



ORDINANCE NO. 28770

1 BY REQUEST OF MAYOR WOODARDS AND COUNCIL MEMBERS HINES AND
2 WALKER

3 AN ORDINANCE relating to the property tax exemption for the development of
4 multi-family housing in designated residential target areas; amending
5 Chapter 6A.110 of the Tacoma Municipal Code, entitled "Property Tax
6 Exemptions for Multi-Family Housing," to provide for the elimination of the
7 eight-year Multi-Family Property Tax Exemption in mixed-use centers
8 designated "very high" opportunity, based on the City's Equity Index, to
9 become effective 90 days after passage of this ordinance.

10 WHEREAS the City has one of the most competitive real estate markets
11 for housing in the country and, after years of stalled housing development, is
12 seeing much-needed investment and construction of large, multi-family housing
13 projects in areas designated by the City Council as target areas for growth
14 under the City's *One Tacoma Comprehensive Plan*, and

15 WHEREAS these target areas are called Mixed-Use Centers ("MUCs"),
16 with 18 MUCs located throughout the City, and

17 WHEREAS the City uses the Multi-Family Property Tax Exemption ("MFTE")
18 to encourage growth in MUCs; over the past five years, nearly 2,000 units have
19 been added through this program, with another 4,300 units currently in the
20 construction pipeline, and

21 WHEREAS the MFTE financially incentivizes development in these areas
22 by exempting property taxes for eight or 12 years on assessed improvements
23 which create four or more additional housing units, and

24 WHEREAS the eight-year MFTE is the standard exemption with no
25 affordable housing requirement, and the 12-year MFTE requires that at least
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1 20 percent of the units be reserved for households that earn 80 percent or less
2 than the Area Median Income (“AMI”), which is published annually by the
3 Department of Housing and Urban Development (“HUD”), and

4 WHEREAS, for the affordability requirement, the annual rents charged are
5 to be no more than 30 percent of the 80 percent median income, with rents set
6 by HUD each year, and

7 WHEREAS, while the City provides the tax exemption, this investment pays
8 dividends over the life of the housing project and the City recuperates more than it
9 invests through increased sales and construction taxes, and

10 WHEREAS, of the 2,000 units created through the MFTE in the past five
11 years, only 130 were required to be affordable; and of the 4,300 units to be
12 developed, only 264 will be required to be affordable, and

13 WHEREAS affordable housing is needed across the City, but especially in
14 areas where the wealth-gap is greatest and where opportunity is highest, and

15 WHEREAS the City’s highest opportunity areas, most notably those in the
16 North End, are the most challenging to access for low- and moderate-income
17 households, and

18 WHEREAS the City’s Equity Index is a tool used by the City to identify
19 disparities in the city, based on census block group data, and uses 29 indicators
20 within five social determinant categories based on the Tacoma 2025 Strategic Plan
21 to determine where the greatest community needs are located, and
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1 WHEREAS census block group scores are labeled on a scale from “very
2 high” to “very low” opportunity areas, and

3 WHEREAS “opportunity” is defined as a situation or condition that places
4 individuals in a position to be more likely to succeed or excel, and
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6 WHEREAS, currently, the Proctor District and Point Ruston are the only
7 MUCs completely located in “very high” opportunity areas, and

8 WHEREAS, given the market-driven high demand for housing in Tacoma,
9 incentives do not need to be offered in “very high” opportunity areas that do not
10 include affordability requirements, as they are the most desirable places for
11 developers to build, and
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13 WHEREAS MUCs with a portion designated “very high opportunity,” but
14 not completely “very high” opportunity, such as Westgate, are excluded from this
15 policy, and

16 WHEREAS the City proposes to delay the effective date of this ordinance
17 until 90 days after passage by the City Council; Now, Therefore,

18 BE IT ORDAINED BY THE CITY OF TACOMA:

19 Section 1. That the eight-year Multi-Family Property Tax Exemption in
20 mixed-use centers designated “very high” opportunity, based on the City’s Equity
21 Index, is hereby eliminated.
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Section 2. That Chapter 6A.110 of the Tacoma Municipal Code, entitled
“Property Tax Exemptions for Multi-Family Housing,” is hereby amended to read
as set forth in the attached Exhibit “A.”

Section 3. That this ordinance and attached Exhibit “A” shall become
effective 90 days after passage of this ordinance.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



EXHIBIT "A"

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**CHAPTER 6A.110
PROPERTY TAX EXEMPTIONS FOR MULTI-FAMILY HOUSING**

Sections:

6A.110.010 Definitions.

6A.110.020 Property Tax Exemption – Requirements and Process.

6A.110.010 Definitions.

A. "Multi-family housing" means building(s) having four or more dwelling units designed for permanent residential occupancy resulting from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings. (TMC Section 13.17.010)

B. "Owner" means the property owner of record. (TMC Section 13.17.010)

C. "Mixed-use center" means a center designated as such in the land use element of the City's comprehensive plan. A mixed-use center is a compact identifiable district containing several business establishments, adequate public facilities, and a mixture of uses and activities, where residents may obtain a variety of products and services. (TMC Section 13.17.010)

D. "Director" means the Director of the Community and Economic Development Department or authorized designee. (TMC Section 13.17.010)

E. "Permanent residential occupancy" means multifamily housing that provides either rental or owner occupancy for a period of at least one month. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis. (TMC Section 13.17.010)

F. "Rehabilitation improvements" means modifications to existing structures that are vacant for 12 months or longer, that are made to achieve a condition of substantial compliance with existing building codes or modification to existing occupied structures which increase the number of multi-family housing units. (TMC Section 13.17.010)

G. "Residential target area" means an area within a mixed-use center that has been designated by the City Council as lacking sufficient, available, desirable, and convenient residential housing to meet the needs of the public.

H "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low or moderate-income households.

I. "Household" means a single person, family, or unrelated persons living together.

J. "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below eighty percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States department of housing and urban development.

K. "Moderate-income household" means a single person, family, or unrelated persons living together whose adjusted income is more than eighty percent but is at or below one hundred fifteen percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States department of housing and urban development.



1 L. “Campus facilities master plan” means the area that is defined by the University of Washington as
2 necessary for the future growth and development of its campus facilities for branch campuses authorized
3 under RCW 28B.45.020.

4 **6A.110.020 Property Tax Exemption – Requirements and Process.**

5 A. Intent. Limited 8 or 12-year exemptions from ad valorem property taxation for multi-family housing in
6 mixed-use centers are intended to:

- 7 1. Encourage increased residential opportunities within mixed-use centers designated by the City Council as
8 residential target areas;
- 9 2. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily
10 housing in residential target areas to increase and improve housing opportunities;
- 11 3. Assist in directing future population growth to designated mixed-use centers, thereby reducing development
12 pressure on single-family residential neighborhoods; and
- 13 4. Achieve development densities which are more conducive to transit use in designated mixed-use centers.

14 B. Duration of Exemption. The value of improvements qualifying under this chapter will be exempt from ad
15 valorem property taxation for eight or twelve successive years (depending on whether the property includes
16 affordable housing component as described in subsection E and F below) beginning January 1 of the year
17 immediately following the calendar year of issuance of the Final Certificate of Tax Exemption.

18 C. Limits on Exemption. The exemption does not apply to the value of land or to the value of improvements
19 not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and
20 non-qualifying improvements. In the case of rehabilitation of existing buildings, the exemption does not
21 include the value of improvements constructed prior to submission of the completed application required under
22 this chapter.

23 D. Rehabilitation Provisions. Property proposed to be rehabilitated must fail to comply with one or more
24 standards of the applicable state or local building or housing codes on or after July 23, 1995.

25 E. Eight-year exemption Project Eligibility. A proposed project must meet the following requirements for
26 consideration for a property tax exemption:

1. Location. The project must be located within a residential target area, as designated in Section 13.17.020.
Potential projects to be sited within the boundaries of the University of Washington Tacoma “campus facilities
master plan” within the Downtown Tacoma Mixed-Use Center will not be considered.

2. Size. The project must include at least four units of multi-family housing within a residential structure or as
part of a mixed-use development. A minimum of four new units must be constructed or at least four additional
multi-family units must be added to existing occupied multi-family housing. Existing multi-family housing
that has been vacant for 12 months or more does not have to provide additional units so long as the project
provides at least four units of new, converted, or rehabilitated multi-family housing.

3. Permanent Residential Occupancy. At least 50 percent of the space designated for multi-family housing
must be provided for permanent residential occupancy, as defined in Section 13.17.010.

4. Proposed Completion Date. New construction multi-family housing and rehabilitation improvements must
be scheduled to be completed within three years from the date of approval of the application.

5. Compliance With Guidelines and Standards. The project must be designed to comply with the City’s
comprehensive plan, building, housing, and zoning codes, and any other applicable regulations in effect at the
time the application is approved. Rehabilitation and conversion improvements must comply with the City’s
minimum housing code. New construction must comply with the Uniform Building Code. The project must
also comply with any other standards and guidelines adopted by the City Council for the residential target area
in which the project will be developed.

6. Vacancy Requirement. Existing dwelling units proposed for rehabilitation must have one or more violations
of the City’s Minimum Building and Structures Code, TMC 2.01. If the property proposed to be rehabilitated is



1 not vacant or in the case of applications for property to be developed as new construction which currently has
2 residential rental structure on it, an applicant must provide each existing household a 90-day move notice as
3 well as provide housing of comparable size, quality, and price which meets the Uniform Physical Condition
4 Standards or a similar standard acceptable to the City. If any household being provided a 90-day move notice
5 is qualified as a low-income household, the applicant will provide the household with moving expenses
6 according to the current Department of Transportation Fixed Residential Moving Costs Schedule.

7 7. Until August 31, 2009, no applications for any multi-family style developments in the Tacoma Mall Mixed-
8 use Center, as identified in TMC 13.17.020 and as outlined on the Generalized Land Use Plan and in the
9 Comprehensive Plan legal descriptions, which are incorporated herein by reference and on file in the City
10 Clerk's Office, will be accepted for this property tax exemption.

11 8. No applications for any multi-family style developments in Proctor or Point Ruston Mixed-use Centers, as
12 identified in TMC 13.17.020 and as outlined on the Generalized Land Use Plan and in the Comprehensive Plan
13 legal descriptions, which are incorporated herein by reference and on file in the City Clerk's Office, will be
14 accepted for this property tax exemption.

15 F. Twelve-year exemption Project Eligibility. A proposed project must meet the following requirements
16 for consideration for a twelve year property tax exemption:

17 1. All requirements set forth in subsection E above; and

18 2. The applicant must commit to renting or selling at least twenty percent of the multifamily housing units
19 as affordable housing units to low and moderate-income households respectively, and the property must
20 satisfy that commitment and any additional affordability and income eligibility conditions adopted by the
21 local government under this chapter. In the case of projects intended exclusively for owner occupancy,
22 the minimum requirement of this subsection may be satisfied solely through housing affordable to
23 moderate income households.

24 G. Application Procedure. A property owner who wishes to propose a project for a tax exemption shall
25 complete the following procedures:

26 1. File with the Community and Economic Development Department the required application along with
the required fees. The application fee to the City shall be \$1,000 for four units, plus \$100 per additional
multi-family unit, up to a maximum total fee to the City of \$5,000. If the application shall result in a
denial by the City, the City will retain that portion of the fee attributable to its own administrative costs
and refund the balance to the applicant.

2. A complete application shall include:

a. A completed City of Tacoma application form setting forth the grounds for the exemption;

b. Preliminary floor and site plans of the proposed project;

c. A statement acknowledging the potential tax liability when the project ceases to be eligible under this
chapter;

d. For rehabilitation projects and for new development on property upon which an occupied residential
rental structure previously stood, the applicant shall also submit an affidavit stating that each existing
household was sent a 90-day move notice and that each household was provided housing of comparable
size, quality, and price which meets the Uniform Physical Condition Standards or a similar standard
acceptable to the City.

e. For any household being provided a 90-day move notice that qualifies as a low-income household, the
applicant will also submit an affidavit stating that moving expenses have been or will be provided
according to the current Department of Transportation Fixed Residential Moving Costs Schedule.

f. In addition, for rehabilitation projects, the applicant shall secure from the City verification of the
property's noncompliance with the City's Minimum Building and Structures Code, TMC 2.01.

g. Verification by oath or affirmation of the information submitted.



1 H. Application Review and Issuance of Conditional Certificate. The Director may certify as eligible an application which is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within 90 days of receipt of a complete application.

2 1. Approval. If an application is approved, the applicant shall enter into a contract with the City, subject to approval by resolution of the City Council regarding the terms and conditions of the project. Upon Council approval of the contract, the Director shall issue a Conditional Certificate of Acceptance of Tax Exemption. The Conditional Certificate expires three years from the date of approval unless an extension is granted as provided in this chapter.

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4 2. Denial. The Director shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten days of the denial. An applicant may appeal a denial to the City Council within 30 days of receipt of notice. On appeal, the Director's decision will be upheld unless the applicant can show that there is no substantial evidence on the record to support the Director's decision. The City Council's decision on appeal will be final.

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7 I. Extension of Conditional Certificate. The Conditional Certificate may be extended by the Director for a period not to exceed 24 consecutive months. The applicant must submit a written request stating the grounds for the extension, accompanied by a \$50.00 processing fee. An extension may be granted if the Director determines that:

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9 1. The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner;

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11 2. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and

12 3. All the conditions of the original contract between the applicant and the City will be satisfied upon completion of the project.

13 J. Application for Final Certificate. Upon completion of the improvements agreed upon in the contract between the applicant and the City and upon issuance of a temporary or permanent certificate of occupancy, the applicant may request a Final Certificate of Tax Exemption. The applicant must file with the Community and Economic Development Department the following:

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15 1. A statement of expenditures made with respect to each multi-family housing unit and the total expenditures made with respect to the entire property;

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17 2. A description of the completed work and a statement of qualification for the exemption; and

18 3. A statement that the work was completed within the required three-year period or any authorized extension.

19 4. If applicable, a statement that the project meets the affordable housing requirements as described in subsection F above.

20 Within 30 days of receipt of all materials required for a Final Certificate, the Director shall determine which specific improvements satisfy the requirements of this chapter.

21 K. Issuance of Final Certificate. If the Director determines that the project has been completed in accordance with the contract between the applicant and the City and has been completed within the authorized time period, the City shall, within ten days, file a Final Certificate of Tax Exemption with the Pierce County Assessor.

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23 1. Denial and Appeal. The Director shall notify the applicant in writing that a Final Certificate will not be filed if the Director determines that:

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25 a. The improvements were not completed within the authenticated time period;

26 b. The improvements were not completed in accordance with the contract between the applicant and the City; or



- 1 c. The owner's property is otherwise not qualified under this chapter.
- 2 2. Within 14 days of receipt of the Director's denial of a Final Certificate, the applicant may file an
3 appeal with the City's Hearing Examiner, as provided in Section 1.23.070 of the Tacoma Municipal
4 Code. The applicant may appeal the Hearing Examiner's decision in Pierce County Superior Court, if the
5 appeal is filed within 30 days of receiving notice of that decision.
- 6 L. Annual Compliance Review. Within 30 days after the first anniversary of the date of filing the Final
7 Certificate of Tax Exemption, and each year thereafter, for a period of eight or twelve years, the property
8 owner shall file a notarized declaration with the Director indicating the following:
- 9 1. A statement of occupancy and vacancy of the multi-family units during the previous year;
 - 10 2. A certification that the property continues to be in compliance with the contract with the City; and, if
11 applicable, a certification of affordability based on documentation that the property is in compliance with
12 the affordable housing requirements as described in section 6.A.110.020.F;
 - 13 3. A description of any subsequent improvements or changes to the property.
- 14 City staff shall also conduct on-site verification of the declaration. Failure to submit the annual
15 declaration may result in the tax exemption being canceled.
- 16 M. Cancellation of Tax Exemption. If the Director determines the owner is not complying with the terms
17 of the contract, the tax exemption will be canceled. This cancellation may occur in conjunction with the
18 annual review or at any other time when noncompliance has been determined. If the owner intends to
19 convert the multi-family housing to another use, the owner must notify the Director and the Pierce
20 County Assessor within 60 days of the change in use.
- 21 1. Effect of Cancellation. If a tax exemption is canceled due to a change in use or other noncompliance,
22 the Pierce County Assessor may impose an additional tax on the property, together with interest and
23 penalty, and a priority lien may be placed on the land, pursuant to State legislative provisions.
 - 24 2. Notice and Appeal. Upon determining that a tax exemption is to be canceled, the Director shall notify
25 the property owner by certified mail. The property owner may appeal the determination by filing a notice
26 of appeal with the City Clerk within 30 days, specifying the factual and legal basis for the appeal. The
Hearing Examiner will conduct a hearing at which all affected parties may be heard and all competent
evidence received. The Hearing Examiner will affirm, modify, or repeal the decision to cancel the
exemption based on the evidence received. An aggrieved party may appeal the Hearing Examiner's
decision to the Pierce County Superior Court.