



## ORDINANCE NO. 28648

1 AN ORDINANCE related to property tax exemptions; amending Chapter 6A.110  
2 of the Tacoma Municipal Code, relating to Property Tax Exemptions for  
3 Multi-Family Housing, to update affordability and equity in contracting  
4 requirements, effective March 1, 2020.

4 WHEREAS in 1995, Chapter 84 of the Revised Code of Washington  
5 (“RCW”) codified the 8-year tax incentive for multi-family housing to encourage  
6 the development of multi-family housing, and in 2007, the RCW was revised to  
7 include a 12-year option for projects providing 20 percent of affordable units to  
8 low and moderate income households, and  
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10 WHEREAS Tacoma Municipal Code 6A.110 (“TMC”) currently offers  
11 both 8 and 12-year property tax exemptions to eligible property owners on the  
12 improvements that create four or more additional housing units, and  
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14 WHEREAS over the past several months staff has been working with  
15 various internal and external stakeholders to update affordability requirements  
16 of the Property Tax Exemptions for Multi-Family Housing Code to ensure more  
17 units which may be affordable to low and moderate income households are  
18 built, and  
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20 WHEREAS outreach was conducted by way of group meetings,  
21 individual data collection meetings, and phone calls to market rate developers  
22 who have used both the 8 and 12-year options of the Multi-Family Property Tax  
23 Exemption program (“Program”) in the past, and was also conducted with the  
24 Affordable Housing Action Strategy Technical Advisory Group, which includes  
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1 members of the Master Builders Association, MDC, Mercy Housing, Tacoma  
2 Housing Authority, and others, and

3           WHEREAS the Affordable Housing Action Strategy adopted in 2018  
4 includes clear direction to have the Program create more affordable units, and  
5 create an affordability threshold more meaningful to the residents of the City,  
6 and  
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8           WHEREAS applications filed after March 1, 2020 for the 8-year property  
9 tax exemption will be required to rent 20 percent of the units to households  
10 earning no more than 100 percent of the Pierce County Area Median Income,  
11 and  
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13           WHEREAS applicants filing applications after March 1, 2020 for the  
14 12-year property tax exemption must commit to renting or selling at least twenty  
15 percent of the multifamily housing units as affordable housing units to  
16 households earning no more than 70 percent of the Pierce County Area Median  
17 Income, and if projects are intended exclusively for owner occupancy, the  
18 minimum requirement of this subsection may be satisfied solely through  
19 housing affordable to moderate income households, and  
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21           WHEREAS all developers filing applications after March 1, 2020 will be  
22 required to adhere to TMC 1.90, "Local Employment and Apprenticeship  
23 Training Program," and TMC 1.07 "Equity in Contracting" guidelines, and  
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WHEREAS the new "Equity in Contracting" Ordinance, which was adopted by the City Council on November 5, 2019 via Ordinance No. 28625, will go into effect January 1, 2020, and; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That Chapter 6A.110 of the Tacoma Municipal Code is hereby amended substantially as set forth in the attached Exhibit "A."

Section 2. That the effective date of this ordinance shall be March 1, 2020.

Passed \_\_\_\_\_

\_\_\_\_\_  
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 or 12-year exemptions from ad valorem property taxation for multi-family housing in mixed-use centers are intended to:

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

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

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. Eight-year and Twelve 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 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



1 at the time the application is approved. ~~Rehabilitation and conversion improvements must comply with~~  
2 ~~the City's Minimum Structures and Building housing code, or other building codes as appropriate.~~ New  
3 construction and rehabilitation must comply with the Uniform Building Code as required. The project  
4 must also comply with any other standards and guidelines adopted by the City Council for the residential  
5 target area in which the project will be developed.

6 . Vacancy Requirement. Existing dwelling units proposed for rehabilitation must have one or more  
7 violations of the City's Minimum Building and Structures code, 2.01. If the property proposed to be  
8 rehabilitated is not vacant, an applicant must provide each existing household a ~~12090~~ days move notice  
9 as well as provide housing of comparable size, quality, and price. If the property proposed to be  
10 developed, currently has residential rental structure on it, an applicant must provide each existing  
11 household a ~~12090~~ days move notice as well as provide housing of comparable size, quality, and price. If  
12 any household being provided a ~~12090~~ days move notice is qualified as a low-income household, the  
13 applicant will provide the household with moving expenses according to the current Department of  
14 Transportation Fixed Residential Moving Costs Schedule.

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

19 ~~78. For eight year exemptions, the applicant must commit to renting at least twenty percent of the  
20 multifamily housing units as affordable housing units to households whose income is no more than 100%  
21 of the Pierce County Area Median Income, and the property must satisfy that commitment and any  
22 additional affordability and income eligibility conditions adopted by the City under this chapter.~~

23 ~~F. Twelve year exemption Project Eligibility. A proposed project must meet the following requirements  
24 for consideration for a twelve year property tax exemption:~~

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

26 ~~982. For twelve year exemptions, The 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 income  
households whose income is making no more than 70% of the Pierce County Area Median  
Income respectively, and the property must satisfy that commitment and any additional affordability and  
income eligibility conditions adopted by the City local government 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.~~

~~910. Compliance with the requirements pursuant to Tacoma Municipal Code Chapter 1.07 LEAP and  
"Equity in Contracting" and Chapter 1.90, "Local Employment and Apprenticeship Training Program." -  
All projects must comply with~~

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

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;



1 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 that each existing household  
was sent a 90 days move notice and that each household was provided housing of comparable size,  
quality, and price.

2 e. For any household being provided a ~~120~~ 90-days move notice that qualifies as a low-income  
household, the applicant will also submit an affidavit that moving expenses according to the current  
3 Department of Transportation Fixed Residential Moving Costs Schedule have been or will be provided.

4 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, 2.01.

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

6 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  
7 deny an application shall be made within 90 days of receipt of a complete application.

8 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. Such  
9 contract shall require the applicant to comply with the City's Nuisance Code, Chapter 8.30, for the  
10 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.

11 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  
12 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  
13 decision. The City Council's decision on appeal will be final.

14 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  
15 grounds for the extension, accompanied by a \$50.00 processing fee. An extension may be granted if the  
Director determines that:

- 16 1. The anticipated failure to complete construction or rehabilitation within the required time period is due  
to circumstances beyond the control of the owner;
- 17 2. The owner has been acting and could reasonably be expected to continue to act in good faith and with  
18 due diligence; and
- 19 3. All the conditions of the original contract between the applicant and the City will be satisfied upon  
completion of the project.

20 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  
21 occupancy, the applicant may request a Final Certificate of Tax Exemption. The applicant must file with  
the Community and Economic Development Department the following:

- 22 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;
- 23 2. A description of the completed work and a statement of qualification for the exemption; and
- 24 3. A statement that the work was completed within the required three-year period or any authorized  
extension.
- 25 4. ~~If applicable, A~~ statement that the project meets the affordable housing requirements as described in  
26 subsection ~~EF~~ above.



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.

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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.

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.

L. Annual Compliance Review. Within 30 days after the first anniversary of the date of filing the Final Certificate of Tax Exemption, and each year thereafter, for a period of eight or twelve years, the property owner shall file a notarized declaration with the Director indicating the following:

- 1. A statement of occupancy and vacancy of the multi-family units during the previous year;
- 2. A certification that the property continues to be in compliance with the contract with the City; and, ~~if applicable,~~ a certification of affordability based on documentation that the property is in compliance with the affordable housing requirements as described in section 6.A.110.020.EF;
- 3. A description of any subsequent improvements or changes to the property.

City staff shall also conduct on-site verification of the declaration. Failure to submit the annual declaration may result in the tax exemption being canceled.

M. 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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