

The background features a white central area with decorative elements. At the top left, a dark grey triangle points towards the center. To its right, a grey area with a fine grid pattern extends across the top. At the bottom left, another grey area with a fine grid pattern points towards the center. To its right, a solid orange triangle points towards the center.

Adopting a City Multifamily Property Tax Exemption (MFTE) Program

City Council

May 4, 2021

Meeting Purpose



Overview of a State Multifamily Property Tax Exemption (MFTE) Program



Review Planning Commission Policy Recommendations



Confirm Scheduling Council Public Hearing on Proposed MFTE Designation Area(s)

City Policy Support for Adopting MFTE

- [2017 Comprehensive Plan
Housing Element Policy HO 4.4](#)
- [2018 Affordable Housing Task Force
Final Report Recommendation 1.C](#)
- October 2020 Joint Land Use
Subcommittee Recommendation

What is the State Multifamily Property Tax Exemption?

- MFTE is a property tax relief program authorized by Washington State ([RCW 84.14](#)).
- Temporary exemption from property taxation on the residential improvement value.
- Financial incentive to encourage development and redevelopment of multifamily and affordable housing.
- Tax exemption on residential improvements begins once a multifamily housing development is built and completed.
- Monitoring and reporting required.

MFTE Programs Vary by Duration of Property Tax Relief

- 8-Year MFTE Program: No state minimum for affordable housing, local governments may add requirements
- 12-Year MFTE Program: Requires 20% (rentals) or 100% (ownership) of units within a development set aside for affordable housing
- 20-Year MFTE Program: WA Legislature Newly Approved for nonprofits that requires 25% of units to be permanently affordable housing
- City could adopt any or all of MFTE programs above. City Council directed staff to develop a 12-year MFTE program. Since then, a new 20-year program is available.

Income Requirements for MFTE Affordable Units:

8-year Program no Affordable Units Required

12-year Program up to 115% AMI

20-year Program up to 80% AMI

NOTE: A person earning \$15/hour working full-time= \$31,200 Gross Annual Income

CITY OF BAINBRIDGE ISLAND
2020 MEDIAN INCOME LIMITS BY HOUSEHOLD SIZE
FOR REQUIRED AFFORDABLE HOUSING UNDER MFTE PROGRAM

Median Income Limits by Category (BIMC 18.21.020)	Household Size							
	1	2	3	4	5	6	7	8
100% of Median Household Income	\$64,190	\$73,360	\$82,530	\$91,700	\$99,036	\$106,372	\$113,708	\$121,044
≤ 30% of Median Household Income	\$19,250	\$22,000	\$24,750	\$27,500	\$29,700	\$31,900	\$34,100	\$36,300
31% - 50% of Median Household Income	\$32,100	\$36,700	\$41,300	\$45,850	\$49,550	\$53,200	\$56,900	\$60,550
51% - 80% of Median Household Income	\$51,350	\$58,700	\$66,050	\$73,350	\$79,250	\$85,100	\$91,000	\$96,850
81% - 95% of Median Household Income	\$60,981	\$69,692	\$78,404	\$87,115	\$94,084	\$101,053	\$108,023	\$114,992
115% of Median Household Income: Maximum Affordable Housing Income for State MFTE regulations	\$73,819	\$84,364	\$94,909	\$105,455	\$113,891	\$122,328	\$130,764	\$139,201

MFTE Is A Property Tax Shift During Exemption Period (8, 12 or 20 years)

- Tax exemption on residential improvements (not land or commercial improvement) begins for tax year after a multifamily housing development is built.
- Amount of MFTE property tax exemption shifts to other taxpayers for.
- Example: This year in Bremerton, MFTE project exemptions totaled \$58 million, resulting in an estimated \$24 increase for a home assessed at \$300,000.
- Example: In 2021, if BLIS Apartments were enrolled in a MFTE program, an estimated \$16 would be added to the property taxes for a home assessed at \$800,000.

A City MFTE Program Would Not.....

- Modify City zoning or environmental regulations
- Modify City development standards such as building height or density
- Modify or reduce required land use permit processes

To Enroll in a MFTE
Program, a Multifamily
Housing Developer
Must...

- Apply for any required land use permits (e.g. Site Plan Review permit) and go through permitting process to obtain land use approval.
- Apply for MFTE approval during building permit review.
- Enter into contract with City to ensure compliance with any conditions
- Once project completed and exemption approved, submit annual reports to City

To Administer a MFTE
Program, City Staff
Will...

- Develop MFTE application and reporting forms
- Review MFTE applications for compliance with City code and State law
- Communicate with developer to collect annual reporting information
- Submit reporting information to State Department of Commerce annually

Planning Commission MFTE Policy Recommendations

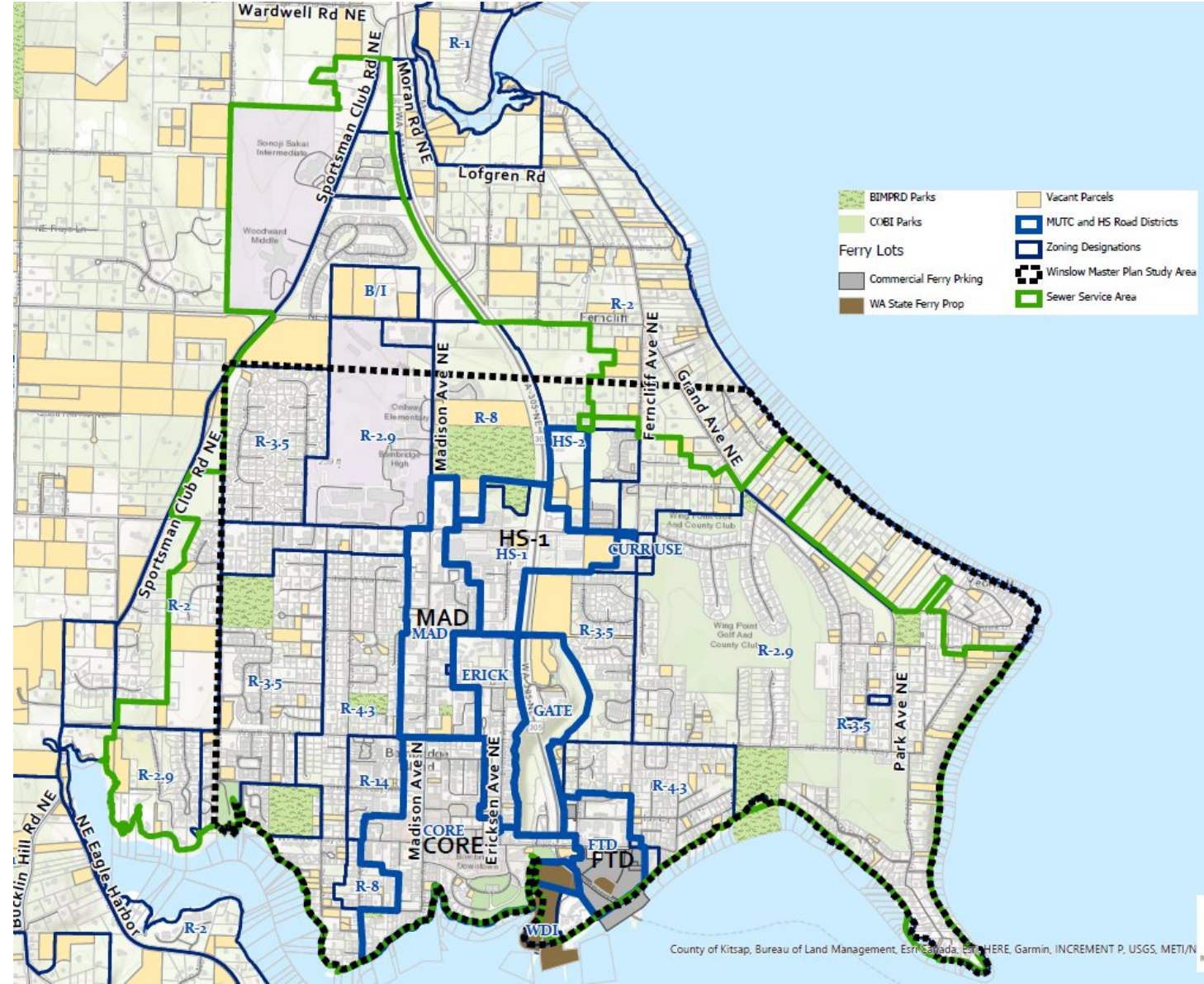
February 11, 2021

1. Project Threshold: Projects must create at least 4 multifamily units to be eligible for City MFTE program, (same as state law, [RCW 84.14.030](#)).
2. Rentals & Homeownership: City MFTE program should be available to both rental and homeownership projects.
3. MFTE Program Eligibility Areas:
 - Winslow Master Plan Study Area
 - Winslow Sewer Service Area
 - Lynwood Center Area: NC, NC/R-12 and R-5 zones

Planning
Commission
Recommended
MFTE Program
Eligibility Areas:

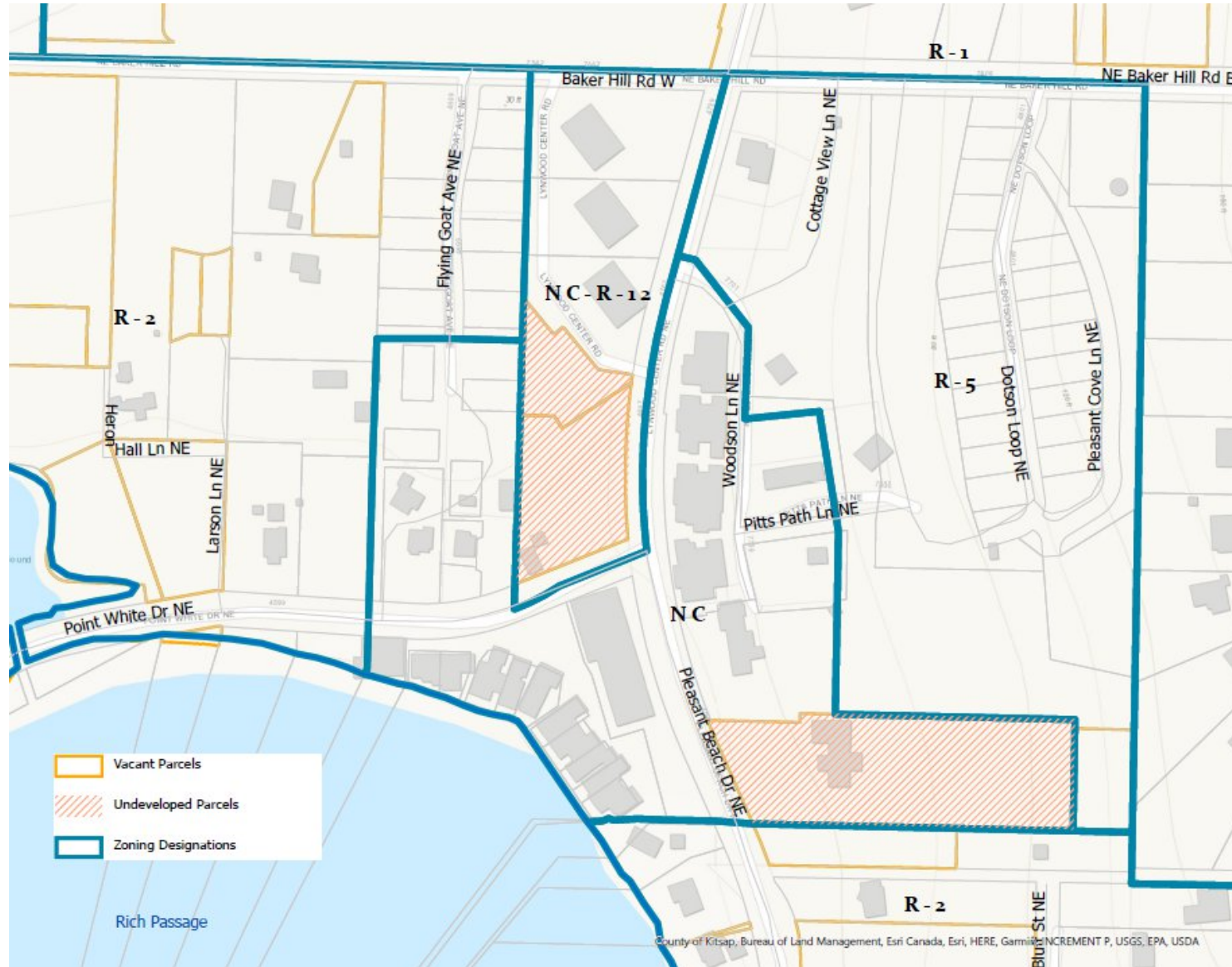
Winslow Master Plan
Study Area
(black dotted line)

Winslow Sewer
Service Area
(green line)



Planning Commission Recommended MFTE Program Eligibility Areas:

Lynwood Center Area:
NC, NC/R-12 and R-5 zones



Council Direction



Confirm moving forward with developing City MFTE Program



Confirm Preliminary MFTE Program Elements:
Minimum Project Size
MFTE Eligibility Areas



Confirm Scheduling City Council Public Hearing on Proposed MFTE Eligibility Area(s) for June 8

Next Steps for Developing City MFTE Program

1. Begin Outreach for Eligibility Area Public Hearing
2. Hold Public Hearing on Eligibility Areas: Tentative Date June 8
3. Draft Ordinance for New MFTE Chapter in Bainbridge Island Municipal Code (BIMC, Title 3 Revenue and Finance)
4. Ordinance Review and Adoption by City Council (estimate Q3 2021)