

TO: Planning Commission
FROM: Erika Smith-Erickson, Housing and Land Use Planner
DATE: January 27, 2026
SUBJECT: 2026 Multifamily Housing Tax Exemption Program Evaluation

1) Recommended Action:

Discussion item only. No action requested.

2) Background:

Tumwater's Multifamily Housing Tax Exemption program is a state-regulated program that is intended to encourage the development of new multifamily housing, affordable housing, and rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers. The program provides a limited property tax exemption on the value of qualifying residential improvements for eligible housing developments located within target areas of the City, while property owners continue to pay property taxes on the underlying land value.

There are two types of Multifamily Housing Tax Exemption options currently available under Tumwater Municipal Code 3.30:

- An eight-year exemption is available for projects that build at least four new multifamily units and meet the program requirements. This option does not require any units to be set aside as affordable housing.
- A twelve-year exemption is available for projects in which the property owner commits to renting or selling at least 20 percent of the units as affordable housing.

In both options, property owners continue to pay property taxes on the land and on any parts of the building that are not exempt. The tax exemption applies only for the approved time period. When the exemption ends, the property is fully taxed, and any income-restricted units may be rented or sold at market rate.

The City has funds to hire a consultant to evaluate the Multifamily Housing Tax Exemption program and develop recommendations.

The purpose of this discussion is to provide an overview of the program, outline the goals of a consultant led program evaluation, and present the anticipated project timeline.

3) Alternatives:

☐ None.

4) Attachments:

A. Presentation