

ORDINANCE NO. 1452

CITY OF LACEY

AN ORDINANCE OF THE CITY OF LACEY RELATING TO THE MULTI-FAMILY TAX EXEMPTION PROGRAM, ADOPTING A NEW CHAPTER 3.64 OF THE LACEY MUNICIPAL CODE AND APPROVING A SUMMARY FOR PUBLICATION.

WHEREAS, the Multi-Family Tax Exemption Program has been established by the Washington State Legislature in RCW 84.14; and

WHEREAS, the Program functions as a tool to encourage residential opportunities, including affordable housing, in the urban centers of cities planning under the Growth Management Act (GMA) and to stimulate multi-family housing development; and

WHEREAS, the purpose of the tax exemption is to facilitate reinvestment and redevelopment in the area around the residential project that would, over time, provide additional commercial services, and to increase revenues for the tax districts to continue to provide public services; and

WHEREAS, the Multi-Family Tax Exemption Program is an action item identified in the Woodland District Strategic Plan that, if implemented, would facilitate reinvestment in the District meeting the Community's vision; and

WHEREAS, the Woodland District meets the criteria identified in RCW 84.14 for a residential target area; and

WHEREAS, the City Council held a public hearing on the proposed ordinance on December 18th 2014; and

WHEREAS, after consideration of comments received during the public hearing and discussing the merits of the Multi-Family Tax Exemption, the City Council finds that it is in the best interest of the citizens of the City of Lacey to adopt the Multi-Family Tax Exemption Ordinance.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. There is hereby added to the Lacey Municipal Code a new Chapter 3.64 to read as follows:

3.64.010	Purpose
3.64.020	Definitions
3.64.030	Residential Target Area – Hearing on Resolution, Designation and Standards
3.64.040	Tax Exemption Authorized
3.64.050	Project Eligibility and Performance Standards
3.64.060	Application Procedure
3.64.070	Application Review and Issuance of conditional certificates
3.64.080	Conditional Certificate Extension
3.64.090	Final Certificate
3.64.100	Annual Certification and Report
3.64.110	Cancellation of Tax Exemption
3.64.120	Effective Period

3.64.010 Purpose.

A. As provided for in chapter 84.14 RCW, the purpose of this Section is to provide limited, eight (8) or twelve (12) year exemptions from ad valorem property taxation for qualified new multi-family housing located in designated residential targeted areas.

B To promote and incentivize the development, and redevelopment, of a balanced socio-economic mix of housing within the residential target area as a catalyst for additional investment and development of land uses that creates a vibrant, urban mixed-use district.

3.64.020 Definitions.

For the purposes of this chapter, the following definitions shall apply:

- A. "Administrator" means the Director of the City of Lacey Community Development Department or designee assigned to carry out this chapter.
- B. "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.
- C. "Household" means a single person, family, or unrelated persons living together.
- D. "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.
- E. "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. For cities located in high-cost areas, "moderate-income household" means a household that has an income that is more than one hundred percent, but at or below one hundred fifty percent, of the median family income adjusted for family size, for the county where the project is located.

F. "Multiple-unit housing" means a building having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from new construction or rehabilitated or conversion of vacant, underutilized, or substandard buildings to multifamily housing.

G. "Owner" means the property owner of record.

H. "Permanent residential occupancy" means multiunit housing that provides either rental or owner occupancy on a nontransient basis. This includes owner-occupied or rental accommodation that is leased for a period of at least one month. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis.

I. "Rehabilitation improvements" means modifications to existing structures, that are vacant for twelve 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 multifamily housing units.

J. "Residential targeted area" means an area within an urban center or urban growth area that has been designated by the governing authority as a residential targeted area in accordance with this chapter. With respect to designations after July 1, 2007, "residential targeted area" may not include a campus facilities master plan.

K. "Substantial compliance" means compliance with local building or housing code requirements that are typically required for rehabilitation as opposed to new construction.

L. "Urban center" means a compact identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

- a. Several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies; and
- b. Adequate public facilities including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and
- c. A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial or office, or both, use.

3.64.030 Residential target area, hearing on resolution, target area designation and standards.

- A. Woodland District Target Area Classification. Those areas as located within the Woodland District zoning district as shown on the City of Lacey Comprehensive Plan and Land Use Maps are designated as residential target areas.
- B. Designation of additional residential target areas shall follow the process and procedures identified in RCW 84.14.040.

3.64.040. Tax exemption for multi-family housing in target areas.

- A. Duration of Exemption: The value of improvements qualifying under this chapter is exempt from ad valorem property taxation as follows:
 - 1. For properties for which applications are submitted after the date of the ordinance adoption, the value is exempt:
 - i. For eight (8) successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate of tax exemption; or
 - ii. For twelve (12) successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate of tax exemption, if the property otherwise qualifies for the exemption and the applicant/owner rents or sells at least twenty percent (20%) of the multi-family housing units as affordable housing to low and moderate income households as further defined in this Section. Provided, the total number of qualifying affordable housing units does not exceed 30% of the total number of housing units within the same project.
 - 1. For rental projects, at least twenty percent (20%) of the multi-family housing units in the project must be rented throughout the duration of the twelve (12) year exemption period as affordable housing to low-income households at eighty percent (80%) or less of median income.
 - 2. For ownership projects, at least twenty percent (20%) of the multi-family housing units in the project must be sold as affordable housing to low or moderate income households at one hundred twenty percent (120%) or less of median income.
- B. Limits on Exemption: The exemption does not apply to the value of land or to the value of nonhousing-related improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and nonqualifying improvements. This Section also does not apply to increases in assessed valuation made by the County Assessor on nonqualifying portions of building and value of land, nor to

increases made by lawful order of a County Board of Equalization, the Department of Revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law.

3.64.050 Project eligibility and performance standards.

To qualify for exemption from property taxation under this Section, the project must satisfy all of the following requirements:

- A. Location. The project must be located within a residential target area identified in section 3.64.030.
- B. Size. The qualifying new multi-family residential apartment project must include a minimum of twenty (20) units of multi-family housing. Existing multi-family housing that has been vacant for twelve (12) months or more does not have to provide additional units.
- C. Exception for existing residential structure. In the case of an existing occupied residential structure that is proposed for demolition and redevelopment as new multi-family housing, the project must provide as a minimum number of dwelling units in the new multi-family housing project, the greater of:
 - a. Replace the existing number of dwelling units and, unless the existing residential rental structure was vacant for twelve (12) months or more prior to demolition, provide for a minimum of four (4) additional dwelling units in the new multi-family housing project; or
 - b. Provide the number of dwelling units otherwise required in subsection B of this Section.
- D. Exception for New Mixed Use and Mixed Use Redevelopment Projects.
 - a. New, and redevelopment projects of existing buildings, located within the residential target area proposing a mixed use commercial, office, and/or retail project with multi-family residential units may qualify for the tax-exemption if four or more residential units are included within the project.
- E. 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. Specifically, the requirements of Lacey Municipal Code 16.24 'Woodland District', and Lacey Municipal Code 14.23 'Design Review' must be satisfied in addition to any other standards and guidelines adopted by the City Council for the residential target area in which the project will be developed.

- F. At least fifty percent (50%) of the space in a new, converted, or rehabilitated multiple units must be for permanent residential housing. In the case of existing occupied multi-family development, the multi-family housing must also provide for a minimum of four additional multi-family units. Existing multi-family vacant housing that has been vacant for twelve months or more does not have to provide additional units.
- G. The applicant must enter into a contract with the City approved by City Council under which the applicant agrees to the implementation of the development on terms and conditions satisfactory to the City Council.
- H. Completion deadline. The project must be completed within three (3) years from the date of approval of the contract by the City Council. The Administrator may grant one two-year extension provided the applicant has demonstrated a good faith effort to complete the project.

3.64.060 Application procedure.

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

- A. File with the Community Development Department the required application form, provided by the Department, setting forth the grounds for tax exemption along with the required application fees. The application materials shall include the following information:
 - 1. A brief written description of the project, and schematic site and floor plans of the multi-family dwelling units and the structure(s) in which they are proposed to be located.
 - 2. Floor and site plans of the proposed project, which plans may be revised by the owner provided such revisions are made and presented to the Administrator prior to the City's final action on the exemption application.
 - 3. A statement from the owner acknowledging the potential tax liability when the property ceases to be eligible for exemption under this Section.
 - 4. Verification by oath or affirmation of the information submitted.
- B. Deadline. The application shall be submitted prior to the issuance of the building permit for the project, unless otherwise approved by the Council. The Administrator shall approve or deny an exemption application within ninety (90) days of receipt of a complete application.

3.64.070 Application review and conditional certification.

- A. Approval. The Administrator may approve an application if he or she finds that:
1. The owner has complied with all of the requirements of this Section, including but not limited to the project eligibility requirements contained in this chapter and the applicable requirements contained within the Lacey Municipal Code; and
 2. The proposed project is, or will be at the time of completion, in conformance with all approved plans, and all applicable requirements of the Lacey Municipal Code or other applicable requirements or regulations in effect at the time the application is approved.
- B. Contract required. If the application is approved, the owner shall enter into a contract with the City, approved by the City Council, regarding the terms and conditions of the project under this Section.
- C. Issuance of conditional certificate. Following Council approval of the contract, the Administrator shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate shall expire three (3) years from the date of Council approval of the contract unless an extension is granted as provided in Section 3.64.080.
- D. Application Denial.
1. Denial. The Administrator shall deny an application if the criteria in LMC 3.64 are not met. The Administrator shall state in writing the reasons for the denial and send notice of denial to the owner's last known address within ten (10) days of the denial.
 2. Appeal. The owner may appeal the Administrator's decision to the Hearing Examiner in accordance with chapter 1 of the City of Lacey Development Guidelines and Public Works Standards.
- E. Contract Amendment. An owner may request an amendment(s) to the contract by submitting a request in writing to the Administrator, together with the required fee, any time within three (3) years of the date of the approval of the contract as provided for in LMC 3.64.080. The date for expiration of the conditional certificate shall not be extended by contract amendment unless all the conditions for extension are met.

3.64.080 Extension of conditional certificate.

- A. Application. The conditional certificate may be extended by the Administrator for a period not to exceed twenty-four (24) consecutive months. The owner shall submit a written request stating the grounds for the extension together with the required application fee.
- B. Approval. The Administrator may grant an extension if he/she finds that:

1. The anticipated failure to complete construction within the required time period is due to circumstances beyond the control of the owner; and
 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 owner and the City will be satisfied upon completion of the project.
- C. Denial – Appeal. The owner may appeal the Administrator’s decision to the Hearing Examiner in accordance with chapter 1 of the City of Lacey Development Guidelines and Public Works Standards.

3.64.090. Final certificate.

- A. Application. Upon completion of the construction as provided in the contract between the owner and the City, of certificate of occupancy, the owner may request a final certificate of tax exemption. The owner shall pay all required fees and file with the Administrator such information as the Administrator may deem necessary or useful to evaluate eligibility for the final certificate, which shall at a minimum include:
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;
 2. A description of the completed work and a statement of qualification for the exemption;
 3. The total monthly rent or total sale amount of each multi-family housing unit rented or sold to date;
 4. The income of each renter household to date at the time of initial occupancy and the income of each initial purchaser of owner-occupied multi-family housing units to date at the time of purchase;
 5. If applicable, a statement that the project meets the affordable housing requirements of this Section, along with the number, type, and specific multi-family housing units rented or sold to date, as applicable, to meet the affordable housing requirements;
 6. Any additional information requested by the City pursuant to meeting any reporting requirements under Chapter 84.14 RCW; and
 7. A statement that the work was completed within the required three (3) year period or any approved extension.

- B. Determination. Within thirty (30) days of receipt of all materials required for a final certificate, the Administrator shall determine whether the completed work is consistent with the contract between the City and owner, whether all or a portion of the completed work is qualified for exemption under this Section and, if so, which specific improvements satisfy the requirements of this Section.
- C. Filing with County Assessor. For projects that comply with the requirements of LMC 3.64, the City shall file a final certificate of tax exemption with the County Assessor within ten (10) days of the expiration of the thirty (30) day period provided in the prior subsection.
- D. Denial. The Administrator shall notify the owner in writing that the City will not file a final certificate if: (a) the Administrator determines that the project was not completed within the required three (3) year period or any approved extension, or was not completed in accordance with the contract between the owner and the City and the requirements of this Section, or the owner's property is otherwise not qualified for the limited exemption under this Section; or (b) the owner and Administrator cannot come to an agreement on the allocation of the value of the improvements allocated to the exempt portion of the project.
- E. Appeal. The owner may appeal the Administrator's decision to the Hearing Examiner in accordance with chapter 1 of the City of Lacey Development Guidelines and Public Works Standards.

3.64.100 Annual certification and report.

- A. Within thirty (30) days after the first anniversary of the date the City issued the final certificate of tax exemption and each year thereafter for the duration of the tax exemption period, the property owner shall file an annual report with the Administrator. Failure to submit the annual report may result in cancellation of the tax exemption. The certification shall contain such information as required by Chapter 84.14 RCW and as the Administrator may deem necessary or useful, and shall at a minimum include the following information:
 - 1. A statement of occupancy and vacancy of the multi-family dwelling units during the twelve (12) months ending with the anniversary date;
 - 2. A certification that the property has not changed use and, if applicable, that the property has been in compliance with the affordable housing requirements as described in this Section since the date the City issued the final certificate of tax exemption and that the project continues to be in compliance with the contract with the City and the requirements of this Section;

3. A description of any improvements or changes to the property made after the City issued the final certificate of tax exemption;
4. The total monthly rent of each multi-family housing unit rented or the total sale amount of each multi-family housing unit sold to an initial purchaser during the twelve (12) months ending with the anniversary date;
5. The income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied multi-family housing units at the time of purchase during the twelve (12) months ending with the anniversary date;
6. If applicable, a breakdown of the number, type, and specific multi-family housing units rented or sold during the twelve (12) months ending with the anniversary date, as applicable, to meet the affordable housing requirements of this Section; and
7. Any additional information requested by the City pursuant to meeting any reporting requirements under Chapter 84.14 RCW.

3.64.110 Cancellation of tax exemption.

- A. Cancellation. If at any time the Administrator determines that: (a) the property no longer complies with the terms of the contract or with the requirements of this Section; (b) the use of the property is changed or will be changed to a use that is other than residential; (c) the project violates applicable zoning requirements, land use regulations or building code requirements; or (d) the property for any reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest and penalties imposed pursuant to State law. Upon determining that a tax exemption shall be canceled, the Administrator shall notify the property owner by certified mail, return receipt requested.
- B. Appeal. The property owner may appeal the determination in accordance with Chapter 1 of the City of Lacey Development Guidelines and Public Works Standards.
- C. Change of Use. If the owner intends to convert the multi-family housing to another use, the owner must notify the Administrator and the County Assessor within sixty (60) days of the change in use. Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and penalties imposed pursuant to State law.

3.64.120 Effective Period

This Chapter shall remain in effect through December 31, 2024 and shall automatically expire after that date unless, prior to that date, the City Council takes action to extend the same.

Section 2. SEVERABILITY. If any section, sentence, clause or phrase of this

ordinance should be held to be invalid by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 3. CORRECTIONS. The City Clerk and the codifiers of this ordinance are 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 4. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY,
WASHINGTON, at a regularly-called meeting thereof, held this 18th day of
December, 2014.

CITY COUNCIL

By: *Stephanie R. Pratt* for Mayor *Ryder*
Mayor

Approved as to form:

City Attorney

Attest:

Carol Litten
City Clerk

SUMMARY FOR PUBLICATION
ORDINANCE NO 1452
CITY OF LACEY

The City Council of the City of Lacey, Washington, passed on December 18, 2014, Ordinance No. 1452, entitled “AN ORDINANCE OF THE CITY OF LACEY RELATING TO THE MULTI-FAMILY TAX EXEMPTION PROGRAM, ADOPTING A NEW CHAPTER 3.64 OF THE LACEY MUNICIPAL CODE AND APPROVING A SUMMARY FOR PUBLICATION.”

The main points of the Ordinance are described as follows:

1. The Ordinance adopts a new chapter, 3.64 of the Lacey Municipal Code establishing a Multi-Family Tax Exemption Program.
2. The Ordinance designates the Woodland District as a residential target area.
3. The Ordinance approves this Summary for Publication.

A copy of the full text of this Ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

Published: December 22, 2014.