

**Agenda Sheet for City Council Meeting of:**

08/01/2022

Date Rec'd	7/21/2022
Clerk's File #	ORD C36243
Renews #	
Cross Ref #	RES 2022-0068
Project #	
Bid #	
Requisition #	

Submitting Dept	PLANNING & ECONOMIC DEVELOPMENT
Contact Name/Phone	TERI STRIPES X6597
Contact E-Mail	TSTRIPES@SPOKANECITY.ORG
Agenda Item Type	First Reading Ordinance
Agenda Item Name	0650 - MULTI-FAMILY TAX EXEMPTION ORDINANCE AMENDING SMC 8.15

Agenda Wording

Ordinance relating to multiple family housing property tax exemption; amending SMC sections 8.02.0695, 8.15.020, 8.15.030, 8.15.040, 8.15.050, 8.15.060, 8.15.070, 8.15.080, 8.15.090, 8.15.100, 8.15.110, 8.15.120, and 8.15.140.

Summary (Background)

Chapter 84.14 RCW authorizes the City to create a multiple family housing property tax exemption program, designate residential targeted areas within urban centers, and to certify qualified property owners for that property tax exemption.

Lease? NO Grant related? NO Public Works? NO

Fiscal Impact

Neutral	\$
Select	\$
Select	\$
Select	\$

Budget Account

#
#
#
#

Approvals

Dept Head	BLACK, TIRRELL
Division Director	MACDONALD, STEVEN
Finance	ORLOB, KIMBERLY
Legal	PICCOLO, MIKE
For the Mayor	PERKINS, JOHNNIE

Council Notifications

Study Session\Other	UE 7/11/2022
Council Sponsor	CMs Beggs, Bingle, & Zappone

Distribution List

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Additional Approvals

Purchasing	FIRST READING OF THE ABOVE ORDINANCE HELD ON 8/11/2022 AND FURTHER ACTION WAS DEFERRED
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PASSED BY
SPOKANE CITY COUNCIL:

Len Hoge
CITY CLERK

8/15/2022
Len Hoge
CITY CLERK

Committee Agenda Sheet

Urban Experience – July 2022

Submitting Department	Planning and Economic Development
Contact Name & Phone	Teri Stripes, ext 6597, Steve MacDonald and Spencer Gardner
Contact Email	Tstripes@spokanecity.org
Council Sponsor(s)	MFTE Update Committee: CP Beggs, CM Bingle and CP Zappone
Select Agenda Item Type	<input type="checkbox"/> Consent <input checked="" type="checkbox"/> Discussion Time Requested: <u>10-20 minutes</u>
Agenda Item Name	Multi-Family Tax Exemption Ordinance Recommended Update
Summary (Background)	<p>We will be bringing forward for Council consideration:</p> <p>An ordinance relating to Multi-Family Property Tax Exemption (MFTE); amending SMC sections 8.02.0695, 8.15.020, 8.15.030, 8.15.040, 8.15.050, 8.15.060, 8.15.070, 8.15.080, 8.15.090, 8.15.100, 8.15.110, 8.15.120, and 8.15.140.</p> <p>The Washington State Legislature adopted E2SSB 5287 during the 2021 legislative session, which requires us incorporate new requirements within in Chapter 8.15 SMC.</p> <p>This ordinance amends various provisions of Chapter 8.15 SMC regarding MFTE in order to incorporate and comply with the changes to the Chapter 84.14 RCW, the MFTE Update Committee's recommendation, and housekeeping changes.</p>
Proposed Council Action & Date:	<p>We will be seeking setting the of a Hearing on July 25</p> <p>Please see the attached MFTE Update Committee and Staff Recommendations document. This document highlights the significant recommended changes to be consider.</p> <p>The attached Ordinance captures the housekeeping changes, those changes required by E2SSB 52787, and the MFTE Update Committee's recommendations.</p> <p>Also attached is the Spokane Targeted Investment Area Map</p>
Fiscal Impact:	
Total Cost:	
Approved in current year budget? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A	
Funding Source <input type="checkbox"/> One-time <input type="checkbox"/> Recurring	
Specify funding source:	
Expense Occurrence <input type="checkbox"/> One-time <input type="checkbox"/> Recurring	
Other budget impacts: (revenue generating, match requirements, etc.)	
Operations Impacts	
What impacts would the proposal have on historically excluded communities?	

Economic Development Strategy Update and MFTE Boundaries

The updated strategy focuses the City's investments to our most economically distressed census tracts. The Spokane Targeted Investment Area (STIA) boundary is based on qualified census tracts as defined by the Community Development Financial Institutions Fund (CDFI) of the U.S. Treasury for the New Markets Tax Credit Program (NMTC). Census tracts are qualified if they have: high poverty (20% or more), and/or low Median Family Income (<80% AMI), and/or high unemployment (> 1.5X National rate). The CDFI maps these census tracts for the NMTC program and updates them every few years in between the decennial census. Spokane has 34 Census Tracts that qualify for NMTC benefits.

SMC 08.15 Multi-Family Housing Property Tax Exemption

A. The purposes of this chapter are to:

1. encourage more multi-family housing opportunities, including affordable housing opportunities, within the City;
2. stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multi-family housing;
3. increase the supply of mixed-income multifamily housing opportunities within the City;
4. accomplish the planning goals required under the Growth Management Act, chapter 36.70A RCW, as implemented from time to time by the City's current and future comprehensive plans;
5. promote community development, neighborhood revitalization, and availability of affordable housing;
6. preserve and protect buildings, objects, sites and neighborhoods with historic, cultural, architectural, engineering or geographic significance located within the City; and
7. encourage additional housing in areas that are consistent with planning for public transit systems.

How will data be collected, analyzed, and reported concerning the effect of the program/policy by racial, ethnic, gender identity, national origin, income level, disability, sexual orientation, or other existing disparities?

RCW 84.14.100

Report—Filing—Department of commerce audit or review—Guidance to cities and counties. (Expires January 1, 2058.)

(1) Thirty days after the anniversary of the date of the certificate of tax exemption and each year for the tax exemption period, the owner of the rehabilitated or newly constructed property, or the qualified nonprofit or local government that will assure permanent affordable homeownership for at least 25 percent of the units for properties receiving an exemption under RCW 84.14.021, must file with a designated authorized representative of the city or county an annual report indicating the following:

(a) A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the twelve months ending with the anniversary date;

(b) A certification by the owner 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 RCW 84.14.020 since the date of the certificate approved by the city or county;

(c) A description of changes or improvements constructed after issuance of the certificate of tax exemption; and

(d) Any additional information requested by the city or county in regards to the units receiving a tax exemption.

(2) All cities or counties, which issue certificates of tax exemption for multiunit housing that conform to the requirements of this chapter, must report annually by April 1st of each year, beginning in 2007, to the department of commerce. A city or county must be in compliance with the reporting requirements of this section to offer certificates of tax exemption for multiunit housing authorized in this chapter. The report must include the following information:

- (a) The number of tax exemption certificates granted;**
- (b) The total number and type of units produced or to be produced;**
- (c) The number, size, and type of units produced or to be produced meeting affordable housing requirements;**
- (d) The actual development cost of each unit produced;**
- (e) The total monthly rent or total sale amount of each unit produced;**
- (f) The annual household income and household size for each of the affordable units receiving a tax exemption and a summary of these figures for the city or county; and**
- (g) The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.**

(3)(a) The department of commerce must adopt and implement a program to effectively audit or review that the owner or operator of each property for which a certificate of tax exemption has been issued, except for those properties receiving an exemption that are owned or operated by a nonprofit or for those properties receiving an exemption from a city or county that operates an independent audit or review program, is offering the number of units at rents as committed to in the approved application for an exemption and that the tenants are being properly screened to be qualified for an income-restricted unit. The audit or review program must be adopted in consultation with local governments and other stakeholders and may be based on auditing a percentage of income-restricted units or properties annually. A private owner or operator of a property for which a certificate of tax exemption has been issued under this chapter, must be audited at least once every five years.

(b) If the review or audit required under **(a)** of this subsection for a given property finds that the owner or operator is not offering the number of units at rents as committed to in the approved application or is not properly screening tenants for income-restricted units, the department of commerce must notify the city or county and the city or county must impose and collect a sliding scale penalty not to exceed an amount calculated by subtracting the amount of rents that would have been collected had the owner or operator complied with their commitment from the amount of rents collected by the owner or operator for the income-restricted units, with consideration of the severity of the noncompliance. If a subsequent review or audit required under **(a)** of this subsection for a given property finds continued substantial noncompliance with the program requirements, the exemption certificate must be canceled pursuant to RCW 84.14.110.

(c) The department of commerce may impose and collect a fee, not to exceed the costs of the audit or review, from the owner or operator of any property subject to an audit or review required under **(a)** of this subsection.

(4) The department of commerce must provide guidance to cities and counties, which issue certificates of tax exemption for multiunit housing that conform to the requirements of this chapter, on best practices in managing and reporting for the exemption programs authorized under this chapter, including guidance for cities and counties to collect and report demographic information for tenants of units receiving a tax exemption under this chapter.

(5) This section expires January 1, 2058.

[2021 c 187 § 5; 2012 c 194 § 9; 2007 c 430 § 10; 1995 c 375 § 13.]

How will data be collected regarding the effectiveness of this program, policy or product to ensure it is the right solution?

[Title 08](#) Taxation and Revenue

[Chapter 08.15](#) Multiple-family Housing Property Tax Exemption

[Section 08.15.100](#) **Annual Certification and Affordability Certification**

Within thirty days of the anniversary of the date the final certificate of tax exemption was recorded at the County and each year thereafter, for the tax exemption period, the property owner shall file a certification with the director, verified upon oath or affirmation, which shall contain such information as the director may deem necessary or useful, and shall include the following information:

1. A statement of occupancy and vacancy of the multi-family units during the previous year.
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 [SMC 8.15.090](#) since the date of filing of the final certificate of tax exemption, and continues to be in compliance with the contract with the City and the requirements of this chapter; and
3. If the property owner rents the affordable multi-family housing units, the property owner shall file with the City a report indicating the household income of each initial tenant qualifying as low and moderate-income in order to comply with the twenty percent requirement of [SMC 8.15.090\(A\)\(2\)\(b\)](#) and RCW 84.14.020(1)(ii)(B).
 - a. The reports shall be on a form provided by the City and shall be signed by the tenants.
 - b. Information on the incomes of occupants of affordable units shall be included with the application for the final certificate of tax exemption, and shall continue to be included with the annual report for each property during the exemption period.
4. A description of any improvements or changes to the property made after the filing of the final certificate or last declaration, as applicable.

B. Failure to submit the annual declaration may result in cancellation of the tax exemption.

Date Passed: Monday, August 21, 2017

Effective Date: Saturday, October 7, 2017

ORD C35524 Section

Describe how this proposal aligns with current City Policies, including the Comprehensive Plan, Sustainability Action Plan, Capital Improvement Program, Neighborhood Master Plans, Council Resolutions, and others?

Comprehensive Plan Land Use Policies:

- LU 1.4 Higher Density Residential Uses
- LU 3.5 Mix of Uses in Centers
- LU 4.2 Land Uses That Support Travel Options and Active Transportation
- LU 4.6 Transit-Supported Development

Comprehensive Plan Housing Policies:

- H 1.9 Mixed-Income Housing
- H 1.4 Use of Existing Infrastructure
- H 1.10 Lower-Income Housing Development Incentives
- H 1.11 Access to Transportation
- H 1.18 Distribution of Housing Options

Comprehensive Plan Economic Development Policies:

- ED 2.4 Mixed-Use
- ED 7.4 Tax Incentives for Land Improvement



Spokane Targeted Investment Area

- City Council District
- NMTC Qualified?
 - Yes
 - No

* The census tracts shown on this map represent the 2010 Census tracts and uses data from the American Communities Survey 2011-2015 Five-Year Average, the currently-adopted standard for determining whether a Tract qualifies for New Market Tax Credit applications.

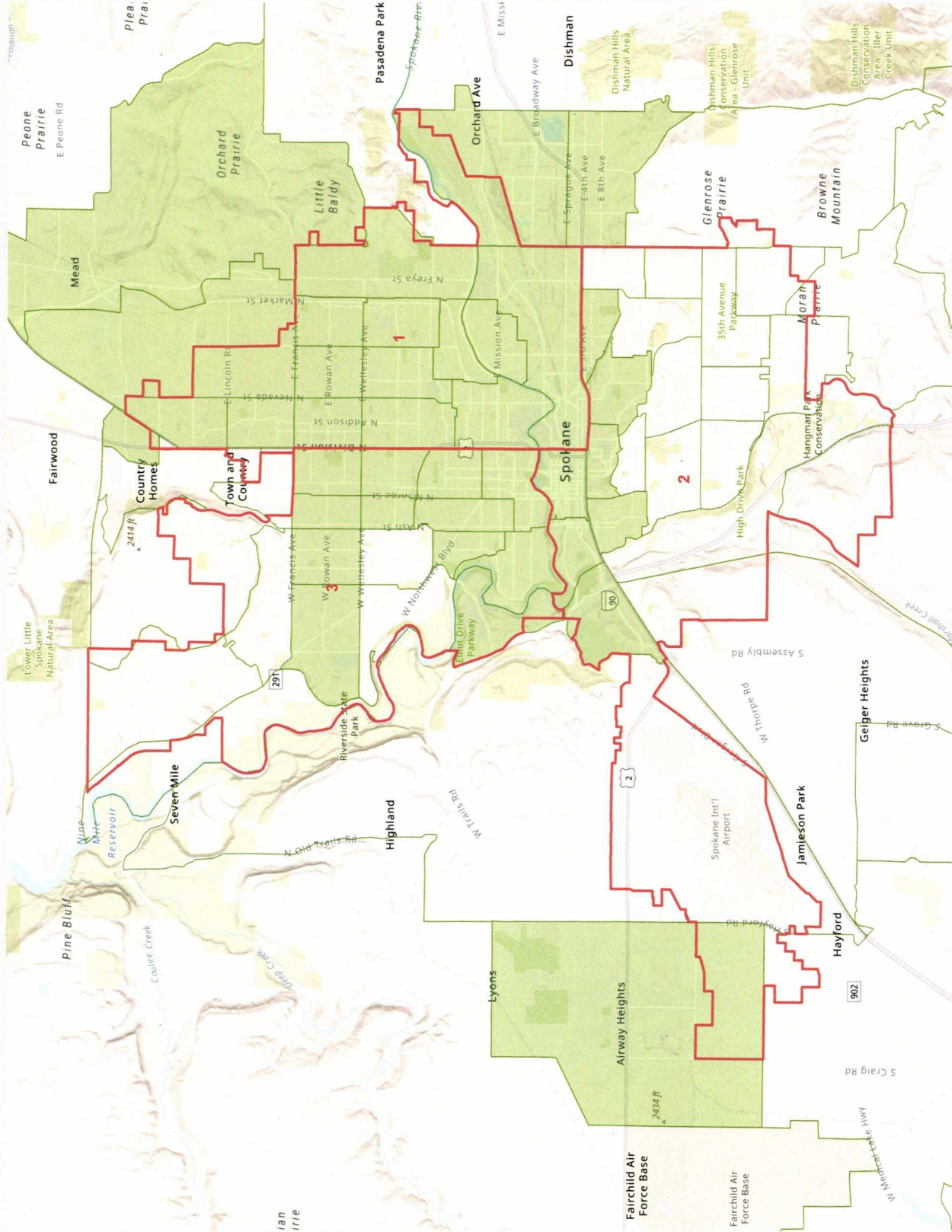
At some time in the future, the program will be updated to utilize more recent data. Until then, this map represents the qualifying data used to determine NMTC eligibility, as of the date of this map (shown at bottom).



Map Date: 6/1/2022 10:45 AM

File: H:\Planning\GIS\Projects\GIS\GisServer\MapServer\Layers\NMTC_Layer.aprx

Esri, NASA, NGA, USGS, FEMA, Esri, HERE, Garmin, FAO, NOAA, USGS, EPA, City of Spokane, Spokane County, WA State Parks GIS, Esri, HERE, Garmin, SafeGraph, GeoTechnology, Inc., MET/NASA, USGS, Bureau of Land Management, EPA, NPS, USDA



ORDINANCE NO. C - 36243

An ordinance relating to multiple family housing property tax exemption; amending SMC sections 8.02.0695, 8.15.020, 8.15.030, 8.15.040, 8.15.050, 8.15.060, 8.15.070, 8.15.080, 8.15.090, 8.15.100, 8.15.110, 8.15.120, and 8.15.140.

WHEREAS, the Washington State Legislature adopted E2SSB 5287 during the 2021 legislative session amending numerous sections of Chapter 84.14 RCW regarding new and rehabilitated multiple-unit dwellings in urban centers; and

WHEREAS, this ordinance amends various provisions of Chapter 8.15 SMC regarding multiple-family housing property tax exemption (MFTE) in order to incorporate and comply with the changes to the Chapter 84.14 RCW.

NOW, THEREFORE, the City of Spokane does ordain:

Section 1. That SMC 8.02.0695 is amended to read as follows:

8.02.0695 Multifamily Housing Property Tax Incentive Program

- A. For an application to receive a conditional ~~((certificate of tax exemption))~~ agreement under the multifamily housing property tax incentive program: a fee of ~~((three hundred fifty))~~ one thousand dollars per parcel has to be paid in full at the time of application.
- B. For an application to extend the conditional ~~((certificate of tax exemption))~~ agreement under the multifamily housing property tax incentive program: one thousand dollars per parcel has to be paid in full at the time of application.
- C. For an application to receive a final certificate of tax exemption under the multifamily housing property tax incentive program: ~~((One thousand fifty))~~ Two thousand dollars per parcel dollars for each parcel receiving the tax exemption, this fee includes the required filing fees of the certificate and associated documents with the Spokane County assessor's office and has to be paid in full at the time of application.
- D. To convert a Final Certificate of Tax Exemption from a twelve year certificate to an eight year certificate of tax exemption a fee of five hundred dollars per parcel has to be paid in full at the time of request, this fee includes the required filing fees of the certificate and associated documents with the Spokane County assessor's office.

Section 2. That SMC 8.15.020 is amended to read as follows:

8.15.020 Definitions

As used in this chapter:

- A. "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.
 - 1. 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;
- B. "assessor" means the Spokane county assessor;
- C. "council" means the Spokane city council;
- D. "director" means the director of the City's planning department or any other City office, department or agency that shall succeed to its functions with respect to this chapter, or their authorized designee;

~~((E. "high-cost area" means a county where the third quarter median house price for the previous year as reported by the Washington Center for Real Estate Research at Washington State University is equal to or greater than one hundred thirty percent of the statewide median house price published during the same time period;))~~~~((F)).~~
E. "household" means a single person, family or unrelated persons living together;

~~((G))~~ F. "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.

~~((1. For cities located in high-cost areas, "low-income household" means a household that has an income at or below one hundred percent of the median family income adjusted for family size, for the county where the project is located:))~~

~~((H))~~ G. "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.

~~((1. 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 income adjusted for family size, for the county where the project is located;))~~

((H)) H. "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 to multi-family housing and does not include transient accommodations, including hotels, ~~((Ø))~~ motels or short-term rentals regulated under Chapter 10.52 SMC, Chapter 17C.316 SMC or other applicable regulations;

((J)) I. "owner" means the property owner of record;

((K)) J. "permanent residential occupancy" means multi-family housing that provides either rental or owner occupancy ~~((for a period of at least one month))~~ on a nontransient basis.

1. This includes owner-occupied or rental accommodation that is leased for a period of at least one month.

(4)2. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis and short-term rentals regulated under Chapter 10.52 SMC, Chapter 17C.316 SMC or other applicable regulations ((;)).

((L)) K. "rehabilitation improvements" means modifications to an existing:

1. structure the residential portion of which has been vacant for at least twelve months prior to application for exemption under this chapter, that are made to achieve a condition of substantial compliance with the applicable building and construction codes contained in Title 11 SMC and all applicable uniform codes adopted pursuant to Title 11 SMC; or
2. occupied residential structure or mixed use structure that contains occupied residential units, that add at least four multifamily housing units;

((M)) L. "residential targeted area" means an area within an urban center that has been so designated by the council pursuant to this chapter;

((N)) M. "substantial compliance" means compliance with the applicable building and construction codes contained in Title 11 SMC and all applicable uniform codes adopted pursuant to Title 11 SMC that is typically required for rehabilitation as opposed to new construction;

((Ø)) P. "urban center" means a compact identifiable district where urban residents may obtain a variety of products and services and which must contain:

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

Section 3. That SMC 8.15.030 is amended to read as follows:

8.15.030 Residential Targeted Areas – Criteria – Designation

- A. Following notice and public hearing as prescribed in RCW 84.14.040, the council may designate one or more residential targeted areas, upon a finding by the council in its sole discretion that the residential targeted area meets the following criteria:
1. The residential targeted area is within an urban center.
 2. The residential targeted area lacks sufficient available, desirable, and convenient residential housing, including affordable housing, to meet the needs of the public who would be likely to live in the urban center if affordable, desirable, attractive, and livable residences were available; and
 3. Providing additional housing opportunity, including affordable housing, in the residential targeted area will assist in achieving one or more of the following purposes:
 - a. Encourage increased residential opportunities within the City, including mixed-income and affordable housing opportunities; or
 - b. Stimulate the construction of new multifamily housing; or
 - c. Encourage the rehabilitation of existing vacant and underutilized buildings for multifamily housing.
- B. In designating a residential targeted area, the council may also consider other factors, including whether:
1. additional housing, including affordable housing units, in the residential targeted area will attract and maintain an increase in the number of permanent residents;

2. an increased permanent residential population in the residential targeted area will help to achieve the planning goals mandated by the Growth Management Act under chapter 36.70A RCW, as implemented through the City's current and future comprehensive plans;
 3. encouraging additional housing in the residential targeted area is consistent with public transportation plans; or
 4. additional housing may contribute to revitalization of a distressed neighborhood or area within the City.
- C. At any time the council may, by ordinance, in its sole discretion, amend or rescind the designation of a residential targeted area pursuant to the same procedural requirements as set forth in this chapter for original designation.
- D. ~~((The following area, as shown in Attachment A, is designated as a residential targeted area under this chapter:~~
- ~~1. Spokane's MFTE.))~~

The City of Spokane in its urban area has designated two residential target areas:

1. Spokane Targeted Investment Area (STIA)—where Zoning allows Multi-Family Housing
2. Affordable Housing Emphasis Area—where Zoning allows Multi-Family Housing outside STIA

These two residential target areas are shown in Attachment A.

- E. If a part of any legal lot is within a designated residential targeted area with zoning allowing for construction of multifamily housing, Centers and Corridors Zones: CC1, CC2, CC3 overlay, and CC4, Residential Zones: RSF, RTE, RMF, RHD and Commercial Zones: DTG, DTU, DTS, DTC, CA1, CA2, CA3, CA4, O, OR, NR, NMU, CB, GC and where multi-family housing is allowed in LI as shown in Attachment A, then the entire lot shall be deemed to lie within such residential targeted area. ~~((The area designated as a residential targeted area is bound by the streets described in Attachment A. Property located outside of, but adjacent to, the described area is not designated as a residential targeted area.))~~

Section 4. That SMC 8.15.040 is amended to read as follows:

8.15.040 Project Eligibility

To be eligible for exemption from property taxation under this chapter, the property must satisfy all of the following requirements:

- A. The property must be located in a residential targeted area of an urban center.
- B. The project must be multifamily housing consisting of at least four dwelling units within a residential structure or group of structures or as part of a mixed-use development in which at least fifty percent of the space within such residential structure or mixed-use development is intended for permanent residential occupancy.
- C. For new construction, a minimum of four new dwelling units must be created; for rehabilitation or conversion of existing occupied structures, a minimum of four additional dwelling units must be added. Existing multifamily vacant housing that has been vacant for twelve months or more does not have to provide additional multifamily units.
- D. For rehabilitation or conversion of an existing building: the residential portion of the building fails to comply with one or more standards of the applicable building or housing codes, and the rehabilitation improvements shall achieve a condition of compliance with the applicable building and construction codes, or the building has been vacant for at least a year. If the property proposed to be rehabilitated is not vacant, an applicant shall provide each existing tenant housing of comparable size, quality and price and a reasonable opportunity to relocate.

At the time of application for a MFTE Conditional Agreement, the applicant will provide a letter attesting and documenting how the existing tenant(s) were/will be provided comparable housing and opportunities to relocate. The comparable housing requirements to be included in the MFTE Conditional Agreement:

- 1. The existing residential tenant(s) are to be provided housing of a comparable size and quality at a rent level meeting the Washington State definition of affordable to their income level. Specifically, RCW 84.14.010 defines "affordable housing" as residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty (30) percent of the household's monthly income. The duration of this requirement will be the length of the tenant's current lease plus one year.

- E. The project must comply with all applicable zoning requirements, land use regulations, design review requirements and building and housing code requirements contained in the Spokane Municipal Code at the time of new construction, rehabilitation or conversion.

Section 5. That SMC 8.15.050 is amended to read as follows:

8.15.050 Application Procedure – Fee

- A. The owner of property applying for exemption under this chapter shall submit an application to the director, on a form established by the director. The owner shall verify the application by oath or affirmation. The application shall contain such information as the director may deem necessary or useful, and shall include:
- B. information setting forth the grounds supporting the requested exemption including information indicated on the application form;
- C. a brief written description of the project and preliminary schematic site and floor plans of the multifamily units and the structure(s) in which they are proposed to be located; and
- D. a statement from the owner acknowledging the potential tax liability when the property ceases to be eligible for exemption under this chapter.
- E. In the case of rehabilitation or where demolition or new construction is required, the owner shall secure from the City, before commencement of rehabilitation improvements or new construction, verification of property noncompliance with applicable building and housing codes, including verification from the applicant documenting how the existing tenant(s) were/will be provided comparable housing and opportunities to relocate pursuant to SMC 8.15.040 D.
- F. At the time of initial application under this section, the applicant shall pay to the City an initial application fee as set forth in SMC 8.02.0695. If the City denies the application, the City will retain that portion of the fee attributable to its own actual administrative costs and refund the balance, if any, to the applicant.
- G. The director shall notify the applicant within thirty days of the application being filed if the director determines that an application is not complete and shall identify what additional information is required before the application will be complete. Within thirty days of receiving additional information, the director shall notify the applicant in writing if the director determines that the application is still not complete, and what additional information is necessary.
- H. An application shall be deemed to be complete if the director does not notify the applicant in writing by the deadlines in this section that the application is incomplete; however, a determination of completeness does not preclude the director from requiring additional information during the review process if more information is needed to evaluate the application according to the criteria in this chapter.
- I. The application shall be submitted any time before an application for a building or other housing related improvements or construction permits. ~~((However, an applicant for the multiple family housing property tax exemption may obtain an early start approval pursuant to SMC 17F.040.100 prior to the application for the tax exemption. The improvements made to the property pursuant to the early start approval shall not qualify for the exemption.))~~

Section 6. That SMC 8.15.060 is amended to read as follows:

8.15.060 Application Review – Issuance of Conditional ((Certificate)) Agreement-Denial – Appeal

A. The director may approve the application for a conditional agreement if they find that:

1. a minimum of four new units are being constructed or in the case of occupied rehabilitation or conversion a minimum of four additional multi-family units are being developed including verification from the applicant documenting how the existing tenant(s) were/will be provided comparable housing and opportunities to relocate pursuant to SMC 8.15.040 D;

~~((2. if applicable, the proposed multi-unit housing project meets the affordable housing requirements as described in SMC 8.15.090;))~~

~~((3))~~2. the proposed project is, or will be at the time of completion, in conformance with all local plans and regulations that apply at the time the application is approved;

~~((4))~~3. the owner has complied with all standards and guidelines adopted by the City under this chapter; and

~~((5))~~4. the site is located in a residential targeted area of an urban center that has been designated by the governing authority in accordance with procedures and guidelines indicated in RCW 84.14.040.

B. The director shall approve or deny an application under this chapter within sixty days after receipt of the completed application.

1. If the application is approved, the applicant shall enter into a conditional ~~((contract))~~ agreement with the City, subject to approval by the city council, regarding the terms and conditions of the project and eligibility for exemption under this chapter.

2. The city council's approval of the applicant's conditional ~~((contract))~~ agreement with the City shall take place within sixty days of the director's approval of the completed application.

3. Upon city council approval of the contract, the director shall execute the contract as approved by the city council, and the director shall issue a conditional ~~((certificate of acceptance of tax exemption))~~ agreement.

4. The conditional ~~((certificate))~~ agreement shall expire three years from the date of city council's approval unless an extension is granted as provided in this chapter.

C. If the application is denied, the director shall state in writing the reasons for the denial and send notice of denial to the applicant at the address listed on the application within ten days of the denial.

D. An applicant may appeal the director's denial of the application to the ~~((city council))~~ hearing examiner within thirty days of receipt of the denial.

1. The appeal before the ~~((city council))~~ hearing examiner will be based upon the record before the director, and 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.

2. The ~~((city council's))~~ hearing examiner's decision on appeal is final.

Section 7. That SMC 8.15.070 is amended to read as follows:

8.15.070 Extension of Conditional ~~((Certificate))~~ Agreement

The conditional ~~((certificate))~~ agreement may be extended by the director for a period not to exceed twenty-four consecutive months. The applicant shall submit a written request stating the grounds for the extension together with the appropriate fee as set forth in SMC 8.02.0695 for the City's administrative cost to process the request. The director may grant an extension if the director determines that:

- A. the anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner; and
- B. the owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and
- C. all the conditions of the ~~((original contract))~~ conditional agreement between the applicant and the City will be satisfied upon completion of the project.

Section 8. That SMC 8.15.080 is amended to read as follows:

8.15.080 Final Certificate – Application – Issuance – Denial and Appeal

- A. Upon completion of the rehabilitation improvements or new construction as provided in the contract between the applicant and the City, and upon issuance of a temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary certificate is issued, the applicant may request a final certificate of tax exemption. The applicant shall file with the director such information as the director may deem necessary or useful to evaluate eligibility for the final certificate, and shall include:
 1. a statement of the amount of rehabilitation or construction expenditures by unit made with respect to each multi-family housing unit and the total expenditures made in the rehabilitation or construction of the entire property;
 2. a description of the completed work and a statement that the rehabilitation improvements or new construction of the owner's property qualify the property for the exemption; and
 3. if applicable, a statement that the project meets the affordable housing requirements with the rent and income documentation as described in SMC 8.15.090; and

4. a statement that the work was completed within the required three years of the issuance of the conditional (~~(certificate of tax exemption))~~ agreement.
- B. At the time of application for final certificate under this section, the applicant shall pay the appropriate fees as set forth in chapter 8.02 SMC
- C. Within thirty days of receipt of all materials required for a final certificate, the director shall determine whether the completed work, and the affordability of the units, is consistent with the contract between the City and owner and is qualified for exemption under this chapter, and which specific improvements satisfy the requirements of this chapter.
- D. If the director determines that the project has been completed in accordance with the contract between the applicant and the City and the requirements of this chapter, including, if applicable, affordable housing requirements, the City shall file a final certificate of tax exemption with the assessor within ten days of the expiration of the thirty-day period provided under subsection (C) of this section.
- E. The director is authorized to cause to be recorded, or to require the applicant or owner to record, in the real property records of the Spokane county assessor, the contract with the City required under SMC 8.15.060(B), or such other document(s) as will identify such terms and conditions of eligibility for exemption under this chapter as the director deems appropriate for recording.
- F. The director shall notify the applicant in writing that the City will not file a final certificate if the director determines that the project was not completed within the required three-year period or any approved extension, was not completed in accordance with the contract between the applicant and the City and the requirements of this chapter, if applicable, that the affordable housing requirements as described in SMC 8.15.090 were not met, or if the owner's property is otherwise not qualified.
- G. If the director determines that the project has been completed in accordance with the (~~contract~~) conditional agreement between the applicant and the City and the requirements of this chapter, including, if applicable, affordable housing requirements, the City shall file a final certificate of tax exemption with the assessor within sixty days.

Section 9. That SMC 8.15.090 is amended to read as follows:

8.15.090 Exemption – Duration - Limits

- A. The assessed value of new housing construction, conversion and rehabilitation improvements qualifying under this chapter will be exempt from ad valorem property taxation as follows:
 1. For purposes for which applications for certificates of tax exemption eligibility are submitted under this chapter the value is exempt for:
 - a. within the Spokane Targeted Investment Area eight successive years beginning January 1st of the year immediately following the

calendar year of the recording of the Final certificate with Spokane County Assessor; ((or))

- i. Student housing and congregate living housing can only qualify for the eight-year tax exemption;
- b. within the Spokane Targeted Investment Area (STIA) and the Affordable Housing Emphasis Area twelve successive years beginning January 1st of the year immediately following the calendar year of the recording of the ((F)) final certificate of tax exemption with Spokane County Assessor;
- c. For the property to qualify for the twelve-year exemption, the applicant must provide units as affordable by meeting or exceeding the following requirements: ((commit to renting or selling at least twenty percent of the multi-family housing units as affordable housing units to low and moderate income households)).
 - i. For projects of 4-11 new housing units the applicant must commit to renting or selling at least twenty-five percent of the multi-family housing units as affordable housing units to low and moderate-income households.
 - ii. For projects of 12 or more new housing units the applicant must commit to renting or selling at least thirty percent of the multi-family housing units as affordable housing units to low and moderate-income households.
 - (((i)))iii. In the case of projects intended exclusively for owner occupancy, the requirement for a minimum of twenty-five percent of the units to be affordable under this subsection may be satisfied solely through housing affordable to moderate-income households;((-))
 - iv. Properties within the Affordable Housing Emphasis Area are not eligible to convert the final certificate of tax exemption to an eight year market rate certificate of tax exemption.
- d. within the Spokane Targeted Investment Area (STIA) and the Affordable Housing Emphasis Area twenty successive years beginning January 1st of the year immediately following the calendar year of the recording of the Final certificate with Spokane County Assessor;

- i. For the property to qualify for the twenty year exemption under this section, at least twenty-five percent of the units must be sold to a qualified nonprofit or local government partner that will assure permanent affordable homeownership. The remaining seventy-five percent of units may be rented or sold at market rates;
- ii. Permanently affordable homeownership units must be sold to low income households earning no more than 80 percent of the area median income.

B. The exemption does not apply to the value of land, commercial uses, or non-permanent housing related improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements, or to increases made by lawful order of the Spokane County board of equalization, the Washington State department of revenue, state board of tax appeals, or Spokane County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law. 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))~~ the exemption beginning.

C. Units within the 12-yr and 20-yr programs that are set side for low and moderate income household must:

- 1. be dispersed throughout the building and distributed proportionally among the buildings;
- 3. not be clustered in certain sections of the building or stacked;
- 4. be comparable to market-rate units in terms of unit size and leasing terms;
- 5. be comparable to market-rate units in terms of functionality and building amenities and access.

D. At the end of both the tenth and eleventh years for twelve-year exemptions, applicants must provide tenants of rent-restricted units with notification of intent to provide the tenant with rental relocation assistance as provided in SMC 8.15.090.

- 1. Except as provided in subsection SMC 8.15.090 D.2 below, for any twelve-year exemption authorized pursuant to SMC 8.15.090 after July 25, 2021, at the expiration of the exemption the applicant must provide tenant relocation assistance in an amount equal to one month's rent to a qualified tenant within the final month of the qualified tenant's lease. To be eligible for tenant relocation assistance under this subsection, the tenant must occupy an income-restricted unit at the time the exemption expires and must qualify as a low-income household under this chapter at the time relocation assistance is sought.

- (2) If affordability requirements consistent, at a minimum, with those required for twelve-year exemptions, remain in place for the unit after the expiration of the exemption, relocation assistance in an amount equal to one month's rent must be provided to a qualified tenant within the final month of a qualified tenant's lease who occupies an income-restricted unit at the time those additional affordability requirements cease to apply to the unit.
- (3) No new exemptions may be provided under this section beginning on or after January 1, 2032.

Section 10. That SMC 8.15.100 is amended to read as follows:

8.15.100 Annual Certification and Affordability Certification

- A. Within ~~((thirty days of the anniversary of the date the final certificate of))~~ thirteen (13) months of the tax exemption ((was recorded at the County)) beginning and each year thereafter on February 1, for the tax exemption period, the property owner shall file a certification with the director, verified upon oath or affirmation, which shall contain such information as the director may deem necessary or useful, and shall include the following information:
1. A statement of occupancy, use of the property/unit, income and rents for qualifying 12-year and 20-year and vacancy of the multi-family units during the previous year.
 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 SMC 8.15.090 since the date of filing of the final certificate of tax exemption, and continues to be in compliance with the contract with the City and the requirements of this chapter; and
 3. If the property owner rents the affordable multi-family housing units, the property owner shall file with the City a report indicating the household income, rent and utility cost, of each ~~((initial tenant))~~ qualifying as low and moderate-income in order to comply with ~~((the twenty percent))~~ requirement of SMC 8.15.090(A)(2)(b) and RCW 84.14.020(1)(ii)(B).
 - a. The required annual reports shall be on a form provided by the City and shall be signed by the tenants.
 - b. Information on the incomes, rents, and utility costs of occupants of affordable units shall be included with the application for the final certificate of tax exemption, and shall continue to be included with the annual report for each property during the exemption period.

4. A description of any improvements or changes to the property made after the filing of the final certificate or last declaration, as applicable.
- B. Failure to submit the annual report and declaration may result in cancellation of the tax exemption.

Section 11. That SMC 8.15.110 is amended to read as follows:

8.15.110 Cancellation of Tax Exemption – Appeal

- A. If at any time the director determines that the property no longer complies with the terms of the contract or with the requirements of this chapter, or for any reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest and penalty imposed pursuant to RCW 84.14.110 or other applicable provisions of state law.
- B. In the case of multi-family housing units rented as affordable housing, ~~((twenty percent of))~~ qualifying units as defined in the final certificate of exemption or in SMC 8.15.090(A)(2)(b) ((of the units)) must be available to be rented to qualified low and moderate-income tenants at all times during the entire ~~((twelve-year))~~ exemption period. While ~~((an individual tenant's))~~ household's income may rise above the low and moderate-income level during the exemption period, the property owner must demonstrate that subsequent or different tenants of those affordable units do meet the income level requirements for the remainder of the exemption period.
- C. If after the issuance of a final ~~((tax))~~ certificate of tax exemption multi-family housing units rented as affordable housing fail to satisfy the requirements for the affordable housing tax exemption and the number of units fall below the ~~((twenty))~~ percentage requirements, the ~~((extended twelve-year tax))~~ exemption period shall expire, unless the affordable housing units are within the Spokane Targeted Investment Area. Properties or units failing to satisfy the affordable requirement of SMC 8.15.090(A)(2)(b) within the Spokane Targeted Investment Area ((and the tax exemption period)) shall be converted and limited to eight years from the date of the issuance of the final certificate of tax exemption and a new final certificate of tax exemption will need to be recorded by the Spokane county assessor.
- D. If the property owner sells the affordable multi-family housing units, the new property owner shall file with the City a report indicating that the unit was purchased at a value affordable to low and moderate-income in order to continue to comply with the ~~((twenty percent))~~ affordability requirement of SMC 8.15.090(A)(1)(b) and RCW 84.14.020(1)(ii)(B). If the unit was not sold at a level affordable to low and moderate-income household, a request to cancel the exemption needs to be filed with the City within 60 days. If the unit is within the Spokane Targeted Investment Area, a request to convert the remaining term of exemption to an 8-year exemption is allowable, if the remain term is less than eight years, unless the remaining term would exceed eight years.

- E. If the owner intends to convert the multi-family housing to another use, or if applicable, if the owner intends to discontinue compliance with the affordable housing requirements as described in SMC 8.15.090 or any other condition to exemption, the owner must notify the director and the Spokane county assessor within sixty days of the change in use or intended discontinuance.
 - 1. Upon such change in use or discontinuance, the tax exemption shall be canceled and additional taxes, interest and penalty imposed pursuant to state law.
- F. Upon determining that a tax exemption shall be canceled, the director, on behalf of the city council, shall notify the property owner by certified mail, return receipt requested.
 - 1. The property owner may appeal the determination by filing a notice of appeal with the city clerk within thirty days, specifying the factual and legal basis for the appeal.
 - 2. The hearing examiner will conduct a hearing pursuant to chapter 17G.050 SMC at which all affected parties may be heard and all competent evidence received.
 - 3. The hearing examiner will affirm, modify or repeal the decision to cancel the exemption based on the evidence received. The hearing examiner shall give substantial weight to the director's decision and the burden of overcoming that weight shall be upon the appellant.
 - 4. An aggrieved party may appeal the hearing examiner's decision to the Spokane county superior court as provided in RCW 34.05.510 through RCW 34.05.598.
- G. If after the issuance of a final tax certificate an owner-occupied multi-family housing unit that initially qualified as a low or moderate-income unit is sold at market rate and no longer qualifies as an affordable housing unit, that unit may lose its tax exempt status and all prior exempt taxes and penalties and interest shall become a lien on the property per RCW 84.14.110 and the subsequent owner shall no longer qualify for the tax exemption. The remaining units' tax exemption status shall not be affected.
- H. The City may adopt administrative policies and procedures to implement the reporting requirement for this section which are not inconsistent the provisions of chapter 8.15 SMC and chapter 84.14 RCW.
- I. A determination by the director to discontinue an exemption period may be appealed pursuant to SMC 8.15.110.

Section 12. That SMC 8.15.120 is amended to read as follows:

8.15.120 ((2017-2018)) 2022 SMC Amendments and Expiration of Program

With the ((2017)) 2022 amendments to the program, staff will work with applicants who have previously approved conditional ((~~contracts~~)) agreements, who have not applied for a final certificate of exemption. ((~~Both eight and twelve year~~)) Conditional agreement

~~((contracted))~~ projects can apply for a final certificate of exemption under the amended code. Those projects will qualify for a term of exemption that the project can now meet. This does not apply to contracts that have been completed a final certificate of exemption.

~~((The program established by this chapter shall expire December 31, 2028, unless repealed or extended by the city council by ordinance.)) Pursuant to RCW 84.14.020(9), no new exemptions may be provided under Chapter 84.14 RCW beginning on or after January 1, 2032. No extensions may be granted under RCW 84.14.020 (6) on or after January 1, 2046. Upon expiration, no further applications for a conditional ~~((certificate of tax exemption))~~ agreement shall be accepted. Incomplete applications shall be returned to the applicant. Pending complete applications for a conditional ~~((certificate))~~ agreement, extension of conditional ~~((certificate))~~ agreement, and final certificate of tax exemption shall be processed as provided in this chapter.~~

Section 13. That SMC 8.15.140 is amended to read as follows:

8.15.140 Project Parking Requirements

- A. Projects for which ~~((an MFTE))~~ conditional application has been approved pursuant to SMC 08.15.060 are exempt from the minimum off-street parking requirements of SMC 17C.230.110 if they are located within an area zoned for one of the center and corridor uses described in chapter 17C.122, SMC.
- B. For mixed-use projects, the exemption stated in paragraph A of this section does not apply to the non-residential portions of the project; total minimum off-street parking requirements for such projects are calculated using the non-residential uses and square footages as shown in Tables 17C.230-1 and 17C.230-2.

PASSED BY THE CITY COUNCIL ON August 15, 2022.



Council President

Attest:



City Clerk

Approved as to form:



Assistant City Attorney

Yvonne Kordward
Mayor



August 26, 2022
Date

September 25, 2022
Effective Date