



RESOLUTION NO. 40866

1 BY REQUEST OF COUNCIL MEMBERS HINES, HUNTER, THOMS, AND
2 WALKER

3 A RESOLUTION supporting the proposed changes to the Multifamily Property Tax
4 Exemption (“MFTE”), as recommended and approved by the Government
5 Performance and Finance Committee; amending the City’s MFTE to align
6 with state law; eliminating the eight-year MFTE in mixed-use centers
7 designated “very high” opportunity based on the City’s Equity Index;
8 requiring the City Council to revisit the changes to the MFTE program in
9 three years; and directing the City Manager to explore other changes to
10 enhance the City’s use of the MFTE.

11 WHEREAS, on June 22, 2021, after discussion on proposed Ordinance
12 No. 28770, to eliminate the eight-year Multifamily Property Tax Exemption (“MFTE”)
13 in mixed-use centers designated “very high” opportunity based on the City’s Equity
14 Index in order to increase affordable housing in the more expensive areas of the
15 City, the City Council referred the entire MFTE program to the Government
16 Performance and Finance Committee (“GPFC”) for review and recommendations
17 to the City Council, and

18 WHEREAS, in order to better understand the perspective of users of the
19 MFTE program, Council Member Hines was joined by Council Member Walker to
20 hold a roundtable discussion with key stakeholders from the private multifamily
21 housing development sector, and

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

25 WHEREAS, on September 21, 2021, GPFC and staff from the City’s
26 Community and Economic Development and Media and Communications



1 Departments provided an overview of the MFTE program, including the historical
2 context of the program; the current context of the program; a summary of changes
3 proposed but not adopted by the City Council in 2019; and changes made to the
4 program by the Washington State Legislature in 2021, and

5 WHEREAS, on October 5, 2021, GPFC heard directly from stakeholders
6 from the development community on their perspectives on the MFTE program, how
7 it has worked for them to date, the challenges they see with the program, and their
8 views on potential changes, and

9 WHEREAS, on October 19, 2021, GPFC heard directly from a stakeholder
10 of the finance community on their perspective of the MFTE program, how the
11 MFTE interacts with financing, the process and considerations for financing
12 projects in Tacoma, and their views on the future, and, at that time, GPFC
13 discussed potential changes to the MFTE program and began to establish
14 consensus, and

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17 WHEREAS, on November 2, 2021, GPFC approved the following
18 recommended changes, which also includes items which were discussed at the
19 Study Session on the same day:

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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 currently allowed;
 2. Expand the 12-year and 20-year MFTE to areas rezoned as “mid-scale” through the Home in Tacoma process;
 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 or 20-year MFTE for projects using a Development Regulation Agreement on parcels one acre or larger;



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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 No. 28770);
7. Apply 70 percent 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; and
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, and

WHEREAS the proposed recommendations were presented by Council Member Hines at the November 2, 2021 Study Session, and

WHEREAS, during the November 2, 2021, Study Session, the City Council discussed the value of commercial businesses in the “neighborhood nodes” as defined through the Home in Tacoma process where multifamily housing is currently allowed, and

WHEREAS staff will propose changes to the Tacoma Municipal Code as appropriate to ensure these changes are made; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That the City Council hereby supports the proposed changes to the Multifamily Property Tax Exemption (“MFTE”), as recommended and approved by the Government Performance and Finance Committee, with an additional requirement that buildings using a 12- or 20-year MFTE in “neighborhood nodes”



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as defined through the Home in Tacoma process would be required to incorporate a commercial use on the first floor of the project.

Section 2. That the City Council shall revisit the changes to the MFTE program in three years.

Section 3. That the City Manager is hereby directed 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.

Section 4. That the City Manager shall direct staff to propose amendments to the Tacoma Municipal Code as needed to ensure the program changes are made.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney