



## City Council

# Approval of a Resolution Authorizing the Execution of a Multi-Family Tax Exemption Agreement Between City of Olympia and Urban Olympia 12, LLC for an Affordable Housing Development Project

**Agenda Date:** 5/7/2024  
**Agenda Item Number:** 4.E  
**File Number:**24-0367

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**Type:** resolution **Version:** 1 **Status:** Passed

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### Title

Approval of a Resolution Authorizing the Execution of a Multi-Family Tax Exemption Agreement Between City of Olympia and Urban Olympia 12, LLC for an Affordable Housing Development Project

### Recommended Action

#### Committee Recommendation:

Not referred to a committee.

#### City Manager Recommendation:

Move to approve a resolution authorizing the execution of a Multi-Family Tax Exemption Agreement between the City of Olympia and Urban Olympia 12, LLC.

### Report

#### Issue:

Whether to approve a resolution authorizing the execution of a Multi-Family Tax Exemption Agreement between the City of Olympia and Urban Olympia 12, LLC.

#### Staff Contact:

Jacinda Steltjes, Affordable Housing Program Manager, Office of Community Vitality/Housing and Homeless Response, 360.790.5224

#### Presenter(s):

None - Consent Calendar Item.

### Background and Analysis:

#### Project Summary

Urban Olympia 12, LLC is requesting a 12-year multi-family tax exemption for a housing project being constructed at 306 4<sup>th</sup> Ave. E. The project will produce 2,600 square feet of ground floor commercial space with 48 residential units above the commercial space. Thirty (30) of the residential units will be studio and one-bedroom units affordable to households with incomes at or below 80% of area

median income, adjusted for household size. For reference, a two-person household in Thurston County whose annual gross income is 80% of area median income earns \$72,150. Affordable studio units within the project are anticipated to rent for between \$1,240 to \$1,300. Affordable one-bedroom units are anticipated to rent for between \$1,525 and \$1,600. The remaining 18 units will be rented at market rate.

#### Property Background

The applicant purchased the property where the project will occur from the City of Olympia. A Real Estate Purchase and Sale Agreement executed in May 2021 states "The Parties agree that sixty percent (60%) of the housing units to be constructed by Buyer upon the Property, which is the subject of this Agreement, shall be affordable low income housing units serving persons with adjusted median income (AMI) in Thurston County, Washington, of eighty percent (80%) AMI or less, as reported by the United States Department of Housing and Urban Development (HUD), for a period of twelve (12) years following the City's issuance of a final Certificate of Occupancy. The Parties further agree the remaining forty percent (40%) of housing units constructed upon the Property may be leased or rented by Buyer at market rate."

#### 12-Year Multi-Family Tax Exemption Program

The City's 12-Year Multi-Family Tax Exemption (MFTE) program was revised in January 2024. Olympia Municipal Code 5.86 now requires all new applicants for the 12-Year MFTE program to rent all residential units within the project at an affordable rate to households with annual incomes at or below 80% area median income. Prior to this code revision, the City's 12-year MFTE program required an applicant to rent a minimum of 20% of units at rates affordable to households with gross annual incomes at or below 115% of area median income.

Although Urban Olympia 12, LLC applied for the 12-year MFTE program after code revisions were implemented, the City's legal staff have determined the project will not be required to comply with the new code revisions due to the fact that the applicant and the City executed a Real Estate Purchase and Sale Agreement in 2021 that clearly identified that the project would be eligible for the 12-year MFTE program and that 60% of units would be rented at affordable rates. The City is honoring this agreement.

#### **Climate Analysis:**

The project will offer fully electric appliances in all units. The project will include minimal parking stalls, thus encouraging tenants to utilize nearby transit options. The Olympia Transit Center is located one-tenth of a mile from the project.

#### **Equity Analysis:**

In 2021, the Washington State Legislature passed HB 1220 which requires cities, towns and counties to plan to accommodate future housing affordable to a range of incomes and to document the projected housing need each jurisdiction is planning to accommodate in its Comprehensive Plan. Jurisdictions of Thurston County contracted with Thurston Regional Planning Council (TRPC) to determine that Thurston County will need about 54,000 new housing units by 2045 to accommodate projected population growth. Of those, 12,644 new units are needed in Olympia. Of the 12,644, TRPC has determined Olympia will need 264 new units for households earning between 50% and 80% area median income.

A Housing Needs Assessment done by TRPC in 2021 found that 1,955 Olympia households earning

between 50% and 80% of area median income are housing cost burdened, meaning they spend greater than 30% of their income on housing expenses. The assessment found that many housing cost burdened households spend more than 30% of their income on housing because there is not enough affordable housing available for those who need it. The project will provide more housing availability and housing choice at affordable rates.

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

Affordable housing as a whole is an interest to the community. The Multi-Family Tax Exemption program is also an interest to the community.

**Financial Impact:**

The agreement will exempt Urban Olympia 12, LLC from property taxes associated with the residential improvements made to the property for a duration of 12 years. The applicant will still pay property taxes associated with the land and the commercial aspect of the project.

**Options:**

1. Approve as-is the resolution authorizing the execution of a 12-Year Multi-Family Tax Exemption Agreement between the City of Olympia and Urban Olympia 12, LLC.
2. Approve an amended version of the resolution authorizing the execution of a 12-Year Multi-Family Tax Exemption Agreement between the City of Olympia and Urban Olympia 12, LLC.
3. Take no action.

**Attachments:**

Resolution  
Agreement