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# Othello Multifamily Tax Exemption Program Study



Presented to:  
Othello City Council  
September 26, 2022

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# Agenda

01 Housing Action Plan

02 What is the MFTE Program

03 Tax benefits and impacts

04 Considerations in adopting

05 Questions and discussion

# Housing Action Plan

Four strategies recommended:

1. Revise Zoning and Building Standards
2. Parking and Transportation Standards
3. Affordable Housing Incentives
4. Process Improvements

*"Explore the use of a Multifamily Tax Exemption (MFTE) program for affordable housing"*

City of Othello

## HOUSING ACTION PLAN



02 What is the Multifamily  
Tax Exemption (MFTE)  
Program?

# MFTTE Overview

- First created in 1995; available to Othello in 2021
- This is a property tax exemption
- Tax exemption is for 12- or 20-years, depending on program
- Applies to new construction, conversion, and rehabilitation of multifamily residential improvements; does not apply to land or non-residential improvements
- Must create at least 4 new units of housing
- 20% of the units must be affordable to low- and moderate-income households
- The remaining 80% can be market rate but still receive property tax exemption
- City must designate target areas for where incentive can be used

# 12- and 20-year programs

## 12-year program:

- Create at least 4 units
- 20% set aside for low- and moderate-income households
- Remaining 80% can be market rate housing

## 20-year program:

- Create at least 4 units
- Sell at least 25% of the units to a qualified nonprofit or local government
  - These units must be assured to be permanent affordable homeownership
- Remaining 75% of units can be rented or sold at market rate

# Key Definitions

## Low-income household

- Persons living together in a household
- Income is at or below 80% of median family income adjusted for family size

## Moderate-income Household

- Persons living together in a household
- Income is more than 80% but is at or below 115% of median family income adjusted for family size

## Affordable housing

- Monthly housing costs, including utilities, do not exceed 30% of household income

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# Income Limits (2022)

	Household Size							
	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
<b>80% AMI (Low Income)</b>	44,240	50,560	56,880	63,120	68,240	73,280	78,320	83,360
100% AMI	55,300	63,200	71,100	78,900	85,300	91,600	97,900	104,200
<b>115% AMI (Moderate Income)</b>	63,595	72,680	81,765	90,735	98,095	105,340	112,585	119,830



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# Rent Limits (2022)

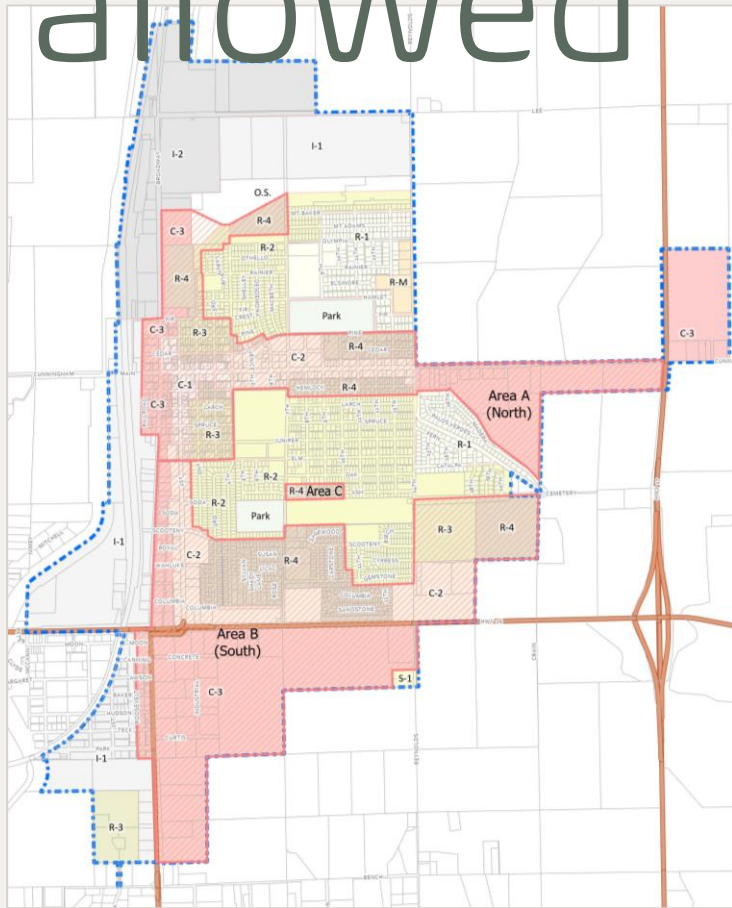
Income	Bedrooms (People)				
	Efficiency (1.0)	1 Bedroom (2.0)	2 Bedrooms (3.0)	3 Bedrooms (4.0)	4 Bedrooms (5.0)
<b>80% AMI (Low Income)</b>	1,106	1,264	1,422	1,578	1,706
100% AMI	1,382	1,580	1,777	1,972	2,132
<b>115% AMI (Moderate Income)</b>	1,589	1,817	2,044	2,268	2,452

# Rent Limits & Market Rent

Bedrooms (People)	Efficiency (1.0)	1 Bedroom (2.0)	2 Bedrooms (3.0)	3 Bedrooms (4.0)	4 Bedrooms (5.0)	5 Bedrooms (6.0)
60% AMI	829	948	1,066	1,183	1,279	1,374
MARKET RENTS (Gentry)	-	1,000	1,031	1,347	1,066	-
80% AMI (Low Income)	1,106	1,264	1,422	1,578	1,706	1,832
115% AMI (Moderate Income)	1,589	1,817	2,044	2,268	2,452	2,633

*MFTE Minimum Requirements*

# Where allowed



- Zoning for multifamily
- Compact district with:
  - Business establishments
  - Adequate public facilities
  - Mixture of uses and activities
- Must allow a minimum of 15 units per gross acre

# 03 Tax benefits and impacts

# Tax Benefits

## For the Owner/Developer:

- Value of new improvements not added to property tax rolls for 12- or 20-years
- Current levy is \$12.66 per \$1,000 of assessed value
- Example:
  - \$2 million in new construction would save \$25,327 in 2022 or
  - \$321,212 over 12 years
- Land and non-residential improvements remain on tax rolls

## For the City:

- Sales tax on new housing construction
- Example:
  - \$2 million in new construction would collect \$31,800 in sales tax
- Catalyst for other development
- Close proximity to business
- Housing to meet community needs

# Tax Impacts

- Value of new construction is not added to the property tax rolls
- No reduction in amount collected but no increase, either
- All property tax districts won't see gains from new construction until end of 12- or 20-year period
- Taxing districts include schools, county, hospital, library, EMS, Port and Parks and Recreation

# What should be considered?

## 04

Should this program move forward?

Are the incentives necessary? Do the benefits outweigh the impacts?

Affordable Housing Targets

Should the state minimums be used or more targeted requirements for lower-incomes

Approving Authority

Who should approve projects if they meet requirements?

Residential Target Area

What areas should receive the incentive?

Development Guidelines-Standards

Should existing city standards be used? Or should there be additional requirements?

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# Planning Commission Input

- Target Area Discussion:
  - Considered more focused area
  - Leaning towards wider area for housing production
- Tax Impact:
  - Benefits from sales tax and secondary impacts
  - Aware that taxing districts may have concerns



# Questions- Discussion

