



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– First Reading December 10, 2019
DATE: 11/22/2019

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. Over the past several months staff has been working with various internal and external stakeholders to update affordability requirements of the Property Tax Exemptions for Multi-Family Housing Code to ensure more units affordable to low and moderate income households are built.

BACKGROUND:

In 1995, Chapter 84 of the RCW codified the 8-year tax incentive for multifamily housing to encourage the development of multifamily housing. In 2007, the RCW was revised to include a 12-year option of the exemption for projects providing 20% of the units as affordable to low and moderate income households. The RCW defines low income as households below 80% of the county area median income and moderate income as households that earn 80%-115% of the county area median income. “Affordable” is defined as spending no more than 30% of income on housing. Currently, Tacoma Municipal Code 6A.110 offers both 8 and 12-year property tax exemption to eligible property owners on the improvements that create four or more additional housing units.

The Affordable Housing Action Strategy adopted last year includes clear direction to have the Multifamily Property Tax Exemption Program create more affordable units and create an affordability threshold more meaningful to the residents of Tacoma. The recommendations included in this council action memo come after collecting and analyzing financial data to determine feasibility of proposed changes.

COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH):

Over the past eight months, outreach to market rate developers who have used the Multifamily Property Tax Exemption Program in the past, both 8 and 12-year options, included group meetings, individual data collection meetings and follow up phone calls. Outreach was also conducted with the Affordable Housing Action Strategy Technical Advisory Group, which includes members of the Masters Builders Association, MDC, Mercy Housing, Tacoma Housing Authority and others.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

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.

Decrease the number of vacant properties downtown and in the neighborhood business districts.

Livability: *Equity Index Score:* Moderate Opportunity

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 utilized; 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:

- Add an affordability requirement to the 8-year property tax exemption. This would require that 20% of units built be rented to households earning no more than 100% of the Pierce County Area Median Income.
- Change the 12-year property tax exemption affordability limit from 80% of Pierce County Area Median Income to 70% of Pierce County Area Median Income.
- Add a requirement that all projects using the exemption must adhere to TMC 1.90 the Local Employment and Apprenticeship Training Program and TMC 1.07 Equity in Contracting guidelines.
- Amendments to the TMC will take effect starting with applications received on or after March 1, 2020.

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:

The total number of units created as well as the number of affordable units created by the program will be tracked. This can be compared to the same data being collected currently so that changes overtime can be observed.

FISCAL IMPACT:

This program exempts property taxes for either 8 or 12 years for the housing portion of each project. This part of the program will not change. What cannot be determined is if the proposed changes will impact the number of overall developments built or units created. If less development occurs due to the proposed changes, there would be a decrease in property taxes, construction taxes and permit fee revenue. If the recommended changes are



City of Tacoma

City Council Action Memorandum

implemented, over the next several years staff time will be impacted due to the increased amount of monitoring required to ensure the projects are adhering to the program guidelines.

ATTACHMENTS:

Amended Title 6A.110