



TO: Elizabeth Pauli, City Manager
FROM: Council Member John Hines and Christina Caan, Policy Analyst
COPY: Government Performance and Finance Committee; D'Angelo Baker, Management Fellow; Andy Cherullo, Finance Director
PRESENTER: Council Member John Hines
SUBJECT: Multifamily Property Tax Exemption (MFTE) Program
DATE: June 9, 2025

PRESENTATION TYPE:

Request for Ordinance

SUMMARY:

This is a proposal for an ordinance to update Tacoma Municipal Code (TMC) Chapter 6A.110 regarding the Property Tax Exemptions for Multi-Family Housing (MFTE) program based on a required review of that included feedback from community stakeholders and discussions in the Government Performance and Finance Committee (GPFC). Minimal changes are warranted at this time due to the high-level of uncertainty regarding the housing market and economy, as well as potential upcoming changes at the City that may increase the costs of development. In addition, Home in Tacoma only began implementation in February, and we need additional time to see the impact of those changes on development.

This proposal includes the following adjustments to TMC Chapter 6A.110 and the MFTE program:

- Increase the minimum number of units required for the 8-year MFTE from 4 to 20 units per project;
- Expand Community and Economic Development Department's efforts to share and centralize outreach resources for property owners and community members to quickly utilize MFTE units;
- Allow households to continue to qualify as low-income or moderate-income when renewing their lease for the purposes of the MFTE unless the household's income exceeds 90 percent of the established income limit;
- Add a requirement that for properties applying for an extension, the affordable units must rent for 10 percent less than the market rate units; and
- Launch an additional GPFC review of the MFTE program in 2028.

BACKGROUND:

The City of Tacoma's Multifamily Property Tax Exemption (MFTE) Program provides limited 8, 12, or 20-year exemptions from ad valorem property taxation for multi-family housing in Residential Target Areas. Eligible projects are intended to create affordable housing opportunities, contribute to greater housing density, promote economic investment, and stimulate new construction or the rehabilitation of vacant and underutilized properties.¹

- The 8-year property tax exemption can be granted to any projects in an eligible area where 4 new units are be constructed, rehabilitated (if vacant for one year or more), created through conversion of a commercial structure, or added to existing occupied multifamily housing.

¹ [Title 6 - Tax & License Code](#)



- The 12-year property tax exemption is granted to projects in which 20 percent of the newly created units are designated as affordable housing. These projects must also meet the same criteria as the 8-year MFTE projects (4 units, eligible area).
- The 20-year property tax exemption must provide permanent affordability for 25 percent of the units. This can be done through a partnership with a government agency or a non-profit.

In 2022, the City expanded eligible areas where the 12-year exemption is allowed to be used, lowered the household income level to 70 percent of Pierce County AMI as published by HUD each year, added a 20-year option for projects that provide permanent affordability, and adopted the option for extending an exemption for an additional 12 years if affordability is added.² The citywide rezoning that occurred through Home in Tacoma further expanded mid-scale zoning and the areas in which the MFTE can be used.³

ISSUE:

Resolution 40866, which passed in 2021, required GPFC to review the MFTE program within three years.⁴ This required review process launched in 2024, and GPFC has since held several informational meetings with City staff from the Community and Economic Development Department and the Center for Strategic Priorities to better understand the impact of the program.⁵ As part of the review, Chair John Hines also convened a roundtable with community stakeholders to discuss their experiences using the MFTE program.

GPFC's review has shown that the MFTE program—while not a perfect tool—is an important one for development in our community and the creation of missing middle housing. Feedback from stakeholders has also underscored that the MFTE is vital for economic development in Tacoma. However, new federal policies, such as increased tariffs, and potential new local policies, such as impact fees, are stoking uncertainty in the housing market and for new development. This uncertainty is increasing the need for the MFTE program to remain stable and consistent.

While conditions are not ripe for major changes to the MFTE program, this proposal includes the following adjustments to the MFTE program:

- Increase the minimum number of units required for the 8-year MFTE from 4 to 20 units per project;
- Expand Community and Economic Development Department's efforts to share and centralize outreach resources for property owners and community members to quickly utilize MFTE units;
- Allow households to continue to qualify as low-income or moderate-income for the purposes of the MFTE unless the household's income exceeds 90 percent of the established income limit;
- Add a requirement that for properties applying for an extension, the affordable units must rent for 10 percent less than the market rate units; and
- Launch an additional GPFC review of the MFTE program in 2028.

² [Tax Incentives - MultiFamily Property Tax Exemption Program | City of Tacoma](#)

³ [Home in Tacoma Zoning Regulations | City of Tacoma](#)

⁴ [City of Tacoma - File #: RES40866](#)

⁵ [City of Tacoma - File #: 24-0759](#); [City of Tacoma - File #: 24-1194](#); [City of Tacoma - File #: 25-0053](#);



These adjustments aim to address problems identified by stakeholders and better enable the program to meet key City goals. Specifically, increasing the minimum number of units required for the 8-year MFTE is geared toward ensuring that the program fosters greater housing density to accommodate our growing population. The efforts to simplify and centralize outreach resources aims to help get renters into units, while allowing households to continue to qualify for affordable units as their income increases aims to help lower-income residents renters maintain stable housing. In addition, allowing households to continue to qualify for affordable units as their income increases gives lower-income renters an opportunity to expand their savings or utilize their disposable income to enhance their broader economic prospects. Finally, an additional review of the MFTE program in 2028 would help the City continue to hone the program to meet the City's evolving needs.

ALTERNATIVES:

The City could revoke the 8-year MFTE option instead of adjusting the required number of units. Such a step is unlikely to have a robust impact on near-term development due to the low current use of the 8-year MFTE, but it would limit future options for developers. In addition, the City would not be able to use the 8-year MFTE program to incentivize the construction of greater housing density—a key goal for Tacoma. The City could also maintain the status quo regarding turnover for tenants who receive a pay raise and no longer qualify for a unit, although doing so would damage the City's ability to use the MFTE program to provide workforce housing and amplify instability for lower-income renters.

FISCAL IMPACT:

City staff in the Community and Economic Development Department could incorporate efforts to simplify and centralize outreach resources in their future workload without a new fiscal impact. Allowing some tenants to remain in affordable units despite small adjustments to their income may remove some affordable units from the market, although we cannot provide an estimate of the likely impact of this step because it is impossible to predict how many current tenants in MFTE units will receive pay raises by 2028. City staff could begin tracking this data so that at least a general average might be available for the 2028 review. It is also likely that helping tenants maintain stable housing while they increase savings and/or disposable income would have broader financial benefits our economy and local businesses.

RECOMMENDATION:

I recommend advancing these code changes.