

LAKWOOD MFTE PROGRAM SUMMARY

Under LMC Chapter 3.64 and upon approval by the City Council, it is possible to secure limited eight (8) or twelve (12) -year exemption from ad valorem property taxation for multifamily housing – “**Multifamily Tax Exemptions**” (MFTEs) - within mixed-use centers designated by the City Council as Residential Target Areas (RTAs.)

MULTIFAMILY TAX EXEMPTIONS (MFTE) PROJECT ELIGIBILITY CRITERIA

Per LMC 3.64.030 (D), a proposed project must meet the following requirements to qualify for the consideration for a Multifamily Tax Exemption (MFTE):

1. Location. The project must be located within an RTA, as designated in LMC 3.64.020 and shown on the City’s RTA map.
2. Size. The project must include at least fifteen (15) units of multifamily housing within a residential structure or as part of a mixed-use development.
 - A minimum of fifteen (15) new units must be constructed, or at least fifteen (15) additional multifamily units must be added to existing occupied multifamily housing.
 - Existing multifamily housing that has been vacant for 12 months or more does not have to provide additional units so long as the project provides at least fifteen units of new, converted, or rehabilitated multifamily housing.
3. Permanent Residential Housing. At least 50 percent of the space designated for multifamily housing must be provided for “permanent residential occupancy” (i.e., multifamily housing that provides either rental or owner occupancy for a period of at least one month, excluding hotels and motels that predominately offer rental accommodation on a daily or weekly basis.)
4. Proposed Completion Date. New construction multifamily housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of the application.
5. Compliance with Guidelines and Standards. The project must be designed to comply with the City’s comprehensive plan, building, housing, and zoning codes, and any other applicable regulations in effect at the time the application is approved.
 - Rehabilitation and conversion improvements must comply with the City’s minimum housing code.
 - New construction must comply with the International Building Code.
 - The project must also comply with any other standards and guidelines adopted by the City Council for the residential target area in which the project will be developed.

MFTE APPLICABILITY CAVEAT

The exemption does not apply to:

- the value of land or to the value of improvements not qualifying under this chapter;
- increases in assessed valuation of land and non-qualifying improvements; or
- the value of improvements constructed prior to submission of the completed application required under this chapter for rehabilitation of existing building projects.

MFTE DURATION

An MFTE can be designated for either eight (8), or twelve (12) years.

- The default length is **eight years (8) successive years** beginning January 1st of the year immediately following the calendar year of issuance of the certificate.
- The MFTE length can be **extended to twelve (12) years** if:
 - o the applicant commits to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to low- and moderate-income households; and
 - o the property satisfies that commitment and any additional affordability and income eligibility conditions adopted by the local government under LMC Chapter 3.64.
 - o In the case of projects intended exclusively for owner occupancy, the project may qualify for twelve (12) years' exemption solely through selling housing affordable to moderate-income households.

MFTE APPLICATION PROCESS

- **Site development must be approved** prior to submitting MFTE application.
- The **MFTE must be approved prior to issuance of building permits.**
- A **complete application** per LMC 3.64.030(E)
 - o A completed City of Lakewood application form setting forth the grounds for the exemption;
 - o Preliminary floor and site plans of the proposed project;
 - o A statement acknowledging the potential tax liability when the project ceases to be eligible under this chapter;
 - o Verification by oath or affirmation of the information submitted; and
 - o If applicable, a statement that the project meets the affordable housing requirements as described in RCW 84.14.020.
- **MFTE Fees** (The application fee is nonrefundable.)
 - o The initial application fee shall be set by the master fee schedule.
 - o An additional fee to cover the Pierce County Assessor-Treasurer's administrative costs shall be paid to directly to Pierce County.

MFTE APPLICATION REVIEW, DECISION AND APPEAL

Within 90 days of submittal of a complete application compliant with LMC Chapter 3.64, the Administrator must issue a decision of approval or denial.

- If an application is **approved**, the applicant shall enter into a contract with the City, subject to approval by resolution of the City Council, regarding the terms and conditions of the project. Upon City Council approval of the contract, the Administrator shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate expires three (3) years from the date of approval unless an extension is granted per LMC 3.64.030(G).
- The conditional certificate may be **extended** by the Administrator for up to 24 consecutive months. The applicant must submit a written request stating the grounds for the extension, accompanied by a processing fee as specified in the master fee schedule. An extension may be granted if the Administrator determines that:

- The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner;
 - The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and
 - All the conditions of the original contract between the applicant and the City will be satisfied upon completion of the project.
- If an application is **denied**, within ten (10) days the Administrator shall send, to the applicant at the applicant's last known address, notice and the reasons for denial.
- An applicant may **appeal a denial** to the City Council within 14 days of receipt of notice. On appeal to the City Council, the Administrator's decision will be upheld unless the applicant can show that there is no substantial evidence on the record to support the Administrator's decision. The City Council's decision on appeal will be final.

MFTE FINAL CERTIFICATION

Once the applicant completes the improvements per the City Council-approved contract, and upon issuance of a temporary or permanent certificate of occupancy, the applicant **must submit the following** to the Administrator to secure a final certificate of tax exemption (MFTE certificate):

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

The Administrator shall decide within 30 days if the project is eligible for a final MFTE certificate.

- If a project is **approved** for eligibility, the Administrator shall file a final certificate of tax exemption with the Pierce County Assessor-Treasurer within ten (10) days of their decision.
- If a project is **denied** for eligibility, the Administrator shall notify the applicant in writing that a final certificate will not be filed based on one or more of the following:
 - The improvements were not completed within the authorized time period;
 - The improvements were not completed in accordance with the contract between the applicant and the City;
 - the owner's property is otherwise not qualified under this chapter; or
 - if applicable, the affordable housing requirements as described in RCW 84.14.020 were not met.

The Applicant may **appeal the decision to deny** a final certificate:

- the applicant may file an appeal with the City's Hearing Examiner within 10 days of receipt of the Administrator's denial of a final certificate, as provided in LMC 1.36; and
- the applicant may appeal the Hearing Examiner's decision in Pierce County Superior Court under RCW 34.05.510 through 34.05.598 if the appeal is filed within 30 days of notification by the City to the owner of the decision to deny the final certification.

MFTE PROPERTY OWNER ANNUAL REPORTING AND INSPECTION

Every year during the period of tax exemption and within 30 days of the anniversary date of the final certificate, the property owner shall file a **notarized declaration** with the Administrator including the following:

- a statement of occupancy and vacancy rates of the multifamily units during the previous year, including evidence of affirmative marketing if rates are unusually higher/longer than market expectations;
- confirmation that leases meet affordability requirements for all 12-year affordable projects;
- income verification worksheets submitted by the tenants;
- all leases for the project, including records of lease rates and requirements for payment of utilities;
- a certification by the owner 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 and that the property continues to be in compliance with the contract with the City; and
- a description of any improvements or changes to the property made since issuance of the final certification or in the past year.

City staff shall conduct **on-site verification** of the declaration each year.

Failure to submit the annual declaration may result in the tax exemption being canceled.

MFTE CANCELATION FOR NONCOMPLIANCE OR CHANGE OF USE

If a tax exemption is canceled due to noncompliance or a change in use, the Pierce County Assessor-Treasurer may impose an additional tax on the property, together with interest and penalty, and a priority lien may be placed on the land, pursuant to state legislative provisions.

- **Noncompliance:** The Administrator may cancel the MFTE contract at any time if they determine the owner is not complying with the terms of the contract. Upon determining that a tax exemption is to be canceled, the Administrator shall notify the property owner by certified mail.
 - o The property owner may **appeal** the determination by filing a notice of appeal with the City Clerk within 30 days, specifying the factual and legal basis for the appeal. The Hearing Examiner will conduct a hearing at which all affected parties may be heard and all competent evidence received. The Hearing Examiner will affirm, modify or repeal the decision to cancel the exemption based on the evidence received.
 - o An aggrieved party may appeal the Hearing Examiner's decision to the Pierce County Superior Court, in accordance with RCW 34.05.510 through 34.05.598.
- **Change of Use:** If the owner intends to convert the multifamily housing to another use, the owner must notify the Administrator and the Pierce County Assessor-Treasurer within 60 days of the change in use.

MFTE ANNUAL CITY REPORTING

By April 1st of each year, the City must provide a report to the Washington Department of Commerce. The report must include the following information:

- The number of tax exemption certificates granted;
- The total number and type of units produced or to be produced;

- The number and type of units produced or to be produced meeting affordable housing requirements;
- The actual development cost of each unit produced;
- The total monthly rent or total sale amount of each unit produced;

STATE AUDIT RECORDS REQUIREMENTS

Requirements under RCW [84.14.100](#)(3)(a) specify that audits must occur at least once every five years. Audits will be scheduled as follows for new exemptions:

- For eight-year exemptions (where applicable), year five of the exemption.
- For 12-year exemptions, years five and 10.

Records required for audit:

- The MFTE contract with the local jurisdiction (for reference).
- The income verification worksheets submitted by the tenants.
- Supporting income and asset information for each worksheet, plus any other related information (e.g., student status, etc.).
- All leases for the project, including records of lease rates and requirements for payment of utilities.
- Vacancy rates for the project, including evidence of affirmative marketing if rates are unusually higher/longer than market expectations.
- Previous records from audits.

ESTABLISHING AREAS ELIGIBLE FOR MULTIFAMILY TAX EXEMPTIONS (MFTEs)

A **Tax Incentive Urban Use Center (TIUUC)** is authorized under RCW Chapter 84.14 and LMC Chapter 3.64 and means a compact, identifiable district where urban residents may obtain a variety of products and services. A TIUUC must contain:

- Several existing or previous existing, or a combination of existing and previously existing, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;
- Adequate public facilities, including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and
- A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial and/or office use. (LMC 3.64.010 K.)

A **Residential Target Area (RTA)** is authorized under RCW Chapter 84.14 and LMC Chapter 3.64 and means an area within a TIUUC that has been designated by the City Council as lacking sufficient, available, desirable and convenient residential housing to meet the needs of the public. (LMC 3.64.010 J.) To establish an RTA,

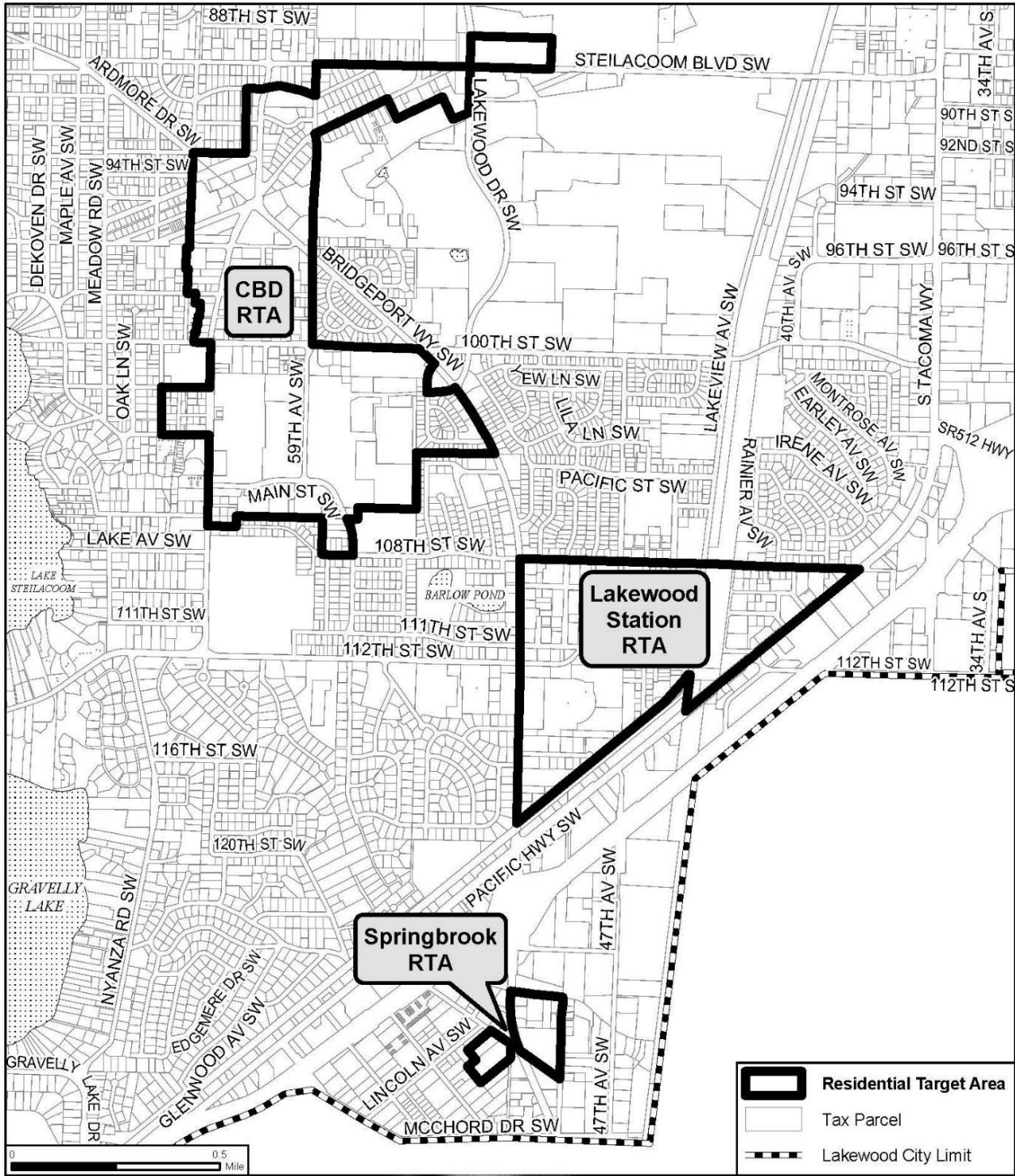
- The boundaries of the Tax Incentive Urban Use Centers are approved by the City Council via an Ordinance. (LMC 3.64.020 A)
- A Residential Target Area is established through the adoption of a resolution of intention to designate an area or areas described in the resolution. As part of this resolution, the City Council conducts a public hearing. (LMC 3.64.020 B)
- Following the public hearing, the City Council may, in its sole discretion, designate one or more Residential Target Areas. (LMC 3.64.020 C)
- The proposed boundaries of the Residential Target Areas must be within the boundaries of a Tax Incentive Urban Use Center (i.e., the Urban Use Center boundaries will either be larger than, or co-terminus with, the Residential Target Area boundaries.) (LMC 3.64.020 E)

LAKWOOD MFTE-ELIGIBLE AREAS

Under LMC 3.64.030(A)(1), limited eight (8) - or twelve (12) -year exemptions from ad valorem property taxation for multifamily housing in tax incentive urban use center(s) (TIUUCs) – **“Multifamily Tax Exemptions” (MFTEs)** - are possible within mixed-use centers designated by the City Council as residential target areas (RTAs.)

The City Council may, by ordinance, amend or rescind the designation of a RTA at any time pursuant to the same procedure as described above. (LMC 3.64.020 C.4.) In other words, the City Council could pass a resolution of intention to amend the RTA including conducting a public hearing, and, thereafter, pass an ordinance modifying the RTA boundary.

Per Lakewood Resolution 2015-10, there are three TIUUC and three RTA areas within Lakewood, located in the formerly named Central Business District area, the Lakewood Station area, and the Springbrook area; these are represented in the maps below. MFTE’s are possible within the three RTA areas - the Springbrook RTA’s boundaries are not contiguous with the Springbrook TIUUC.



Residential Target Areas (RTA)

Map Date: March 11, 2015
:projects\cd\SR\RTAs.mxd

This product was prepared with care by City of Lakewood GIS. City of Lakewood expressly disclaims any liability for any inaccuracies which may yet be present. This is not a survey. Datasets were collected at different accuracy levels by various sources. Data on this map may be shown at scales larger than its original compilation. Call 253-589-2489 for further information.

DEFINITIONS

“Administrator” means the City Manager or authorized designee.

“Affordable housing” means residential housing that is rented by a person or household whose housing costs, including utilities other than telephone, do not exceed 30 percent of the household’s monthly income. For the purposes of housing intended for owner occupancy, “affordable housing” means residential housing that is within the means of low- or moderate-income households.

“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 (WCRER) at the University of Washington, is equal to or greater than 130 percent of the statewide median house price published during the same time period.

“Low-income household” means a single person, family or unrelated persons living together whose adjusted income is at or below 80 percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development. For cities located in high-cost areas, “low-income household” means a household that has an income at or below 100 percent of the median family income adjusted for family size, for the county where the project is located.

“Moderate-income household” means a single person, family, or unrelated persons living together whose adjusted income is more than 80 percent but is at or below 115 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 (HUD.) For cities located in high-cost areas, “moderate-income household” means a household that has an income that is more than 100 percent, but at or below 150 percent of the median family income adjusted for family size, for the county where the project is located.

“Multifamily housing” means a building having four or more dwelling units designed for permanent residential occupancy resulting from new construction, rehabilitation or conversion of vacant, underutilized or substandard buildings. Multifamily housing units as designated herein shall not be designed or used for transient accommodations and do not include hotels and motels.

“Owner” means the property owner of record.

“Permanent residential occupancy” means multifamily housing that provides either rental or owner occupancy for a period of at least one month. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis.

“Rehabilitation improvements” means modifications to existing structures that are vacant for 12 months or longer, or modifications to existing occupied structures which convert nonresidential space to residential space and/or increase the number of multifamily housing units.

“Residential Target Area” (“RTA”) means an area within the Tax Incentive Urban Use Center that has been designated by the City Council as lacking sufficient, available, desirable and convenient residential housing to meet the needs of the public.

Lakewood Multifamily Tax Exemption (MFTE) Program November, 2023

“Tax Incentive Urban Use Center” (“TIUUC”) means a compact, identifiable district where urban residents may obtain a variety of products and services. A TIUUC must contain:

1. Several existing or previously existing, or a combination of existing and previously existing, 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 and/or office use.

MEDIAN HOUSEHOLD INCOME

January 2019 Demographic Profile of 2018:

The population in Pierce County, Washington was 832,896 per American Community Survey data for 2012-2016.

The 2018 median household income in Pierce County, Washington was \$61,468.

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>

MFTE Contacts

City of Lakewood:

Contact Us:

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253.983.7738

MFTE Conditional Certification application: http://cityoflakewood.us/wp-content/uploads/2018/06/Conditional_MFTE_Application_II.pdf

Pierce County Assessor-Treasurer:

Location: Annex (Public Services Bldg.), 2401 S. 35th Street, Room 142, Tacoma, WA 98409

Contact Us: pcatr@co.pierce.wa.us | <https://www.co.pierce.wa.us/719/Contact-Us> | (253) 798-6111

MFTE: <https://www.co.pierce.wa.us/710/Tax-Incentive-for-Multi-Family-Housing>