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

TO:	Mayor and City Council
FROM:	Council Member John Hines and Christina Caan, Policy Analyst
COPIES TO:	Hyun Kim, Interim City Manager; Chris Bacha, City Attorney
SUBJECT:	**Ordinance to amend Tacoma Municipal Code Chapter 6A.110 regarding property tax exemptions for multi-family housing**
DATE:	September 10, 2025

We ask for your support for an ordinance to amend Tacoma Municipal Code Chapter 6A.110 regarding property tax exemptions for multi-family housing.

LEGISLATIVE INTENT

The Government Performance and Finance Committee (GPFC) has completed its mandated review of the Multi-Family Tax Exemption (MFTE) program. While economic conditions are not ripe for major changes to the MFTE program, GPFC has identified several updates that will help ensure our community continues to benefit from this tool. These updates aim to ensure the MFTE program contributes to greater housing density, expands affordable housing, bolsters housing stability for lower income renters, and further nurtures economic development and investment in Tacoma. Our recommendations include:

- Increase the minimum number of units required for the 8-year MFTE from 4 to 20 units per project to boost greater housing density and incentivize use of the 12-year MFTE;

- Allow households to continue to qualify as low-income or moderate-income for the purposes of the MFTE unless the household's income exceeds 90 percent of Pierce County AMI to better support housing stability and wealth-building for renters;

- Add a requirement that for properties applying for an extension, the affordable units must rent for 10 percent less than the market rate units to meet affordable housing needs;

- Remove census tracts 53053061300 and 53053061400 from eligibility for the 8-year MFTE;

- Expand Community and Economic Development Department's efforts to share and centralize outreach resources for property owners and community members to help get renters into MFTE units quickly; and

- Launch an additional GPFC review of the MFTE program in 2028 to continue honing the program to meet the City's evolving needs. The 2028 review should include efforts to evaluate pathways for expanding unit size to better accommodate families.

***Background*:** The MFTE Program provides limited 8, 12, or 20-year exemptions from ad valorem property taxation for multi-family housing in Residential Target Areas. In 2022, the City expanded eligible areas where the 12-year exemption is allowed to be used, lowered the household income level to 70 percent of Pierce County AMI as published by HUD each year, added a 20-year option for projects that provide permanently affordability, and adopted the option for extending an exemption for an additional 12 years if affordability is added.[1] The citywide rezoning that occurred through Home in Tacoma further expanded mid-scale zoning and the areas in which the MFTE can be used.[2]

- The 8-year property tax exemption can currently be granted to any projects in an eligible area where 4 new units are being constructed, rehabilitated (if vacant for one year or more), created through conversion of a commercial structure, or added to existing occupied multifamily housing.

- The 12-year property tax exemption is granted to projects in which 20 percent of the newly created units are designated as affordable housing. These projects must also meet the same criteria as the 8-year MFTE projects.

- The 20-year property tax exemption must provide permanent affordability for 25 percent of the units. This must be done through a partnership with a government agency or a non-profit.

DESIRED FIRST READING DATE: September 30, 2025

COMMUNITY ENGAGEMENT
City Council Resolution 40866, which passed in 2021, required GPFC to review the MFTE program within three years.[3] This required review process launched in 2024, and GPFC has since held several informational meetings with City staff from the Community and Economic Development Department and the Center for Strategic Priorities to evaluate implementation of the program.[4] Public comment from community members has been included in these meetings. In addition, Council Member John Hines convened a roundtable with community stakeholders to discuss their experiences using the MFTE program. GPFC voted unanimously on August 5, 2025 to advance this proposal to a full City Council discussion.

2025 STRATEGIC PRIORITIES

Equity and Accessibility: By allowing households to continue to qualify as low-income or moderate-income when renewing their lease for an MFTE unit until their income exceeds 90 percent of Pierce County's AMI, the program would be helping to foster much needed housing stability in our community. Housing stability, in turn, contributes to broader positive community health and economic development outcomes. In addition, by requiring properties applying for an extension to ensure that their affordable units rent for 10 percent less than the market rate units, the program would better contribute to building our community's access to affordable housing.

Civic Engagement: *Equity Index Score*: Moderate Opportunity
Increase the percentage of residents who believe they are able to have a positive impact on the community and express trust in the public institutions in Tacoma.

Livability: *Equity Index Score*: Moderate Opportunity

---

[1] Tax Incentives - MultiFamily Property Tax Exemption Program | City of Tacoma
[2] Home in Tacoma Zoning Regulations | City of Tacoma
[3] City of Tacoma - File #: RES40866
[4] City of Tacoma - File #: 24-0759; City of Tacoma - File #: 24-1194; City of Tacoma - File #: 25-0053

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

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.

ALTERNATIVES

Alternative	Positive Impacts	Negative Impacts
Do not update MFTE program.	The MFTE program will continue to help drive economic development and housing creation in Tacoma.	The MFTE program would miss opportunities to contribute to long-term housing stability for lower income residents, further bolster economic development, and expand access to affordable housing.

EVALUATIONS AND FOLLOW UP
If approved, the Community and Economic Development Department will continue to provide MFTE updates to GPFC and City Council at regular intervals.

SPONSOR RECOMMENDATION
Sponsors recommend moving the ordinance forward for a first reading on September 30, 2025.

FISCAL IMPACT
City staff in the Community and Economic Development Department could incorporate efforts to simplify and centralize outreach resources in their future workload without a new fiscal impact. Allowing some tenants to remain in affordable units despite small adjustments to their income may temporarily remove some affordable units from the market, although we cannot provide an estimate of the likely fiscal impact because it is impossible to predict how many current tenants in MFTE units will receive pay raises by 2028. City staff could begin tracking this data so that at least a general average might be available for the 2028 review. It is also likely that helping tenants maintain stable housing while they increase savings and/or disposable income would have broader financial benefits our economy and local businesses.

If you have a question related to the ordinance request, please contact Christina Caan, Policy Analyst, at (253) 219-0679 (phone) or ccaan@tacoma.gov.

SUBMITTED FOR COUNCIL CONSIDERATION BY: ______________________
Council Member John Hines

SUPPORTING COUNCIL MEMBERS SIGNATURES

1. Sarah Rumbaugh ______________________ **POS#__2____**

2. ______________________ **POS#___5____**

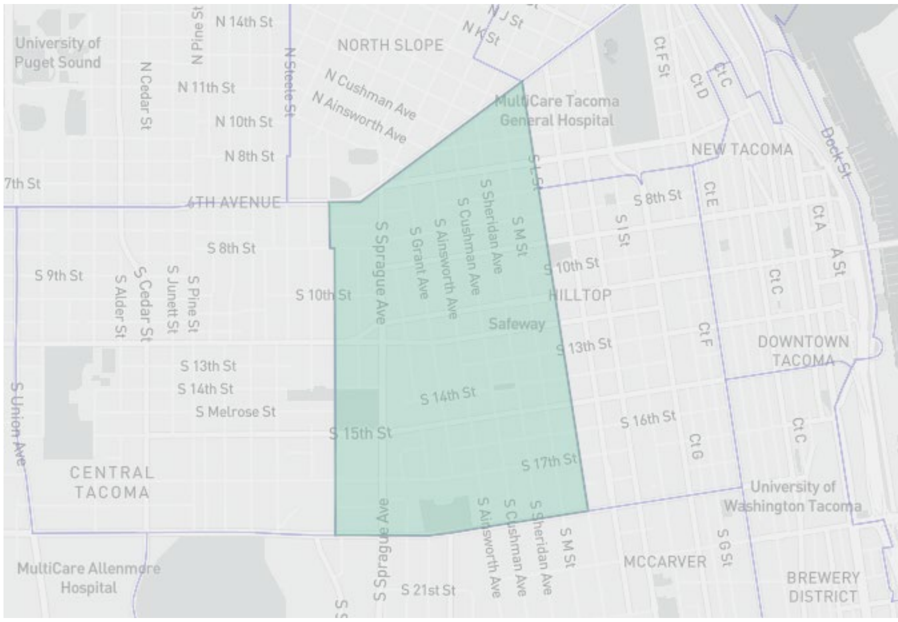
3. ________________________________ **POS# _____6__**

Mayor initials: Victoria R. Woodards

Attachment: Map of census tracks proposed for removal from 8-year MFTE

Attachment: Map of census tracks proposed for removal from 8-year MFTE

1. **Tract 53053061300 (Hilltop)**



2. **Tract 53053061400 (Hilltop and downtown)**