



## City Council

### Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 123 4th Avenue East

**Agenda Date:** 4/7/2015  
**Agenda Item Number:** 4.G  
**File Number:** 15-0328

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**Type:** contract   **Version:** 1   **Status:** Passed

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#### **Title**

Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 123 4<sup>th</sup> Avenue East

#### **Recommended Action**

Not referred to a committee.

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

Move to approve the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with Columbia Heights Partners, LLC (represented by Mr. Shuo Lou).

#### **Body**

##### **Issue:**

Whether to enter a Multi-family Housing Limited Property Tax Exemption Agreement for the 138 new residential apartments located at 123 4<sup>th</sup> Avenue East.

#### **Staff Contact:**

Leonard Bauer, Deputy Director Community Planning & Development, 360.753.8206

**Presenter(s):** None. Consent Calendar

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

##### **Mixed Use Project.**

Mr. Lou is constructing a 7-story mixed use project on the former Columbia Street surface parking lot located between 4<sup>th</sup> and 5<sup>th</sup> Avenues. The project consists of 138 market rate residential apartments, approximately 7,500 sq. ft. of street-level frontage retail space and associated two floors of structured parking. The Land Use, Design Review and Environmental Checklist applications were submitted on February 18, 2014. The Site Plan Review Committee issued the approval and Mitigated Determination of Non-significance on April 9, 2014. The first two floors are nearly complete and Mr. Lou seeks the eight-year tax exemption for the "market rate units."

#### **Tax Exemption Code.**

The Multi-Family Tax Exemption provisions contained in Olympia Municipal Code Chapter 5.86 were first passed in August 1997 (Ordinance 5713) with a 10-year property tax exemption for downtown multi-family projects. The ordinance was amended in December 1997 (Ordinance 5734) to add new residential target areas. The State Legislature revised the 10-year exemption into an 8-year market rate or 12-year affordable housing tax exemption. On January 26, 2009, the City Council adopted the 8- and 12-year provisions along with refinements to the residential target areas (Ordinance 6618).

The primary purpose for the law is to provide added incentives to promote construction of housing in key target areas defined within the ordinance. 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 138 apartments meet all the requirements to be eligible for a tax exemption, including:

- The housing is located in the downtown which is one of three designated residential target areas;
- 50 percent of the space must be for permanent residential occupancy;
- More than 4 new housing units are created;
- 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):**

There was both general support and opposition to the project throughout the Environmental, Land Use, Design Review and Building permit process. No appeals were filed.

**Options:**

1. Move to approve the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with Columbia Heights Partners, LLC (represented by Mr. Shuo Lou).
2. Remove this item from the Consent Calendar and provide further direction to staff.

**Financial Impact:**

Property taxes will continue to be paid on the existing land, the newly constructed commercial space, and related proportionate share of parking improvements. The property tax exemption applies to only the value of the residential and a proportionate share of parking portion of the project for eight-years.