

DATE: February 18, 2021
TO: Eric Holmes, City Manager
FROM: Peggy Sheehan, Programs Manager
CC: Chad Eiken, Director, Community & Economic Development
RE: **Multifamily Tax Exemption Project- Bennett Mixed Use**

Purpose

Brief Council on a Multifamily Tax Exemption project named the Bennett Apartments prior to the March 1, 2021 public hearing.

Background

In 2001 the City of Vancouver adopted a multifamily tax exemption program to stimulate new construction of multi-family housing in specifically designated urban areas in order to reduce development pressure on single-family residential neighborhoods, to increase and improve housing opportunities, and encourage development densities supportive of tenant use. The table below shows the program progress in encouraging residential development. The table does not include data for the four VCCV projects that have ended their exemption period.

Multifamily Tax Exemption Program Summary				
Area	Completed	In Construction	In Permitting	Total
Projects Approved				
VCCV	15	6	7	28
Fourth Plain	3	0	0	3
Total				31
Total Units				
VCCV	1194	624	874	2,692
Fourth Plain	248	0	0	248
Total				2,940
Affordable Units				
VCCV	286	84	55	425
Fourth Plain	43	8	0	51
Total				476

Current Proposal

Hurley Development LLC is requesting a multifamily tax exemption for a new mixed-use development. The proposed development will be a three-story mixed-use building containing 74 apartment units, 7,694 square feet of retail space and 33 parking spaces.

The project site is located in the Vancouver City Center Vision District at Washington Street and W 17th Street. The project site contains 4 existing buildings, two commercial and two single family residential. Three of the structures will be demolished to accommodate the new development. The larger commercial building facing Washington Street will be retained and integrated into the new building. The applicant has notified the existing tenants of the proposed project. The applicant is working with the remaining tenants to relocate.

The requested tax exemption is for 8-years where 20% of the total units are reserved for tenants earning 100% area median income or less. Currently the HUD 100% area median income in the Portland/Vancouver MSA for a four-person household is \$92,100. Limiting the monthly housing costs to 30% of the gross monthly income, the maximum monthly affordable rent for this income level would be \$2,302.50 per month. The area median income changes overtime and is recalculated annually by HUD.

The proposed residential portion of the development will include studio, 1-bedroom, and 2-bedroom units, 15 of which will be income restricted units.

Per the applicant the unit types and rents will be:

- 48 studio units at \$1,299 per month,
- 20 loft/studios units at \$1,499 per month
- 4 one-bedroom units at \$1,599 per month.
- 2 two-bedroom units at \$1,999 per month.

The total estimated development cost is \$9.7 million. The City Center Redevelopment Authority reviewed the design of the project on December 3, 2020 and recommended approval to staff. On February 18, the CCRA reviewed the multi-family tax exemption request and recommended approval to City Council.

Over 20 years (with the exemption) the project is estimated to generate nearly \$2.11 million in taxes benefitting all taxing districts (ports, county, city, etc.) with \$682,000 specifically generated for the City of Vancouver. Potentially foregone revenue during the exemption is estimated at \$613,000 for all taxing districts and \$153,000 specifically for Vancouver. Commercial space in the development will remain on the tax rolls during the exemption period. Without the proposed development and exemption, the site might remain primarily vacant foregoing the higher developed site tax revenues as well as income restricted residential housing units. Following the 8-year tax exemption period the project will return to the tax rolls at full taxable value.

Next Steps

- On March 1, 2021 conduct Public Hearing to consider a resolution on allowing the proposed exemption to proceed.

Staff Contact

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