

TO: City Council
FROM: Sharon Lumbantobing, Deputy Community Development Director
DATE: August 25, 2026
SUBJECT: Multi-Family Tax Exemption (MFTE) Program Evaluation – Preliminary Findings

1) Recommended Action:

Information and discussion only.

2) Background:

ECONorthwest was hired to evaluate the effectiveness of Tumwater's Multi-Family Tax Exemption (MFTE) Program and recommend whether to continue the program, modify its design, and expand its geographic eligibility beyond the existing target areas.

ECONorthwest is approximately halfway through its evaluation. Work completed to date includes reviewing MFTE participation and development activity, evaluating affordable housing and housing production outcomes, analyzing the program's influence on development feasibility, and developing financial models to assess the effectiveness of current incentives. At the August 25, 2026, city council meeting, ECONorthwest will present its preliminary findings and identify key policy considerations for City Council.

Following this presentation, the remaining work will evaluate alternative program structure and target area boundaries, and develop final recommendations and proposed Municipal Code amendments. Final findings and recommendations will be presented to City Council on January 12, 2027.

Tumwater's current MFTE Program is scheduled to expire in December 2026. Staff is proposing to extend the program through December 2027 to avoid a lapse while City Council considers ECONorthwest's final recommendations, provides policy direction, and considers any resulting program and Municipal Code amendments in 2027.

3) Policy Support:

Goal H-1.5: Direct mixed use and high-density residential development along transit corridors and into urban centers to support employment and place-making opportunities.

Goal H-1.6: Consider innovative plans, codes, standards, and procedures to take advantage of the best private and public sector approaches to creating housing.

4) Alternatives:

☐ None.

5) Fiscal Notes:

This is an internally funded work program task.

6) Attachments:

- A. MFTE Program Evaluation Preliminary Findings Task 2 Memo
- B. MFTE Program Evaluation Preliminary Findings Presentation