

FROM THE OFFICE OF WES CORNELIUS, CHELAN COUNTY ASSESSOR
ERIN FONVILLE, ASSESSMENT ADMINISTRATIVE MANAGER

MULTI- FAMILY TAX EXEMPTION (MFTE)



AGENDA

- Welcome & Introductions
- What is a Multifamily Tax Exemption (MFTE)?
- What are the impacts of adopting a MFTE?
- Questions?

MFTE HISTORY

- [RCW 84.14](#) provides opportunities for cities and counties to encourage the development of multifamily housing in certain areas.
- The program was originally focused on economic development and the creation of new multifamily housing.
- Overtime has changed to become a tool to support the development of affordable housing as part of the growth management act (GMA).
- Prior to 2021 smaller cities were not eligible to adopt a MFTE.
 - The legislature passed E2SSB 5287 allowing a wider number of cities and counties to develop 12-year MFTE programs among other changes.

MFTE OVERVIEW

- To be eligible, the project must have at least four residential units that can be new construction, a conversion or rehabilitation.
- The MFTE only applies to the value of all residential improvements for the project.
- The MFTE applies to the entire tax parcel and not just a portion.
 - E.g. The project has 20 out of the 100 units constructed rented as affordable housing. All 100 units would receive the exemption.

- Property owner does not have to pay property taxes on the residential improvements for the term of the MFTE.



- Property owner still pays property tax on the land and any non-residential improvements (e.g. commercial portion of a mixed-use building)



MFTE TYPES

- **8-year**: No requirement to provide affordable housing. Used to promote market-rate housing construction in neighborhoods where new housing investments are needed. **City of Leavenworth is not considering this option*
- **12-year**: At least 20% of the housing units must be set aside for low and moderate rate income households.
- **20-year**: At least 25% of the housing units must be sold to low income households, with a nonprofit or government agency sponsoring the sale.

MFTE OVERSIGHT

- The City is responsible for monitoring and ensuring that the property use continues to meet the MFTE requirements.
 - The property owner is required to submit annual reports to the city to continue to qualify for the exemption.
- Washington State Department of Commerce
- Joint Legislative Audit Review Committee(JLARC)

MFTE NON-COMPLIANCE

- If the City finds during their monitoring that the project is not in compliance with the MFTE requirements:
 - The City can cancel the exemption and notify the Assessor
 - Owner would need to pay back the exemption for the period of time they were non-complaint plus a 20% penalty.



IMPACTS OF ADOPTING A MFTE

TAXPAYERS AND TAXING DISTRICTS



MFTE IMPACTS

The Impacts can be distributed two ways:

- Foregone tax revenues that are not collected, which reduce total revenue for a city and other taxing districts
 - The City would reduce their certified levy request by the amount of the MFTE.
 - This would eliminate the levy shift for the city but would still affect the remaining tax districts.
- A shift of tax obligations to all other property tax payers in these districts, where there is an increase in taxes collected to offset the losses from the exemption.

TCA 606 TAX DISTRICTS

- State School
- City of Leavenworth
- Chelan County (Current expense, veteran's health & mental health)
- Library
- Port
- Cascade SD 228
- Chelan County Fire District #3
- Hospital #1
- Upper Valley Park & Rec
- Flood Control

TAXING DISTRICTS LEVY LIMITS

The MFTE can affect the taxing districts levy limits by way of:

- The new Construction value of the MFTE project is excluded from the levy limits calculation which reduces the total levy limit.
- The reduction in the total levy limit could impact the tax districts banked capacity if the district is not levying as much as they legally can levy.
 - Banked capacity is the difference between what could have been levied and what was levied.

Highest lawful levy (HLL) + 1% + new construction (NC)

CITY OF LEAVENWORTH GENERAL				
		w/\$25M	w/o \$25M	delta
2023	HLL	\$708,851.45	\$708,851.45	
	HLL +1%	\$715,939.96	\$715,939.96	
	NC AV	\$39,178,848.00	\$14,178,848.00	
	prior levy rate	0.9158415721	0.9158415721	
	NC \$	\$35,881.62	\$12,985.58	
	HLL +1% +NC	\$751,821.58	\$728,925.54	\$22,896.04

FIRE 3 REGULAR				
		w/\$25M	w/o \$25M	delta
2023	HLL	\$1,336,286.80	\$1,336,286.80	
	HLL +1%	\$1,349,649.67	\$1,349,649.67	
	NC AV	\$50,465,013.00	\$25,465,013.00	
	prior levy rate	0.6595493974	0.6595493974	
	NC \$	\$33,284.17	\$16,795.43	
	HLL +1% +NC	\$1,382,933.84	\$1,366,445.10	\$16,488.73

HOSPITAL 1 GENERAL				
		w/\$25M	w/o \$25M	delta
2023	HLL	\$648,558.90	\$648,558.90	
	HLL +1%	\$655,044.49	\$655,044.49	
	NC AV	\$88,125,195.00	\$63,125,195.00	
	prior levy rate	0.1385914007	0.1385914007	
	NC \$	\$12,213.39	\$8,748.61	
	HLL +1% +NC	\$667,257.88	\$663,793.10	\$3,464.79

MFTE Revenue Loss projections through 2034

City of Leavenworth: \$290,379.09

Chelan County Fire 3: \$209,118.43

Hospital 1 General: \$43,942.15

Hospital 1 EMS: \$122,920.58

LEVY RATE EXAMPLE

Levy Rates are calculated by:

Taxing District Budget ÷ Taxing District Taxable Assessed Value x 1,000

Let's say the City approves a **\$25 million MFTE** for a project and the City's budget is **\$500,000** and the taxable assessed value of the City is **\$500 million**.

Before MFTE Levy Rate

$\$500,000 \div \$500,000,000 \times 1,000 = \1.0000000000

After MFTE Levy Rate

$\$500,000 \div (\$475,000,000) \times 1,000 = \1.0526315789

Tax District	Levy Rate BEFORE MFTE	Levy Rate AFTER MFTE	Property Tax Difference*
County	0.7609785373	0.7619422621	\$0.48
City	0.9158415721	0.9464108253	\$15.28
State School	2.5592557669	2.5592557669	\$0.00
Cascade SD 228	1.8899835995	1.9001644950	\$5.09
Library	0.2864488554	0.2868116223	\$0.18
Port	0.1756188309	0.1758412396	\$0.11
Fire 3	0.6595493974	0.6677864006	\$4.12
Hospital #1	0.6691308945	0.6725937859	\$1.73
Park & Rec	0.0789016769	0.0797614335	\$0.43
Flood Control	0.0408306193	0.0408823283	\$0.03
TOTALS:	8.0365397502	8.0914501596	\$27.46

*Difference is based of a home assessed at \$500,000

Equals a tax shift of **\$200,913.49** tax revenue in just one year.



MFTE IMPACTS EXAMPLE

CITY OF WENATCHEE



City of Wenatchee

Approved MFTE projects: 6 (361 units)

Pending MFTE projects: 6 (260 units)

MULTI-FAMILY EXEMPTION

Updated 11/6/2023

PID	OWNERS NAME	PROJECT	NO. OF UNITS	EXEMPTION AMT (\$)	YR IN	YR OUT
27154	THREE FEATHERS LLC	THREE FEATHER MIXED USE MULTIFAMILY COMPLEX	7	\$2,800,000	20/21	27/28
26929	FNWD BROOKSTONE 2 LLC	FNWD BROOKSTONE 2 LLC MULTIFAMILY COMPLEX	65	\$10,762,676	20/21	27/28
26936	FNWD BROOKSTONE 3 LLC	FNWD BROOKSTONE 3 LLC MULTIFAMILY COMPLEX	5	\$470,000	22/23	29/30
14489	PIERE STREET APARTMENTS LLC	THE PARK AT RIVERSIDE	142	\$21,600,425	22/23	29/30
17862	CENTRAL CASCADE PROPERTIES LLC	CENTRAL CASCADE PROPERTIES LLC, MULTI-FAMILY	5	\$3,658,405	24/25	31/32
26758	FNWD DEER HAVEN LLC	DEER HAVEN	137	\$23,913,958	24/25	31/32
<i>17744</i>	<i>EIDER PROPERTIES LLC</i>	<i>1417 5TH ST</i>	<i>14</i>	<i>\$1,852,006</i>		
<i>17821</i>	<i>WILLIAM HUGHES</i>	<i>1013 5TH ST A</i>	<i>7</i>	<i>\$1,095,137</i>		
<i>57502</i>	<i>1101 RED APPLE LLC</i>	<i>1101 RED APPLE</i>	<i>84</i>	<i>\$7,355,470</i>		
<i>57503</i>	<i>1101 RED APPLE LLC</i>	<i>1105 RED APPLE</i>		<i>\$2,756,408</i>		
<i>26384</i>	<i>EDWARD & JULIE JACOBY</i>	<i>1425 MAPLE ST</i>	<i>95</i>	<i>\$563,192</i>		
<i>26383</i>	<i>SHCO MAPLE LLC</i>	<i>1415 MAPLE ST</i>	<i>60</i>	<i>\$5,866,729</i>		
			621	\$82,694,406		



In the past 3 years the City of Wenatchee has issued final certificates for MFTE projects which have shifted:

Assessed Value of \$62,758,453

Which, equals \$588,366 in tax revenue

By 2025, we project a tax shift of:

Assessed Value of \$174,656,039

Which equals \$1,595,444 in tax revenue

That means in the past 3 years the owner of a home assessed at \$500,000 is paying \$135.06 more in taxes and in 5 years they are paying \$203.72



If you add in their Historical Exemptions, in the past 3 years the City of Wenatchee has shifted:

Assessed Value of \$85,009,308

Which, equals \$801,746 in tax revenue

By 2025, we project a tax shift of:

Assessed Value of \$220,801,849

Which equals \$2,023,879 in tax revenue

MFTE Resources

Washington State Department of Commerce

<https://www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/multi-family-housing-property-tax-exemption-program/>

Municipal Research and Services Center (MRSC)

<https://mrsc.org/explore-topics/planning/housing/affordable-housing-funding-sources>

Alliance for Housing Affordability (AHA)

<https://housingallies.org/guide/expanding-affordability/mfte/>

MFTE program examples

Bellingham Municipal Code Sec. 17.82.030

Issaquah Resolution No. 2017-15 (2017)

Kirkland Affordable Housing Master Leases and MFTE Amendments (2019)

Moses Lake Municipal Code Ch. 18.23

Spokane Municipal Code Ch. 8.15

Tacoma Municipal Code Ch. 6A.110

Wenatchee Municipal Code Ch. 5.88

Yakima Municipal Code Ch. 11.63

QUESTIONS?

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