



# Multifamily Tax Exemption Program

City of Tacoma

Government Performance and Finance Committee  
January 21, 2025



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## OVERVIEW



- Follow up from last meeting
- Potential adjustments to the MFTE program
  - Potential changes to 8-year MFTE
  - Potential changes to 12-year MFTE
  - Potential changes to extensions
- Discuss next steps

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## BACKGROUND



- Study of AMI feasibility
- Projects in the Mandatory Inclusionary Zoning
- Benchmark Other Cities

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## AMI Feasibility Study



In 2023, consultants Mithun and EcoNW, tested financial feasibility analysis of bonus units in Home in Tacoma UR-3 zones.

- Six affordability scenarios were tested, holding length of affordability (50-years) and % of units (20%) constant in all scenarios.
- Only two scenarios were found likely to succeed in various economic conditions and housing sizes.
  - 20% of units at 70% AMI (same as MFTE).
  - 15% of units at 70% AMI, 5% of units at 50% AMI.
- Planning Commission recommended the 70% AMI choice, then went to Council along with full HIT package.

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## **Mandatory Inclusionary Zoning (IZ)**

### **Outcomes:**

- 22 Projects built within the Madison District
- 6 completed after IZ was implemented, 4 over 15 units, 2 under
- 10 currently under construction (or in permitting) 4 less than 15 units
- Total IZ units created at 50% AMI = 7
- Total MFTE units created = 22

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## **Benchmarks with other Cities**

### **Unit Size and Characteristic Requirements**

- Generally, jurisdictions impose few restrictions on unit characteristics and amenities beyond standard code requirements.

### **AMI Requirements**

- Bellingham and Seattle vary AMI by unit size
- Woodinville and Edmonds have tiered approaches with the first 10% of units at a lower affordability level and second 10% higher.

### **Fees**

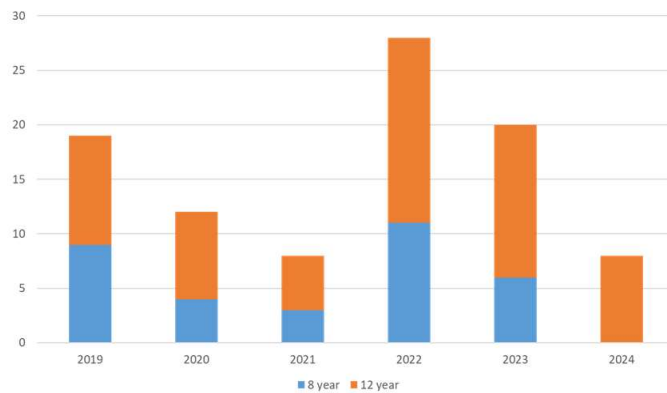
- Tacoma's application fees are equal to the highest, most do not yet charge a compliance fee, although allowed by the State.

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## Potential Changes to 8-Year

- Reduce allowable areas due to the increased usage of 12-year MFTE over the past 5 years?
- Increase the minimum unit count of project allowed to use 8-year?
- Other?



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## Potential Changes to 12-Year

- From the benchmarking data, potentially decrease AMI for smaller units only in mixed use centers due to the AMI feasibility report of UR3 areas.
- Other?

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## **Potential Changes to MFTE Extensions**

### **Three extensions to date:**

- Stadium – added 4 affordable units 17-22% below market rate\*
- Proctor – added 31 affordable units 17-30% below market rate\*
- Tacoma Mall – added 5 affordable units – 2% below market rate\*

\*not including include utilities

- Q: What should the minimum percentage below market rate be?

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## **NEXT STEPS**

- Meet with external stakeholders?
- Other?

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