



Proposed Study Questions: Property Tax Exemption for Multifamily Housing in Urban Areas

State of Washington Joint Legislative Audit and Review Committee

7/23/2018

Citizen Commission scheduled a JLARC study of the property tax exemption for multifamily housing in urban areas

The 2006 Legislature directed the staff of the Joint Legislative Audit and Review Committee (JLARC) to conduct performance audits of tax preferences. This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.



The Multifamily Housing Tax Exemption (MFTE) is a property tax exemption program that allows eligible cities and counties to target specific areas for more multifamily housing development. Eligibility is based on population and certain urban planning requirements. Property owners may apply for an 8-year or 12-year property tax exemption for building or rehabilitating multifamily housing. The 12-year exemption requires owners to offer at least 20% of their units as affordable housing (i.e., costs no more than 30% of a household's income). The 8-year exemption may or may not require affordable housing, depending on the jurisdiction. If a city or county chooses to create a program, it may create additional requirements or restrictions.

Property tax exemption to encourage multifamily housing development or redevelopment

The preference has three stated public policy objectives for eligible jurisdictions:

1. Encourage more residential options by stimulating development of new and rehabilitated multifamily housing in jurisdictions that plan under the Growth Management Act.
2. Encourage affordable housing in areas where local jurisdictions have found a need for it.
3. Allow unincorporated areas within urban growth areas to stimulate housing development near college campuses.

At this time, 102 cities and one county are eligible to create programs using the preference. Twenty cities reported that at least one project was built using the program.

Study Questions

This study will seek answers to the following questions:

1. How much multifamily housing has been created using the program, where is it located, and how much of it meets affordability requirements?

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2. In jurisdictions where the program is used, how much estimated multifamily housing would exist without the program?
3. Do the new units meet the housing needs of the local population?
4. Why is the MFTE program used in some cities but not in others?
5. What is the value of the exemption, and how does it impact state and local tax revenue and the tax burden on other property owners?

Study Timeframe

Preliminary Report: July 2019

Proposed Final Report: December 2019

Study Team

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JLARC Study Process

