

**Chapter 2.28
MULTIFAMILY HOUSING TAX INCENTIVES**

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2.28.010 Purpose.

The purpose of this chapter is to provide limited exemptions from ad valorem property taxation for multifamily housing in the downtown area and is intended to:

- A. Encourage increased residential opportunities within the downtown area identified in the downtown master plan;
- B. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing downtown to increase housing opportunities;
- C. Assist in directing future population growth to the downtown mixed-use center, thereby reducing development pressure on single-family residential neighborhoods;
- D. Achieve development densities which are more conducive to transit use in designated mixed-use centers; and
- E. Support affordable housing options within the downtown area. (Ord. 2018-26 § 1, 2018: Ord. 2005-11 § 4(part), 2005).

2.28.020 Residential targeted area designated.

The downtown as defined by Section 20.06.030.D is hereby designated as the residential targeted area for the city of Walla Walla pursuant to RCW [84.14.040](#). (Ord. 2005-11 § 4(part), 2005).

2.28.030 Terms of the tax exemptions for multifamily housing in residential target areas.

A. Duration of Exemption. The value of improvements qualifying under this chapter will be exempt from ad valorem property taxation as follows:

1. For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or
2. For 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 Chapter [84.14](#) RCW and meets the condition committing to rent or sell at least ten percent of the multifamily housing units as affordable housing units to low-income households and ten percent of the multifamily housing units as affordable housing units to moderate-income households.

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 or Chapter [84.14](#) RCW, 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 improvement construction prior to submission of the completed application required under this chapter. (Ord. 2018-26 § 2, 2018: Ord. 2005-11 § 4(part), 2005).

2.28.040 Project eligibility.

A proposed project must meet the following requirements for consideration for a property tax exemption:

A. Location. The project must be located within the downtown area as defined in Section 20.06.030.D.

B. Tenant Displacement. The project must not displace existing residential tenants of structures that are proposed for redevelopment, unless the applicant has provided each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate. Existing dwelling units proposed for rehabilitation must fail to comply with one or more standards of applicable building or housing codes in Title [15](#), the rehabilitation improvements shall achieve a condition of substantial compliance with the applicable building, construction, and housing codes contained in Title [15](#) and all uniform codes

adopted pursuant to Title [15](#). Applications for new construction cannot be submitted for vacant property upon which an occupied residential rental structure previously stood during any portion of the twelve-month period immediately preceding submission of the application, unless the applicant had provided each displaced tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate.

C. Size. The project must include at least four units of multifamily housing within a residential structure or as part of a mixed-use development. A minimum of four new units must be constructed or at least four additional multifamily units must be added to existing occupied multifamily housing. Existing multifamily housing that has been vacant for twelve months or more does not have to provide additional units.

D. Permanent Residential Housing. At least fifty percent of the space designated for multifamily housing must be provided for permanent residential occupancy, as defined in Chapter [84.14](#) RCW.

E. 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.

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 in effect at the time the application is approved. The project must also comply with any other standards and guidelines adopted by the city council for the downtown area in which the project will be developed. (Ord. 2018-26 § 3, 2018: Ord. 2005-11 § 4(part), 2005).

2.28.050 Application procedure.

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

A. File with the Walla Walla development services department the required application along with the required fees. The initial application fee shall consist of a base fee of one hundred fifty dollars, plus twenty-five dollars per multi-family unit, up to a maximum total fee of three hundred dollars. An additional one hundred dollar fee to cover the Walla Walla County assessor's administrative costs shall also be paid to the city. If the application shall result in a denial by the city, the city will retain that portion of the fee attributable to its own administrative costs and refund the balance to the applicant.

B. A complete application shall include:

1. A completed city of Walla Walla application form setting forth the grounds for the exemptions;
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; and
4. Verification by oath or affirmation of the information submitted.

C. For rehabilitation projects, or where demolition or new construction is required, the applicant shall also submit an affidavit that existing dwelling units either have been unoccupied for a period of twelve months prior to filing the application, or that relocation requirements have been satisfied. At the city's discretion, the applicant shall either secure from the city prior to commencement of rehabilitation improvements verification of property noncompliance with Title [15](#) of this code, or file with the affidavit a report prepared by a registered architect identifying property noncompliance with Title [15](#) of this code which shall identify specific code violations and must include supporting data that satisfactorily explains and proves the presence of a violation. (Ord. 2005-11 § 4(part), 2005).

2.28.060 Application review and issuance of conditional eight-year certificate.

The director of the city of Walla Walla's development services department or designee will review an application for an eight-year certificate for completeness and fulfillment of eligibility requirements and approval criteria, return incomplete applications for correction or supplementation, and forward complete applications to the city council for review and determination.

A. The city council may approve the application if it determines that the application meets the requirements of Chapter [84.14](#) RCW and this chapter, and finds that:

1. A minimum of four new units are being constructed or in the case of occupied rehabilitation or conversion within twelve months of occupancy, a minimum of four additional multifamily units are being developed;
2. The proposed project either is, or will be at the time of completion, in conformance with all applicable local plans and regulations that apply at the time the application is approved;
3. The owner has complied with all standards and guidelines adopted by the city under this chapter; and
4. The site is located within the downtown area as defined in Section 20.06.030.D.

B. If an application is approved, the applicant shall enter into a contract with the city, satisfactory to the city council, regarding the terms and conditions of the project. Upon council approval of the contract, the director or designee shall issue a conditional certificate of acceptance of tax exemption which shall contain a statement by the director or designee that the property has complied with the requirements of this chapter. The conditional certificate expires three years from the date of approval unless an extension is granted as provided in this chapter.

C. A decision to approve or deny an application shall be made within ninety days of receipt of a complete application. (Ord. 2018-26 § 4, 2018: Ord. 2005-11 § 4(part), 2005).

2.28.065 Application review and issuance of conditional twelve-year certificate.

The director of the city of Walla Walla's development services department or designee will review an application for a twelve-year certificate for completeness and fulfillment of eligibility requirements and approval criteria, return incomplete applications for correction or supplementation, and may approve eligible applications.

A. The director or designee may approve the application if the application meets the requirements of Chapter [84.14](#) RCW and this chapter, and the director or designee finds that:

1. A minimum of four new units are being constructed or in the case of occupied rehabilitation or conversion within twelve months of occupancy, a minimum of four additional multifamily units are being developed;
2. The applicant has committed to rent or sell at least ten percent of the multifamily housing units as affordable housing units to low-income households and ten percent of the multifamily housing units as affordable housing units to moderate-income households;
3. The proposed project either is, or will be at the time of completion, in conformance with all applicable 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 within the downtown area as defined in Section 20.06.030.D.

B. If an application is approved, the applicant shall enter into a contract with the city regarding the terms and conditions of the project. Upon city approval of the contract, the director or designee shall issue a conditional certificate of acceptance of tax exemption which shall contain a statement by the director or designee that the property has complied with the requirements of this chapter. The conditional certificate expires 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 or designee shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten days of the denial.

D. A decision to approve or deny an application shall be made within ninety days of receipt of a complete application.

E. An applicant may appeal a denial to the city council within thirty days of receipt of notice. On appeal, 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. (Ord. 2018-26 § 5, 2018).

2.28.070 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 must submit a written request stating the grounds for the extension, accompanied by a fifty-dollar processing fee. An extension may be granted if the director determines that:

- A. The anticipated failure to complete construction or rehabilitation within the requirement time period is due to circumstances beyond the control of the owner;
- 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. (Ord. 2005-11 § 4(part), 2005).

2.28.080 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 temporary or permanent certificate of occupancy, the applicant may request a final certificate of tax exemption. The applicant must file with the department 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 qualifications for the exemptions.
- C. A statement that the work was completed within the required three-year period or within any authorized extension. (Ord. 2005-11 § 4(part), 2005).

2.28.090 Issuance of final certificate.

Within thirty days of receipt of all materials required for a final certificate, the director shall determine which specific improvements satisfy the requirements of the contract, application, and this chapter.

A. If the director determines that the project has been completed in accordance with the contract between the applicant and the city and has been completed within the authorized time period, the city shall, within ten days of the expiration of the above-stated thirty-day review period, file a final certificate of tax exemption with the 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 rehabilitation or new construction was not completed within three years of the application date, or within any authorized extension of the time limit;
2. The improvements were not completed in accordance with the contract between the applicant and the city; or
3. The owner's property is otherwise not qualified for limited exemption under this chapter.

C. Within fourteen days of receipt of the director's denial of a final certificate, the applicant may file an appeal with the city's hearing examiner, as provided in Chapter [20.38](#). The applicant may appeal the hearing examiner's decision as provided in RCW [84.14.090](#). (Ord. 2018-26 § 6, 2018; Ord. 2005-11 § 4(part), 2005).

2.28.100 Annual compliance review.

A. Within thirty days after the first anniversary of the date of filing the final certificate of tax exemption, and each year thereafter, for the duration of the period of the exemption, the property owner shall file an annual report with the director indicating the following:

1. A statement of occupancy and vacancy of the multifamily units during the previous year;

2. A certification that the property continues to be in compliance with the contract with the city, including, without limitation, any affordable unit requirements; and

3. A description of any subsequent improvements or changes to the property.

B. City staff shall also conduct on-site verification of the annual report. Failure to submit the annual report may result in the tax exemption being canceled. (Ord. 2018-26 § 7, 2018: Ord. 2005-11 § 4(part), 2005).

2.28.110 Cancellation of tax exemption.

If the director or designee determines the owner is not complying with the terms of the contract or with this chapter, or for any reason no longer qualifies for the tax exemption, the tax exemption will 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 multifamily housing to another use, the owner must notify the director and Walla Walla county assessor within sixty 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 nonqualifying 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 nonqualifying improvements dated back to the date the improvements were converted to a nonqualifying use.

2. A penalty shall be imposed amounting to twenty 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 multifamily 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. Upon determining that a tax exemption is to be canceled, the director or designee shall notify the property owner by certified mail, return receipt requested. 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. The hearing examiner will conduct a hearing at which all affected parties may be heard and all competent testimony received. The hearing examiner will affirm, modify, or repeal the decision to cancel the exemption based on the evidence received. An aggrieved party may appeal the hearing examiner's decision to the Walla Walla superior court as provided in RCW [84.14.110](#). (Ord. 2018-26 § 8, 2018: Ord. 2005-11 § 4(part), 2005).