

MFTE Program Roundtable

Discussion Notes

Roundtable Background

Council Member John Hines hosted a roundtable discussion on the Multifamily Tax Exemption (MFTE) Program on March 25, 2025. The discussion included about 20 community participants, as well as City staff from the Community and Economic Development Department, the Center for Strategic Priorities, and the City Manager's Office.

- Council Member Hines discussed the current MFTE review process underway in the Government Performance and Finance Committee and shared that the timing of the review process was set in place three years ago.
- Key topics for the discussion included: 8- and 12-year MFTE programs, including their benefits and impact; potential changes to the programs that have been discussed by City Council Members; and open discussion on MFTE projects.

Roundtable Discussion: Identified challenges for the MFTE Program

- ***Not a perfect tool, but an important one:*** Participants shared a desire to help create missing middle housing and expressed support for the MFTE program, noting that it is not a perfect tool for development but that it can be helpful. Participants also echoed feedback from developers in 2021 by noting that you continue to need the right interest rates, rental rates, and tax incentive program for financing to work for new development, making the MFTE an important part of the development equation.
- ***Too much uncertainty today for change:*** Participants stressed that there is currently a great deal of uncertainty in the housing market and that it is not the right time to make changes to the MFTE program. In addition, potential changes under discussion at the City, such as impact fees, may further increase the cost of development. Participants also recommended waiting to see the impact of Home in Tacoma on development before adjusting the MFTE program.
- ***Challenges filling affordable units:*** Participants noted challenges finding qualified tenants who meet the income requirements for the affordability requirements when using the 12-year MFTE. This creates delays in leasing the units, which can impact lenders' willingness to engage on a project and create extra costs for developers. Some noted that it can be easier to use the 8-year MFTE and then resell the units at an affordable price.
- ***AMI adjustments proposed:*** Participants flagged that tenants who may qualify for affordable units often roll out of the qualifications after just one pay raise. Participants stressed that the MFTE program helps to provide workforce housing at a price where