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City of Bellingham Multifamily Tax Exemption Program Evaluation

City of Bellingham

Prepared for: Sustainable Connections/Whatcom Housing Alliance

ECOnorthwest

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Acknowledgments

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1. Executive Summary

Background

Sustainable Connections contracted ECOnorthwest (ECO) to evaluate potential changes and expansions to the City of Bellingham's existing Multifamily Tax Exemption (MFTE) Program. The Washington State MFTE program allows a local jurisdiction to incentivize diverse housing options in urban centers by providing property tax exemptions for developers. MFTE programs vary in their structure of incentives (such as the length of a property tax exemption ranging from 8, 12, to 20 years), requirements (e.g., the percent of units that are set aside for low- to moderate-income housing), and in where they are applied. Requirements can vary since local jurisdictions can modify program requirements or incentives as long as the program meets the minimum state requirements.[1]

The City of Bellingham ("the City") offers MFTE tax exemption incentives for targeted residential areas (BMC 17.82). The program was first adopted in 1999 as a way to spur residential development in Downtown Bellingham after a decade of slow multifamily housing development. The program was expanded in 2010 and 2015 to include four additional urban villages: Samish Way, Fountain District, Fairhaven, and Barkley Village for a total of five mixed-use urban villages are eligible. The City offers both an 8-year exemption with no additional requirements and a 12-year exemption contingent on developers setting aside 20% of units as affordable to households earning 60% of the area median income (AMI). The affordability required by the City exceeds the minimum thresholds established in state law, which requires 20% of the units to be affordable to households earning between 80-115% AMI.

ECO evaluated different MFTE Program scenarios s to inform potential program modifications to best meet the needs of the City and support feasible implementation. This report outlines the different MFTE Program options evaluated, the proposed areas that could be eligible for the program, the analytical approach, the findings from the analysis, and the concluding recommendations.

Key Findings

Main findings from the feasibility analysis that inform our recommendations are as follows.

- Under current market conditions, multi-family housing development within the City of Bellingham is not currently feasible, even with the incentive of the 8-year program or a 12-year program with a higher affordability threshold. Major barriers to development include the cost of borrowing, challenges obtaining financing, and construction cost increases.

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[1] State of Washington Chapter 84.14 RCW outlines the existing requirements for implementing a MFTE program (first codified in 1995, updated recently in 2021, MFTE program background). Only projects with 4 or more units are eligible and only property owners who commit to renting or selling at least 20% of the units to low- and moderate-income households are eligible for the 12-year exemption.

- Under both current and improved market conditions, the City's existing 12-year Multi-Family Property Tax Exemption Program decreases development feasibility most of the scenarios tested.
- Under improved market conditions, market-rate development will likely be feasible, especially in higher-rent neighborhoods. The 8-year MFTE program may not be necessary to make development feasible.
- Changing the 12-year program affordability from 20% of the units affordable to households earning 60% AMI to be affordable to households earning 100% or 115% AMI generally improves development feasibility for higher-density prototypes but does not provide enough incentive to outcompete the 8-year MFTE program.
- Lowering the minimum parking requirements and increasing the area that development can cover on a lot also increases development feasibility.

Recommendations

We divided our recommendations into two categories: short-term recommendations that address current development challenges and prepare for market recovery and longer-term recommendations to consider implementing as the market improves.

Short-Term Recommendations

Our short-term recommendations aim to help the City support any potential development that may be viable under current market conditions and prepare for future market improvement.

- **Keep the 8-year MFTE program in existing locations,** as it may help some projects become feasible during a period where no housing would likely be built otherwise.
- **Consider reducing parking minimums in Residential Multi (RM) zones** to match the standards found in its Urban villages or even eliminating parking requirements entirely.
- Since parking reductions increase feasibility, in part, by reducing a project's required lot size, **we also recommend that the City increase its minimum lot coverage requirements in the RM zones.**
- **Consider providing administrative support for the 12-year MFTE program** to assist developers or property management companies with tenant screening, leasing, program compliance monitoring, and any required documentation.

Longer-Term Recommendations

The goal for the long-term recommendations is to give the City flexibility to determine how an MFTE program can be recalibrated most effectively to support various housing goals and needs. Based on the findings, the following options for recommendations are provided to help advance the three goals outlined below.

Increase housing development broadly:

- Keep the 8-year MFTE program in place.
- Change the 12-year MFTE program to the minimum state standards (20% of units at 115% AMI).
- Expand the residential target areas where the MFTE program can be used across the city (consider allowing it in certain zones or plan areas).

Direct development to certain neighborhoods while increasing mixed income housing development:

- Keep the 8-year MFTE program in place.
- Change the 12-year MFTE program to minimum state standards (20% of units at 115% AMI).
- Offer the programs only in neighborhoods where the City would like to direct development growth.

Promote affordable development:

- Revise the 8-year MFTE program as development conditions improve to provide for affordable unit development.
- Consider a two-tiered 12-year MFTE program, with the affordability threshold set to 115% AMI in higher-rent areas and 100% AMI in lower-rent areas.
- Expand the residential target areas where the MFTE program can be used but consider ways to avoid the displacement of affordable housing (e.g., naturally occurring affordable housing).

Other long-term program considerations and recommendations include:

- **Offer the 12-year extension beyond the currently allowed tax exemption term,** as it will not negatively impact development feasibility and could be an incentive for certain projects.
- **Monitor and consider recalibrating the MFTE program regularly**. We suggest completing additional program evaluation and feasibility analyses every 3 to 5 years to enhance program performance and test ways to adjust and recalibrate the MFTE program under changing market conditions.
- **Implementing anti-displacement measures.** While the 12-year MFTE program incentivizes the production of affordable housing units, the City should also take steps to preserve its existing, unsubsidized, naturally occurring affordable housing.

2. Project Background

Background

The Whatcom Housing Alliance contracted ECOnorthwest (ECO) to evaluate potential Multifamily Tax Exemption (MFTE) Program update options for the City of Bellingham, Washington. This analysis will help the Whatcom Housing Alliance and the City of Bellingham understand how changes to its current MFTE program could encourage private-sector development for both market-rate and affordable units. The City aims to use the program to encourage the development community to build more affordable housing units without suppressing overall needed housing development in the City. Specifically, the City would like to see more interest in its 12-year MFTE program option. While developers have frequently used the City's 8-year MFTE program option, there have been no developers as of June 2024 that have used the 12-year MFTE program option.

The purpose of this evaluation is to test different MFTE Program changes and assess how different scenarios can help balance the City's goals of targeted housing development and affordable housing production under local housing market conditions. In addition, this evaluation will help inform potential policy updates to consider for the Housing Chapter in the City of Bellingham Comprehensive Plan, especially updates that would help expand the affordable housing supply for all economic segments of the population to meet new state requirements and broaden housing options needed over the next two decades.

What is the Multifamily Tax Exemption (MFTE) Program?

The Washington State MFTE program allows a local jurisdiction to incentivize diverse housing options in urban centers lacking in housing choices or workforce housing units by providing tax exemptions for developers.[2] The program allows a property tax exemption authorized for 8, 12, or 20 years to stimulate the construction of new, rehabilitated, or converted multi-family housing and is often used to support mixed-income housing development. MFTE program requirements can vary since local jurisdictions can include additional requirements or incentives and can diversify program characteristics as long as the program meets the minimum state requirements. When implementing an MFTE program, local jurisdictions are tasked with developing clear guidance for the terms under which properties are eligible for tax exemption.

[2] State of Washington Chapter 84.14 RCW outlines the existing requirements for implementing a MFTE program (first codified in 1995, updated most recently in 2021, MFTE program background). Only projects with 4 or more units are eligible and only property owners who commit to renting or selling at least 20% of the units to low- and moderate-income households are eligible for the 12-year exemption. The intent of this state law is to help address the insufficiently available residential units and affordable housing units; support mixed income residential development; promote redevelopment of urban centers; and increase market rate workforce housing and affordable housing opportunities. The Washington Department of Commerce provided more guidance to indicate the 12-year would require at least one unit at 80% of AMI.

The Existing City of Bellingham MFTE Program

The City of Bellingham currently offers the following two program options for developers building at least four new multifamily units within the five designated areas (BMC 17.82).

- **8-Year MFTE Program:** An 8-year property tax exemption with no housing affordability requirements if located in the City Center, Fountain District, and Samish Way Urban Village areas.
- **12-Year MFTE Program:** A 12-year property tax exemption is offered when a project includes at least 20% affordable units in the development affordable to certain household income thresholds set in relation to the region's median family income (MFI). This program is available for projects located in the Samish Way, Fountain District, Fairhaven, Barkley Village, and City Center Urban Village areas.

SETTING AFFORDABILITY

The Department of Housing and Urban Development (HUD) sets income limits each year to establish eligibility for its assisted housing programs and to define an area's Area Median Income (AMI) HUD's AMI calculation relies on underlying Census data related to family incomes, and the 100% median is set for families of four. It is important to note that Median *Household* Income (MHI) is not directly comparable to HUD's AMI; MHI is for all household types, not just families.

The state sets minimum affordability thresholds for the 12-year program, but jurisdictions can choose to establish more stringent requirements. Bellingham's 12-year program affordability requirements require deeper affordability levels than the state program, as shown in Exhibit 1 below.

Exhibit 1: City of Bellingham and Washington State MFTE Requirements

	BELLINGHAM REQUIREMENTS	STATE REQUIREMENTS
Rental Housing	20% of units at 60% AMI or 80% for two-bedroom units	20% of units at a mix of 80% to 115% of AMI
Ownership Housing	20% of units at 80%-115% of AMI	20% of units at 115% of AMI

Source: City of Bellingham, Washington Department of Commerce. Median Family Income

Residential Target Areas

The City of Bellingham currently offers the MFTE program to five targeted residential areas located within its urban villages.[3] The program was first adopted in 1999 in the City Center (Downtown District and Old Town). It was expanded in 2010 to include Fountain District and Samish Way, and again in 2015 to include Barkley Village and Fairhaven. Of the five villages, all

[3] Pursuant to the Bellingham Municipal Code, under BMC 17.82.

offer the 12-year program, and three (City Center, Fountain District, and Samish Way) offer the 8-year program. Maps of these areas can be found in Exhibit 13 in the Appendix.

Program Usage to Date

As of June 2024, no projects have used the 12-year program. However, the City reports that the 8-year MFTE program has resulted in 1,824 market-rate residential units. Of these units, 779 units are currently receiving the tax exemption and 430 units are pending.

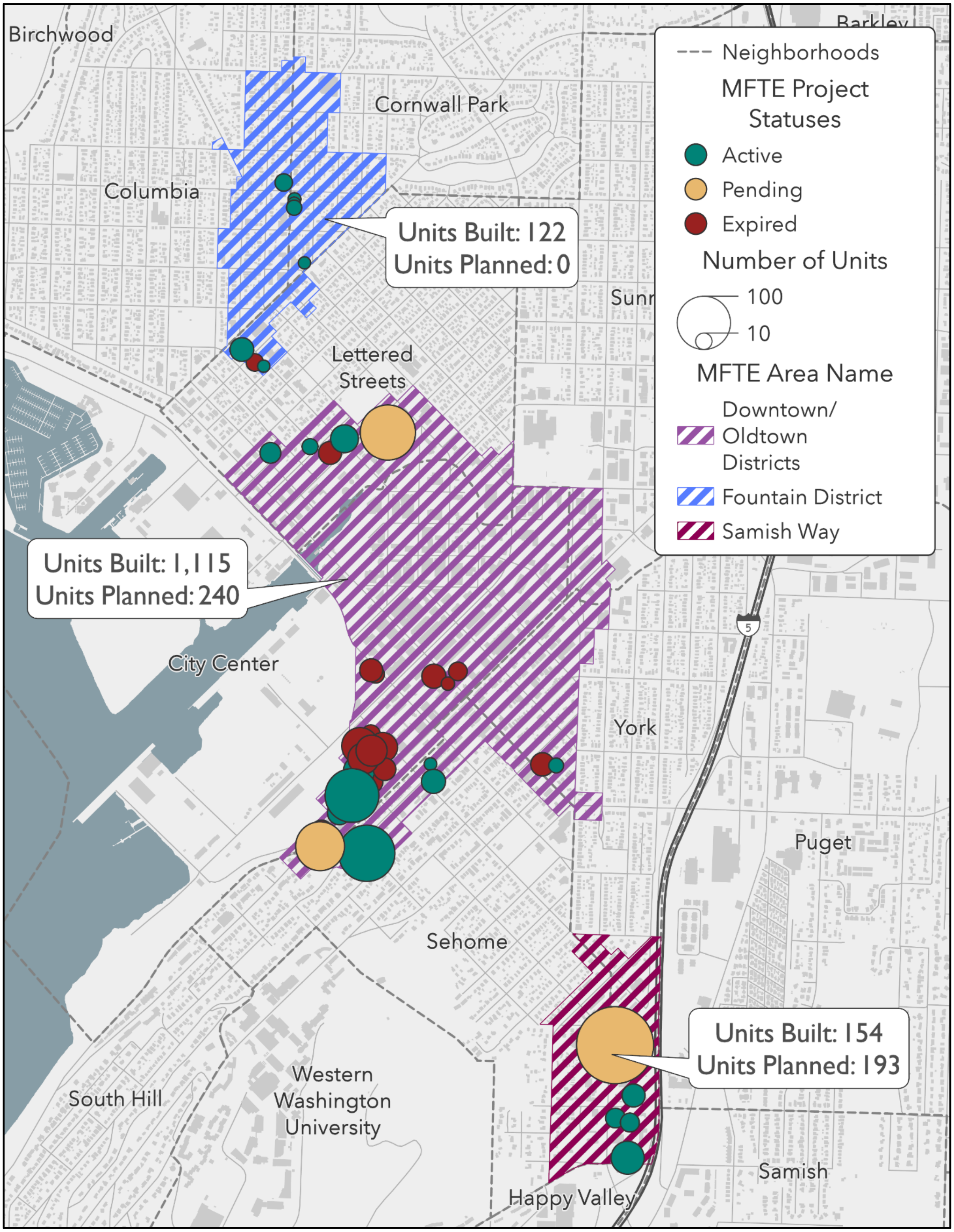
Exhibit 2: City of Bellingham MFTE Units Developed to Date (June 2024)

STATUS	CITY CENTER	FOUNTAIN	SAMISH WAY	FAIRHAVEN/ BARKLEY	TOTAL
Expired	592	20	0	0	612
Active	523	102	154	0	779
Pending	240	0	193	0	433
Total	1,355	122	347	0	1,824

Source: City of Bellingham

The map below shows the location, status and scale of projects that have used the existing 8-year MFTE program as of June 2024. The active and expired units are mostly located in Downtown Bellingham, as the program has been available in that area the longest. However, Samish Way has a high number of pending units, with 193 additional housing units scheduled to receiving tax exemption beginning in 2025.

Exhibit 3: Map of City of Bellingham MFTE Units Developed as of June 2024



Source: City of Bellingham and ECOnorthwest

3. Analysis Approach

To assess the feasibility of housing development in the City of Bellingham, the team examined how various Multifamily Tax Exemption (MFTE) program options, location, development type, and other variables contribute to various housing-related goals. We explored three general questions:

1. Is the 8-year MFTE program still needed to incentivize multifamily development?
2. Where and how could the 12-year program be recalibrated to incentivize affordable housing development best?
3. How can the City best balance different development priorities under current development conditions?

Since high interest rates and the cost of financing significantly impact development feasibility, the team also conducted sensitivity testing around certain financing metrics to see how policies might function in improved market conditions.

This section outlines our analysis framework, methodology, and major assumptions informing the analysis.

MFTE Program Scenarios

In addition to testing market-rate development (no exemption), the project team and partners selected the following four MFTE program scenarios for evaluation:

1. **Existing 8-Year Program Scenario:** Does not have an affordability requirement for housing units.
2. **Existing 12-year Program Scenario 1**: The City's existing 12-year program, a 12-year tax exemption requiring 20% of the total housing units to be affordable to households earning 60% of AMI or lower.
3. **New 12-year Program Scenario 2**: Washington State's minimum 12-year program affordability requirements require 20% of units to be affordable to households earning 115% of AMI and at least one unit at 80% of AMI or lower.
4. **New 12-year Program Scenario 3:** A 12-year program scenario requiring 20% of the housing units to be affordable to households earning 100% of AMI and at least one unit affordable to households at 80% of AMI or lower.

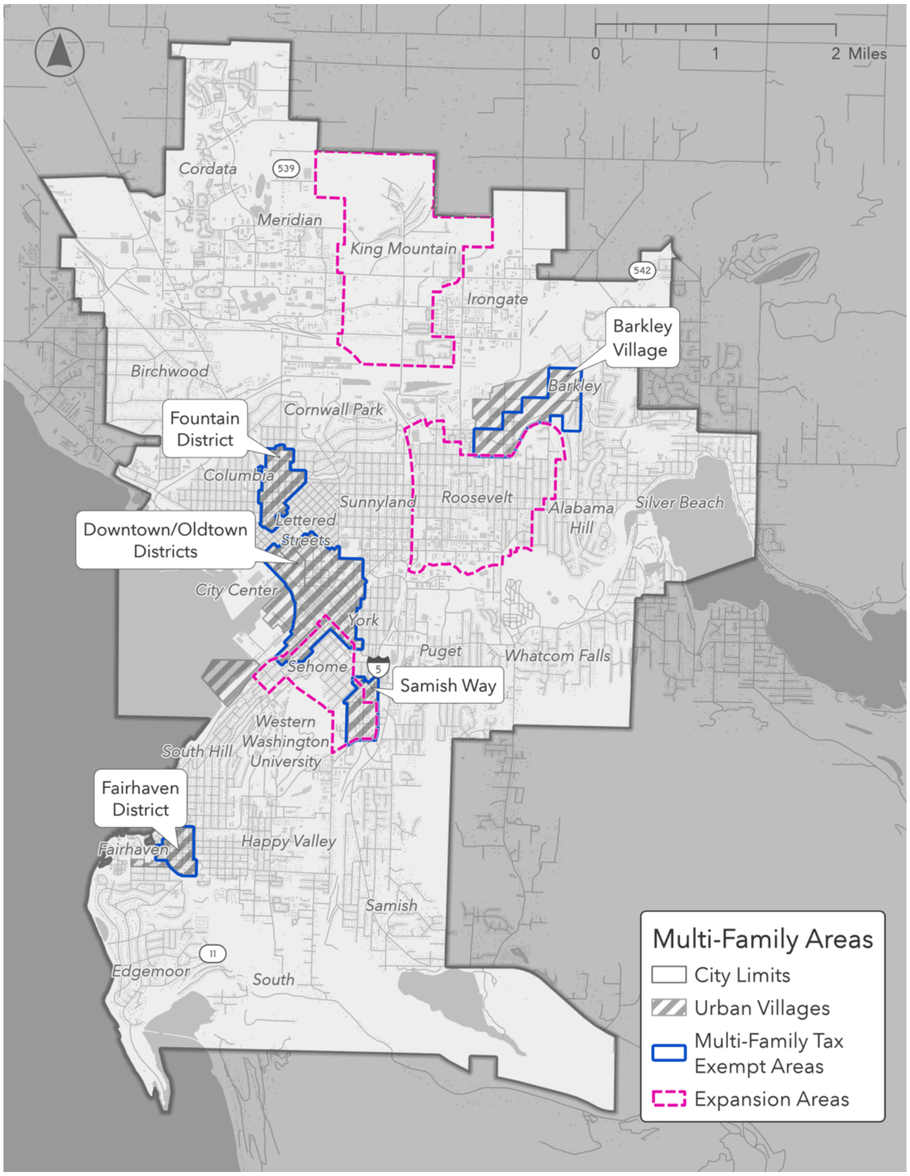
Residential Target Areas

In Washington, the MFTE Program can be used in Residential Target Areas (RTAs), defined as designated areas within urban centers that are determined to lack "sufficient, desirable, and convenient" housing, including affordable housing.[4] The relevant jurisdiction, either city or county, determines these areas to encourage additional housing development through tax incentives.

[4] RCW 84.14.040

Potential RTAs should have zoning and development standards (particularly for density and building height) that encourage multifamily housing development to ensure the program can be used.[5] [6]

Exhibit 4: Existing MFTE Areas, Urban Villages, and Potential Expansion Areas



Source: ECOnorthwest

ECO worked with WHA and Bellingham staff to identify the appropriate residential target areas for evaluation.

Of the existing MFTE areas, the project team selected five: Fairhaven, City Center (Downtown District and Old Town), Samish Way, and Fountain District. The remaining area, Barkley, was not assessed because of its unique development situation.[7]

In addition to the five existing MFTE areas, we evaluated three potential program expansion areas: King Mountain, Roosevelt, and Sehome. These areas were chosen to represent a range of market values, development potential, and interest in affordable housing development.

Zoning Details

While each of the eight analysis areas contains a few different zones, the project team selected development standards for one representative zone from each area based on guidance provided

[5] The state MFTE program rules require a minimum of housing with four or more dwelling units (source: RCW 84.14).
[6] A map of current zoning and MFTE areas can be found in Exhibit 14 in the Appendix.
[7] Land in the Barkley neighborhood is largely owned and developed by a single development firm.

by city staff. Relevant development standards for each area are shown in Exhibit 5 below. Parking requirements by zone are included in Exhibit 15 in the Appendix.

Exhibit 5: Development Standards for Analysis Areas

Area	Zone	Min lot size *(square feet)*	Max lot size *(square feet)*	Max height *(feet)*	Max FAR	Maximum building lot coverage *(percent of lot area)*	Usable space *(square feet per unit)*	Code Source
Fountain District	UV	0	None	45	2.5	100%	0	20.37.200
Fairhaven	UV	0	None	65	None	100%	0	20.37.300
Downtown District	UV	0	None	65	None	100%	0	20.37.500
Samish Way	UV	0	None	75	2.5	100%	0	20.37.100
Old Town Overlay	C	0	None	75	3.5	100%	0	20.35.070
Sehome	RM 2	0	None	35	None	35%	250	20.00.160
King Mountain	RM 13	3,600	None	35	None	35%	250	20.00.095
Roosevelt	RM 7	0	None	35	None	35%	250	20.00.140

Source: Bellingham Municipal Code. FAR: Floor Area Ratio, CC: City Center, RM: Residential Multi, UV: Urban Village

Residential Development Prototypes

The MFTE program applies to residential development, but the impact of this incentive could vary depending on the scale of the housing. To evaluate the feasibility of the tax abatement on different scales of housing development, we modeled three different prototypical developments, or *prototypes*.

With input from WHA and City staff, the team selected three prototypes: townhomes, mid-rise apartments, and podium apartments with ground-floor retail. These prototypes were chosen based on recent developments in Bellingham, and building specifications were modeled on specific comparable (or “comp”) projects in the City, shown below.

Comp: Alpengrove

Townhomes

Comp: Sophia Place

Mid-Rise Apartments

Comp: Kerf Apartments

Podium with Retail

When modeling the prototypes, we also aligned their building specifications with the development standards of each of the analysis areas. While some specifications (such as building area and number of units) are consistent across zones, others (such as site size and number of parking stalls) will vary based on development standards. Key building details are shown in Exhibit 6 below.

Exhibit 6: Building Prototype Specifications

	TOWNHOMES	MID-RISE	PODIUM
Building height (feet)	35 feet	45 feet	65 feet
Total building area (square feet)	12,600 sf	64,000 sf	210,000 sf
Total retail area (square feet)	N/A	N/A	7,000 sf
Total residential units	6 units	54 units	200 units
Density (depends on location)	22 to 50 dwelling units per acre	51 to 105 dwelling units per acre	64 to 96 dwelling units per acre
Average unit size (square feet)	2,100 sf	743 sf	788 sf
Unit Mix	3-bedrooms	25% studios 40% 1-bedrooms 25% 2-bedrooms 15% 3-bedrooms	15% studios 40% 1-bedrooms 35% 2-bedrooms
Parking type	Private garage	Surface	Mix of structured and surface

Source: ECOnorthwest

For parking and site area specifications for each analysis area, see Exhibit 16 through Exhibit 18 in the Appendix.

Feasibility Analysis Method

ECOnorthwest used a pro forma analysis approach to assess the feasibility of development and address key questions. The pro forma model considers the prototypes, entitlement limits, and various financial market conditions of the target areas (e.g., rents, operating and construction costs, and investment return requirements). Ultimately, this assessment will evaluate the value of different program options to help the City understand the likelihood of developers building multifamily and affordable housing under different MFTE program scenarios.

Residual Land Value

The pro forma analysis uses a residual land value metric. Residual land value (RLV), or the "land budget", is an estimate of what a developer would be able to pay for land after accounting for:

- The property's income from rental revenue,
- The cost to build and operate the building,
- The investment returns that would be needed to attract capital for the project.

In simpler terms, it is the budget that developers have left for land after analyzing all other development constraints. If the Residual Land Value (RLV) is equal to or higher than the land prices in the potential development area, the development is considered feasible at market rate. If the RLV is zero dollars, the development could be feasible if the land were donated for free. However, if the RLV is less than zero, the development is likely infeasible unless a developer receives additional subsidies or incentives.

It's important to note that the results from this method provide a general analysis of prototypes and do not consider the many potential unique conditions that could affect development feasibility (e.g., increased predevelopment costs, low land basis from long-time land ownership). For these reasons, a residual land value analysis should be considered a strong indicator of the relative likelihood of development, rather than an absolute measure of return to the investor or developer.

WHY ARE DEVELOPMENT FEASIBILITY AND PRO FORMA ANALYSES IMPORTANT?

Constructing housing can be costly and risky, and the costs associated with constructing affordable housing can be even more challenging. Getting funding to build new housing requires lenders and investors to be reasonably confident they will earn enough financial return to justify the risks.

While some of the factors that determine market feasibility are outside a jurisdiction's direct control (e.g., labor and materials costs, interest rates, market rents), local jurisdictions can provide incentives or adjust fees, zoning, programs, and other regulations that can substantially impact whether development is feasible.

Residual Land Value Model Benefits

In our analysis, a RLV approach allows for comparison of multiple development variables by establishing a clear feasibility benchmark. Since we are comparing the feasibility of different policies and development scales, rather than the feasibility of a specific project, RLV is a useful tool for standardizing feasibility across various development scales. In projects requiring multiple sensitivity tests by prototype, policy, and other factors, RLV can easily provide an understanding of the trade-offs of different policy choices for different prototype buildings.

The RLV model also offers a feasibility assessment without the need for multiple additional assumptions to calculate a project's internal rate of return (IRR). To estimate IRR, we usually need to make assumptions about when a developer plans to sell or refinance the project, what the lending environment will be like at that time, or how valuable the project will be when sold. Small changes in these assumptions can significantly impact the resulting IRR and understanding of the impact of different policy choices for different building types. IRR can also be a more subjective metric, as different developers have varying access to capital and risk tolerance. An IRR model would be more accurate for specific deals because it factors in all potential project considerations that developers continuously update and vet. However, because we are dealing with prototypical developments across a large area, an IRR model is generally too precise for policy calibration purposes and exposes the analysis to the risk of more assumptions and inappropriate conclusions. Using an RLV model can reduce the need to predict these future conditions and minimize the risk of false precision.

Analysis Assumptions

This section outlines our methodology and assumptions for the main pro forma inputs.

Land Values

In this report, we use real market values from the Whatcom County assessor's office as a proxy for land sales. The report compares the feasibility of housing development to current average market values in the relevant zones, which may present more or less favorable results based on land availability and market dynamics.

We used the assessor data to organize the real market values of each parcel by neighborhood and into two categories: vacant and non-vacant. To identify vacant parcels, we examined the improvement value of each parcel; parcels with an improvement value of zero were classified as vacant. We then calculated the average total market value per square foot for each category as well as the overall average for all parcels.[8] Additionally, we tallied the number of vacant parcels and total vacant area for each neighborhood. In neighborhoods with limited vacant land availability, it is more likely that a developer would need to pursue infill or redevelopment projects on non-vacant land. Because there is a wide range between vacant and non-vacant land costs, we have included the average values for both vacant and all land for each neighborhood in our findings.

We also looked at CoStar data of recent vacant land transactions within the last two years. Because there were limited observations, we were not able to reliably use this data to establish values by neighborhood. However, we were able to use this data to verify the average price of vacant land in the City, which generally aligned with the assessor data. Per the CoStar data, the average sale price per square foot for vacant land was $36.

Land values and availability are shown in Exhibit 7 below.

[8] The overall average is much closer to the values of non-vacant land due to the limited availability of vacant land.

Exhibit 7: Land Costs per Square Foot and Total Vacant Area by Neighborhood

LOCATION	$/SF VACANT LAND	$/SF NON-VACANT LAND	$/SF OF ALL LAND	TOTAL VACANT PARCELS	VACANT AREA (ACRES)	TOTAL AREA
Fairhaven District	$66	$108	$107	13	2.7	86.4
Fountain District	$36	$88	$88	5	0.8	58.6
Sehome	$29	$86	$84	32	10.6	215.5
City Center (Downtown & Old Town)	$29	$80	$78	70	13.2	311.0
Roosevelt	$16	$52	$51	45	20.4	627.4
Samish Way	$30	$51	$49	11	5.0	50.6
King Mountain	$8	$43	$42	108	328.2	2,803.3

Source: ECOnorthwest

Revenues

Average rent rates are based on two main sources: CoStar data for multifamily buildings and current rent listings. For the CoStar data, we filtered the data for newly developed buildings (post-2020) to reflect rent premiums for new construction. We also sorted the data by building type, unit type, and unit size to come up with an average rent per square foot for each prototype, as well as comparison data for rents in different neighborhoods. To verify this data, we also compared both total unit rents and rent rates per square foot currently listed online for comparable projects.

Exhibit 8 shows the average rent for each prototype in each neighborhood, considering unit sizes, unit types and mixes, and variations by location.

Exhibit 8: Average Rent Assumptions by Prototype and Neighborhood

NEIGHBORHOOD	TOWNHOMES	MID-RISE	PODIUM
Fairhaven	$3,587	$2,550	$2,666
Downtown	$3,431	$2,439	$2,550
Old Town	$3,431	$2,439	$2,550
Fountain District	$3,119	$2,217	$2,318
Samish Way	$3,119	$2,217	$2,318
Sehome	$3,275	$2,328	$2,434
King Mountain	$2,963	$2,106	$2,202
Roosevelt	$2,963	$2,106	$2,202

Source: ECOnorthwest, CoStar, Zillow

Costs

Construction costs for the prototypes are based on three main sources: the 2024 National Building Cost Manual, recent project work in similar markets, and local developer interviews. We used an average cost between these sources, with more weight paced on the local developer interviews; however, cost estimates were consistent between the three sources.

Exhibit 9 shows our baseline average costs per square foot for various project aspects. Costs were also adjusted for certain neighborhoods to reflect variations in construction grades across the city: a 10% cost premium for development in Fairhaven, a 5% cost premium for Downtown and Old Town, and a 5% discount for King Mountain and Roosevelt.

Exhibit 9: Development Costs per Square Foot

COST (PER SQUARE FOOT)	TOWNHOMES	MID-RISE	PODIUM
Average residential cost	$200	$250	$251
Retail cost, including tenant improvement	--	--	$300
Indoor and covered parking costs	$60	--	$100
Landscaping, surface parking, and paving	$1	$25	$28
Total construction cost	$221	$256	$269
Soft costs as a share of hard costs (excluding property taxes)	24%	19%	18%
Total development cost	$300	$333	$348

Source: ECOnorthwest, National Building Cost Manual, developer interviews

Financing

Financing metrics, such as loan interest rates and debt service coverage ratios, are based primarily on developer interviews, both locally and for similar development scales and markets across Western Washington. Because high interest rates and the cost of financing significantly impact development feasibility, we conducted sensitivity testing around certain financing metrics to see how policies might function in improved market conditions. Holding all other factors constant, we tested two scenarios:

- Current market financing conditions: A construction loan interest rate of 8%, a permanent loan interest rate of 7%, and a debt service coverage ratio of 130%.
- Improved market financing conditions: A construction loan interest rate of 7%, a permanent loan interest rate of 6%, and a debt service coverage ratio of 125%.

The **debt service coverage ratio** (DSCR) measures a project's ability to cover its debt obligations with projected revenue. Lenders may require a higher DSCR to approve a loan in riskier development environments.

4. Analysis Findings

Our results are divided into two categories: Findings under current market financing conditions and findings under improved market financing conditions. Within these sections, the results are presented by program option: no program (market rate), the 8-year program, and the various 12-year program scenarios.

KEY FINDINGS

- Under current market conditions, development is not feasible, even with the incentives offered by the 8-year program and 12-year program scenarios.
- Under any market condition, the City's current 12-year program decreases development feasibility.
- Under improved market conditions, market-rate development will likely be feasible, especially in higher-rent neighborhoods. The 8-year program improves development feasibility but may not be necessary to make it feasible.
- Increasing the 12-year program to 20% of units affordable at 100% or 115% AMI generally improves development feasibility for higher-density prototypes but does not provide enough incentive to outcompete the 8-year program.
- Changes to parking and lot coverage requirements can also increase feasibility.

Current Market Conditions

The analysis resulted in the following findings for current market conditions, using a construction loan interest rate of 8%, a permanent loan interest rate of 7%, and a debt service coverage ratio of 130%:

Under current market conditions, market-rate development is not feasible for the prototypes or areas tested.

The residual land value results for all prototype and neighborhood combinations are substantially below vacant land values, and negative for all except townhomes in Fairhaven. These results are expected based on developer interviews and general development conditions across the state and country. A few major development barriers include:

- **Cost of borrowing:** Higher interest rates have substantially increased developers' borrowing costs, affecting both the cost of construction loans and their ability to finance projects long-term.
- **Financing challenges:** In addition to securing loans to finance the project, developers will usually need to raise equity, usually from investors, to cover a large portion of the development costs (our model assumes 30%). This can be tens of millions of dollars, which

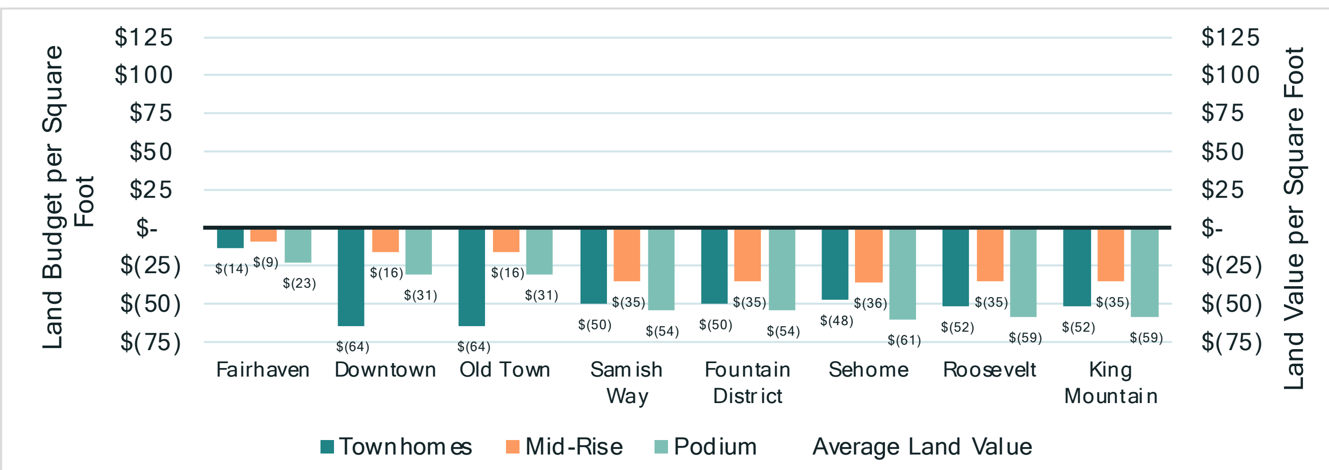
can be much harder to raise in a more difficult development environment, especially if the projects are outside of major urban centers. In addition, the cost of acquiring existing apartment buildings is both less expensive and less risky than building new construction, limiting the pool of interested investors.

- **Construction Costs**: Inflation has driven up the cost of construction materials and labor. Supply chain disruptions have further exacerbated these issues, making materials more expensive and delivery timelines less predictable.

INTERPRETING RESULTS CHARTS

The gray boxes represent a range of land values in the city; the lower bound is the average value of vacant land, and the upper bound is the average value of all land parcels. There are many factors that go into actual land pricing, including land condition, any existing structures, availability of other land nearby, and proximity to transit and other amenities. Because of these factors, the relationship between the land *budget* and land *prices* should be read as more of an indicator of likelihood of development rather than absolute certainty. In the charts included here, if the land budget is below the gray box, development is not likely, as the developer would not be able to afford even lower-priced vacant parcels. If the land budget is above the gray box, development feasibility is likely as the developer would be able to pay for the average cost of land. If the land budget falls within the gray box, development would be possible under certain circumstances; the higher the budget relative to the land value, the more likely the project is feasible.

Exhibit 10: Residual Land Value Results and Land Values for Market Rate Development, Current Market Conditions



Source: ECOnorthwest

The 8-year program improves development feasibility but not enough to make development feasible in current market conditions.

Compared to market-rate development, using the 8-year program increases land budgets by between $9 and $26 per square foot, depending on the prototype and neighborhood.[9] However, land budgets are still well below land costs for both vacant and non-vacant land.

The City's current 12-year program decreases development feasibility.

Compared to market-rate development, the City's current 12-year program (20% of units affordable at 60% of AMI) decreases land budgets by $20 to $59 per square foot.[10] For all prototypes across all neighborhoods, the land budget is negative, meaning the development would not be feasible without additional incentives even if the land were provided for free.

Increasing the 12-year program to the statute minimum affordability requirements increases feasibility for the mid-rise and podium prototypes, but not enough to make development feasible under current market conditions.

We also tested the impact of the 12-year program if the affordability requirements were raised to the minimum thresholds required by the statute (20% of units affordable at 115% AMI, except for at least one unit affordable at 80% AMI).

- **Compared to market rate:** The 12-year program at 115% AMI increases land budgets by between $17 and $33 per square foot of land budget.[11]
- **Compared to the 8-year program:** The 12-year program at 115% AMI slightly increases land budgets in all neighborhoods except Fairhaven, increasing the land budget by between $2 and $8 per square foot.[12]

However, in all neighborhoods, the land budget remains well below the value of both vacant and non-vacant land, making development infeasible.

AFFORDABLE TOWNHOMES

The affordability requirements have a much more negative impact on smaller developments like the townhome prototype (six units) than on larger projects. To meet the affordability requirement of having at least 20% of units designated as affordable, two out of the six townhome units would need to be affordable, resulting in an actual ratio of 33% affordable units. **In all 12-year program scenarios, the program reduces the feasibility of the townhome prototype, so it is not included in the 12-year program discussions.**

Improved Market Conditions

The analysis resulted in the following findings for improved market conditions, using a construction loan interest rate of 7%, a permanent loan interest rate of 6%, and a debt service coverage ratio of 125%:

Market rate development will likely be feasible, especially in higher-rent neighborhoods.

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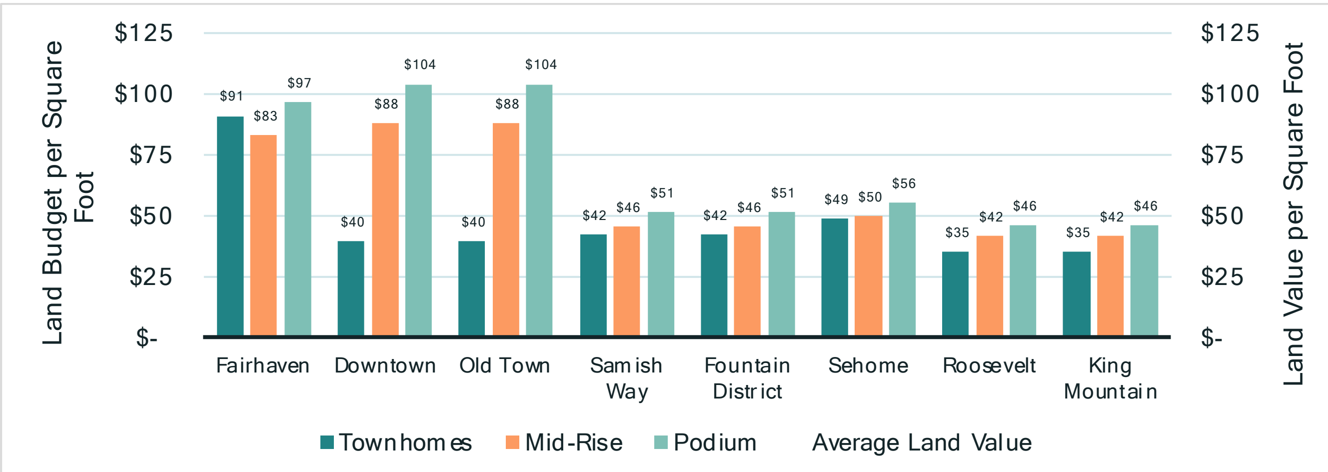
[9] See Exhibit 19: Residual Land Value Results and Land Values for 8-Year Tax Exemption, Current Market Conditions in the Appendix.
[10] See Exhibit 20: Residual Land Value Results and Land Values for 12-Year Tax Exemption with 20% Units Affordable to 60% Area Median Income, Current Market Conditions in the Appendix.
[11] See Exhibit 21 in the Appendix.
[12] See Exhibit 22 in the Appendix.

For all prototypes in all neighborhoods, the residual land value results are above vacant land values, implying development would likely be feasible if vacant land is available. For the mid-rise and podium prototypes in the Downtown and Old Town, land budgets are above the average land values, implying development or redevelopment is likely regardless of the availability of vacant parcels. For other prototypes and neighborhoods, redevelopment potential would likely largely depend on the availability of underutilized parcels for sale for below-average land values (such as parking lots or vacant or older buildings).

Exhibit 11: Residual Land Value Results and Land Values for Market Rate Development, Improved Market Conditions



Source: ECOnorthwest

Development likelihood is increased by the 8-year program but may not be necessary to make development feasible.

Compared to market-rate development, the 8-year program increases land budgets by between $16 and $30 per square foot, depending on the prototype and market.[13] However, as shown in Exhibit 11 above, development is likely already feasible in several neighborhoods. While the 8-year program may increase the likelihood of development across the City, it may not be necessary to make market-rate development feasible *in improved market conditions.*

The City's current 12-year program decreases development feasibility, even under improved market conditions.

Even in improved market conditions, the City's current 12-year program substantially reduces feasibility, reducing the land budget between $49 and $100 per square foot across all prototypes and market areas.[14]

Increasing the 12-year program to the minimum affordability requirements increases the development feasibility of the mid-rise and podium prototypes. However, the 12-year program does not outcompete the 8-year program.

[13] See Exhibit 23 in the Appendix.
[14] See Exhibit 24 in the Appendix.

We tested the 12-year program with the minimum statute affordability threshold (20% of units affordable at 115% AMI) compared to both market-rate development and the 8-year program under improved market conditions.

- **Compared to market rate:** The 12-year program is a development incentive for all markets. The 12-year program at 115% AMI increases land budgets by between $18 and $32 per square foot for the mid-rise and podium prototypes, depending on the market area.[15]
- **Compared to the 8-year program:** With the exception of Fairhaven (where feasibility decreases), the 12-year program at 115% AMI slightly increases land budgets by between $1 and $7 per square foot. This is likely not enough incentive to use the program.[16]

Changing the 12-year program to 20% of units affordable at 100% AMI increases development feasibility for the mid-rise and podium prototypes in lower-rent areas. However, the program does not out-compete the 8-year program in any neighborhood.

We also tested the 12-year program with different depths of affordability. In lower-rent neighborhoods, there is more opportunity to require deeper affordability, as there is a smaller delta between current market rents and rents affordable to households earning below 115% of the AMI. Under improved market conditions, there may be an opportunity to lower the affordability threshold to 100% AMI and still maintain an incentive above the market rate.

- **Compared to market rate:**[17] The program is a development incentive in lower-rent markets (Samish Way, Fountain District, Roosevelt, and King Mountain), increasing land budgets by between $16 to $21 per square foot. In higher-rent markets (Fairhaven, Downtown, Old Town, and Sehome), the 12-year program at 100% AMI either slightly decreases feasibility or does not increase it enough to be a development incentive (only adding between $3 and 9 per square foot).
- **Compared to the 8-year program:**[18] Across most neighborhoods, the 12-year program is less feasible than the 8-year program. In Roosevelt and King Mountain, the 12-year program slightly improves land budgets (by $1 to $3 per square foot) but is likely not enough to incentivize program use.

Changes to parking and lot coverage requirements can also increase feasibility.

ASSESSING THE 12-YEAR PROGRAM

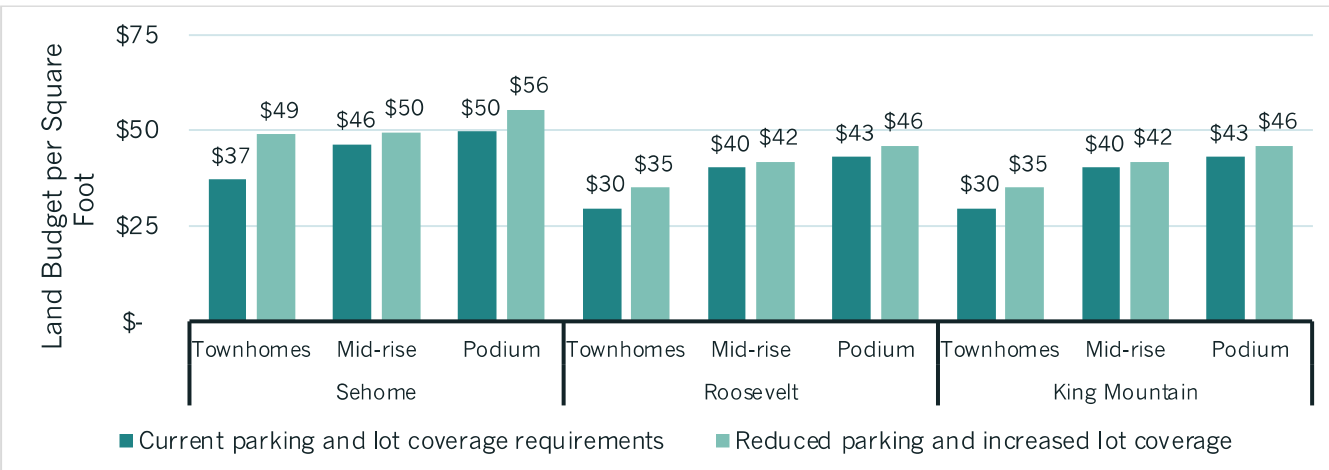
To assess the appeal of the 12-year program, we evaluated whether it added a minimum of $10 per square foot to the project's land budget compared to the 8-year program and market-rate development. Due to the affordability requirements of the 12-year program, which can raise operating costs and reduce the potential sale value of a development, developers would likely require a more significant incentive to compensate for the added risk and effort. If the 12-year program only offers a minimal financial incentive, developers would likely opt for the 8-year program if available or no program at all.

[15] See Exhibit 25 in the Appendix.
[16] See Exhibit 26 in the Appendix.
[17] See Exhibit 27 in the Appendix.
[18] See Exhibit 28 in the Appendix.

During interviews, stakeholders shared that parking requirements can be a barrier to development. In part, decreasing parking requirements can increase feasibility by reducing the amount of land needed for a project, both reducing costs and increasing potential project sites. However, the maximum lot coverage for buildings in the RM zone is 35%, which often requires a larger lot than would be needed for the building, parking, and landscaping alone; in other words, only reducing the parking would have no impact.

We tested increased maximum lot coverage and reduced parking requirements in the expansion areas, allowing a maximum lot coverage of 100% and lowering required parking ratios to the standards in Fountain Head, Fairhaven, and Samish Way. As shown below, these adjustments increased the feasibility of the mid-rise and podium prototypes by $2 to $6 per square foot and the townhome prototype by $5 to $12 per square foot.

Exhibit 12: Residual Land Value Results and Land Values for Market Rate Development, Improved Market Conditions, Reduced Parking and Increased Lot Coverage



Source: ECOnorthwest

5. Recommendations

The real estate market generally cycles through four stages: recovery, expansion, hyper-supply, and recession. Expansion sees increasing demand, rising property values, and new construction. In hypersupply, overbuilding leads to higher vacancy rates and stabilizing or declining values. Recession follows, characterized by oversupply, high vacancies, declining values, and reduced construction activity. Recovery follows a downturn with low property values and little new construction, slowly improving as demand stabilizes. Currently, the market is in a recession phase, evidenced by the feasibility analysis results and decreased permitting activity.

We have divided our recommendations into two categories: short-term recommendations that address current development challenges and prepare the City for market recovery, and longer-term recommendations to consider implementing as the market improves.

Short-Term Recommendations

Our short-term recommendations are aimed at helping the City support any potential development that may be viable under current market conditions and prepare for future market improvement. These recommendations are also in the context of the City's upcoming 2025 comprehensive plan update.

Keep the 8-year program in its current locations.

The feasibility analysis showed that market-rate development is not feasible under current conditions, even with an 8-year property tax exemption. While feasibility stays low, we recommend the City keep the program in place as it is, as it may help some projects become feasible during a period where no housing would likely be built otherwise.

Consider relaxing parking and lot coverage standards in Residential Multi (RM) zones.

The current parking requirements in denser neighborhoods like Sehome may be higher than necessary. The City could consider reducing required parking in RM zones to match the standards found in more residential Urban Villages (such as the Fountain District), denser Urban Villages (such as Downtown) or even eliminating parking requirements entirely. While developers may choose to provide more parking than required, especially in less dense areas like King Mountain or Roosevelt, reducing parking requirements would give developers the flexibility to balance market demand with specific project circumstances.

Consider increasing minimum lot coverage requirements in the RM zones.

Since parking reductions increase feasibility, in part, by reducing a project's lot size, we recommend that the City also increase its minimum lot coverage requirements in conjunction with parking changes. We recommend that the City consider making these changes in the short term to support development in the RM zones when market conditions improve.

Consider revisions to the vacancy requirement for the demolition of existing housing.

The City should evaluate different scenarios associated with the 12 month vacancy MFTE eligibility requirement for the demolition of existing homes since this applies to all housing, including single family homes. The state requirement only applies to demolition of existing multi-unit (or multifamily) housing. The City experienced a few instances where developers are interested in replacing a single family home with large multifamily projects that would contribute greatly to the city's housing supply, but the local restriction on the demolition of single family homes acted as an impediment. The City should review the state law requirements (see RCW 84.14.030) and the existing code sections applicable to this requirement (BMC 17.82.030 Project Eligibility) to alleviate this restriction in a way that achieves the City's housing goals and prevents the displacement of affordable housing.

Consider setting up an office to administer and monitor affordable units.

According to developer interviews, market-rate developers are often hesitant to include affordable units due to increased operating costs and other considerations. Many developers in the city are smaller firms with limited capacity to research, interpret, and financially analyze the requirements of the 12-year program option. In interviews, developers expressed that they were less familiar with the 12-year program requirements and perceived it as riskier compared to market-rate development or the 8-year program. The City could potentially increase program usage by providing ongoing predictability and ease of compliance with program requirements. This office could assist developers or property management companies with tenant screening, leasing, program compliance monitoring, and any required documentation. The City could provide this support itself, work with the county, or partner with an affordable housing nonprofit.

Longer-Term Recommendations

The goal for the long-term recommendations is to give the City flexibility to determine how an MFTE program can be recalibrated most effectively to support various housing goals and needs. Based on the findings, the following recommendation options are provided to help advance three goals outlined below.

If the city wants to increase housing development broadly:

- **Keep the 8-year program in place.** Its historic use demonstrates its effectiveness as a development incentive.
- **Change the 12-year program to Washington State minimum program standards (20% of units at 115% AMI).** In some markets, this program will likely be more profitable than

the 8-year program, and the City will likely see a mix of developers using the 8- and 12-year programs depending on the development type and location.

- **Expand program locations across the city.** Based on the feasibility analysis, both the 12-year and 8-year programs serve as development incentives. If the city aims to promote housing development citywide, expanding program locations would offer the best chance of success. The City could expand the residential target areas where the MFTE program can be used across the city (consider allowing it in certain zones or plan areas).

If the city wants to direct development to certain neighborhoods while increasing mixed income housing development:

- **Keep the 8-year program in place and update the 12-year program to match the minimum Washington State MFTE Program standards 20% of units at 115% AMI).** As discussed above, this combination of MFTE programs offers the strongest development incentive and the greatest likelihood of program use. However, the 8-year program will likely generally outcompete the 12-year program and contribute to market rate development.
- **Offer the programs only in neighborhoods where the City would like to direct development growth.** The MFTE program is a significant development incentive and will likely attract interest wherever offered, especially compared to areas with no incentives.

If the city wants to focus on promoting affordable housing development:

- **Revise the 8-year program as development conditions improve to provide for more affordable housing development.** If market conditions improve, the analysis indicates that market-rate development will likely become feasible in Bellingham, and the City may not need the 8-year program as an incentive. However, the 8-year program will likely be more profitable than both market-rate development and the 12-year program in many areas, removing any incentive to use the 12-year program and include affordable units. We suggest that the City monitor development conditions, especially interest rates, and development interest, which could be gauged using multifamily permit applications. As development resumes, the City should consider revising the program to require a certain share to be affordable units out of the total units (such as 5 to 10% of the units at 115% AMI, carefully calibrated to complement the 12-year program) or consider limiting this program option.
- **Consider a two-tiered 12-year program.** The feasibility analysis shows that different neighborhoods have varying tolerance levels for affordable housing in relation to market-rate rents. In higher-rent neighborhoods like Fairhaven, Downtown, Old Town, and Sehome, we recommend the City maintain a higher affordability requirement (20% of units at 115% of the Area Median Income) to provide an incentive for development over market rate. However, the City has more flexibility in lower-rent neighborhoods such as Samish Way, Fountain District, Roosevelt, and King Mountain. In these areas, the City could adjust the 12-year program requirements to 20% of units at 100% of the Area Median Income. However, it is important that these thresholds are calibrated correctly to current market

rents, so we suggest the City reassess rents in each neighborhood when it is ready to make program changes.

- **Expand program locations but consider displacement risk.** Expanding program locations can increase opportunities for developers to use the incentive in exchange for affordable units. However, the City should be careful to avoid supporting projects that would remove naturally occurring affordable housing in potential expansion areas. Homes in many areas (such as King Mountain and Roosevelt) tend to be older and are often already affordable at less than 100% AMI. By incentivizing development in these areas, there is a risk that these more affordable units would be replaced with more expensive units, even if some of the units are technically income-restricted.

Other long-term program considerations and recommendations include:

Offer the 12-year program extension to retain affordable housing units for a longer time period.[19] While it will be many years before a project can use this additional incentive, the City could offer the opportunity for a potential 12-year tax extension. Offering this program won't negatively impact development feasibility and could be an incentive for certain projects.

Monitor and consider recalibrating the MFTE program regularly. Regular monitoring and program evaluation can help ensure the City is meeting its housing goals by calibrating program changes correctly. We suggest completing an additional program evaluation and feasibility analysis every 3 to 5 years to enhance program performance and test ways to adjust and recalibrate the program. In addition, feasibility analysis should occur more regularly if there is little or no participation in program options two to three years after program changes.

Anti-Displacement Strategies

While the 12-year MFTE program incentivizes the production of affordable housing units, the City should also take steps to preserve its existing, unsubsidized, naturally occurring affordable housing. Below are several strategies the City could consider in conjunction with changes to its MFTE program.

Supportive Policies, Ordinances and Incentives

The City should consider establishing policies or ordinances that avoids displacing households living in affordable housing and allows for the preservation of affordable housing/spaces, as well as financial assistance for landlords and property owners, in exchange for maintaining affordability. Key examples and guidance:

- **Selection of Residential Target Areas:** For MFTE program expansions, the City should evaluate the potential risk of displacement of residents currently living in the area to ensure that the displacement risk is minimal. If it is not minimal, the City should mitigate the risk of displacement risk with measures such as (but not limited to) the first right of refusal to

[19] The 12-year program extension allows developers to receive another 12 years of tax exemption, but they must offer 20% of units that are affordable at 80% AMI.

occupy the newly created housing receiving the exemption (including the affordable housing, as long as they meet the eligibility requirements).[20]

- **Landlord financial assistance,** in which local governments provide financial assistance via rehabilitation grants and loans to landlords who maintain the affordability of their rental property.
- **Extending the length of rent-restricted affordable housing:** The City could consider measures (such as incentives the state now permits) to extend the length of the affordable housing requirement for the MFTE program after the affordability requirement lapses.

Restrictions and Disincentives

Ordinances and tax policy modifications that restrict and discourage landlords and property owners from increasing rents or selling properties at high prices. [21] These policies may also include requirements related to the habitability of the property. Examples include:

- **Just cause eviction policies,** in which local governments establish laws that limit the circumstances in which landlords can evict tenants, outside of nonpayment of rent, violation of lease terms, or permanent removal of a dwelling from the rental market.
- **Right to renew policies,** in which local governments establish laws that allow tenants the right to renew their lease if the landlord or property owner cannot legally justify eviction.
- **Tenant relocation assistance programs,** in which local governments fund or offer tenant relocation assistance programs to provide tenants support in finding alternative housing that they can afford and meets their needs. These programs are often paid by the local governments in cases of public development, and the landlord in cases of eviction.
- **Rental increase taxes,** in which local governments require landlords to pay property taxes on the percent increase in annual rent.

Facilitation of Shared Equity, Acquisitions, Conversions, and Transfers

Local governments can support nonprofit organizations and developers in facilitating shared equity homeownership, acquiring properties for continued affordable housing, converting properties into affordable housing, or transferring development rights to maintain affordable housing.

- **Acquisition and conversion of market-rate housing to long-term affordable housing,** in which local governments support public housing agencies, community land trusts, and/or community-based organizations in acquiring existing privately-owned, market-rate housing to convert it to regulated affordable housing. Local governments can also support the acquisition of existing low-cost market-rate rental housing.
- **Transfer of development rights program,** in which local governments establish a program that allows the owner of one affordable housing development to transfer its development rights to the owner of a second property to maintain the current use of the

[20] RCW 84.14.040: https://app.leg.wa.gov/RCW/default.aspx?cite=84.14.040

[21] The City of Bellingham has several anti-displacement measures in place such as requiring sufficient notice on rental increases and rights to relocation assistance (BMC 6.14.020).

affordable housing and raise funds that can be reinvested into its preservation. The receiving owner can build at a higher density or building height than the base zoning allows.

- **Community land trusts** are nonprofit organizations that purchase land with public or private funding and lease the parcels on a long-term, renewable basis to homeowners and tenants. Homes built on the land are owned by the individual household but are more affordable than typical homes because the cost of ownership of the land is not included in the purchase price.
- **Limited equity cooperatives,** in which local governments can financially support residents in forming a limited equity cooperative (LEC), are a homeownership model in which residents purchase a share in a development (rather than an individual unit) and commit to reselling their share at a price determined by formula. This arrangement maintains collective ownership and affordability at purchase and over the long term.

6. Conclusion

The City of Bellingham's Multifamily Tax Exemption (MFTE) program has helped spur housing development in targeted areas over the past two decades. However, the current market conditions of high interest rates and construction costs have significantly impacted the feasibility of new multifamily development, even with MFTE incentives. Looking ahead, the City has an opportunity to reevaluate and refine its MFTE program strategy.

In the short term, maintaining the existing 8-year program and setting up additional development supports, such as more flexible development standards and administrative assistance could help support any viable projects during the current market downturn. In the long term, Bellingham should consider its development goals and housing needs. If the priority is to increase housing development generally while continuing to prioritize certain urban villages, the City should consider maintaining its 8-year program and increasing the 12-year program’s affordability requirements to Washington's minimum affordability thresholds to maximize development feasibility while still creating some mixed-income projects and extending the 12-year to more locations across the City. Alternatively, if the City would like to prioritize affordable housing development, staff may want to implement a two-tiered 12-year program structure to promote more affordable housing development while revising the 8-year program to require a certain share of affordable housing units. Regardless of specific program changes, the City should consider measures to preserve existing unsubsidized affordable housing from displacement pressures created by new development.

While housing market cycles will continue, regularly reevaluating, adjusting and expanding the MFTE program can ensure it remains an adaptable tool aligned with Bellingham's evolving housing priorities over time. Thoughtful, data-driven program calibration will enable the City to strike the right balance between development feasibility, affordable housing, and growth priorities based on future market realities.

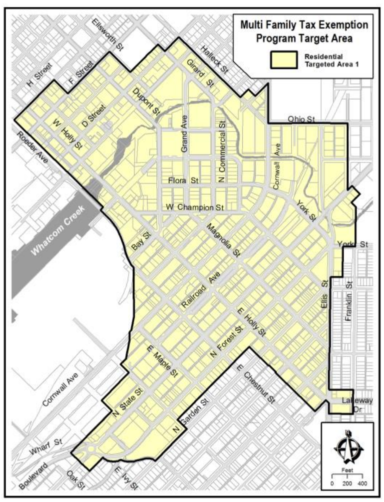
7. Appendix

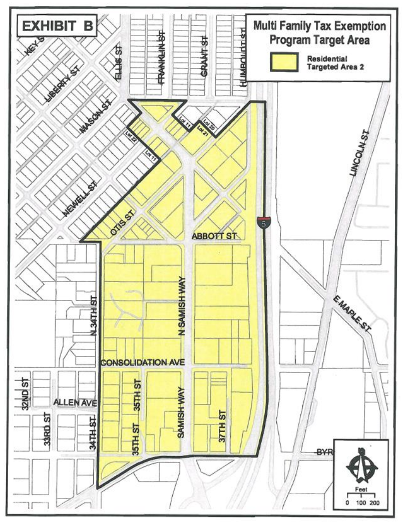
Additional Maps

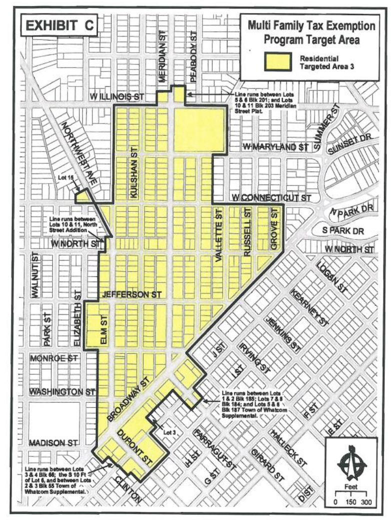
Exhibit 13: Existing City of Bellingham MFTE Program Eligibility Areas

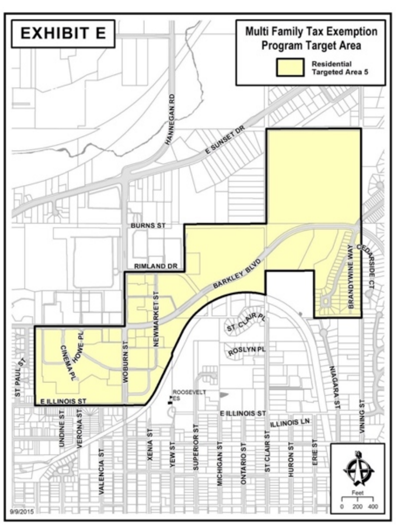
The boundaries of the "targeted residential areas" are located within the urban centers listed below, and as indicated on the maps in this section as follows (BMC 17.82).

- Exhibit A: City Center Area
- Exhibit B: Samish Way Urban Village
- Exhibit C: Fountain District Urban Village
- Exhibit D: Fairhaven Urban Village
- Exhibit E: Barkley Village









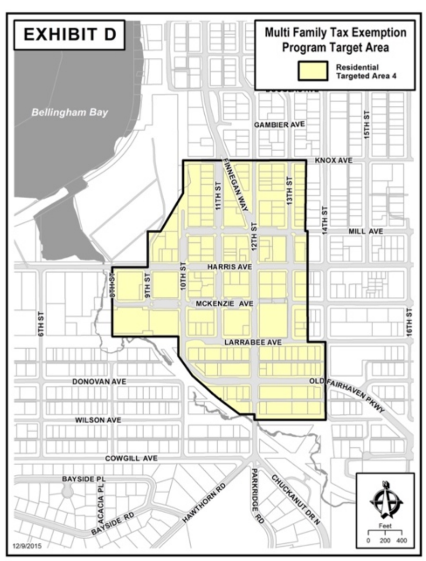
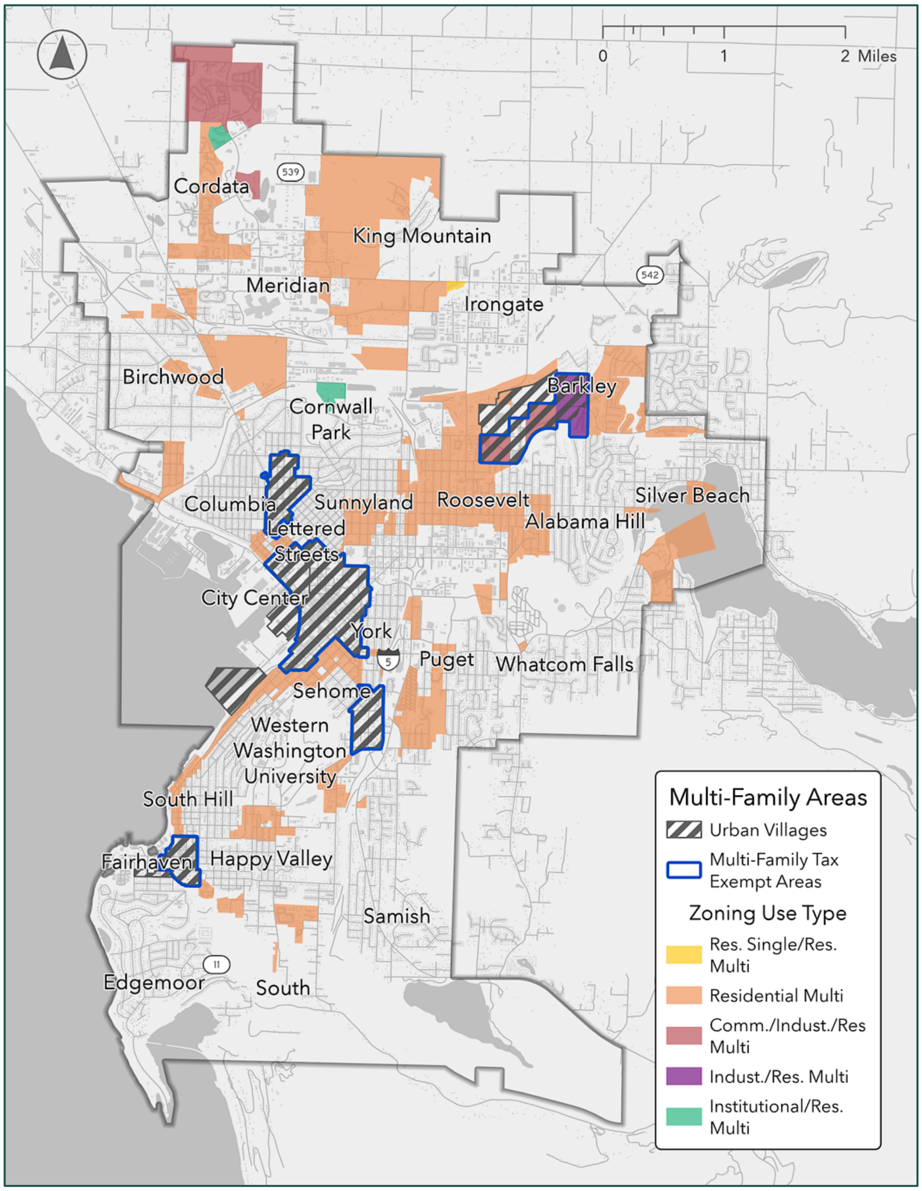


Exhibit 14: Bellingham MFTE and Urban Village Areas (2024)



Source: ECOnorthwest

Analysis Assumptions

Exhibit 15: Required Parking Stalls by Unit Type

	STUDIOS	1 BR	2 BR	3 BR
Fountain District	1	1	1	1.5
Fairhaven	1	1	1	1.5
Downtown	0.5	0.75	1	1
Samish Way	1	1	1	1.5
Old Town	0.5	0.75	1	1
Sehome	1	1.5	1.5	2
King Mountain	1	1.5	1.5	2
Roosevelt	1	1.5	1.5	2

Source: City of Bellingham

Exhibit 16: Townhome Parking and Site Specifications

SPECIFICATION	Fountain District	Fairhaven	Downtown	Samish Way	Old Town	Sehome	King Mountain	Roosevelt
Parking stalls	9	9	6	9	6	12	12	12
Parking ratio (stalls/ units)	1.50	1.50	1.00	1.50	1.00	2.00	2.00	2.00
Lot size (acres)	0.12	0.12	0.12	0.12	0.12	0.28	0.28	0.28
Dwelling units/ acre	49	49	50	49	50	22	22	22
FAR (exc. Parking)	2.37	2.37	2.43	2.37	2.43	1.05	1.05	1.05

Source: ECOnorthwest

Exhibit 17: Mid-Rise Parking and Site Specifications

SPECIFICATION	Fountain District	Fairhaven	Downtown	Samish Way	Old Town	Sehome	King Mountain	Roosevelt
Parking stalls	59	59	43	59	43	80	80	80
Parking ratio (stalls/ units)	1.09	1.09	0.80	1.09	0.80	1.48	1.48	1.48
Lot size (acres)	0.66	0.66	0.52	0.66	0.52	1.05	1.05	1.05
Dwelling units/ acre	82	82	105	82	105	51	51	51
FAR (exc. Parking)	1.85	1.85	2.36	1.85	2.36	1.16	1.16	1.16

Source: ECOnorthwest

Exhibit 18: Podium Parking and Site Specifications

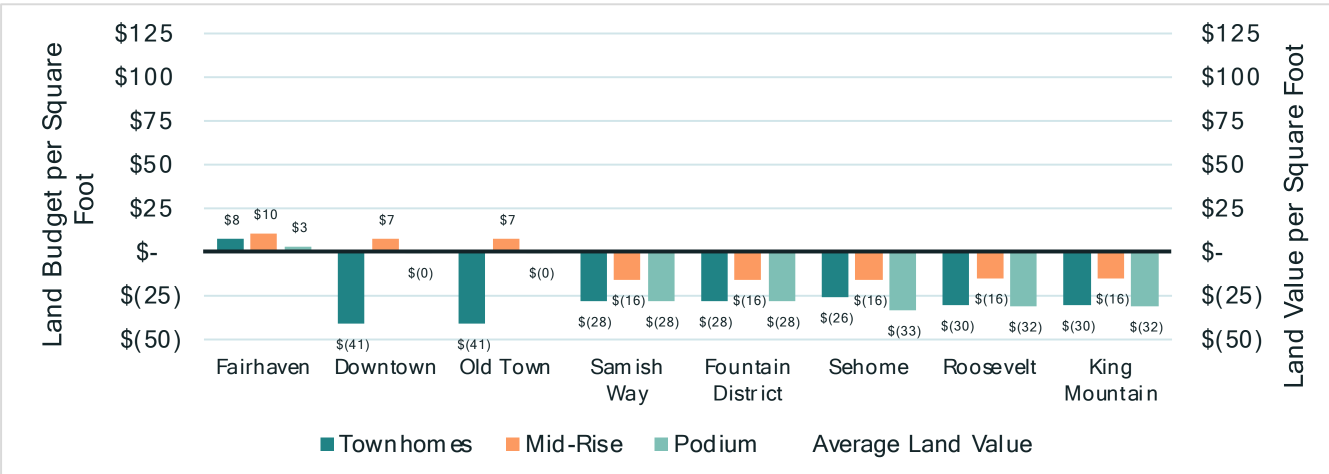
SPECIFICATION	Fountain District	Fairhaven	Downtown	Samish Way	Old Town	Sehome	King Mountain	Roosevelt
Parking stalls	224	224	179	224	179	295	295	295
Parking ratio (stalls/ units)	*1.12*	*1.12*	*0.90*	*1.12*	*0.90*	*1.48*	*1.48*	*1.48*
Lot size (acres)	2.48	2.48	2.08	2.48	2.08	3.12	3.12	3.12
Dwelling units/ acre	81	81	96	81	96	64	64	64
FAR (exc. Parking)	1.75	1.75	2.09	1.75	2.09	1.39	1.39	1.39

Source: ECOnorthwest

Additional Findings Charts

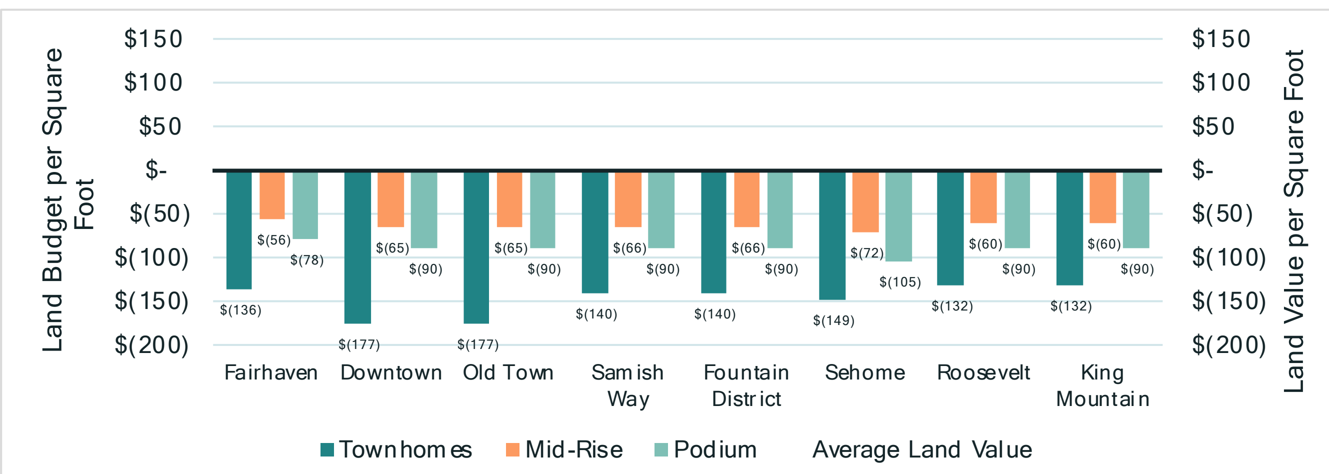
Current Market Conditions

Exhibit 19: Residual Land Value Results and Land Values for 8-Year Tax Exemption, Current Market Conditions



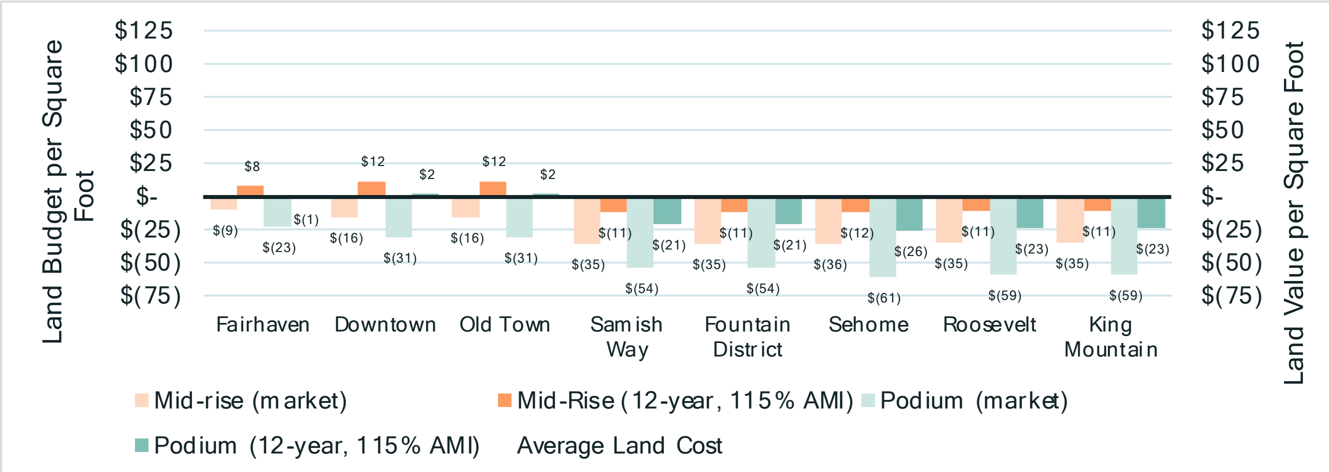
Source: ECOnorthwest

Exhibit 20: Residual Land Value Results and Land Values for 12-Year Tax Exemption with 20% Units Affordable to 60% Area Median Income, Current Market Conditions



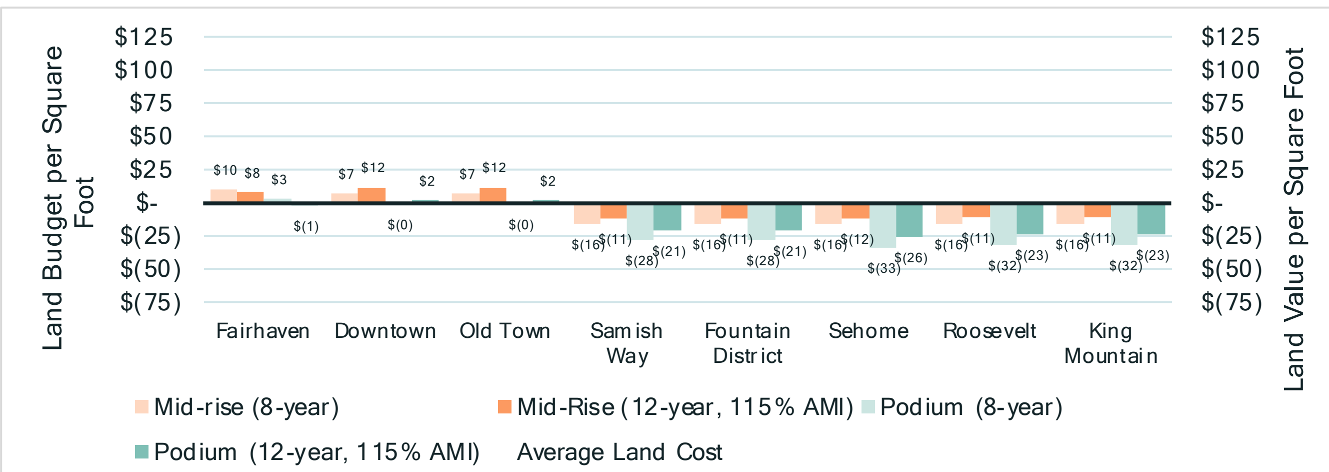
Source: ECOnorthwest

Exhibit 21: Residual Land Value Results and Land Values for Market Rate and 12-Year Tax Exemption with 20% Units Affordable to 115% Area Median Income*, Current Market Conditions



Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.

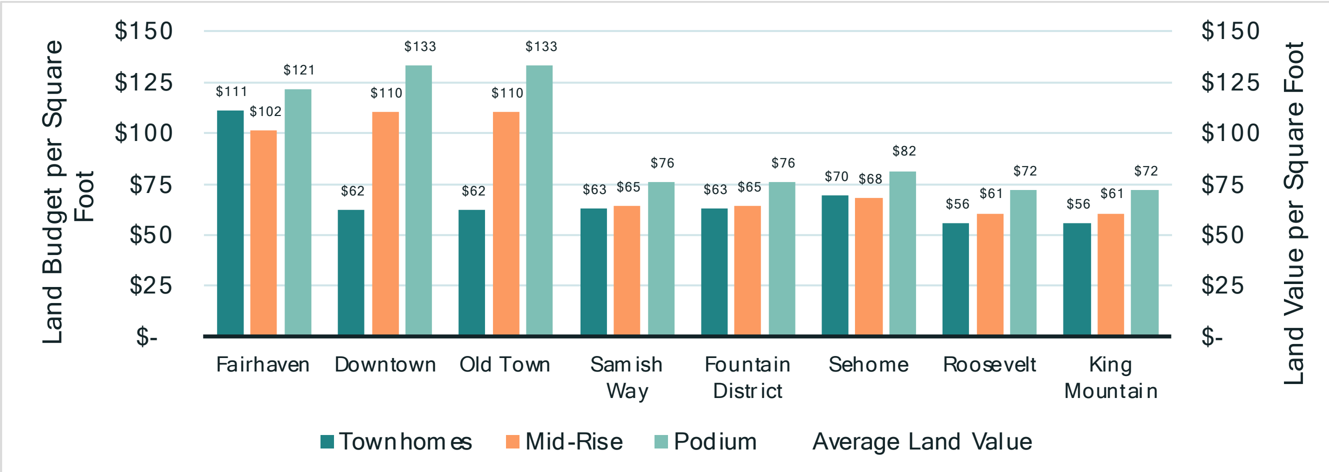
Exhibit 22: Residual Land Value Results and Land Values for 8-Year and 12-Year Tax Exemption with 20% Units Affordable to 115% Area Median Income*, Current Market Conditions



Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.

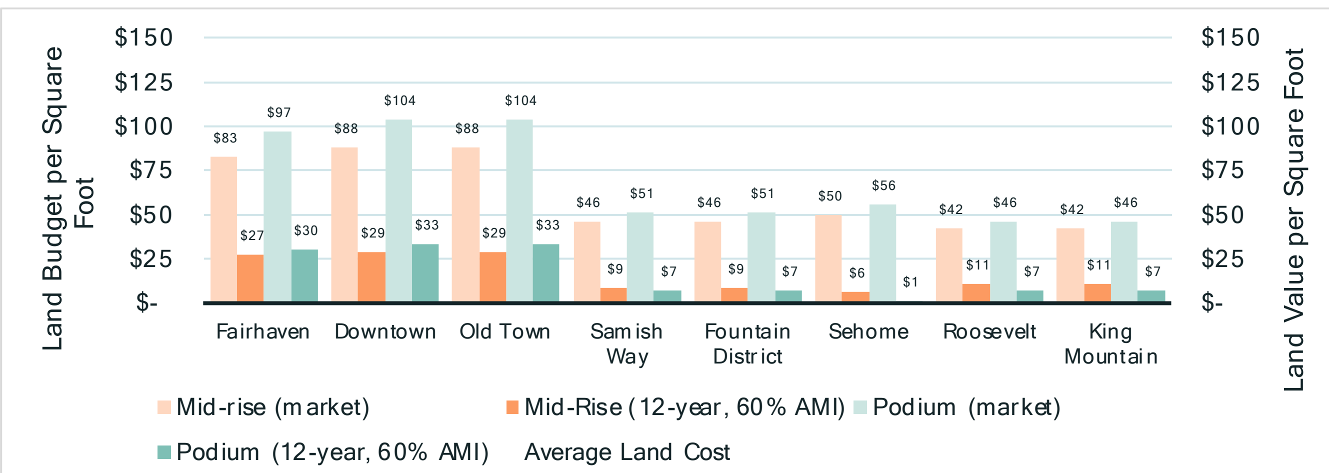
Improved Market Conditions

Exhibit 23: Residual Land Value Results and Land Values for 8-Year Tax Exemption, Improved Market Conditions



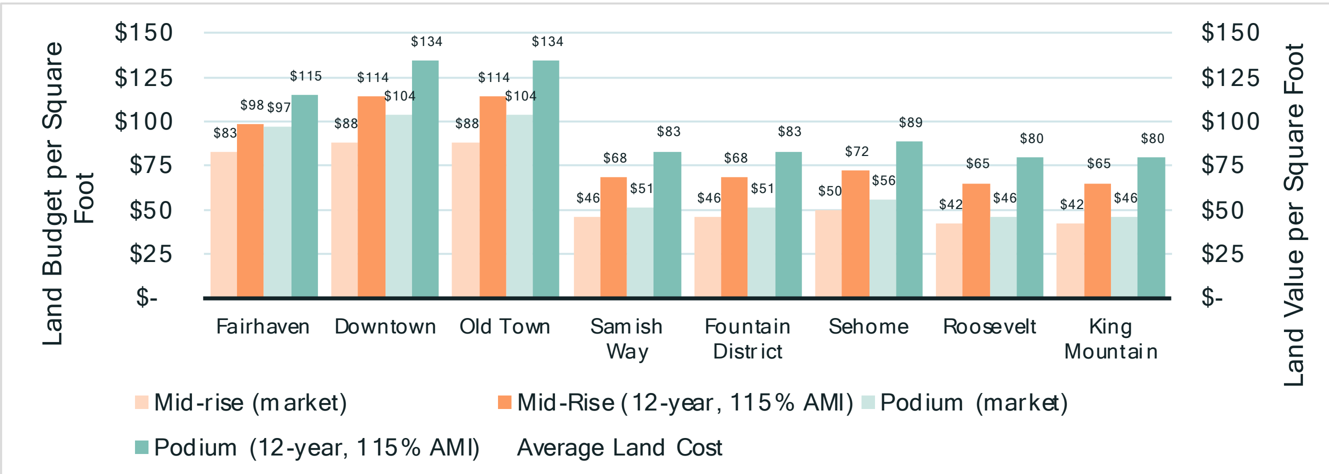
Source: ECOnorthwest

Exhibit 24: Residual Land Value Results and Land Values for Market Rate and 12-Year Tax Exemption with 20% Units Affordable to 60% Area Median Income, Improved Market Conditions



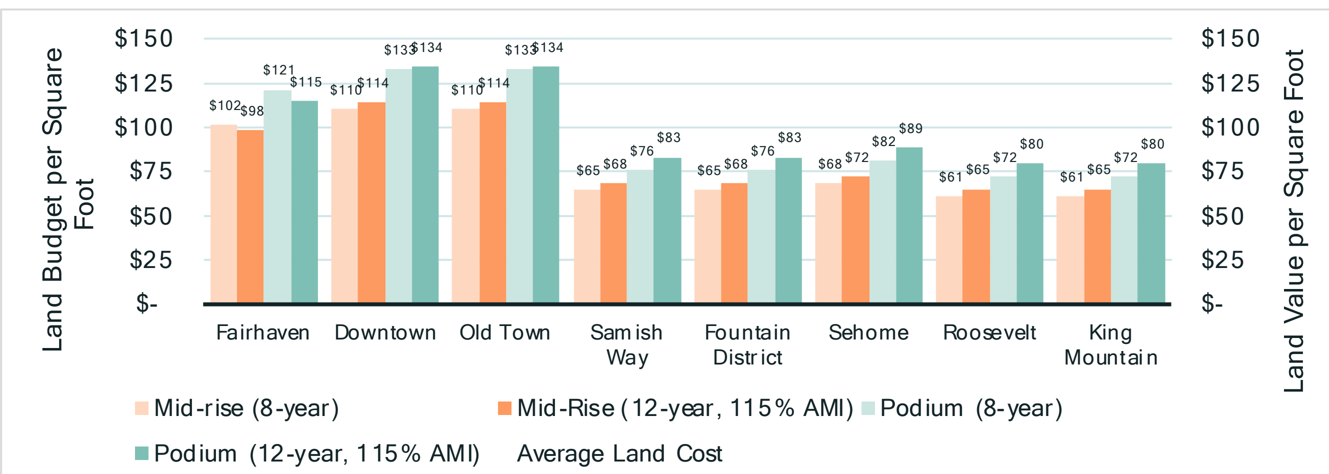
Source: ECOnorthwest

Exhibit 25: Residual Land Value Results and Land Values for Market Rate and 12-Year Tax Exemption with 20% Units Affordable to 115% Area Median Income*, Improved Market Conditions



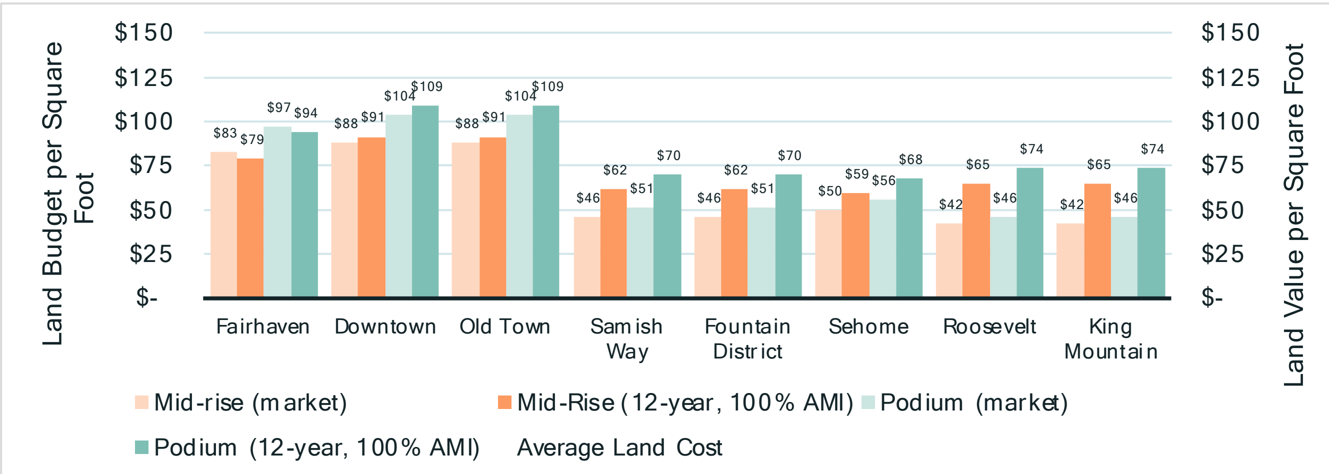
Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.

Exhibit 26: Residual Land Value Results and Land Values for 8-Year and 12-Year Tax Exemption with 20% Units Affordable to 115% Area Median Income*, Improved Market Conditions



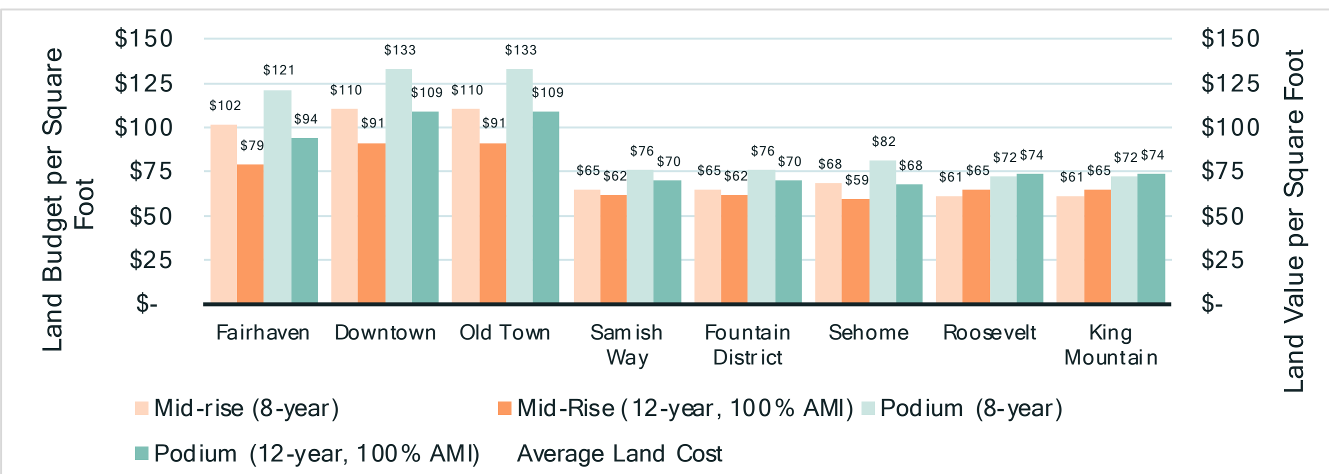
Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.

Exhibit 27: Residual Land Value Results and Land Values for Market Rate and 12-Year Tax Exemption with 20% Units Affordable to 100% Area Median Income*, Improved Market Conditions



Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.

Exhibit 28: Residual Land Value Results and Land Values for 8-Year Tax Exemption and 12-Year Tax Exemption with 20% Units Affordable to 100% Area Median Income*, Improved Market Conditions



Source: ECOnorthwest
* Includes one unit affordable at 80% AMI to meet statute requirements.