



SUBSTITUTE NO. 3 ORDINANCE NO. 29059

BY REQUEST OF COUNCIL MEMBER SADALGE

AN ORDINANCE relating to property tax exemptions; amending Chapter 6A.110 of the Municipal Code, relating to Property Tax Exemptions for Multi-family Housing, by amending Section 6A.110.020, entitled "Property Tax Exemption – Requirements and Process" to implement program updates as recommended by the Government Performance and Finance Committee.

WHEREAS on November 9, 2021, pursuant to Resolution No. 40866, the City Council adopted changes to the City's Multifamily Property Tax Exemption ("MFTE") program as recommended by the Government Performance and Finance Committee ("GPF"), and required a review of the MFTE program within three years, and

WHEREAS the MFTE program provides limited 8, 12, or 20-year exemptions from ad valorem property taxation for multi-family housing in Residential Target Areas, and

WHEREAS in 2022, per Amended Ordinance No. 28798, the City expanded eligible areas where the 12-year exemption is allowed to be used, lowered the household income level to 70 percent of Pierce County Area Median Income ("AMI") as published by the Department of Housing and Urban Development each year, added a 20-year option for projects that provide permanent affordability, and adopted the option for extending an exemption for an additional 12 years if affordability is added, and

WHEREAS the citywide zoning that occurred through the Home in Tacoma zoning and standards further expanded mid-scale zoning and the areas in which the MFTE can be used, and



WHEREAS currently, the eight-year MFTE can be granted to any projects in an eligible area where four new units are being constructed, rehabilitated (if vacant for one year or more), created through conversion of a commercial structure, or added to existing occupied multifamily housing, and

WHEREAS the 12-year MFTE is granted to projects in which 20 percent of the newly created units are designated as affordable housing and must also meet the same criteria as the eight-year MFTE projects, and

WHEREAS the 20-year MFTE must provide permanent affordability for 25 percent of the units and must be done through a partnership with a government agency or a non-profit, and

WHEREAS the GPF Committee has completed its mandated review of the MFTE program and has identified several updates the will help ensure our community continue to benefit from this tool, and

WHEREAS these updates aim to ensure that the MFTE program contributes to greater housing density, expands affordable housing, bolsters housing stability for lower income renters, and further nurtures economic development and investment in Tacoma, and

WHEREAS the recommended updates are as follows:

- 1) Require a signed and recorded Multifamily Property Tax Exemption Program Covenant Agreement as a recorded agreement, lien and covenant running with the land, binding all the assigns, heirs and successors of the applicant to secure the program requirements as stated under this Chapter;



- 2) Require homeownership eight-year MFTE projects under 20 multi-family units to be sold to households making no more than 150 percent of the Pierce County family median income and be owner-occupied to incentivize the creation of owner-occupied multifamily dwelling units;
- 3) Increase the minimum number of units required for other eight-year MFTE projects from four to 20 units per project to boost greater housing density and incentivize use of the 12-year MFTE program;
- 4) Allow households to continue to qualify as low-income or moderate-income for the purposes of the MFTE unless the household's income exceeds 90 percent of Pierce County AMI to better support housing stability and wealth-building for renters;
- 5) Add a requirement that for properties applying for an extension, the affordable units must rent for at least ten percent less than the market rate units to meet affordable housing needs;
- 6) Remove census tracts 53053061300 and 53053061400 from eligibility for the eight-year MFTE program due to high-risk of displacement;
- 7) Expand the City's Community and Economic Development Department's efforts to share and centralize outreach resources for property owners and community members to help get renters into MFTE units quickly; and
- 8) Launch an additional GPF Committee review of the MFTE program in 2028 to continue improving the program to meet the City's evolving needs, and the review should include efforts to evaluate pathways for expanding unit size to better accommodate families;



9) Changes should go into effect 30 days from adoption of the Ordinance,
and

WHEREAS on August 5, 2025, the GPF Committee voted unanimously to
advance this proposal to the full City Council for discussion, and

WHEREAS on September 16, 2025, the City Council discussed the proposal
at Study Session; Now Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That the City Council hereby adopts the Recitals of this
Ordinance as its formal legislative findings.

Section 2. That Section 6A.110.020 of the Municipal Code, entitled
"Property Tax Exemption – Requirements and Process", is hereby amended, as
set forth in the attached Exhibit "A."

Section 3. That the City Manager is directed to work with City's Community
and Economic Development Department to expand its efforts to share and
centralize outreach resources for property owners and community members to
help get renters into multi-family tax exemption ("MFTE") units quickly.

Section 4. That the City Manager shall direct staff to launch an additional
Government Performance and Finance Committee review of the MFTE program in
2028 to continue improving the program to meet the City's evolving needs, and the
review must include efforts to evaluate pathways for expanding unit size to better
accommodate families.



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Section 5. That the City Clerk, in consultation with the City Attorney's Office,
is authorized to make necessary corrections to this ordinance including, but not
limited to, the correction of scrivener's/clerical errors, references, ordinance
numbering, section/subsection numbers, and any references thereto.

Section 6. This ordinance shall be effective 30 days following adoption by the
City Council.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



EXHIBIT "A"

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

* * *

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

A. Intent.

Limited 8, 12, or 20-year exemptions from ad valorem property taxation for multi-family housing in Residential Targeted Areas are intended to:

1. Encourage additional affordable housing including permanently affordable housing opportunities and market rate workforce housing within areas of the City designated by the City Council as residential target areas;
2. Achieve development densities which are more conducive to transit use within areas of the City designated by the City Council as residential target areas;
3. Promote economic investment and recovery and create family-wage jobs; and
4. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing in residential target areas to increase and improve housing opportunities.

B. Duration of Exemption.

The value of improvements qualifying under this chapter will be exempt from ad valorem property taxation for eight, twelve, or twenty successive years (depending on which affordable housing component as described in subsection E, F, or G below is chosen) beginning January 1 of the year immediately following the calendar year of issuance of the Final or Temporary Certificate of Occupancy.

C. Limits on Exemption.

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

D. Rehabilitation Provisions.

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

E. Documentation

Prior to the City's final approval of the property tax exemption, the owner of the property shall provide a signed and recorded Multifamily Property Tax Exemption Program Covenant Agreement in a form approved by the City Attorney which will serve as a recorded agreement, lien and covenant running with the land, binding all the assigns, heirs and successors of the applicant to secure the program requirements as stated under this Chapter for the duration of the exemption. The recorded Multifamily Property Tax Exemption Program Covenant Agreement must provide that if the property is converted to a use other than defined under this Chapter within the required duration, the property owner will lose the exemption at the time of conversion.

~~E~~F. Eight-year exemption Project Eligibility.

A proposed project must meet the following requirements for consideration for a property tax exemption:

1. Location.

The project must be located within a mixed-use center, 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.

a. The project must include at least four units of multi-family housing within a residential structure(s) 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. Projects which are built to be rented, must have at least 50 percent of the space designated for multi-family housing for permanent residential occupancy, as defined in Section 13.17.070.P.

b. Projects with less than 20 total units

Project must be built as for-sale individual multifamily housing units and the applicant must sell all individual multifamily housing units as owner-occupied units to households making no more than 150 percent of the Pierce County family median income. For the purpose of this section, owner-occupancy means a person who owns a residential unit also lives in the unit as their primary residence.

~~built for sale~~The project must include at least four twenty units of multi family housing within a residential structure(s) or as part of a mixed-use development. A minimum of twenty new units must be constructed or at least four twenty 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 twenty 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 13.01.1707.070.P.~~

~~4.3.~~ 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.

~~5.4.~~ 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. 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.

~~6.5.~~ 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 not vacant or in the case of applications for property to be developed as new construction which currently has residential rental structure on it, an applicant must provide each existing household a 120-day move notice as well as provide housing of comparable size, quality, and price which meets the Uniform Physical Condition Standards or a similar standard acceptable to the City. If any household being provided a 120-day move notice is qualified as a low-income household, the applicant will provide the household with moving expenses according to the current Department of Transportation Fixed Residential Moving Costs Schedule.

~~7.6.~~ Until August 31, 2009, no applications for any multi-family style developments in the Tacoma Mall Mixed-use Center, as identified in TMC 13.17.020 and as outlined on the Generalized Land Use Plan and in the Comprehensive Plan legal descriptions, which are incorporated herein by reference and on file in the City Clerk's Office, will be accepted for this property tax exemption.

~~8.7.~~ No applications for any multi-family style developments in Proctor or Point Ruston Mixed-use Centers, as identified in TMC 13.17.020 and as outlined on the Generalized Land Use Plan and in the Comprehensive Plan legal descriptions, which are incorporated herein by reference and on file in the City Clerk's Office, will be



accepted for this property tax exemption. Nor shall any applications for residential target areas within census tracts 53053061300 and 53053061400 be accepted for this property tax exemption.

F.G. Twelve-year exemption requirements.

A proposed project must meet the following requirements for consideration for a twelve-year property tax exemption:

1. All requirements set forth in subsection F, except for subsection F. 2b and subsection F.7. All requirements set forth in subsection E, except for subsection E.8, provided that subsection E.2 "Size" shall read as follows;

The project must include at least four units of multi-family housing within a residential structure(s) 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; and

2. Must be located in a residential target area, as designated in Section 13.17.020, provided that the tax exemptions under this subsection shall not become available in the neighborhood commercial nodes until a comprehensive review and update of the design standards for projects which include residential development in those commercial areas is completed;

3. The applicant must commit to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low and moderate-income households whose income is no more than 70 percent of the Pierce County Area family median income for rental units and no more than 115 percent of the Pierce County Area family median income for for-sale units owner-occupied units, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the City under this chapter. In the case of projects intended exclusively for owner-occupancy, the minimum requirement of this subsection may be satisfied solely through housing affordable to moderate income households. Households renting a multi-family unit may continue to qualify until their income exceeds 90 percent of the Pierce County Area family median income.

4. Projects in Neighborhood Commercial Nodes along Transit & Existing Mid-Scale Residential on Corridors, which are located on a corner, must include at least 30 percent of the first floor space as commercial space, built per commercial building code and subject to the design standards of the applicable zoning district.

G.H. Twenty-year exemption Project Eligibility.

A proposed project must meet the following requirements for consideration for a 20-year property tax exemption:

1. Applications accepted through December 31, 2031;

2. All requirements set forth in subsection F, except for subsection F. 2b and subsection F.7. All requirements set forth in subsection E above, except for subsection E.8; provided that subsection E.2 "Size" shall read as follows;

The project must include at least four units of multi-family housing within a residential structure(s) 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; and

3. Must be located in a residential target area, as designated in Section 13.17.020.

4. Projects in Neighborhood Commercial Nodes along Transit & Existing Mid-Scale Residential on Corridors, which are located on a corner, must include at least 30 percent of the first floor space as commercial space, built per commercial building code and subject to the design standards of the applicable zoning district.

5. Provide 25 dwelling units or more per gross acre.



6. At least 25 percent of the units must be built by or sold to a qualified nonprofit or local government that will assure permanent affordable homeownership to households earning 70 percent Pierce County family median income or less.

a. In the case of projects intended exclusively for owner occupancy, households may earn up to 80 percent of the Pierce County family median income.

7. For purposes of this section, “permanently affordable homeownership” means homeownership that, in addition to meeting the definition of “affordable housing” in RCW 43.185A.010, is:

a. Sponsored by a nonprofit organization or governmental entity;

b. Subject to a ground lease or deed restriction that includes:

(1) A resale restriction designed to provide affordability for future low and moderate-income homebuyers;

(2) A right of first refusal for the sponsor organization to purchase the home at resale; and

(3) A requirement that the sponsor must approve any refinancing, including home equity lines of credit; and

c. Sponsored by a nonprofit organization or governmental entity and the sponsor organization:

(1) Executes a new ground lease or deed restriction with a duration of at least 99 years at the initial sale and with each successive sale; and

(2) Supports homeowners and enforces the ground lease or deed restriction.

H.I. Extension for projects receiving an initial eight-year or 12-year exemption.

Any project receiving an eight- or 12-year extension may apply for a subsequent 12-year extension in exchange for continued or increased income restrictions on affordable units; and

1. Application must be received within 18 months of expiration of current exemption.

2. At least 20 percent of the housing must be occupied by households earning no more than 70 percent of the Pierce County family median income. Households renting a multi-family unit may continue to qualify until their income exceeds 90 percent of the Pierce County Area family median income. Affordable units must rent for at least 10 percent less than the market rate units.

3. Conversion from market rate to affordable units must comply with the procedures outlined in the City’s policies and procedures.

4. Applicants must provide notice to tenants in rent-restricted units at the end of the tenth and eleventh years of the continued 12-year exemption that the exemption will expire and the landlord will provide relocation assistance.

5. Landlords must provide one month’s rent as relocation assistance to a qualified tenant in their final month when affordability requirements no longer apply, even when the affordable rent period extends beyond the expiration of the tax exemption.

6. New extensions are not permitted on or after January 1, 2046.

H.I. Application Procedure.

A property owner who wishes to propose a project for a tax exemption shall complete the following procedures:

1. Submit an application to the City and pay the required application fee. The application fee to the City shall be in accordance with the City of Tacoma published Fee Schedule. 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 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 120-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 120-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.

~~J~~K. 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.

1. Approval.

If an application is approved, the applicant shall enter into an ~~an agreement contract~~ with the City, subject to approval by resolution of the City Council regarding the terms and conditions of the project. Such ~~agreement~~ outlines all the requirements of the property owner during the length of the property tax exemption, including compliance with the City's Nuisance Code, Chapter 8.30, for the property at issue. 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.

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.

~~K~~L. 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:

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

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

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

~~L~~M. 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:

1. The total number and type of units produced.
2. The number, size, and type of units produced meeting affordable housing requirements.
3. The development cost of each unit produced.
4. The total monthly rent or total sale amount of each unit produced, affordable and market rent.
5. A statement that the work was completed within the required three-year period or any authorized extension.

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.

M.N. 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.

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:

- a. The improvements were not completed within the authenticated time period;
- b. The improvements were not completed in accordance with the contract between the applicant and the City; or
- c. The owner's property is otherwise not qualified under this chapter.

2. Within 14 days of receipt of the Director's denial of a Final Certificate, the applicant may file an appeal with the City's Hearing Examiner, as provided in Section 1.23.070 of the Tacoma Municipal Code. The applicant may appeal the Hearing Examiner's decision in Pierce County Superior Court, if the appeal is filed within 30 days of receiving notice of that decision.

N.O. Annual Compliance Review.

Annually, when requested by the Department of Community and Economic Development, for a period of eight, twelve, or twenty years, the property owner shall file a ~~notarized~~ declaration with the Director indicating the following:

1. The number, size, and type of each unit, market rate and affordable.
2. The total monthly rent each unit, affordable and market rent.
3. For projects receiving a 12 year exemption, the annual income and household size of each renter household for each of the affordable units.
4. A description of any subsequent improvements or changes to the property.

Failure to submit the annual declaration may result in the tax exemption being canceled.

Requirements under RCW 84.14.100(3)(a) specify that on-site audits must occur at least once every five years.

P.O. Cancellation of Tax Exemption.

If the Director determines the owner is not complying with the terms of the contract, the tax exemption will be canceled. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If the owner intends to convert the multi-family housing to another use, the owner must notify the Director and the Pierce County Assessor within 60 days of the change in use.

1. Effect of Cancellation.



If a tax exemption is canceled due to a change in use or other noncompliance, the Pierce County Assessor may impose an additional tax on the property, together with interest and penalty, and a priority lien may be placed on the land, pursuant to State legislative provisions.

2. Notice and Appeal.

Upon determining that a tax exemption is to be canceled, the Director shall notify the property owner by certified mail. The property owner may appeal the determination by filing a notice 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.

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