



**CITY OF TACOMA, WASHINGTON
OFFICE OF THE CITY COUNCIL
COUNCIL CONSIDERATION REQUEST**

TO: Mayor & City Council

FROM: Council Member John Hines and Council Assistant Claire Goodwin

COPIES TO: Elizabeth Pauli, City Manager; Tadd Wille, Deputy City Manager; Bill Fosbre, City Attorney

SUBJECT: Multi-Family Housing Tax Exemptions & Equity Index

DATE: April 22, 2021

I ask for your support for an ordinance that will suspend new applications for the eight-year multi-family housing tax exemption in mixed-use centers designated “very high” opportunity based on the City’s Equity Index.

LEGISLATIVE INTENT:

Resolution/Ordinance Request:

Tacoma has one of the most competitive real estate markets for housing in the country.¹ After years of stalled housing development, the City is seeing much-needed investment and construction of large, multi-family housing projects in areas designated by the City Council as target areas for growth under the City’s *One Tacoma* Comprehensive Plan. These target areas for growth are called Mixed-Use Centers (MUCs). Tacoma has eighteen MUCs located throughout the city.

The City uses the Multi-Family Property Tax Exemption (MFTE) to encourage growth in the MUCs. Over the past five years, nearly 2,000 units have been added through this program, with another 4,300 units in the construction pipeline currently. The MFTE financially incentivizes development in these areas by exempting property taxes for eight or twelve years on the assessed improvements that create four or more additional housing units. The eight-year MFTE is the standard exemption with no affordable housing requirement, while the twelve-year MFTE requires that at least 20% of the units built be reserved for households that earn 80% or less than AMI. AMI is published annually by the Department of Housing and Urban Development (HUD). For the affordability requirement, the annual rents charged are to be no more than 30% of the 80% median income – rents are set by HUD each year.² While the City provides the tax exemption, this investment pays dividends over the life of the housing project and the City recuperates more than it invests through increased sales and construction taxes.

Even with these incentives offered for housing development, Tacoma continues to lack affordable housing for low-income individuals. According to the *Home in Tacoma: Housing Action Plan (2021)*, in 2019 there was an estimated 7,159 households with incomes of less than 50 percent Area Median Income, (or \$35,000 and less per year), that cannot find rental units they can afford.³ Of the 2,000 units created through the MFTE in the past five years, only 130 were required to be affordable. Of the 4,300 in the construction pipeline, only 264 will be required to be affordable. The City’s highest opportunity areas, most notably those in the North End, are the most challenging to access for low and moderate income households. Opportunity is defined as a situation or

¹ <https://www.redfin.com/news/near-record-14-pct-home-price-gains/>

² [https://www.cityoftacoma.org/UserFiles/Servers/Server_6/File/CEDD/PTE%20Summary%20\(July%202019\).pdf](https://www.cityoftacoma.org/UserFiles/Servers/Server_6/File/CEDD/PTE%20Summary%20(July%202019).pdf)

³ <https://www.cityoftacoma.org/cms/one.aspx?portalId=169&pageId=180033> (p. 6)

condition that places individuals in a position to be more likely to succeed or excel. Affordable housing is needed across the city, but especially in areas where the wealth-gap is greatest and where opportunity is highest.

The Equity Index is a tool used by the City of Tacoma to identify disparities in the city based on census block group data. The Equity Index uses 29 indicators within five social determinant categories based on the Tacoma 2025 Strategic Plan to determine where the greatest community needs are located. Census block groups' score are labeled on a scale from "very high" to "very low." Areas with the highest opportunity are labeled "very high" and areas with the lowest opportunity are labeled "very low." Tacoma's Equity Index was generated by the Kirwan Institute for the Study of Race & Ethnicity for Tacoma's Office of Equity and Human Rights.

Given the market-driven high demand for housing in Tacoma, the City does not need to offer incentives in "very high" opportunity areas that do not include affordability requirements because they are the most desirable places for developers to build. This proposal would create more affordable housing in the areas of the city that have historically been the most expensive to live – opening the doors to making even the "very high" opportunity areas a possibility for any resident of Tacoma.

Currently, the only MUCs that fall under the "very high" opportunity areas is the Proctor District and Point Ruston.

DESIRED RESOLUTION DATE: May 4, 2021

ALIGNMENT WITH TACOMA 2025 KEY FOCUS AREAS:

This legislation, program, project, or event is best aligned with the following (Check all that apply):

Livability: *Equity Index Score:* Moderate Opportunity

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

If you have a question related to the Council Consideration Request, please contact Council Assistant Claire Goodwin at (253) 219-0679 or claire.goodwin@cityoftacoma.org.

SUBMITTED FOR COUNCIL CONSIDERATION BY: Council Member John Hines

SUPPORTING COUNCIL MEMBERS SIGNATURES (2 SIGNATURES ONLY)

(Signatures demonstrate support to initiate discussion and consideration of the subject matter by City Council for potential policy development and staff guidance/direction.)

1.  POS# 1

2.  POS# 8

Mayor's initials

