



City Council

Approval of a Resolution Authorizing a 12-Year Multifamily Tax Exemption for Merritt Manor at 3335 Martin Way

Agenda Date: 6/11/2019
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File Number: 19-0533

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

Title

Approval of a Resolution Authorizing a 12-Year Multifamily Tax Exemption for Merritt Manor at 3335 Martin Way

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve the resolution authorizing the Multifamily Tax Exemption for Merritt Manor with 4th Street Housing and authorizing the City Manager to sign the agreement.

Report

Issue:

Whether to authorize the 12-Year Multifamily Tax Exemption for Merritt Manor at 3335 Martin Way with 4th Street Housing, LLC.

Staff Contact:

Cary Retlin, Home Fund Manager, Community Planning and Development, 360.570.3956.

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

This action is a significant milestone in affordable housing development in Olympia and Thurston County because it is the first 12-Year Multi-Family Tax Exemption that has been considered in Thurston County. It will create 82 new apartments on Martin Way. Olympia's Multi-family Tax Exemption ordinance currently incentivizes housing developers to build 20 percent of apartments for households that earn 80 percent or less of the Median Family Income (MFI) in order to qualify for this 12-Year Tax Exemption. Merritt Manor will create 82 units, many for households at or below 60 percent of MFI. HUD estimates Olympia's MFI was \$77,700 in 2018.

Background on the Multi-Family Tax Exemption in Olympia

The state legislature authorizes cities like Olympia to provide property tax exemptions from the value of new housing construction in defined areas (RCW 84.14). Olympia's exemption applies to all qualifying residential units for eight years, but can be extended to 12 years if 20 percent of the units serve households below 80 percent of MFI.

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 units in this project meet all the requirements to be eligible for a tax exemption, including:

- The housing is located in the Target Area, which is one of three designated residential target areas adopted by the City Council (which was modified earlier this year);
- 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 does not fall within a recognized neighborhood association. This new housing development occupies the former site of the Bailey Motor Inn on Martin Way.

Options:

1. Approve the resolution authorizing the Multi-family Tax Exemption agreement and authorizing the City Manager to execute the agreement
2. Do not approve the resolution and provide further direction to staff.
3. Direct staff to take other action.

Financial Impact:

Property taxes will continue to be paid on the underlying property, and on non-residential portions of the new construction. The value of the residential improvements will be exempt from Ad Valorem tax for 12 years after completion of construction.

Attachments:

Resolution
Agreement