ORDINANCE NO. 29007

AN ORDINANCE relating to the Multi-Family Housing Code; amending Chapter 6A.110 of the Municipal Code, relating to Property Tax Exemptions for Multi-Family Housing, to move specific application fees to the City's Fee Schedule, and clarify conditions for Final Certificates of Tax Exemption, effective January 1, 2025.

WHEREAS the Multi-Family Tax Exemption ("MFTE") program in general creates more affordable housing units in the City, ensures that affordability is being created throughout the City and not just in certain areas, and ensures that local employment practices are being adhered to, creating more job opportunity for those living in the City, and

WHEREAS during the biennial budget development process, the Community and Economic Development Department discovered that the MFTE fees were not included in the City's Fee Schedule and it was determined that they should be included, and

WHEREAS the MFTE fees were added to the Fee Schedule that was adopted by the City Council on December 3, 2024, and

WHEREAS during the fee review process, it became evident that the MFTE fees had not been increased since the program's adoption over 20 years ago, and

WHEREAS under the Revised Code of Washington ("RCW"), fees are allowed to be collected to offset costs of running the program, and

WHEREAS this Ordinance further clarifies that the final certificate of tax exemption may be applied for following either a Temporary Certificate of Occupancy or a final Certificate of Occupancy, and that under RCW 84.14.100(3)(a) on-site audits must occur every five years; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That Chapter 6A.110 of the Tacoma Municipal Code, entitled "Property Tax Exemptions for Multi-Family Housing," is hereby amended as set forth in the attached Exhibit "A."

Section 2. That the City Clerk, in consultation with the City Attorney, 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.

Passed _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

EXHIBIT "A"

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

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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~~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.

* * *

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.~~$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 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.

* * *

L. 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. The annual income and household size of each renter household for each of the affordable units.~~

~~6~~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. 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. 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~~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~~.

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