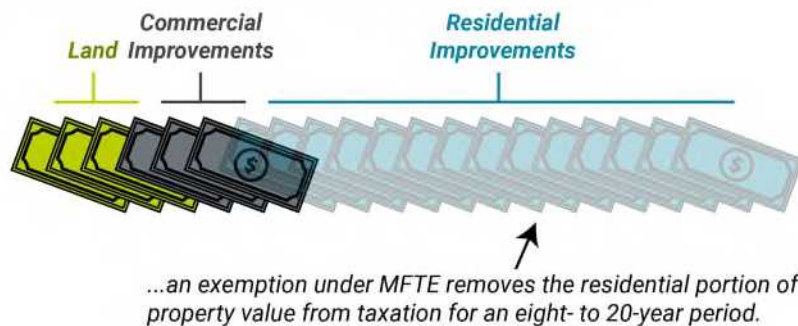


What is MFTE?

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.

Agency contact:

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MFTE PROGRAM MANAGER

Growth Management Services
katherine.mitchell@commerce.wa.gov
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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.

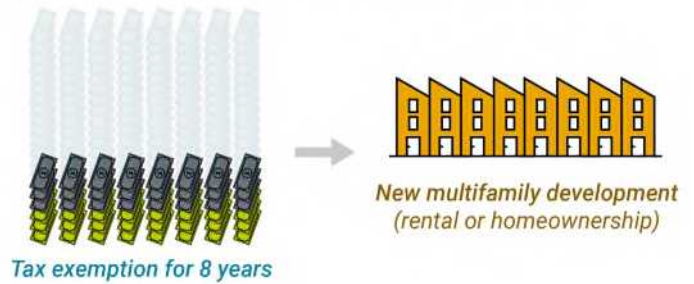
A **20-year** MFTE program requires that 25% of units be sold as permanent affordable housing for households at 80% AMI or below, with a nonprofit or government agency sponsoring the sale and restrictions in place for resale to ensure long-term affordability. This is a new option implemented in 2021 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.

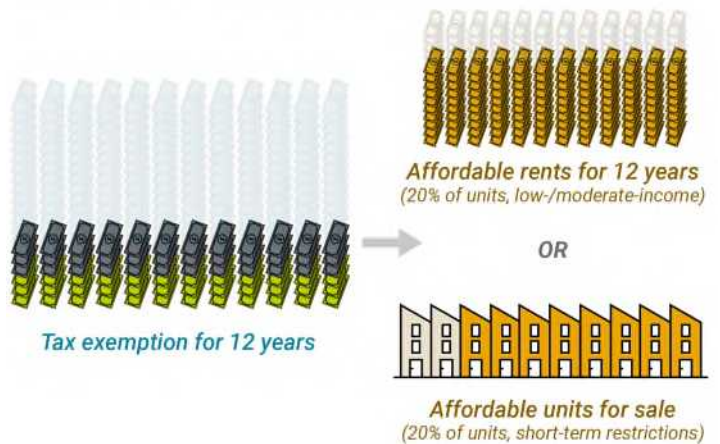
Considerations

- 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 [MRSCCode 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 CommerceMRSC](#).
- 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