



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Council Member John Hines and Council Assistant Claire Goodwin  
**COPY:** City Council and City Clerk  
**SUBJECT:** Resolution to Adopt Government Performance and Finance Committee’s Recommendations on Changes to the Multifamily Property Tax Exemption Program – November 9, 2021  
**DATE:** November 4, 2021

---

**SUMMARY AND PURPOSE:**

A Resolution affirming the proposed changes to the Multifamily Property Tax Exemption (MFTE) as recommended and approved by the Government Performance and Finance Committee.

On November 2, 2021, the Government Performance and Finance Committee (GPFC) of the City Council concluded its review of the MFTE program and approved the following proposed changes with subsequent additions based on the discussion from the November 2 Study Session for City Council’s consideration:

1. Expand the 12-year and 20-year MFTE along key corridors and those areas included as “neighborhood nodes” as defined through the Home in Tacoma process where multifamily housing is allowed
2. Expand 12-year and 20-year MFTE to areas rezoned as “mid-scale” through the Home in Tacoma process, once the rezoning is complete
3. Implement elements of Senate Bill 5287 (Chapter 187, Laws of 2021) required in order to take action
4. Authorize the use of the 12-year and 20-year MFTE for projects using a Development Regulation Agreement on parcels one acre or larger
5. Require the City Council to revisit these changes to the MFTE program in three years
6. Eliminate the eight-year MFTE in mixed-use centers designated “very high” opportunity based on the City’s Equity Index (Ordinance #28770)
7. Apply 70% of the median family income adjusted for family size for Pierce County as reported by the United States Department of Housing and Urban Development for affordable housing units, percentage to be revisited each year when data is updated
8. Direct the City Manager to explore: 1) a requirement for a minimum number of units to use the eight-year MFTE; 2) requiring affordable rents to be lower than market rate rents; 3) continuing support for fast-tracking the permit process for affordable housing; 4) a program to help local businesses get access to new commercial spaces in buildings utilizing the MFTE; and 5) requiring a minimum size, including a minimum height, on MFTE projects.

This Resolution affirms the Committee’s action and subsequent discussion at the November 2, 2021 Study Session by setting the intention to implement these changes to the MFTE program through a forthcoming public hearing on expansion of the Residential Target Areas (RTA) and through an Ordinance amending the Tacoma Municipal Code (TMC). These Legislative actions are needed to make the proposed changes to the MFTE program official.

Following adoption of this Resolution, the Legislative timeline is proposed as follows:

- November 16, 2021: Resolution to set public hearing to expand RTA and amend Chapter 13.17 of TMC
- November 30, 2021: Public Hearing
- December 7, 2021: First reading of Ordinance to amend the TMC Chapter 6A.110 and Chapter 13.17
- December 14, 2021: Second Reading of Ordinance to amend the TMC Chapter 6A.110 and Chapter 13.17



**COUNCIL SPONSORS:**

Council Member John Hines, Council Member Lillian Hunter, Council Member Robert Thoms, and Council Member Kristina Walker

**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, 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. A summary of the discussion is provided as a supplemental attachment to this Resolution.

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 hear 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 and approved the changes listed in the “Summary and Purpose” section of this document. The recommendations were presented by Council Member John Hines at the November 2, 2021 Study Session and a discussion on potentially adding additional items to be explored by the City Manager occurred, resulting in the addition of two items directing the City Manager to explore a program to help local businesses get access to new commercial spaces in buildings utilizing the MFTE and requiring a minimum size, including a minimum height, on MFTE projects. The voting record which was provided at Study Session is included as a supplemental attachment to this Resolution.



**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

All residents of the City of Tacoma are potentially affected by this Resolution 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: *(Mandatory)***

These proposed changes to the MFTE program will 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.

**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.

**Explain how your legislation will affect the selected indicator(s).**

This proposal will increase the number of Complete Compact Communities/20-minute Neighborhoods throughout the city by expanding the areas where multifamily housing will be financially incentivized to be built. This proposal will also decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs by increasing the amount of rent-restricted units in the city and market-rate units in the hopes of taking pressure off the current lack of housing stock that has led to an increase in rents.



**ALTERNATIVES:**

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No action	None	If no action is taken, there would be no change to the MFTE program and would continue to restrict the use of the MFTE to the MUCs, limiting geographic options of using the incentive.
2. Implement some of the recommendations, but not others	Depending on the items, some progress to spur additional development of market-rate multifamily housing and would be made.	Depending on the items, the thoughtful review and recommendations by GPFC may be challenged.
3. Expand the eight-year MFTE in the same areas as the 12-year and 20-year	Additional market-rate multifamily housing would be built.	It would decrease the amount of multifamily rent-restricted units being built.

**EVALUATION AND FOLLOW UP:**

A review of the calculation of 70% AMI in Pierce County will be made every year to ensure this is an equivalent number to 80% AMI in Tacoma. Additionally, in three years the changes to the MFTE program will be revisited by the City Council as outlined in the recommendations.

**STAFF/SPONSOR RECOMMENDATION:**

The recommendation is to approve this Resolution outlining the intention to implement the Government Performance and Finance Committee’s recommended changes to the Multifamily Property Tax Exemption program through a forthcoming public hearing on expansion of the Residential Target Areas (RTA) and through an Ordinance amending the Tacoma Municipal Code (TMC) and based on the discussion at the November 2, 2021 Study Session. The changes recommended are as follows:

1. Expand the 12-year and 20-year MFTE along key corridors and those areas included as “neighborhood nodes” as defined through the Home in Tacoma process where multifamily housing is allowed
2. Expand 12-year and 20-year MFTE to areas rezoned as “mid-scale” through the Home in Tacoma process, once the rezoning is complete
3. Implement elements of Senate Bill 5287 (Chapter 187, Laws of 2021) required in order to take action
4. Authorize the use of the 12-year and 20-year MFTE for projects using a Development Regulation Agreement on parcels one acre or larger
5. Require the City Council to revisit these changes to the MFTE program in three years
6. Eliminate the eight-year MFTE in mixed-use centers designated “very high” opportunity based on the City’s Equity Index (Ordinance #28770)
7. Apply 70% of the median family income adjusted for family size for Pierce County as reported by the United States Department of Housing and Urban Development for affordable housing units, percentage to be revisited each year when data is updated
8. Direct the City Manager to explore: 1) a requirement for a minimum number of units to use the eight-year MFTE; 2) requiring affordable rents to be lower than market rate rents; 3) continuing support for fast-



tracking the permit process for affordable housing; 4) a program to help local businesses get access to new commercial spaces in buildings utilizing the MFTE; and 5) requiring a minimum size, including a minimum height, on MFTE projects.

**FISCAL IMPACT:**

There is no direct cost to implement this Resolution or the forthcoming Ordinance. The fiscal impacts of the Resolution and forthcoming Ordinance are unknown. When the City of Tacoma approves Tax Exemption, it gives up the ability to collect property taxes for the period of the exemption. This represents an opportunity cost for the City 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.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. NA	NA	NA	NA
<b>TOTAL</b>			

**What Funding is being used to support the expense?**

NA

**Are the expenditures and revenues planned and budgeted in this biennium's current budget?**

NA

**Are there financial costs or other impacts of not implementing the legislation?**

YES

**Will the legislation have an ongoing/recurring fiscal impact?**

No

**Will the legislation change the City's FTE/personnel counts?**

No

The proposed changes to the MFTE program has no impact on the City's FTE or personnel counts.

**ATTACHMENTS:**

- Resolution
- Map: Tacoma Key Corridors and Neighborhood Nodes
- Motions and Votes (GPFC – November 2, 2021)
- Roundtable Discussion Summary (September 7, 2021)