

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

## Sections:

6A.110.010 Definitions.

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**6A.110.010 Definitions.**

A. “Multi-family housing” means a building or group of buildings 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 13.01.170)

B. “Owner” means the property owner of record. (TMC Section 13.01.170)

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 13.01.170)

D. “Director” means the Director of the Community and Economic Development Department or authorized designee. (TMC Section 13.01.170)

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 13.01.170)

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 13.01.170)

G. “Residential target area” means an area of the City 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, city, or metropolitan statistical area 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, city, or metropolitan statistical area where the project is located, as reported by the United States department of housing and urban development.

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

(Ord. 28798 Ex. A; passed Dec. 14, 2021; Ord. 27710 Ex. B; passed Apr. 29, 2008)

**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;

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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 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 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.

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.

#### 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 13.17.070.P.

#### 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. 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 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. 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. 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.

F. 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 E; 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, 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.
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. 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 E above; 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.

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H. 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.
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.

### 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 \$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.

### J. 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 a contract with the City, subject to approval by resolution of the City Council regarding the terms and conditions of the project. Such contract shall require the applicant to comply 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. 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. 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. 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.

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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.

### **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.

(Ord. 28798 Ex. A; passed Dec. 14, 2021; Ord. 28770 Ex. A; passed Nov. 9, 2021; Ord. 28284 Ex. A; passed Mar. 3, 2015; Ord. 27792; passed Apr. 7, 2009; Ord. 27751 Ex. A; passed Oct. 28, 2008; Ord. 27729 Ex. A; passed Jul. 8, 2008; Ord. 27725 Ex. A; passed Jun. 24, 2008; Ord. 27710 Ex. B; passed Apr. 29, 2008)