



Memorandum

Date: 8/3/2026
Meeting of: City Council Special Meeting

File No. AM No. 26-125
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Planning and Community Development	Carol Helland	425-556-2107
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DEPARTMENT STAFF:

Planning and Community Development	Seraphie Allen	Deputy Director
Planning and Community Development	Jeff Churchill	Long Range Planning Manager
Planning and Community Development	Ian Lefcourte	Principal Planner

TITLE:

Adoption of an Ordinance for Redmond Municipal Code Chapter 3.38 Multifamily Housing Property Tax Exemption Amendments, Regarding a 12-year Exemption Extension Program

- a. Ordinance No. 3266: An Ordinance of the City of Redmond, Washington, Amending Chapter 3.38 of the Redmond Municipal Code to Implement 12-Year Exemption Extension Options, Providing for Severability, and Establishing an Effective Date

OVERVIEW STATEMENT:

City staff recommends that the Council adopt an ordinance amending Redmond Municipal Code (RMC) 3.38 Multifamily Housing Property Tax Exemption to add a 12-year exemption extension program to the City's existing MFTE programs. The extension would be offered to the Overlake, Marymoor, and Mixed-Use Residential Targeted Areas (RTAs).

State law (Chapter 84.14 RCW) authorizes local jurisdictions to offer property tax exemptions for projects that develop housing, including affordable housing. RMC 3.38 establishes the parameters of the City's voluntary MFTE program in support of Redmond's housing goals. These provisions establish the length and scope of tax exemptions, affordable housing requirements, process specifics, and other supporting provisions.

Redmond adopted its MFTE program in 2017. The existing program is focused on 8-year exemptions and sustains a high participation rate.

The proposed amendments are being presented to the City Council now for two reasons. First, during the Redmond 2050 Periodic Comprehensive Plan update, planning staff committed to the development community that staff would analyze the City's MFTE programs in 2026. Second, recent Washington State legislation expanded the range of MFTE program options available to local jurisdictions, creating new opportunities for program enhancements.

Earlier this year, City and ARCH staff conducted an analysis of the City's existing MFTE programs and the newly state-authorized options. The analysis evaluated the potential benefits to the financial feasibility of prototype developments

in the various zones and RTAs. Findings indicated that a 12-year MFTE extension option would improve the financial feasibility of multifamily housing projects within eligible areas while also increasing the amount of affordable housing units. However, the analysis and developer feedback also confirmed that development remains challenging under current economic conditions, even with the additional MFTE incentive.

Based on these findings, staff recommend moving forward with amendments that would add a 12-year MFTE extension option for the Marymoor, Mixed-Use, and Overlake RTAs. The proposed 12-year MFTE extension option would be an additional option for development and would not replace any existing City MFTE programs. As such, the proposed amendments would create additional flexibility and tools for developers to support housing production in the City of Redmond.

The proposed amendments do not include a 20-year Transit-Oriented Development (TOD) MFTE program option. Staff believe it is prudent to defer consideration of that option until additional guidance is provided by the Washington State Department of Commerce or any potential legislative revisions are finalized, due to ambiguity in the existing text of state law.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☐ **Provide Direction** ☒ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
Comprehensive Plan: policy HO-44 calls for incentive programs to increase the supply of affordable housing.
Housing Action Plan: identifies actions to complete to pursue the City's housing goals, including updating the City's inclusionary zoning and MFTE programs.
- **Required:**
Ordinances require Council approval.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

The amendments are expected to expand the range of MFTE options available to qualifying developments, enhancing project feasibility, and incentivizing additional housing production. This could accelerate the delivery of affordable housing units and strengthen the overall affordable housing supply because qualifying for the additional MFTE options requires a greater affordable housing obligation in the development.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**

Q2 2026

- **Outreach Methods and Results:**

Stakeholder engagement included sharing materials, gathering feedback, and holding ongoing discussions to align priorities and support informed decisions. Stakeholders included developers (approximately 25 different organizations) and staff from the Washington State Department of Commerce.

- **Feedback Summary:**

Developer feedback central themes:

1. Current macroeconomic conditions present significant headwinds for development feasibility.
2. Concern that the proposed MFTE amendments will not sufficiently improve project financial feasibility to incentivize new development.
3. Recent MFTE legislation has introduced legal ambiguity in key areas of implementation and applicability.
4. Predictability and longer-term certainty in exemptions are increasingly critical to underwriting and project planning.

BUDGET IMPACT:

Total Cost:

\$5,350,743 is the total cost of the Community and Economic Development offer, which includes the staff time to support this work.

Approved in current biennial budget:

☒ Yes

☐ No

☐ N/A

Budget Offer Number:

0000304 - Community and Economic Development

Budget Priority:

Vibrant and Connected

Other budget impacts or additional costs:

☐ Yes

☒ No

☐ N/A

If yes, explain:

N/A

Funding source(s):

General Fund

Budget/Funding Constraints:

N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
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6/16/2026	Committee of the Whole - Public Safety and Human Services	Provide Direction
7/28/2026	Study Session	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

None.

ANTICIPATED RESULT IF NOT APPROVED:

If not approved the code will not be updated and qualifying developments will not be able to access 12-year MFTE extensions.

ATTACHMENTS:

Attachment A: Draft Ordinance

Attachment B: Discussion Matrix