



DATE: August 29, 2024  
TO: Planning Commission  
FROM: Ryan Windish, Community Development Director  
RE: **Amending MFTE Code for 2024 Comprehensive Plan Update**

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### **Background**

The City Council first adopted a Multifamily Tax Exemption (MFTE) program in 2019 for the Town Center and it included both an allowance for an 8-year exemption for market rate projects and a 12-year exemption for affordable housing development. In 2022, the City Council expanded the residential target areas to include a portion of the East Sumner Neighborhood, but only for the 12-year exemption with the intent of providing an incentive for housing affordable to low and moderate-income households.

The MFTE is a tax incentive for the purpose of expanding affordable housing options within designated areas “residential target areas.” Properties qualifying for the tax exemption do not pay property taxes on the value of new housing construction, conversion or rehabilitation. However, the exemption does not apply to the value of the land itself or non-residential improvements to the property. A local government may choose to offer an 8-, 12-, or 20-year tax exemption. Twelve and 20-year programs must require that a certain percentage of the housing be affordable to low or moderate-income households.

During the 2024 Comprehensive Plan Periodic Update process, as mandated by the state Growth Management Act (GMA), the City is required to implement policies that will accommodate housing for all income bands. The City is considering a number of measures to increase incentives for affordable housing, especially for households earning below 80% of the area median income (AMI).

Therefore, at this time, the City Council is considering amendments to the MFTE program such that it would make two changes:

1. Within the Town Center remove the 8-year market rate MFTE and only allow it for the 12-year MFTE for affordable developments;
2. Expand the residential target area in East Sumner to include the entire East Sumner Neighborhood Plan area.

### **Development Impacts**

There have been a few projects interested in the MFTE option. In East Sumner, The Sumner Mill apartments, 166 units with 33 affordable units, obtained a final certificate of exemption in 2024. In the Town Center, the 1228 Fryar Avenue development (under construction) has 127 units and has received a conditional certificate of exemption for a market rate project. The same developer is planning to build the Kincaid Mixed Use project on the old Red Apple Market. He has indicated that he will be applying for an 8-year market rate exemption for the 180 apartments. Changing the Town Center MFTE allowance to only be for affordable housing may impact this property. They can still apply for the 8-year and it would be vested for up to 5 years.

### **Public Outreach**

The City Council will be holding a public hearing on the Comprehensive Plan and implementing ordinances including amendments to the MFTE program. Notice will be provided via the City website, newspaper and other city methods.

### **Conclusion**

The proposed changes to the MFTE program would have the effect of creating more opportunities and incentives for affordable housing projects consistent with the goals and policies of the Comprehensive Plan and consistent with the requirements of GMA.