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Verdict in: Tax break for housing developers works

By TACOMA NEWS TRIBUNE

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Court 17 apartments at Court C and South 17th streets, built using Tacoma's tax abatement incentive, cater to University of Washington Tacoma students.

STAFF FILE PHOTOT

It's always nice — and a bit surprising — when a tax break works as advertised.

Tacoma's tax abatement for multi-family housing construction in select neighborhoods seems to be doing just that.

The state law behind it allows cities and counties to offer an eight- to 12-year exemption from property taxes on newly built apartments and condominiums in districts starved for development.

The incentive is designed to jump start construction projects that might otherwise not happen. In theory, the city isn't giving up tax revenues, because the revenues wouldn't exist unless the projects materialized in the first place. After eight years (12 if the building offers low-income housing), the money rolls in. In the meantime, the developer still pays tax on the underlying land.

The long tax holiday was controversial when the city began deploying it on a large scale in the early 2000s. Some critics offered what might be called an Occupy Wall Street argument: It helped people who had money, so it had to be bad.

But now that the buildings are coming on the tax rolls, all Tacomans — not just developers — are benefiting from the larger tax base. The incentive helped launch the creation of 2,550 new housing units; next year alone, $48.8 million worth of exempted construction will be paying taxes for the first time.

The city staff estimates that by 2018, when the first round of projects will have lost their exemptions, Tacoma's property tax collections will have jumped by $6.1 million.

That money can be used for public safety, streets, libraries and other broad needs. To the extent it wouldn't have existed without the program, it's pure profit.

It also serves other priorities, such as relief for distressed business districts and higher population density for the

environment's sake.

Tacoma's successful experience should be valuable for other local governments. Pierce County has used the exemption to help launch the $20 million Garfield North near Pacific Lutheran University. University Place is contemplating using it to encourage a second mixed-use complex in its long-stagnant Town Center.

Town Center could be an excellent candidate for the program. The City of University Places owes about $50 million on the property and related infrastructure. It desperately needs the taxes from private development would provide. But it won't see a dime from a housing project unless it actually gets built.

As Tacoma has now demonstrated, a temporary tax boon to developers is an option that can pay off for entire communities.

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