Exhibit D: Summary of Multifamily Tax Exemption Program

The Multifamily Tax Exemption (MFTE) was created by the state legislature in 1995. RCW 84.14 grants authority to cities to allow property tax exemptions on the improvement value of the residential portion of new projects within targeted mixed use areas, with the provision that the required public benefits of the exemption should be relative to the value of the tax benefits received. Recent changes to the law greatly encourage the use of MFTE for affordable housing. The stated purpose in RCW 84.14 for the exemption is to:

1. Stimulate the construction of new multifamily housing and the rehabilitation of vacant or underutilized buildings for multifamily housing in a defined area;
2. Increase the supply of housing for low and moderate income households; and,
3. Increase additional housing in certain areas to support investment in public transit.

The exemption does not include the value of land or non-residential improvements, such as ground floor retail in a mixed use housing development.

The length of the exemption may be for eight or 12 successive years:

Eight Year Exemption: The percentage of affordable units, the minimum affordability requirements and/or other public benefit(s) provided in exchange for the tax exemption are determined by the City.

Twelve Year Exemption: State law requires that at least 20% of the units are affordable at up to 100 percent of the King County Area Median Income (AMI), though the City may establish more requirements that provide greater affordability.

Marymoor Subarea

For new rental developments in the Marymoor Subarea of ten or more units, the Technical Committee's recommended amount and level for affordable housing is:

Length of Exemption	Amount of Affordable Units	Affordability Level
8 year exemption	10% of total units	50% AMI
12 year exemption; requires 20% affordable units	First 10%	60% AMI
	Second 10%	80% AMI

A developer of a residential development of 10 or more units would be required to provide a minimum of 10% of the units affordable at 50% of area median income. At this level of affordability, they would be eligible to utilize the MFTE 8 year exemption. The developer would also have the option of utilizing a 12 year MFTE exemption if they provided 10% of the total units affordable at 60% AMI, and a second 10% affordable at 80% AMI.

New ownership developments of ten or more units would be required to provide 10% of the units affordable at 70% AMI.

Impacts on Taxing Districts:

Taxing districts such as the City, County, State School Fund and School District operating levies, Library, Hospital and Emergency Medical Services: These taxing districts do not *lose* any current revenue as a result of a property tax exemption, but the district foregoes potential *additional* revenue resulting from new residential construction. The districts continue to receive property taxes on the land value of properties as well as on the non-residential portion of projects (e.g. ground floor commercial). Also, there is theoretically no change in taxes paid by individual homeowners as a result of an exemption.

Other taxing jurisdictions, such as School Districts and Cities are authorized to raise additional funds through excess levies, in which the district is allowed to collect a specific dollar amount to pay off voter approved bonds. Adding new construction to the district overall assessment can allow tax rates to be lowered for existing properties. Providing an exemption impacts the amount rates can be lowered for existing properties, but should not raise taxes.