



## Land Use & Environment Committee

### Briefing on Multi-Family Tax Exemption Program

**Agenda Date:** 6/18/2020  
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#### **Title**

Briefing on Multi-Family Tax Exemption Program

#### **Recommended Action**

##### **Committee Recommendation:**

Staff report and discussion of the current Multi-Family Tax Exemption (MFTE) Program and opportunities for program changes.

##### **City Manager Recommendation:**

Provide staff with feedback and direction on the MFTE program.

#### **Report**

##### **Issue:**

Whether to receive a briefing on the current status of Olympia's Multi-Family Tax Exemption Program (MFTE), recent state research, and consideration and timing of potential changes to the program.

##### **Staff Contact:**

Cary Retlin, Housing Programs Manager, Community Planning and Development, 360.570.3956.

##### **Presenter(s):**

Cary Retlin, Housing Programs Manager

##### **Background and Analysis:**

Recently several Multi-Family Tax Exemption applications for downtown housing developments came to Council for approval. As a result, Council's Land Use and Environment Committee added this briefing to their work plan.

This presentation will provide a briefing for the committee on the state context of the MFTE and the current City program, housing developments with current exemptions in the city, and potential opportunities for changes to the program. Staff will also touch on the recent state MFTE recommendations.

##### Discussion of Potential MFTE Program Changes

The staff briefing will suggest areas where the Committee may consider changes - specially to

stimulate more affordable housing through the MFTE program in the future. Staff feel that Olympia's MFTE has been one of several tools that have resulted in new transit-oriented housing downtown (currently 284 units in five MFTE projects) and helped incentivize the first private unsubsidized affordable housing development in Olympia (84-unit Merritt Manor). Staff will also explore the link between market rate development and affordable housing supply overall. Olympia's Comprehensive Plan set the goal of 25% of the new development in our community occurring in downtown. The MFTE has played a role in helping to build market rate and affordable housing. Staff would like to see that continue so we can continue to make progress on our Comprehensive Plan goals.

#### State MFTE Program

The first version of the state MFTE program was created in 1995 that allows a period of property tax exemption for the residential portion of new or rehabilitated developments. Since 1995 the program was revised to have two elements: the 8-year program to encourage new multifamily housing in urban areas to make progress on Comprehensive Plan goals like density and transit-orientation, and a 12-year program to increase affordable housing. The affordable housing program must ensure that at least 20 percent of the units serve households at or below 80 percent of area median income. The program is authorized under RCW 84.14.

#### Olympia's MFTE Program

Olympia's MFTE program tracks very closely with the basic provisions of the state law. It allows for 8-year and 12-year exemptions in an area of downtown and our high-density corridors that spread up Harrison Ave and Martin Way. Olympia's program has been more successful than many other cities are size - perhaps because of other housing incentives like parking exemptions in the downtown. Olympia's program is authorized under OMC 5.86.

#### **Neighborhood/Community Interests (if known):**

The MFTE has been of high interest to some members of the community. Affordable housing is of high interest to a majority of Olympia residents based on the passage of the Home Fund Levy in 2017.

#### **Options:**

1. Hear staff briefing and provide feedback and direction for next steps in considering revisions to the MFTE program.
2. Hear the staff briefing at another time

#### **Financial Impact:**

None at this time.

#### **Attachments:**

Olympia Municipal Code 5.86

Map

Joint Legislative Audit and Review Committee Report

Supply Skepticism Research