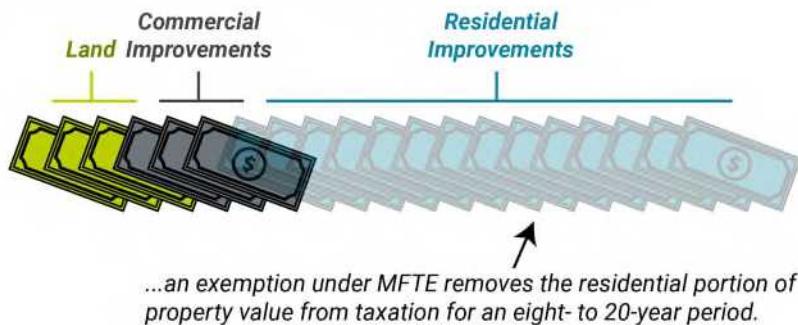


# What is MFTE?

MFTE (Multifamily Housing Tax Exemption) programs are property tax waiver programs enacted by cities and counties to support local housing goals. Under [Chapter 84.14 RCW](#), local governments can give exemptions for new construction, conversion, and rehabilitation of multifamily residential improvements with at least four units.

Under these exemptions, a property owner does not have to pay property taxes on the **residential improvements** for a given number of years. The property owner still pays tax on the land and on non-residential improvements like the commercial portion of a mixed-use building.

*For the annual property taxes collected on a development...*



## Advantages

- Cities and counties can give **financial incentives** to meet housing goals without the need for direct funding. This can support affordable housing but can also incentivize market-rate housing in a way that complies with state constitutional requirements.
- Requirements in state law can be **flexible** and let cities and counties **tailor programs to meet policies**. Some programs consider on-site improvements, building requirements, or mandates for services.
- MFTEs are **commonly used by developers** across Washington, who are often familiar with how they operate and how to use them with projects.



## Who Uses MFTE?

More than 50 communities in Washington have active MFTE programs.

**Over 61,000 new housing units** have been constructed using this program. **Over 11,000 of those units were rent- and income-restricted affordable housing.**

Commerce provides support to local jurisdictions implementing, administering and making changes to their MFTE programs.

You can always find the latest information from Commerce at [commerce.wa.gov/mfte](http://commerce.wa.gov/mfte).

Agency contact:

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We strengthen communities

# Types of MFTE

MFTE programs are usually divided according to the length of the program:

For an **8-year** MFTE program, there are no requirements for affordable housing, although some cities provide their own requirements. Many communities use this to promote **market-rate housing construction** in neighborhoods where new housing investment is needed.

A **12-year** MFTE program must set aside at least 20% of housing units for **low- and moderate-income** households. Under the statute, household income is based on Area Median Income (AMI), with households with incomes at 80% of AMI or less considered "low income", and households at 115% of AMI or lower "moderate income". This MFTE is used for providing **affordable rental housing options**, including choices in market-rate private housing projects.

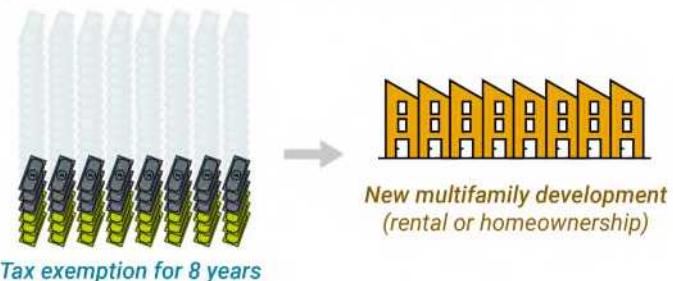
A **20-year** MFTE program requires that 25% of units be sold as permanent affordable housing for households at 80% AMI or below, with a nonprofit or government agency sponsoring the sale and restrictions in place for resale to ensure long-term affordability. This is a new option implemented in 2021 and is intended to be used to encourage **affordable housing homeownership**. There is an option for permanent affordable rentals (20% of units for 99 years at 80% AMI or less) but a deadline for passing this program restricts new programs.

Note that communities can also choose to impose higher affordability requirements and include other requirements for MFTE projects as well.

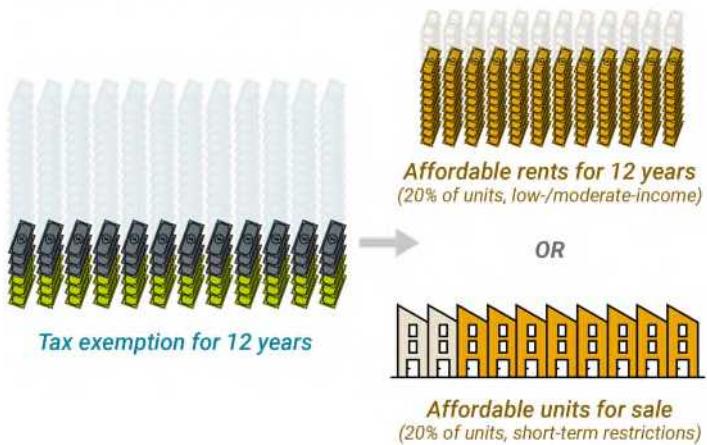
## Considerations

- MFTEs can result in either a **loss of tax revenue** to the community, or a **tax shift** where other property owners will pay more in taxes.
- MFTE programs **require staff time** to conduct regular monitoring, oversight, and reporting.
- Regular updates can be necessary to make sure the program provides a **sufficient incentive to maximize public benefits**.

For an **8-year** MFTE... tax exemptions are provided as a general incentive for new residential investment.



For a **12-year** MFTE... tax exemptions are provided in exchange for at least 20% of units being set aside as affordable for 12 years (rentals or units for sale).



For a **20-year** MFTE... tax exemptions are provided in exchange for permanently affordable rental housing / homeownership.



## **Multi-Family Housing Property Tax Exemption (MFTE) in Ferndale**

### **What it is:**

- Ferndale has an active **MFTE program** (Chapter 3.38 of the Ferndale Municipal Code), created under RCW 84.14, designed to encourage new multi-family housing development in designated **residential targeted areas**—currently including downtown Ferndale [Code Publishing](#).
- **Multi-family housing** must be newly constructed (minimum of four residential units) and intended for permanent occupancy (not transient lodging) [Code Publishing](#).
- Properties within designated residential targeted areas (like downtown) qualify, regardless of lot size specifics [Code Publishing](#).

### **How it works:**

- If your project meets the eligibility criteria and signs an **MFTE contract** with the city, you may receive a **property tax exemption on the added value of the improvements** (i.e., the new housing portion)—not on the land or non-residential components [MRSC Code Publishing](#).
- The standard MFTE duration in Washington is typically **8 years**, with a **12-year** option available if a certain share of units is designated as affordable (this depends on local implementation) [Washington State Department of Commerce MRSC](#).
- Washington jurisdictions cannot grant new exemptions after January 1, 2032, and no extensions after January 1, 2046 [MRSC](#).

Ferndale's code doesn't specify the durations in the excerpt, but it aligns with state-wide policy mechanisms. You'll need to check with city planning for specifics like affordability thresholds or duration options.

## **Eligibility Criteria – MFTE in Ferndale**

1. **Project Location**
  - Must be located within a **designated Residential Targeted Area (RTA)**.
  - In Ferndale, this includes **downtown Ferndale** (boundaries set by ordinance).
2. **Type of Housing**
  - The project must be **new, permanent multi-family housing**.
  - “Multi-family housing” = **4 or more dwelling units** within one or more buildings.
  - Must be **non-transient** (so, not hotels, motels, or short-term rentals).
  - Can include mixed-use developments, as long as there's a residential component.
3. **Project Size**
  - At least **4 dwelling units** must be created.

- Units may be in new construction or in converted existing buildings (if the result is permanent multi-family).

4. **Affordability (depending on exemption length)**

- **8-year exemption:** No affordability requirement.
- **12-year exemption:** At least **20% of the units must be affordable** to low- and moderate-income households.
  - “Affordable” means housing costs (rent + utilities, or mortgage + HOA dues) don’t exceed **30% of household income** for target income levels (as defined by HUD AMI).

5. **Standards & Design**

- Must comply with **Ferndale zoning, building, and development regulations**.
- Project must be of sufficient **density and quality** to contribute to urban development goals.
- Must meet **building, safety, and energy codes**.

6. **Contract & Timeline**

- Developer must **apply before construction begins**.
- City and applicant sign an **MFTE contract**, approved by City Council.
- Construction must be completed within **3 years** of approval (unless extended).
- After completion, the City issues a **Final Certificate of Tax Exemption**.

7. **Taxes Covered**

- Exemption applies only to the **value of residential improvements** (the new housing), **not the land or existing structures**.
- Commercial space in mixed-use projects does **not** qualify for exemption