City of Tacoma **City Council Action Memorandum**

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 Resolution – May 7, 2024**
DATE: **April 19, 2024**

SUMMARY & PURPOSE:

The Community and Economic Development Department is requesting authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with Brown Homes LLC for the development of 10 multifamily market-rate and affordable rate units at 1401 E 29th Street in the Lower Portland Avenue Mixed Use Center.

BACKGROUND

Brown Homes LLC is proposing to develop 10 new market-rate and affordable rental units in the Lower Portland Avenue Mixed Used Center as described in Exhibit "A" to the Resolution. The housing is as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
Market Rate			
4	1 Bedroom, 1 Bathroom	442	$1545
4	2 Bedroom, 2 Bathroom	1120	$2025
Affordable Rate			
1	1 Bedroom, 1 Bathroom	442	$1425 (including utility allowance)
1	2 Bedroom, 2 Bathroom	1120	$1603 (including utility allowance)

The affordable units will be rented to households whose income is at or below 70% of Pierce County AMI, adjusted for household size, as determined by HUD on an annual basis. Rent will be capped at 30% of those income levels, adjusted annually. The project will include 3 parking stalls.

The project will be forwarded to the Pierce County Treasurer Assessor for the 12-year multi-family housing property tax exemption after the project complies with all City of Tacoma building codes, processes and procedures and receives a valid certificate of occupancy from the City. The Community and Economic Development Department has determined that the proposed project has all the necessary qualifications for the 12-year multi-family housing property tax exemption. Brown Homes LLC will enter into an agreement prepared by the City to develop the site as described in the plans on file with the City.

COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH): March 2024 0utreach to multifamily properties indicate that Tacoma continues to have only a 4% vacancy rate in rental housing, which indicates there is still a critical housing need in Tacoma. New projects coming on line are quickly leased which also indicates that demand is not slowing. As we add additional units pressure on the market should be relieved and prices should reflect less upward pressure.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:
These housing units will create more overall housing and more affordable housing units in Tacoma and they ensure that affordability is being created throughout the City of Tacoma and not just in certain areas. Creating market rate and affordable units in the Lower Portland Avenue Mixed Use Center provides accessibility to jobs, transit and other amenities in that district.

Economy/Workforce: *Equity Index Score*: Very Low Opportunity
Increase the percentage of people relocating to the city and affordability of housing compared to neighboring jurisdictions.
Decrease the number of vacant properties downtown and in the neighborhood business districts.

Livability: *Equity Index Score*: Very Low Opportunity
Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

This project will guarantee affordable living units in an area of the City with low opportunity.

STAFF RECOMMENDATION:

Staff has reviewed the application and has determined that the proposed project qualifies for the 12 Year Multifamily Housing Property Tax Exemption. Staff recommends the Council approve the resolution.

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. Do not approved the exemption		No additional housing units will be created and a vacant back lot will stay underutilized and an attractive nuisance.

EVALUATIONS AND FOLLOW UP:

The development will be tracked as it progresses and once completed will be monitored to ensure the affordability requirements are met for the entire exemption.

FISCAL IMPACT:

The value of the land would continue to be taxed throughout the exemption period. The additional greater economic impact to Tacoma from adding to the population base is estimated through sales tax generation. The

projected assessed value of the completed project, the projected property taxes to be exempt and the projected increase in sales tax are listed in the table below:

Current Land Value Property Tax Projections	
Current Assessed Value	$ 137,000
Current Total Annual Property Tax	$ 1530
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	$ 1,500,000
Projected Total Taxes to be Exempt over 12 years	$ 206,000
- City	$ 19,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	$ 930,000
- City	$ 117,000
*** Projected Sales Tax Generated from Construction	$ 154,500
- City	$ 19,500
Labor Hours Created	7060

*****The projected *Completed Assessed Value* is based on estimated construction costs.
**The projected *Total Sales Tax Generated* is estimated by the increase in households the project creates using the average sales tax revenue generated per household in Tacoma.
***The projected *Sales Tax generated from Construction* is estimated by multiplying the construction costs by the sales tax rate.

ATTACHMENTS:
Map
Agreement