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City Council

Approval of a Resolution Authorizing a Multi-Family Housing Limited Property Tax Exemption Agreement for 322 5th Avenue SE

Agenda Date: 11/21/2017

Agenda Item Number: 4.C

File Number: 17-1190

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

Title

Approval of a Resolution Authorizing a Multi-Family Housing Limited Property Tax Exemption Agreement for 322 5th Avenue SE

Recommended Action

Not referred to a committee.

City Manager Recommendation:

Move to approve the resolution authorizing the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with Urban Olympia 4, LLC.

Body

Issue:

Whether to approve a Multi-family Housing Limited Property Tax Exemption Agreement for four new residential apartments located at 322 5th Avenue SE.

Staff Contact:

Leonard Bauer, Deputy Director Community Planning & Development, 360.753.8206

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

Mixed Use Project.

Urban Olympia 4, LLC, (represented by Mr. Walker John), is constructing a mixed use building at 322 5th Avenue SE. The project consists of 48 residential apartments and 2,058 square feet of retail space. The total building is approximately 37,500 sq. ft. and is currently under construction. Urban Olympia 4, LLC seeks the eight-year tax exemption for the 48 market-rate residential 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 48 apartments 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):

The project is within the boundaries of the Downtown Neighborhood Association and the Olympia Downtown Association. The apartments are of interest to the arts community in Olympia as the applicant has stated an intent to market them to local artists.

Options:

1. Move to approve the resolution authorizing the Multi-family Housing Limited Property Tax Exemption Agreement and authorize the City Manager to execute the agreement with Urban Olympia 4, 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 on the non-residential portion of the new construction (estimated to be \$475,000). The value of the residential improvements (estimated to be \$8,189,000) will be exempt from Ad Valorum tax for eight years after completion of construction.

Attachments:

Resolution
Agreement