



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Debbie Bingham, Project Manager, Community and Economic Development  
Jeff Robinson, Director, Community and Economic Development

**COPY:** City Council and City Clerk  
**SUBJECT:** Request for Ordinance to Amend Title 6A.110 Property Tax Exemptions for Multi-Family Housing Code and Chapter 13.17 on Residential Target Areas- First Reading December 7, 2021  
**DATE:** 11/22/2021

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**SUMMARY & PURPOSE:**

The Community and Economic Development Department is requesting approval of the proposed amendments of the Property Tax Exemptions for Multi-Family Housing Code, Tacoma Municipal Code 6A.110 and for Chapter 13.17 Residential Target Areas. Over the past four months staff and Council has been working with various internal and external stakeholders to update Tacoma’s Multifamily Property Tax Exemption Program. On November 9, 2021 the City Council passed Resolution 40866 which outlined the agreed upon changes to the program. This Ordinance makes necessary changes to the Tacoma Municipal Code to implement those changes.

**BACKGROUND:**

On June 22, 2021, after a discussion on proposed Ordinance #28770 to eliminate the eight-year MFTE in mixed-use centers designated “very high” opportunity based on the City’s Equity Index in order to increase the amount of affordable housing in the more expensive areas of the city.

On June 29, 2021, the City Council referred an examination of the entire program to GPFC for review and recommendation to the full City Council no later than October 1, 2021. Scheduling limitations postponed these discussions at GPFC and a motion to extend the deadline to November 9, 2021 was adopted by Council on September 28, 2021.

To better understand the perspective of the users of the MFTE program, Council Members John Hines was joined by Council Member Kristina Walker to hold a roundtable discussion with key stakeholders from the private multifamily housing development sector.

On September 7, 2021, 15 stakeholders who use the MFTE program, or are closely affiliated with those that do, convened to share their experience and provide feedback on any potential changes to the program.

On September 21, 2021, the GPFC and staff from the Community and Economic Development Department and Media and Communications Department provided an overview of the MFTE program including: the historical context of the program; the current context of the program; a summary of changes proposed but not adopted by City Council in 2019; and changes made to the program by the State Legislature in 2021. This was the first in a four part series of discussions on the topic.

On October 5, 2021, GPFC heard directly from stakeholders from the development community on their perspectives on the MFTE program, how it has worked for them to date, the challenges they see with the program, and their views on potential changes. This was the second in the four part series on the topic.



On October 19, 2021, GPFC heard directly from a stakeholder of the finance community on their perspectives on the MFTE program, how it interacts with financing, the process and considerations for financing projects in Tacoma, and their views on the future. GPFC discussed potential changes to the MFTE program and began to establish consensus. This was the third in the four part series on the topic.

On November 2, 2021, GPFC concluded its review of the MFTE program.

On November 9, 2021, the approved changes agreed upon at GPFC were passed in Resolution 40866 and Ordinance #28770 was adopted in a second and final reading.

**COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH):**

All residents of the City of Tacoma are potentially affected by this Ordinance since it expands the geographic area where financial incentives will be allowed to build multifamily housing which will result in an increase of population density and accommodate residential growth in alignment with the requirements of the Growth Management Act. Outreach to the development community has been substantial. Fifteen members of the multifamily housing development community met with Council Members to share their experience and provide feedback on any potential changes to the program, two stakeholders joined the GPFC meeting on October 5 and shared their experience and feedback which was subsequently incorporated into the Committee's recommendations, and one member from the finance community joined the GPFC discussion on October 19. This is in addition to countless meetings and phone calls with other developers of multifamily housing that were not able to participate in the scheduled meetings, residents voicing concerns about whether these changes will lead to more affordable housing, and through reviewing the public comments documented on the Home in Tacoma project.

**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility:**

These changes to the Tacoma Municipal Code will allow the multifamily property tax exemption program to help reduce inequities by increasing the amount of affordable housing throughout the city and through the building of new market-rate housing which will benefit renters by taking pressure off Tacoma's current housing scarcity problem which has led to an increase in rents and home prices. These changes will create more affordable housing units in Tacoma; ensure that affordability is being created throughout the City of Tacoma and not just in certain areas; and ensure that local employment practices are being adhered to, creating more job opportunity for those living in Tacoma.

**Economy/Workforce:** *Equity Index Score:* Moderate Opportunity

Increase the percentage of people relocating to the city and affordability of housing compared to neighboring jurisdictions.

**Livability:** *Equity Index Score:* Moderate Opportunity

Increase the number of Complete Compact Communities/ 20-Minute Neighborhoods throughout the city. Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

These changes will guarantee some affordable living units in all areas of the City where the program is being



expanded; it will encourage development that would not otherwise happen, therefore decreasing the number of vacant properties; and it will require living units be created which are rented for no more than 30% of the household income.

**STAFF RECOMMENDATION:**

The recommendation is to:

- Expand the 12-year and 20-year MFTE to residential target areas of Neighborhood Commercial Nodes along transit and existing mid-scale residential on corridors as defined through the Home in Tacoma process
- Expand 12-year and 20-year MFTE to areas rezoned as “mid-scale” through the Home in Tacoma process, once the rezoning is complete
- Implement elements of Senate Bill 5287 (Chapter 187, Laws of 2021) required in order to take action
  - a. Approve the use of a 20-year MFTE for approved projects
  - b. Allow applications for 12-year extensions for projects under current exemption, if affordability is maintained or added
  - c. Allow for approval of extra time to finish projects affected by COVID 19.
- Require the 12-year and 20- year property tax exemption affordability level be at 70% of Pierce County Family Median Income.
- Require projects in a residential target areas of Neighborhood Commercial Nodes along transit and existing mid-scale residential on corridors, which are located on a corner, must include at least 30% of the first floor space as commercial space, built per commercial building code and subject to the design standards of the applicable zoning district.
- Changes should go into effect 90 days from adoption of ordinance.

**ALTERNATIVES:**

Presumably your recommendation is not the only potential course of action; please discuss other alternatives actions for council or staff to take. Please use table below.

Alternative	Positive Impacts	Negative Impacts
1. Make no changes	There will be no new changes for developers using the program.	No additional affordable units will be created.
2.		
3.		

**EVALUATIONS AND FOLLOW UP:**

City Council will revisit these changes to the MFTE program in three years and make recommendation based on number, location and type of new units created in that time period.

**FISCAL IMPACT:**

The fiscal impacts of this Ordinance are unknown. When the City of Tacoma approves Tax Exemptions, it gives up the ability to collect property taxes for the period of the exemption. This represents an opportunity cost for the City



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as well as all local property taxing jurisdictions. The development does add construction sales tax as well as potentially supporting increased sales taxes, utility taxes, and business and occupation taxes through increasing housing units and, in some cases, locations for business activity. Sales Taxes do not benefit all of the same local property tax jurisdictions nor at the same rate as property taxes.

**ATTACHMENTS:**

Amended Title 6A.11 and Chapter 13.17.