



City Council

Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 512 12th Avenue SE

Agenda Date: 5/17/2016
Agenda Item Number: 4.D
File Number: 16-0616

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

Title

Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 512 12th Avenue SE

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 3rd Gen Investment Group, LLC (represented by Mr. Walker John).

Body

Issue:

Whether to enter a Multi-family Housing Limited Property Tax Exemption Agreement for 43 new residential units located at 512 12th Avenue SE.

Staff Contact:

Leonard Bauer, Deputy Director Community Planning & Development, 360.753.8206

Presenter(s): None - Consent Calendar Item.

Background and Analysis:

Project Description.

3rd Gen Investment Group, LLC is constructing a new building containing seven new townhome units, and rehabilitating a former office building with 36 apartment units, on a site on the southeast corner of 12th and Jefferson Avenues SE. The project consists of a total of 43 market-rate residential units and approximately 50,000 sq. ft. of floor area. The land use, design and environmental reviews were completed and approved by the Site Plan Review Committee on August 5, 2015. The project is currently under construction. 3rd Gen Investment Group, LLC seeks the eight-year tax exemption for the 43 market rate units.

Tax Exemption Code.

State law authorizes the City of Olympia to adopt a multi-family housing tax exemption program (RCW 84.14). 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 43 residential units 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 or more is 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:

The project is within the Downtown Neighborhood Association, and is of general interest city-wide.

Options:

1. Move to approve the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with 3rd Gen Investment Group, LLC.
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 underlying property. The value of the residential improvements (estimated to be \$5,223,572) will be exempt from ad valorem tax for eight years.

Attachment:

Multi-Family Property Tax Exemption Agreement