

ORDINANCE NO. 619

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE WASHINGTON ENACTING CHAPTER 4.80 OF THE UNIVERSITY PLACE MUNICIPAL CODE RELATING TO EXEMPTIONS FROM AD VALOREM PROPERTY TAXATION FOR NEW OR REHABILITATED MULTI-FAMILY HOUSING IN A DESIGNATED RESIDENTIAL TARGETED AREA OF THE CITY

WHEREAS, the current provisions of the University Place Municipal Code do not provide ad valorem property tax exemptions for multi-family housing in urban centers; and

WHEREAS, exemptions from ad valorem property taxes for multi-family housing encourage increased residential opportunities within designated residential targeted areas, stimulate new construction and rehabilitation of existing buildings, assist in directing future population growth and help to achieve development densities which are more conducive to transit use in designated residential targeted areas; and

WHEREAS, the proposed residential targeted area for the multi-family property tax exemption is the Town Center Overlay Zone, an urban center as defined by State law and as designated in the City's Comprehensive Plan, which designation as residential targeted area will be adopted through resolution; and

WHEREAS, the proposed residential targeted area lacks sufficient available, desirable, and convenient residential housing to meet the needs of the public who would be likely to live in the residential targeted area, if desirable, attractive, and livable places to live were available; and

WHEREAS, the City Council desires to provide limited eight-year exemptions from ad valorem property taxation for multi-family housing in designated residential targeted areas; and

WHEREAS, on January 28, 2013 and February 4, 2013 the public was notified by a legal advertisement in the Tacoma News Tribune of the opportunity to make comment and participate in the public hearing by the City Council; and

WHEREAS, on March 4, 2013 the City Council conducted a public hearing and considered all testimony.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE DOES ORDAIN AS FOLLOWS:

Section 1. New Chapter. Chapter 4.80 of the University Place Municipal Code entitled "Multi-Family Property Tax Exemption" is hereby enacted to read as follows:

**Chapter 4.80
MULTI-FAMILY PROPERTY TAX EXEMPTION**

Sections:

- 4.80.010 Purpose
- 4.80.020 Definitions
- 4.80.030 Applicability
- 4.80.040 Terms of the Tax Exemption
- 4.80.050 Project Eligibility
- 4.80.060 Application Procedure
- 4.80.070 Application Review and Issuance of Conditional Certificate
- 4.80.080 Extension of Conditional Certificate
- 4.80.090 Application for Final Certificate

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| 4.80.100 | Issuance of Final Certificate |
| 4.80.110 | Annual Compliance Review |
| 4.80.120 | Cancellation of Tax Exemption |
| 4.80.130 | Annual Report by City |

4.80.010 Purpose.

As provided in State law, the purpose of this chapter is to provide limited eight (8) year exemptions from ad valorem property taxation for multi-family housing in designated residential targeted areas to:

- (a) Encourage increased residential opportunities within areas of the City designated by the City Council as residential targeted areas; and/or
- (b) Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multi-family housing in designated residential targeted areas to increase and improve housing opportunities; and
- (c) Assist in directing future population growth to designated residential targeted areas, thereby reducing development pressure on single-family residential neighborhoods; and
- (d) Achieve development densities which are more conducive to transit use in designated residential targeted areas.

4.80.020 Definitions.

When used in this chapter, the following terms shall have the following meanings, unless the context indicates otherwise:

- (a) *Building Codes* means the City and State building and fire codes as set forth in the University Place Municipal Code.
- (b) *City* means the City of University Place.
- (c) *Department* means the City Department of Planning and Development Services.
- (d) *Director* means the Director of the Department of Planning and Development Services, or designee.
- (e) *Multi-family housing* "means a building having ten (10) or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units that provide either leased or owner occupancy on a nontransient basis may result from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings to multifamily housing.
- (f) *Multi-family property tax exemption* means an exemption from ad valorem property taxation for multi-family housing.
- (g) *Owner* means the property owner of record.
- (h) *Rehabilitation improvements* means modifications to existing structures that are vacant for twelve (12) months or longer that are made to achieve a condition of substantial compliance with existing building, fire, and zoning codes, or modification to existing occupied structures which increase the number of multi-family housing units.
- (i) *Residential targeted area* means the geographic area located within the Town Center Overlay Zone.

(j) *Substantial compliance* means compliance with all local building, fire and zoning code requirements.

4.80.030 Applicability.

Multi-family housing projects in designated residential targeted areas resulting from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings may be entitled to a limited eight year exemption from ad valorem property taxation as set forth in this chapter.

4.80.040 Terms of the Tax exemption.

(a) *Duration of exemption.* The value of improvements qualifying under this chapter is exempt from ad valorem property taxation for eight (8) successive years beginning January 1st of the year immediately following the calendar year after issuance of the final certificate of tax exemption.

(b) *Limits on exemption.* The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter. This chapter does not apply to increases in assessed valuation made by the Pierce County Assessor on non-qualifying 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 Pierce 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.

(c) *Conclusion of Exemption.* At the conclusion of the eight (8) year exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes described in State law.

4.80.050 Project Eligibility.

A proposed multi-family housing project must meet the following requirements for consideration for a property tax exemption:

(a) *Location.* The project must be located within the University Place Town Center Overlay Zone.

(b) *Tenant displacement prohibited.* The project must not displace existing residential tenants of structures that are proposed for redevelopment. 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.

(c) *Non-compliance with Building Codes.* Existing dwelling units proposed for rehabilitation must fail to comply with one or more standards of the Building Codes.

(d) *Size of Project.* The new, converted, or rehabilitated multiple-unit housing must provide for a minimum of fifty percent (50%) of the space for permanent residential occupancy. The project, whether new, converted, or rehabilitated multiple-unit housing, must include at least ten (10) units of multi-family housing within a residential structure or as part of an urban development. In the case of existing multi-family housing that is occupied or which has not been vacant for twelve (12) months or more, the multi-family housing project must also provide for a minimum of four (4) additional multifamily units for a total project of at least ten (10) units including the four (4) additional units. Existing multi-family housing that has been vacant for twelve (12) months or more does not have to provide additional units.

(e) *Proposed completion date.* New construction of multi-family housing and rehabilitation improvements must be completed within three (3) years from the date of approval of the application.

(f) *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.

4.80.060 Application Procedure.

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

(a) The application provided by the City shall be filed with the Department along with the required fees as established pursuant to State law.

(b) A complete application shall include:

(1) A completed City of University Place application form setting forth the grounds for the exemption.

(2) Preliminary floor and site plans of the proposed project.

(3) A statement acknowledging the potential tax liability when the project ceases to be eligible under this chapter.

(4) An affidavit stating the occupancy record of the property for a period of twelve (12) months prior to filing the application.

(5) Verification by oath or affirmation of the information submitted.

(6) For rehabilitation projects, the applicant shall provide a report prepared by a licensed architect identifying property noncompliance with the Building Codes. This report shall identify specific code violations and must include supporting data that satisfactorily explains and proves the presence of a violation. Supporting data must include a narrative and such graphic materials as needed to support this application. Graphic materials may include, but are not limited to, building plans, building details, and photographs.

4.80.070 Application Review and Issuance of Conditional Certificate.

The Director may certify as eligible an application which is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within ninety (90) calendar days of receipt of a complete application.

(a) *Approval.* The Director may approve the application if he/she finds that:

(1) A minimum of ten (10) new units are being constructed or rehabilitated or in the case of occupied rehabilitation or conversion within twelve (12) months of occupancy, a minimum of four (4) additional multi-family units for a total project of at least ten (10) units including the four (4) additional multi-family units are being developed.

(2) The proposed project is or will be, at the time of completion, in conformance with all applicable local plans and regulations.

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

(4) The site is located in the residential targeted area.

(b) If an application is approved, the applicant shall enter into an agreement with the City regarding the terms and conditions of implementation of the project, and the Director shall issue a

conditional certificate of acceptance of tax exemption. The conditional certificate shall expire three (3) years from the date of approval unless an extension is granted as provided in this chapter.

(c) If an application is denied, the Director shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten (10) calendar days of the denial. As mandated by State law, an applicant may appeal a denial to the City Council within thirty (30) calendar days of receipt of the denial by filing a complete appeal application and fee with the Director. The appeal before the City Council will be based on the record made before the Director. The Director's decision will be upheld unless the applicant can show that there is no substantial evidence on the record to support the Director's decision. The City Council's decision on appeal will be final.

4.80.080 Extension of Conditional Certificate.

(a) *Extension.* The conditional certificate and time for completion of the project may be extended by the Director for a period not to exceed a total of twenty-four (24) consecutive months. To obtain an extension, the applicant must submit a written request with a fee stating the grounds for the extension. An extension may be granted if the Director determines that:

- (1) The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner; 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 applicant and the City will be satisfied upon completion of the project.

(b) *Denial and appeal.* If an extension is denied, the Director shall state in writing the reason for denial and shall send notice to the applicant's last known address within ten (10) calendar days of the denial. Pursuant to State law, an applicant may appeal the denial of an extension to the hearing examiner, pursuant to the UPMC, within fourteen (14) calendar days of receipt of the denial by filing a complete appeal application and fee with the Director. No appeal to the City Council is provided from the hearing examiner's decision. Under State law, the applicant may appeal the hearing examiner's decision to the Pierce County Superior Court, if the appeal is filed within thirty (30) calendar days of receiving notice of that decision.

4.80.090 Application for Final Certificate.

Upon completion of the improvements agreed upon in the contract between the applicant and the City and upon issuance of a certificate of occupancy, the applicant may request a final certificate of tax exemption by filing with the Director the following:

- (a) A statement of expenditures made with respect to each multi-family housing unit and the total expenditures made with respect to the entire property;
- (b) A description of the completed work and a statement of qualification for the exemption; and
- (c) A statement that the work was completed within the required three (3) year period or any authorized extension.

4.80.100 Issuance of Final Certificate.

Within thirty (30) calendar days of receipt of all materials required for a final certificate, the Director shall determine whether the specific improvements satisfy the requirements of the contract, application, and this chapter.

(a) *Granting of final certificate.* If the Director determines that the project has been completed in accordance with this chapter and the contract between the applicant and the City, and has been completed within the authorized time period, the City shall, within ten (10) calendar days of the expiration of the thirty (30) day review period above, file a final certificate of tax exemption with the Pierce County Assessor.

(b) *Denial and appeal.* The Director shall notify the applicant in writing that a final certificate will not be filed if the Director determines that:

- (1) The improvements were not completed within the authorized time period; or
- (2) The improvements were not completed in accordance with the agreement between the applicant and the City; or
- (3) The owner's property is otherwise not qualified under this chapter.

Pursuant to State law an applicant may appeal a denial to the hearing examiner pursuant to the UPMC within fourteen (14) calendar days of issuance of the denial of a final certificate by filing a complete appeal application and fee with the Director. No appeal to the City Council is provided from the hearing examiner's decision. Under State law, the applicant may appeal the hearing examiner's decision to the Pierce County Superior Court, if the appeal is filed within thirty (30) calendar days of receiving notice of that decision.

4.80.110 Annual Compliance Review.

(a) Within thirty (30) calendar days after the first anniversary of the date of filing the final certificate of tax exemption and each year thereafter for a period of eight (8) years, the property owner shall be required to file a notarized declaration with the Director indicating the following:

- (1) A statement of occupancy and vacancy of the multi-family units during the previous twelve (12) months; and
- (2) A certification that the property continues to be in compliance with the contract with the City and this chapter; and
- (3) A description of any subsequent improvements or changes to the property.

(b) City staff shall also conduct on-site verification of the declaration. Failure to submit the annual declaration shall result in a review of the exemption as provided in State law.

4.80.120 Cancellation of Tax Exemption.

If the Director determines that the owner is not complying with the terms of the contract or this chapter, the tax exemption shall be canceled. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If the owner intends to convert the multi-family housing to another use, the owner shall notify the Director and the Pierce County Assessor in writing within sixty (60) calendar days of the change in use.

(a) *Effect of cancellation.* If a tax exemption is canceled due to a change in use or other noncompliance, the following taxes and penalties will apply:

- (1) Additional real property tax, plus interest, shall be imposed based upon the value of the non-qualifying improvements. This additional tax is calculated based upon the difference between the property tax paid and the property tax that would have been paid if it had included the value of the non-qualifying improvements dated back to the date that the improvements were converted to a non-qualifying use.

(2) A penalty shall be imposed amounting to twenty (20) percent of the value of the additional property tax plus interest.

(3) The interest is calculated at the same statutory rate charged on delinquent property taxes from the dates on which the additional property tax could have been paid without penalty if the improvements had been assessed at full value without regard to this tax exemption program.

(4) The additional taxes, interest and penalties will become a lien on the land and attach at the time the property or portion of the property is removed from multi-family use or the amenities no longer meet applicable requirements. The lien has priority over and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the land may become charged or liable. The lien may be foreclosed upon expiration of the same period after delinquency and in the same manner provided by law for foreclosure of liens for delinquent real property taxes. An additional tax unpaid on its due date is delinquent. From the date of delinquency until paid, interest must be charged at the same rate applied by law to delinquent ad valorem property taxes.

(b) *Notice and appeal.* Pursuant to State law, upon determining that a tax exemption is to be canceled, the Director shall notify the owner by mail, return receipt requested. The property owner may appeal the determination to the hearing examiner pursuant to the UPMC by filing a notice of appeal with the City Clerk within thirty (30) calendar days, specifying the factual and legal basis for the appeal. The hearing examiner will conduct a hearing under the UPMC. Under State law, an aggrieved party may appeal the hearing examiner's decision to the Pierce County Superior Court.

4.80.130 Annual Report by City.

The City shall report annually by December 31st of each year to the Washington State Department of Community, Trade and Economic Development. 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 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 income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied units at the time of purchase for each of the units receiving a tax exemption and a summary of these figures for the City; and
- (g) The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.

Section 2. Severability. If any one or more sections, subsections, or sentences of this ordinance are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.

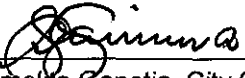
Section 3. Effective Date. This Ordinance shall take effect five (5) days after publication.

PASSED BY THE CITY COUNCIL ON MARCH 4, 2013.



Ken Grassi, Mayor

ATTEST:



Emelita Genetia, City Clerk

APPROVED AS TO FORM:



Steve Victor, City Attorney

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Effective Date: 03/11/13

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