, as well as other information provided on the Department's Multi-Family Housing Property Tax Exemption Program webpage.

Summary of Recommendations

Housekeeping Changes:

- Transfer the program from Chapter 19.45 BMC to a new chapter under Title 3 (Revenue and Finance) to ensure that taxation related ordinances are under the same Title.
- Alter the definition of "urban center" to reduce confusion with the statute, which includes a separate version distinct from the Comprehensive Plan.
- Clarify the amenity requirements for the eight-year MFTE option beyond the requirements included under BMC 19.45.020(4)(H), as the current definitions are vague and may not be explicitly linked to the benefits provided from the exemption.
- Include requirements for relocation expenses at the expiration of a 12-year exemption that are now required under RCW 84.14.020(8).
- Refine the requirements for "mixed-use" beyond the definition included under BMC 19.10.350 to include frontage/area requirements and more specific use requirements.
- Adjust other language included in the code for internal and external consistency, as there are elements from previous versions of the statute currently included in Chapter 19.45 BMC.

Changes to Existing Program Elements:

- Provide the option for allowing relocation assistance to existing residents in lieu of property vacancy requirements under BMC 19.45.030(4)(B).
- Adjust household income requirements for 12-year exemptions, as current requirements can in concept be fulfilled mostly by units affordable at 115% of median family income.
- Allow for a limited affordable housing option for the eight-year MFTE that would be less restrictive but could complement the other requirements in BMC 19.45.020(4)(H).
- Incorporate requirements and guidance for resale of owner-occupied 12-year MFTE units to minimize the risks that affordable owner-occupied units are resold at market rate before the exemption ends.
- Extend residential targeted areas under the MFTE program to include areas that will require new investment and revitalization under current planning efforts.
- Plan for the future retirement of the eight-year MFTE option once it is no longer required to incentivize new housing development.

New Proposed Program Elements:

- Provide a 12-year extension to existing exemptions to allow up to 24 years of income-restricted housing to be provided through the MFTE program.
- Create a 20-year option for affordable owner-occupied housing in cooperation with local affordable housing organizations.

- Create an auditing program for oversight of exemptions to meet upcoming state requirements under RCW 84.14.100(3).
- Mandate regular reviews of the incentive program at more frequent intervals, potentially through sunset clauses in the ordinance.
- Combine inclusionary zoning and MFTE in the long term as housing affordability becomes the main focus of the program and local rents can support greater housing subsidies.

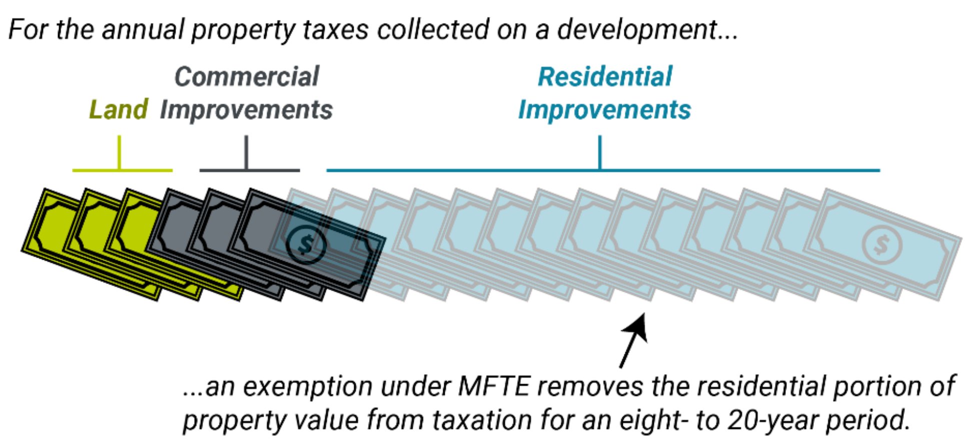
Program Overview

Statewide Framework

Cities and counties have implemented MFTE programs to provide partial property tax exemptions, to assist in achieving local housing goals. Under the enabling statute (Chapter 84.14 RCW), local governments may provide these exemptions for new construction, conversion, and renovation of multifamily residential developments.

As noted in the graphic below, this exemption only covers part of the total value of a property:

Exhibit 1. Types of Property Value and the MFTE Exemption.



Source: WA Department of Commerce

Only the residential improvements on a site have their value exempted from consideration in an MFTE program. While this can amount to a significant portion of total property value, there are some components that will remain:

- Non-residential building improvements (including commercial components of mixed-use buildings).
- Other site improvements not related to the building.
- Land value.
- In cases where MFTE is provided for a rehabilitation project, existing residential improvements are not included in the exemption.

There are three available types of MFTE programs, based on the length of exemption:[2]

- A **eight-year exemption** is typically used to support revitalization of an area with market-rate housing under RCW 84.14.020(1)(a)(ii)(A). This exemption does not have any minimum affordability requirements, and can be applied to either rental or owner-occupied housing.

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[2] Note that there is a 20-year exemption for rental properties under RCW 84.14.020(1)(C), but this provision in the statute included a 2021 deadline for implementation.

- A **12-year exemption** under RCW 84.14.020(1)(a)(ii)(B) includes a requirement for affordable units, which can be included in either a rental or owner-occupied project. The requirement under the statute is that the units must be affordable to low- and moderate-income households, which are defined as those households with incomes of up to 115% of median family income (MFI).[3]
- A **20-year exemption** is available for owner-occupied housing under RCW 84.14.021. This is typically coordinated in partnership with a nonprofit housing organization or government authority, where at least 25% of the units in a project are required to be transferred to this organization to preserve long-term housing affordability. These units are typically sold to be affordable for households at 80% MFI or below, and provisions are in place to ensure these units remain affordable upon sale to future owners.

However, not all residential projects may be eligible for the MFTE. In addition to any affordability requirements, projects must also align to certain requirements to receive an exemption:

- It must include **four or more units** in a building or group of buildings[4]. For rehabilitation projects, the project must result in four or more new units.
- The project must be **located within a "residential targeted area"** (RTA) designated by Council. RTAs must be in an "urban center", defined as a compact identifiable district with access to products and services from local business establishments, adequate public facilities, and a mixture of uses and activities.[5] There must also be a lack of sufficient available, desirable, and convenient residential housing in the area (market-rate and/or affordable housing) as determined by RCW 84.14.007.
- The project must be intended for **"permanent residential occupancy"**, with at least 50% of the building space provided for this purpose. This requirement excludes short- and long-stay temporary accommodations, such as hotels, motels, and VRBOs.[6]

Communities also have wide discretion to include additional requirements into their MFTE programs under RCW 84.14.040. This can include such elements as:

- Prevailing hourly wage rates.
- LEED Green certification standards.
- Public amenities.
- More restrictive affordability requirements.

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[3] Median family income is calculated by the US Department of Housing and Urban Development at a metro level, based on American Community Survey data. More details on the process can be found at the HUD Income Limits website.

[4] Note that previous definitions required that four or more units needed to be included within a single building to qualify under the program. This redefinition allows for an MFTE to apply to a wider range of missing middle projects, including townhomes, duplexes, and triplexes.

[5] See the detailed definition provided in RCW 84.14.010(17).

[6] VRBOs refers to "Vacation Rentals By Owner", such as AirBnBs or comparable types of accommodations.

Local Framework

The implementation of the MFTE program in Burien is managed under [Chapter 19.45] BMC. This section includes several provisions, including:

- The **overall goals and purpose** of the program, which focuses on increasing market-rate and affordable housing production and encouraging revitalization.
- The **length of exemptions offered**, which include both the eight- and 12-year exemption for rental and owner-occupied projects. Note that the 12-year exemption also requires that 20% of units in a project are set aside for low- and moderate-income households (up to 115% MFI).
- Designation of **residential targeted areas**, which currently only includes the Downtown Commercial (DC) zone.
- **Additional requirements** for the exemption, which mandates that projects applying for eight-year exemptions are mixed-use, serve residents that are 55 or older, or include public amenities as per .
- **Density requirements** that require all MFTE projects to have a density of at least 50 dwelling units per net residential lot area.[7]
- **Regular review requirements** mandate that Council assess the effectiveness of the program as part of the Comprehensive Plan update.

Program Uptake

Since 2017, a total of three projects in Burien have used the MFTE as a development incentive. Two projects were issued final certificates in 2017, including:

- **The Maverick**, a 229-unit project with 46 affordable units that received the 12-year exemption.
- **Merrill Gardens**, a 111-unit market-rate project that received an eight-year exemption.

More recently, the **Kinect@Burien** project was issued a final certificate in 2022. This included 220 units, 44 of which were set aside as affordable to qualify for the 12-year exemption.

Altogether, the program currently includes a total of 90 affordable units and 472 market-rate units, for a total of 562 multifamily units. In comparison, 589 multifamily units[8] were completed in Burien between April 2016 and April 2022 as per the state Office of Financial Management (OFM).[9] This highlights that a significant proportion of recent multifamily development in the city has relied on this incentive.

[7] This is calculated under BMC 19.45.030(4)(G), and prorates the net area of the site based on the residential versus nonresidential components to calculate "net residential density".

[8] This includes duplexes, triplexes, and fourplexes.

[9] Note that data from OFM is reported from April 1 to March 31 of each year.

Tax Impacts

Sources of Funding and Tax Shifting

One of the difficult questions with evaluating a local MFTE program is simply: "Where does the money come from to pay for the exemption?" While the straightforward answer is that property tax revenue remitted to the City is reduced, this question can be much more complicated given the complexity of the Washington property tax system.

Due to this complexity, tax impacts from MFTE can be distributed in two ways:

- **Tax revenues foregone** by the jurisdiction and not collected, which can reduce total tax revenues to cities and other jurisdictions.
- A **shift of tax obligations** to all other payers of property taxes that offset the losses from the exemption.

The relative impact of these effects is associated with practices related to the property tax levy lid under RCW 84.55.010. This limits property tax levies to no more than a 1% increase in revenue from the assessed value from the previous year. While this restricts how much cities and other districts can raise property taxes, projects that receive MFTEs can often increase that total levy in calculations of the total taxes to be received. Under WAC 458-12-342, assessors must assess property value during construction and add this partial improvement value to these levy limits, which may not be removed from the total levy amount before the final certificate for exemption is received and the exemption begins.[10]

Therefore, the amount of tax shift versus deferred revenue depends on two factors:

- **Practices of county assessors** in considering these exemptions, including how exemptions are tracked and managed.
- The **timing of construction**, with larger multi-year projects and projects completed early in the year raising the levy lid higher than smaller projects completed late in the calendar year.

In practice, most of the obligations for deferred taxes are shifted over to other taxpayers given current state regulations on assessment practices. Preliminary calculations suggest that these increases in property tax obligations could be around $30–40 for homeowners in areas with active MFTE programs, but this strongly depends on the size of the district and the amount of activity. This does mean that the fiscal impacts to communities may be smaller than expected given the value of the tax exemptions provided, but it also requires clear, transparent communication with the public on the implications of this tax shift.

Impacts on Other Taxing Districts

Cities are not the only districts impacted by an MFTE program. Other jurisdictions, including both senior jurisdictions like the state and county governments, as well as school districts, port districts, park districts, and other special districts will also be impacted by MFTE.

As noted above, the typical impacts of MFTE are to shift tax obligations to other taxpayers within a district, including for these jurisdictions. However, if there are taxes deferred for some reason through an

[10] Note that this is also true with other types of property tax exemptions, such as exemptions granted to seniors.

MFTE program, some special districts that are more dependent on property taxes than others (e.g., parks or fire districts versus port districts) will experience fiscal effects. Similarly, as MFTE exempts properties from all ad valorem taxation, this will also include special levies.

This can be especially frustrating for these special districts, as there are currently no requirements for cities to notify these jurisdictions about their intentions to create or modify an MFTE program. While the impacts can often be minimal, engagement and outreach with these districts can be useful to ensure proper coordination.

Other Tax Revenue Impacts

While the focus of discussions on the fiscal impacts of MFTE are typically related to property tax revenue, note that there can be other indirect tax impacts resulting from projects incentivized by tax exemptions. This can include:

- Sales taxes from construction
- Real estate excise taxes (REETs)
- Impact fees, connection charges, and other development fees
- Non-exempt property taxes, such as land values
- Increases in local sales taxes from resident spending
- Increases in state-shared revenue from an increased population

Again, these impacts are challenging to calculate. While estimates can be made for each of these values, these effects are wholly dependent on whether the MFTE program was the incentive that determined if a given project would go forward. While this revenue can be notable, especially when calculated over the long term, a project that would have proceeded without the MFTE program would contribute this revenue to the city (and other jurisdictions) regardless of whether or not the tax exemption was received.

Similarly, these tax impacts are less applicable with respect to the 12- and 20-year MFTE options, especially if these incentives are only focused on supporting affordability and market-rate development would otherwise proceed in an area. In these cases, the incentives are mainly focused on supporting a subsidy for housing affordability, and will not directly incentivize development.

Considerations for Tax Impacts

Given the tax implications discussed in this section, there are several considerations that the City should keep in mind for the MFTE program.

- **Lower revenue impacts to the City from the program.** Overall, the net effects of an MFTE program on municipal tax revenue are smaller than what the actual value of the exemption to the developer would suggest, given the tendency for tax obligations on MFTE properties to shift to other taxpayers and that other taxing jurisdictions are also affected. This can mean that the program will be more fiscally sustainable for communities, although there may be some potential for deferred revenue.
- **Public concerns about tax shifting and the application of MFTE.** Conversely, the notion of shifted tax obligations may place the local MFTE program under greater public scrutiny, especially if the community believes that these incentives are used for high-end housing that has lower public benefit.

It is very important in these cases to be open and transparent about these considerations, and clearly define the policy goals and the nature of these exemptions to the community.

- **Communication with special districts on the tax effects is important.** There are often concerns by special districts that are strongly dependent on property tax revenue that MFTE programs will reduce their tax revenue and abilities to provide services. In these situations, it can be essential to inform these districts of any intentions to change these programs and review any potential revenue impacts to these districts.
- **Indirect impacts on tax receipts can be unclear.** While there is the potential that an MFTE program can lead to positive, indirect fiscal impacts, especially if the program is successful at revitalizing a specific neighborhood by increasing local investment, tying specific impacts to the program can be extremely challenging. Similarly, unless there are widespread effects that would not have otherwise occurred without the program, it can be challenging to link tax exemptions to increases in these tax receipts.

Recommended Program Changes

Overview

Based on a review of Chapter 19.45 BMC, there are different recommendations for changes to the City's current MFTE ordinance, including:

- "Housekeeping" changes to reduce confusion and provide consistency with the current version of the statute.
- Changes to existing program elements to provide for a more efficient use of the MFTE program to meet current goals.
- New program elements to accommodate new elements in the MFTE program in Burien.

Housekeeping Changes

Several changes are strongly recommended to provide alignment with current statues and model code language. Although these will not substantially change the function of the program, they can reflect many of the provisions already required by the state in Chapter 84.14 RCW. Other changes are also included here to improve clarity and reduce potential confusion in the current program.

These recommendations include the following:

- **Transfer the program from Chapter 19.45 BMC to a new chapter under Title 3 (Revenue and Finance).** Under most MFTE programs, code elements are included under the titles reserved for taxation and finance. While this is not universal across all communities, this can allow incentive programs such as MFTE that impact municipal revenue to be categorized in a consistent way. This can also be important if the MFTE is applied outside of what is defined as an "urban center" under the current code.
- **Alter the definition of "urban center" to reduce confusion with the statute.** The definition of "urban center" in BMC 19.45.010(12) links the ordinance to the Comprehensive Plan definition of an "urban center". However, this is not the same as the definition under RCW 84.14.010(17). In fact, this may restrict the City from extending the program to multifamily residential areas that may be outside of designated urban centers in the Plan (or even not including some portions of urban centers in the MFTE program). To this end, this definition should be removed, or possibly replaced with language to clarify the difference between the local and state definitions of "urban centers", which may retain requirements under BMC 19.45.020(1)(A) to be found within a designated urban center under the Comprehensive Plan.
- **Clarify the amenity requirements for the eight-year MFTE option.** As noted previously, under BMC 19.45.020(4)(H) the City mandates that for an eight-year MFTE exemption a development must:
  - be classified as "mixed use" as per BMC 19.10.350;
  - include a complete public benefit feature from BMC Table 19.15.025.1; or
  - be designed, marketed, and managed as housing for those 55 and older.

Although these requirements are permitted under RCW 84.14.030(2) and 84.14.040(8), "required amenities should be relative to the size of the project and tax benefit to be obtained". However, the necessary level of compliance for this requirement is not clear solely from BMC Table 19.15.025.1. While this is intended to be at the discretion of the Director, additional review and guidance may be required from the City to ensure that the value of these amenities both provides adequate public benefits and does not overly burden developers.[11]

- **Include requirements for relocation expenses at the expiration of a 12-year exemption.** Note that changes included under RCW 84.14.020(8) mandate that new 12-year exemptions issued under a local MFTE program must include requirements for property owners to provide relocation expenses to tenants. This applies once the exemption expires for any tenant of a rent-restricted unit, and is expected to be equal to at least one month's rent. To address this requirement, this should be specifically included under this section in the code, as well as explicitly defined in application materials and the contracts issued.
- **Refine the requirements for "mixed-use".** The definition included for "mixed-use" under BMC 19.10.350 defines this term as "a project or building that combines non-residential use with dwelling units". Although this is technically correct, these requirements in other MFTE program also often specifies that these uses should be ground-floor commercial or institutional uses (or comparable activities), and fix a minimum amount of floor area or frontage to qualify for the exemption to encourage active streetscapes.
- **Adjust other language included in the code for internal and external consistency.** There are several examples of MFTE code language that is inconsistent with the present version of Chapter 84.14 RCW, internally inconsistent with other elements of the code, or otherwise unclear in the case of questions that could arise about the document. While these elements will not invalidate the program, they can increase confusion with the document. These changes include the following:
  - BMC 19.45.001: References to a "ten-year multi-family tax abatement program" should be remove, as this is no longer offered. Similarly, elements related to the ten-year program included under BMC 19.45.030(2)(A) should be removed as these exemptions are no longer active.
  - BMC 19.45.010(5): The definition for "high-cost area" should be removed as this term is no longer used in the statute.
  - BMC 19.45.010(9): While generally included under consideration of "permanent residential occupancy", short-stay "vacation rentals by owner" units (e.g., AirBnB) should be explicitly mentioned in this definition.
  - BMC 19.45.020: The term "residential target area" should be used as a consistent phrase in this document, especially in this section. For example, the title of BMC 19.45.020(3) should be adjusted to keep this terminology consistent.

[11] Also note that ensuring compliance with the 55+ housing requirement may need to be considered as part of compliance monitoring and auditing, and an affordable housing option could also be used to meet this requirement. These components are discussed later in this memo.

Changes to Existing Program Elements

Aside from regular changes to accommodate program consistency, there are some additional changes that, while minor, may fine-tune the existing structure of the program. These recommended changes, while not essential, can help to address certain issues that may exist in the current implementation of the program and impact the flexibility and applicability of the program.

These recommendations include:

- **Provide the option for allowing relocation assistance to existing residents in lieu of property vacancy.** Under BMC 19.45.030(4)(B), there are several provisions that prevent existing residents from being displaced for redevelopment or rehabilitation projects that use the MFTE program. However, under RCW 84.14.020(1)(e) and 84.14.030(5), there are provisions that allow for mitigation measures that can "provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate". The option of providing relocation expenses for existing tenants should be explored to allow for more flexibility in cases where property owners are interested in redevelopment, and may be willing to evict current residents to maintain compliance with the existing requirement.

- **Adjust household income requirements for 12-year exemptions.** Under BMC 19.45.030(2)(B)(ii), a project can qualify under the 12-year extension if it provides units for "low and moderate-income households". According to current legal interpretations of this requirement as per RCW 84.14.020(1)(a)(ii)(B), meeting income restrictions as including both "low and moderate" can mean that only one unit needs to be rented to a household making 80% of median family income (MFI) or below, while the remaining units can be rented to households making up to 115% MFI. Assuming all utilities are paid by the tenant, rents for a one-bedroom in 2022 in Burien could be as much as $2,400–2,500 per month and still qualify as "affordable" under the MFTE requirements. Lowering this for rental properties to including only low-income households at 80% of MFI (or lower) can help to ensure that the exemption is used specifically for accessible, affordable housing options instead of units that will effectively be at market rate.

- **Allow for a limited affordable housing option for the eight-year MFTE.** As noted previously, BMC 19.45.020(4)(H) includes requirements for eight-year exemptions, including options for providing public amenities, senior housing, or mixed-use in a project. Another potential option used in communities is to include affordable housing requirements, as per RCW 84.14.040(8). This new option for the eight-year MFTE should be coordinated in tandem with adjustments to the 12-year exemption noted above, providing a smaller set-aside of units and/or higher income thresholds to account for the lower benefit.

- **Incorporate requirements and guidance for resale of owner-occupied 12-year MFTE units.** The current MFTE program in Burien can apply to both rental and owner-occupied residential units (typically condominium units). While this can help to provide affordable home ownership options for households, there can be concerns about the oversight of future sales of income-restricted units. The code should include specific requirements for resale limitations during the lifetime of the exemption that ensure these properties are not sold at market rate for a windfall.[12]

- **Extend residential targeted areas.** Based on other planning work conducted as part of this project, there has been an effort to target additional areas for new development options. If these areas are viewed as a priority for development and revitalization with new residential construction, the MFTE RTAs should be extended into these locations. This will depend on where City policies intend to focus short-term development incentives. Note that extensions of this incentives to other areas may need to consider removing mixed-use requirements under BMC 19.45.030(4)(H) in locations where ground-floor commercial development is not supported.

- **Plan for the future retirement of the eight-year exemption.** It can be useful to include both the eight- and 12-year MFTE options in urban centers, especially as there may be some private-sector affordable housing projects that can take advantage of a longer exemption period.[13] However, as the intent of the eight-year option is to encourage neighborhood redevelopment, continuing this option once market rate development can occur without subsidies can result in unnecessary investments of these incentives. Therefore, the City should identify specific triggers for removing the eight-year option as the purpose of the MFTE program transitions from revitalization of key areas of the city to supporting local options for accessible, affordable housing in mixed-income environments.

New Proposed Program Elements

In addition to recommended changes to streamline the current program, there are also new aspects of the state-level MFTE framework included in Chapter 84.14 RCW that should be considered. As above, while these elements are not essential for the ongoing function of the program, these changes can help to broaden the applicability of the program and improve the ability of this tool to help achieve housing goals.

- **Provide a 12-year extension to existing exemptions.** Under RCW 84.14.020(6), the enabling statute now allows eight- and 12-year exemptions under an MFTE program to be extended for a further 12 years, provided that at least 20% of units are set aside for households at 80% MFI or below. (Note that if the 12-year requirements are tightened as suggested above, those requirements would apply here.) This can allow for up to 24 years of affordability for set asides of units in a project.

- **Create a 20-year option for affordable owner-occupied housing.** Recent revisions of the MFTE program have allowed for additional exemption options to encourage permanent affordability. While the option permitted under RCW 84.14.020(1)(A)(ii)(C) for rental housing is not currently available to Burien, there is an option allowed under RCW 84.14.021 that provides a 20-year property tax exemption in exchange for permanently affordable owner-occupied units managed in cooperation with an affordable housing organization (e.g., Habitat for Humanity). These

[12] Note that elements included under RCW 84.14.021 for the 20-year owner-occupied option could be applied here.

[13] One example of this would be a 4% LIHTC program, which is outlined by the Washington State Housing Finance Commission on their Bond/Tax Credit Program website. In such cases, there may be other affordability requirements from these programs that would be more restrictive than what the City currently has in place.

permanently affordable units must be accessible to households making no more than 80% of MFI, and must include at least 25% of the units of the project. These units must be sold to "a qualified nonprofit or local government partner" that will provide long-term oversight.

- **Create an auditing program for oversight of exemptions.** Although there are provisions for oversight and yearly reporting included under RCW 84.14.100(1) and (2), new provisions under subsection (3) mandate that regular audits of tax-exempt properties must be conducted every five years. This requirement is pending guidance from the Department of Commerce, but it does include the option for the City to create and manage its own auditing program to comply with this requirement. The City should include new provisions in the code to support an auditing program, and coordinate research to determine if a regular local auditing program could be adapted to provide oversight of all local housing incentives.
- **Mandate regular reviews of the incentive program.** As suggested above, regular reviews of the MFTE program to track performance and potential needs for policy changes can be important. Mandating regular reviews can also be important to ensure that approvals of individual exemptions are not complicated by overall opposition to certain program elements. This may be handled through clear administrative guidelines, but can also be handled through sunset provisions on the ordinance that would require regular renewal on a three- to five-year cycle.[14] This could build upon the existing review requirement included under BMC 19.45.040, but should provide a more frequent update to recognize the potential need to adapt the MFTE program to changing development conditions.
- **Combine inclusionary zoning and MFTE.** Inclusionary zoning (IZ) is allowed under RCW 36.70A.540. These provisions allow cities to mandate the inclusion of affordable housing[15] in projects in exchange for incentives, including:
    - Density bonuses
    - Height and bulk bonuses
    - Fee waivers/exemptions
    - Parking reductions
    - Expedited permitting

  Communities such as Redmond[16] and Kirkland[17] have combined IZ and MFTE to provide for increased affordability in areas with stronger markets. Under RCW 84.14.040(8), affordability

[14] Note that the City of Renton includes sunset provisions for their MFTE program under RMC 4-1-220(O). This element of the program mandates reauthorization by Council every three years.

[15] Maximum 80% MFI for owner-occupied housing, 50% MFI for rental housing, which is required for at least fifty years.

[16] Under RZC 21.20.030, Redmond generally provides that at least 10% of units in new residential projects with 10 units or more over most of the city must be affordable at 80% of median income. Under RMC 3.38.120.A.1, the Marymoor Residential Targeted Area provides an eight-year MFTE for the same 10% of units at 50% of median income, allowing the MFTE to be granted as an additional incentive.

[17] Under KZC 112.15, multifamily projects of four units or more in Kirkland typically require at least 10% of units as affordable to 80–100% MFI (for owner-occupied units), or 50% MFI (for rental units). These units remain affordable for the "life of the project" for rental projects or fifty years for owner-occupied projects through a covenant. The eight-year MFTE

requirements under these MFTE programs were extended to be permanent. The property tax exemption provided additional support for the base IZ requirements under the eight-year option, and incentivized further affordability through the 12-year option.

While this is a strong option to support long-term affordability, this requires a particularly strong residential development market with higher rents to function properly. As such, the potential for this type of program should be explored as part of mid- to long-range changes to the MFTE program once incentives are no longer required to support market-rate development for revitalization.

exemption is aligned with these mandatory IZ requirements, and the 12-year exemption is provided if an additional 10% of units are set aside for households making 80% of median income or lower.