
Othello Multifamily Tax Exemption Program Study



Presented to:
Othello Planning Commission
September 19, 2022

Agenda

01 Housing Action Plan

02 What is the MFTE Program

03 Tax benefits and impacts

04 Considerations in adopting

05 Questions and discussion

01 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?

MFTE 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

Income Limits (2022)

	Household Size							
	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS	7 PERSONS	8 PERSONS
80% AMI (Low Income)	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
115% AMI (Moderate Income)	63,595	72,680	81,765	90,735	98,095	105,340	112,585	119,830

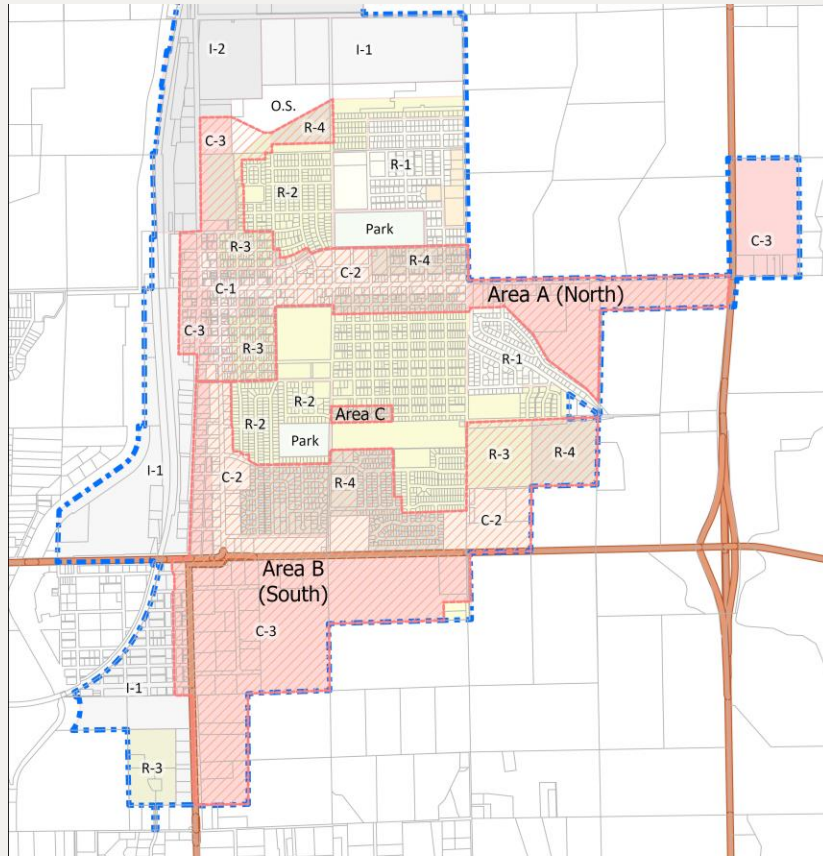
Rent Limits (2022)

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

Market Rents (Snapshot)

Source:	Bedrooms (People)				
	Efficiency (1.0)	1 Bedroom (2.0)	2 Bedrooms (3.0)	3 Bedrooms (4.0)	4 Bedrooms (5.0)
RE/MAX Northwest Realtors - Othello	-	1,000	1,031	1,347	1,066
Housing Action Plan	-	-	1,038	1,314	-

Where allowed



- Must allow 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?

Residential Target Area

What areas should receive the incentive?

Affordable Housing Targets

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

Development Guidelines-Standards

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

Approving Authority

Who should approve projects if they meet requirements?

Questions- Discussion

