

The MFTE Whistle

By Rhona Baron

Now that elections have passed, The Whistle is allowed back in the Echo! So let's jump in to review a proposed new tax on Leavenworth businesses and residents.

City council is currently considering something called the Multi-Family Tax Exemption, an affordable housing tool circulating in WA State. The MFTE provides developers an incentive to sell or rent at less cost by ensuring they get a waiver on their property taxes for a set period of time. The bottom line is that while the developer and prospective renters/purchasers of MFTE housing units will benefit, the community will experience a tax shift to Leavenworth residents and businesses. Is it worth it? To help you get a sense of what's lurking in the MFTE concept, settle in as The Whistle blows!

First up, a few mathematic bumps. People eligible to utilize the MFTE tax shift for more affordable dwellings will be required to have a family income that falls within a percentage range of the local Area Median Income or AMI. In Chelan/Douglas counties, AMI for a family of four is \$80,000. At this point the City is targeting moderate-income households making 80% - 115% of AMI. **That means that a family making \$64,000 - \$92,000 per year will be eligible for MFTE housing. Note that all Leavenworth property owners and businesses will subsidize MFTE housing, regardless of their own income level.**

The current draft proposal for the MFTE presents us with two possible cases.

RENTALS: The first features a tax exempt period for the developer lasting 12 years. It applies to rentals, citing that a minimum of 20% of the units must be "affordable." The rentals must also be administered by a non-profit organization (yet to be determined). In this case, annual reviews are required on the salaries of housing recipients to ensure the households remain qualified.

OWNERSHIP: The second type of exemption will pay taxes for developers for 20 years. It applies to home ownership. As we read it, a minimum of 25% of homes in a development must be "affordable" in this scenario and the units must be built by or sold to a qualified non-profit or local government. The remaining 75% of units may be sold at market rates. Unfortunately, once a home is purchased, there will be no limit on the homeowner's salary. Homeowners can live in the tax shifted dwelling as long as they desire, no matter how successful they become from a salary standpoint.

The most alarming part of the MFTE proposal is that there are no guarantees that upper valley residents and businesses will pay property taxes to subsidize rent and/or ownership for people who work in Leavenworth! A family could come from outside of Leavenworth and could live off investment income and meet the criteria – they would not have to work at all. Or they could qualify with an income of \$92,000 and work in Wenatchee where wages tend to be higher.

MFTE is a confusing and varied program around the state. If you have attended council meetings, you know that costs to Leavenworth property owners given at the time of writing are hypothetical and complicated. In addition, there are no guardrails on how many projects can be

implemented. Each of the proposals from developers will be weighed then approved/disapproved by the city council. The citizens will have no vote.

Due to the experimental nature of MFTE, the city has not been able, as of this writing, to explain the geographic area of home and business ownership that will be required to pay the developer's taxes. The city has also failed to identify any community our size that has utilized the program, successfully or not. In fact, the smallest town to use MFTE in WA has a population of over 16,000 people. Finally, according to the 2019 WA State Joint Legislative Audit & Review Committee's own report, the MFTE program's success remains unproven.

Until more information is available as to MFTEs effectiveness, it is irresponsible for the council to vote to implement the MFTE program, imposing additional property taxes on the citizens and businesses with no guarantee of successfully increasing our workforce housing.

We commend the city council for continuing to address low income and workforce housing. However, we find that the MFTE tool for Leavenworth is deeply problematic and should be discarded ASAP. Let the city pursue more pressing issues and more applicable housing solutions. It would be wiser to take a look at something called "inclusionary zoning" which will not shift a penny in tax while mandating certain percentage of "affordability."

Find The Whistle online at lwhistle.com. And keep whistling. We hear you!