



City Council

Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 924 State Avenue NE

Agenda Date: 5/9/2017
Agenda Item Number: 4.B
File Number: 17-0499

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

Title

Approval of Multi-family Housing Limited Property Tax Exemption Agreement for 924 State Avenue NE

Recommended Action

Not referred to a committee.

City Manager Recommendation:

Move to approve the attached Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with 924 State, LLC.

Body

Issue:

Whether to enter a Multi-family Housing Limited Property Tax Exemption Agreement for four new residential apartments located at 924 State Avenue NE.

Staff Contact:

Leonard Bauer, Deputy Director Community Planning & Development, 360.753.8206

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

Mixed Use Project.

924 State, LLC, (represented by Mr. Mike Auderer), is constructing a three-story mixed use building at 924 State Avenue NE (the site of the previously-approved Tanasse building). The exterior of the building is nearly identical to the previously-approved building. On the interior, the project now consists of three market-rate residential apartments on the first floor, a 2,656 square foot medical office on the second floor, and one market-rate apartment on the third floor. The building is approximately 8,110 sq. ft. and is currently under construction. 924 State, LLC seeks the eight-year tax exemption for the four 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 four apartments meet all the requirements to be eligible for a tax exemption, including:

- The housing is located in the Eastside 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):

The project is adjacent to the north of the Bigelow Neighborhood Association. Several neighbors and other city residents had opposed the original Tanasse project proposal; however, that project had been approved after a public hearing by the City of Olympia Hearing Examiner. The current project carries forward the exterior building plans of that previously-approved project.

Options:

1. Move to approve the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with 924 State, 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 and the non-residential portion of the new construction (estimated to be \$360,000). The value of the residential improvements (estimated to be \$740,000) will be exempt from ad valorem tax for eight years after completion of construction.

Attachment:
Agreement