



City Council

Approval of a Resolution Authorizing a Multifamily Housing Tax Agreement Between the City of Olympia and 3rd Gen Investment Group 2 LLC for Westman Mill Townhomes Located at 510 State Avenue

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Title

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Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve the Multifamily Tax Exemption with 3rd Gen Investment Group 2 LLC and authorize the City Manager to sign the agreement.

Report

Issue:

Whether to authorize the 8-Year Multifamily Tax Exemption for 3rd Gen Investment Group 2 LLC.

Staff Contact:

Christa Lenssen, Housing Program Specialist, City Manager's Office, 360.570.3762
Leonard Bauer, Director, Community Planning & Development, 360.753.8206

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

Westman Mill Townhomes at 510 State Avenue #101A will create 6 new units of multifamily residential housing in the Multifamily Tax Exemption Downtown Residential Target Area. The application was received by the City on October 20, 2021. 3rd Gen Investment Group 2 LLC is seeking an eight-year tax exemption for those 6 new market rate units. The tax exemption applies to all qualifying residential units for 8 years.

Background on the Multi-Family Tax Exemption in Olympia

The primary purpose of the 8 Year MFTE program is to promote construction of housing in key areas of the city where we would like to incentivize housing development. State law authorizes the City of Olympia to adopt a multi-family housing tax exemption program (RCW 84.14). The program provisions under Olympia Municipal Code under 5.86 were most recently amended in 2009 to create an 8 and 12-year program for market rate and affordable housing provisions.

The property tax exemption applies to only the increased value of building housing (new construction). The exemption does not apply to the land or costs associated with any non-housing improvements. The units in this project meet all the requirements to be eligible for a tax exemption, including:

- The housing is located in the Downtown Target Area, which is one of three designated residential target areas adopted by the City Council;
- 50 percent of the space or more is for permanent residential occupancy;
- Four or more new housing units are created;
- The project complies with the City's comprehensive plan, building and zoning codes;
- The construction/rehabilitation will be completed within three years of approval of the application;
- The property was vacant at least 12 months prior to application; and
- No tenant displacement occurred.

Neighborhood/Community Interests (if known):

This project is within the Downtown Neighborhood Association. A mixed use 75-unit building was constructed as Phase 1 of this project. This project will provide 6 market-rate townhomes. Each 3-bedroom/3.5 bath unit will rent for \$2,650. The neighborhood has mixed use buildings, other commercial buildings and multifamily residences.

Options:

1. Approve the resolution authorizing the Multi-family Tax Exemption agreement and authorize the City Manager to execute the agreement.
2. Remove this item from the Consent Calendar and provide further direction to staff.
3. Direct staff to take other action.

Financial Impact:

Property taxes will continue to be paid on the underlying property and on non-residential portions of the new construction. The taxed value of the residential improvements will be exempt from Ad Valorem tax for eight years after completion of construction.

Attachments:

Resolution
Agreement