

City of Spokane

Spokane Municipal Code

Title 08 Taxation and Revenue

Chapter 08.15 Multiple-family Housing Property Tax Exemption

Section 08.15.010 Purpose

- 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.
- B. Any one or a combination of these purposes may be furthered by the designation of a residential targeted area under this chapter.

Date Passed: Monday, June 25, 2007

Effective Date: Saturday, August 4, 2007

ORD C34051 Section 1

Section 08.15.020 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 his 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. "household" means a single person, family or unrelated persons living together;
- G. "low-income" 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.
 - 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. "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.
 - 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;
- I. "multi-family housing" means a building 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 or motels;
- J. "owner" means the property owner of record;
- K. "permanent residential occupancy" means multi-family housing that provides either rental or owner occupancy for a period of at least one month.
 - 1. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis;
- L. "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. "residential targeted area" means an area within an urban center that has been so designated by the council pursuant to this chapter;
- N. "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;
- O. "urban center" means a compact identifiable district where urban residents may obtain a variety of products and services and which must contain:
 - 1. several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;
 - 2. adequate public facilities including streets, sidewalks, lighting, transit, domestic water and sanitary sewer systems; and
 - 3. a mixture of uses and activities that may include housing, recreation and cultural activities in association with either commercial or office, or both, use.

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ORD C34051 Section 2

Section 08.15.030 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 areas, as shown in Attachment A, are designated as residential targeted areas under this chapter:
 1. Downtown
 2. University District
 3. South University District
 4. Kendall Yards
 5. Monroe Corridor
 6. Lower Division Corridor
 7. Hamilton/Nevada Corridor
 8. East Sprague
 9. Lower South Hill
- E. If a part of any legal lot is within a designated residential targeted area as shown in [Attachment A](#), then the entire lot shall be deemed to lie within such residential targeted area. The areas designated as residential targeted areas are bound by the streets described above. Property located outside of, but adjacent to, the described areas is not designated as residential targeted areas.

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Effective Date: Wednesday, April 13, 2016

ORD C35362 Section 1

Section 08.15.040 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 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 shall fail to comply with one or more standards of applicable building or housing codes, and the rehabilitation improvements shall 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](#). 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.

- 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.

Date Passed: Monday, May 7, 2007

Effective Date: Wednesday, June 20, 2007

Recodification ORD C34025 Section 1

Section 08.15.050 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:
 - 1. information setting forth the grounds supporting the requested exemption including information indicated on the application form;
 - 2. 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
 - 3. a statement from the owner acknowledging the potential tax liability when the property ceases to be eligible for exemption under this chapter.
- B. 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.
- C. 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.
- D. The director shall notify the applicant within twenty-eight 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 twenty-eight 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.
- E. 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.

- F. The application shall be submitted any time before an application for a building or other construction permit. 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.

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Recodification ORD C34025 Section 1

Section 08.15.060 Application Review – Issuance of Conditional Certificate-Denial – Appeal

- A. The director may approve the application if he finds 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;
 2. if applicable, the proposed multi-unit housing project meets the affordable housing requirements as described in [SMC 8.15.090](#);
 3. 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. the owner has complied with all standards and guidelines adopted by the City under this chapter; and
 5. 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 contract 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 contract with the City shall take place within thirty 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.
 4. The conditional certificate shall expire three years from the date of 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 within thirty days of receipt of the denial.

1. The appeal before the city council 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 decision on appeal is final.

Date Passed: Monday, November 22, 2010

Effective Date: Friday, December 24, 2010

ORD C34660 Section 1

Section 08.15.070 Extension of Conditional Certificate

The conditional certificate 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 between the applicant and the City will be satisfied upon completion of the project.

Date Passed: Monday, May 7, 2007

Effective Date: Wednesday, June 20, 2007

Recodification ORD C34025 Section 1

Section 08.15.080 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 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 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.
- 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. The applicant may file an appeal of the director's decision that a final certificate will not be issued by filing a notice of appeal with the city clerk within thirty days of receipt of the director's decision.
 1. The appeal shall be heard by the hearing examiner pursuant to [chapter 17G.050 SMC](#).
 2. The hearing examiner's decision may be appealed to the Spokane County superior court within thirty days of receiving notice of that decision.

Date Passed: Monday, June 25, 2007

Effective Date: Saturday, August 4, 2007

ORD C34051 Section 5

Section 08.15.090 Exemption – Duration – Limits

- A. The 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 properties for which applications for the multiple-family housing property tax exemption eligibility are submitted under this chapter before July 22, 2007, the effective date of ESSHB 1910 enacted by the 2007 Washington State legislature, the value is exempt for ten

successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate.

2. For purposes for which applications for certificates of tax exemption eligibility are submitted under this chapter on or after July 22, 2007, the value is exempt for:
 - a. eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or
 - b. twelve successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions under (A)(2)(b) of this subsection.
 - i. For the property to qualify for the twelve-year exemption under (A)(2)(b) of this subsection, the applicant must 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, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government under this chapter. "Low-income" includes households with incomes at or below fifty percent of the area median income for the Spokane area ("AMI"), as defined by the United States Department of Housing and Urban Development ("HUD"). "Moderate income" includes households with incomes at or below eighty percent of AMI, as defined by HUD. For purposes of this section, an affordable rental unit shall mean a unit with rent that does not exceed thirty percent of income for households at or below fifty percent of the AMI, adjusted for tenant-paid utilities and household size, that is rented to households whose annual income is at or below fifty percent of the AMI at all times during the entire twelve-year period. An affordable homeowner unit is a unit that is sold at an affordable level, so that households at or below eighty percent of the AMI can qualify to purchase the unit.
 - ii. In the case of projects intended exclusively for owner occupancy, the requirement for a minimum of twenty percent of the units to be affordable under this subsection may be satisfied solely through housing affordable to moderate-income households.
- B. The exemption does not apply to the value of land or non-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.

Date Passed: Monday, September 24, 2012

Effective Date: Tuesday, January 1, 2013

ORD C34909 Section 2

- A. Within thirty days after the first anniversary of the date the City filed the final certificate of tax exemption 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. 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, June 25, 2007

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ORD C34051 Section 7

Section 08.15.110 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 state law.
- B. 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.
- C. 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.

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ORD C34051 Section 9

Section 08.15.120 Expiration of Program

The program established by this chapter shall expire December 31, 2017, unless extended by the city council by ordinance. Upon expiration, no further applications for a conditional certificate of tax exemption shall be accepted. Incomplete applications shall be returned to the applicant. Pending complete applications for a conditional certificate, extension of conditional certificate and final certificate shall be processed as provided in this chapter.

Date Passed: Monday, September 24, 2012
Effective Date: Tuesday, January 1, 2013
ORD C34909 Section 3

Section 08.15.130 Affordable Housing Reporting Requirements

- A. In order to qualify for the annual tax exemption authorized by [SMC 8.15.090\(A\)\(2\)\(b\)](#) and RCW 84.14.020(1)(ii)(B), the property owner shall comply with the following requirements:
1. Prior to the issuance of the final certificate of tax exemption, the property owner shall enter into a multiple family housing property tax exemption agreement whereby they agree to rent or sell at least twenty percent of the multi-family housing units as affordable housing units to low and moderate-income households.
 2. 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.
 3. In the case of multi-family housing units rented as affordable housing, twenty percent 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 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.
 4. If after the issuance of a final tax certificate 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 percent requirement, the extended twelve-year tax exemption period shall expire and the tax exemption period shall be limited to eight years from the date of the issuance of the final certificate of tax exemption.

5. If the property owner sells the affordable multi-family housing units, the property owner shall file with the City a report indicating the household income of each initial purchaser 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 those purchasers.
 - 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.
 - c. In the case of multi-family housing units intended exclusively for owner occupancy, the minimum requirement of [SMC 8.15.090\(A\)\(2\)\(b\)](#) and RCW 84.14.020(1)(ii)(B) may be satisfied solely through housing affordable to moderate-income households.
6. 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 shall 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.
7. 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.

- B. A determination by the director to discontinue an exemption period may be appealed pursuant to [SMC 8.15.110](#).

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ORD C34179 Section 1