
Chapter 5.88
PROPERTY TAX EXEMPTIONS FOR ELIGIBLE IMPROVEMENTS IN RESIDENTIALLY DEFICIENT URBAN CENTERS

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5.88.010 Definitions.

“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 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.

“Director” means the director of the department of community development.

“Household” means a single person, family, or unrelated persons living together.

“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.

“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.

“Multifamily housing” means building(s) 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.

“Owner” means the property owner of record.

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

“Rehabilitation improvements” means modifications to existing structures that are vacant for 12 months or longer, and that are made to achieve a condition of substantial compliance with existing building codes or modification to existing occupied structures which increase the number of multifamily housing units.

“Residential targeted area” means an area within an urban 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.

“Substantial compliance” means compliance with local building or housing code requirements that are typically required for rehabilitation as opposed to new construction.

“Urban center” means a compact, identifiable district containing several business establishments, adequate public facilities, and a mixture of uses and activities, where residents may obtain a variety of products and services. (Ord. 2008-23 §§ 1, 8; Ord. 2001-29 § 2; Ord. 99-7 § 1)

5.88.015 Exemption – Duration – Valuation.

(1) The value of new housing construction, conversion, and rehabilitation improvements qualifying under this section is exempt from ad valorem property taxation, as follows:

(a) For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate; or

(b) For 12 successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate, if the property otherwise qualifies for the exemption and meets the conditions in this subsection (1)(b). For the property to qualify for the 12-year exemption under this subsection, the applicant must commit to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to low- and moderate-income households, and the property must satisfy that commitment. In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection (1)(b) may be satisfied solely through housing affordable to moderate-income households.

(2) The exemptions provided in subsection (1) of this section do not include the value of land or nonhousing-related improvements not qualifying under this section.

(3) In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to the submission of the application required under this section. The incentive provided by this section is in addition to any other incentives, tax credits, grants, or other incentives provided by law.

(4) This section does not apply to increases in assessed valuation made by the assessor on nonqualifying 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 a 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.

(5) At the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of Chapter [84.55](#) RCW. (Ord. 2008-23 § 2)

5.88.020 Residential target area – Criteria.

(1) Following notice and a public hearing, as prescribed in RCW [84.14.040](#), the city council may, in its sole discretion, designate one or more residential target areas. The designated target area must meet the following criteria:

(a) The target area is located within an urban center;

(b) The target area lacks sufficient available, desirable and convenient residential housing to meet the needs of the public who would likely live in the mixed use center if desirable, attractive, and livable places were available; and

(c) The provision of additional housing opportunities in the target area will assist the city in achieving the following purposes:

(i) Increasing residential opportunities within the target area; or

(ii) Stimulating the construction of new multifamily housing; and/or

(iii) The rehabilitation of existing vacant and underutilized buildings for multifamily housing.

(2) In designating the target area, the city council may also consider other factors, including:

(a) Whether additional housing will attract and maintain an increase in the number of permanent residents and help alleviate detrimental conditions caused by a lack of investment in underutilized vacant buildings; and

(b) Whether an increased permanent residential population in the targeted area will help the city achieve the planning goals mandated by the Growth Management Act under RCW [36.70A.020](#); and

(c) Whether additional housing may contribute to revitalization of a distressed neighborhood or area within the city. (Ord. 2001-29 § 2; Ord. 99-7 § 2(A))

5.88.030 Residential target area – Standards and guidelines.

For the designated residential target areas, the city council shall adopt basic requirements for both new construction and rehabilitation, including the application process and procedures. The city council may also adopt guidelines to include the following:

(1) Requirements that address demolition of existing structures and site utilization; and

(2) Building requirements that may include elements addressing parking, height, density, environmental impact, public benefit features, compatibility with surrounding property, and such other amenities as will attract and keep permanent residents and will properly enhance the livability of the residential target area; and

(3) The required amenities shall be relative to the size of the proposed project and the tax benefit to be obtained.

The city council may, by ordinance, amend or rescind the designation of a residential target area at any time pursuant to the same procedure as set forth in the original designation. (Ord. 2001-29 § 2; Ord. 99-7 § 2(B))

5.88.040 Designated target area.

The city council has adopted the residential target area as indicated on the map attached to the ordinance codified in this chapter as [Exhibit A](#). (Ord. 2017-01 § 1; Ord. 2008-23 § 3; Ord. 2001-29 § 1; Ord. 99-7 § 2(C))

5.88.050 Project eligibility.

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

(1) Location. The project must be located within Wenatchee's residential targeted area, as designated under WCC [5.88.040](#).

(2) Size. The project must provide for a minimum of 50 percent of the space for permanent residential occupancy. In the case of existing occupied multifamily development, the multifamily housing must also provide for a minimum of four additional multifamily units. Existing multifamily vacant housing that has been vacant for 12 months or more does not have to provide additional multifamily units. Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or city building or housing code. 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.

(3) Permanent Residential Housing. At least 50 percent of the space designated for multifamily housing must be provided for permanent residential occupancy.

(4) Proposed Completion Date. New construction of multifamily housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of the application.

(5) Affordable Housing. For the property to qualify for the 12-year tax exemption, the project must meet the affordable housing requirements as described in WCC [5.88.015\(1\)\(b\)](#). (Ord. 2008-23 § 4; Ord. 2001-29 § 2; Ord. 99-7 § 3)

5.88.060 Application procedure.

A property owner who wishes to propose a project for tax exemption shall complete the procedures in WCC [5.88.070](#) through [5.88.130](#). (Ord. 99-7 § 4)

5.88.070 Application – Filing, contents.

An application must be filed with the city's department of community development along with a fee of \$50.00 to cover the Chelan County assessor's administrative costs. Upon approval of the application, the fee will be forwarded to the Chelan County assessor's office for processing. A complete application shall include:

- (1) A completed city of Wenatchee 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) Verification by oath or affirmation of the information submitted;
- (5) For rehabilitation projects, the applicant shall also submit an affidavit that existing dwelling units have been unoccupied for a period of 12 months prior to filing the application; and
- (6) Verification of property noncompliance with applicable building and housing codes. (Ord. 2008-23 § 5; Ord. 99-20 § 1; Ord. 99-7 § 4(A))

5.88.080 Application – Review and issuance of conditional certificate.

The director may certify as eligible an applicant determined to have complied with the requirements of this chapter. A decision to approve or deny an application shall be made within 30 days of receipt of a completed application.

- (1) Approval. If an application is approved, the applicant shall enter into a contract with the city, through the director and subject to approval by the city council, regarding the terms and conditions of the project. Upon council approval of the contract, the director shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate expires three years from the date of approval unless an extension is granted as provided in this chapter.
- (2) Denial. 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 10 days of the denial. An applicant may appeal a denial by the director to the city council within 30 days of receipt of the denial. On appeal, the director's decision will be upheld unless the applicant can show that there is no substantial evidence to support the director's decision. The city council's decision on appeal will be final. (Ord. 2008-23 § 8; Ord. 2001-29 § 2; Ord. 99-7 § 4(B))

5.88.090 Extension of conditional certificate.

The director may extend the conditional certificate for a period not to exceed 24 consecutive months. The applicant must submit a written request stating the grounds for extension. An extension may be granted if it is determined 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;
- (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. (Ord. 99-7 § 4(C))

5.88.100 Final certificate – Application.

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 city's department of community development the following:

- (1) A statement of expenditures made with respect to all affected multifamily housing units and the total expenditures made with respect to the entire property;
- (2) A description of the completed work and a statement of qualification for the exemption;
- (3) A statement that the work was completed within the required three-year period plus any authorized extension; and
- (4) If applicable, a statement that the project meets the affordable housing requirements as described in WCC [5.88.015\(1\)\(b\)](#).

Within 30 days of receipt of all materials required for a final certificate, the director shall determine which specific improvements satisfy the requirements of this chapter. (Ord. 2008-23 § 6; Ord. 99-7 § 4(D))

5.88.110 Final certificate – Issuance.

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 10 days, file a final certificate of tax exemption with the Chelan County assessor.

(1) Denial and Appeal. The director shall notify the applicant in writing that a final certificate will not be filed if the director determines that:

- (a) The improvements were not completed within the authorized time period;
- (b) The improvements were not completed in accordance with the contract between the applicant and the city; or
- (c) The owner's property is otherwise not qualified under this chapter.

Within 14 days of receipt of the director's denial of a final certificate, the applicant may file an appeal with the city council. On appeal, the director's decision will be upheld unless the applicant can show that there is no substantial evidence to support the director's decision. The city council's decision on appeal will be final. (Ord. 2008-23 § 8; Ord. 2001-29 § 2; Ord. 99-7 § 4(E))

5.88.120 Annual compliance review.

(1) Within 30 days after the first anniversary of the date of filing the final certificate of tax exemption and each year thereafter, for the tax exemption period, the property owner shall file a notarized annual report declaration with the director indicating the following:

- (a) A statement of occupancy and vacancy of the multifamily units during the prior 12 months ending with the anniversary date; and
- (b) A certification that the property continues to be in compliance with the contract with the city, including that it has not changed use, and, if applicable, that the property has been in compliance with the affordable housing requirements as described in WCC [5.88.015](#) since the date of the certificate approved by the city; and
- (c) A description of any subsequent improvements or changes to the property after issuance of the certificate of tax exemption; and
- (d) The total monthly rent or total sale amount of each unit produced; and
- (e) 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.

(2) City staff shall also conduct on-site verification of the declaration. Failure to submit the annual declaration may result in the tax exemption being cancelled. (Ord. 2008-23 § 7; Ord. 99-7 § 4(F))

5.88.130 Cancellation of tax exemption.

If the director determines the owner is not complying with the terms of the contract, the tax exemption may be cancelled. 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 the Chelan County assessor within 60 days of the change in use.

(1) Effect of Cancellation. If a tax exemption is cancelled due to a change in use or other noncompliance, the Chelan County assessor may impose the additional real property tax on the value of the nonqualifying improvements in the amount that would normally be imposed, plus a penalty of 20 percent. 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 dating back to the date that the improvements were converted to a nonmultifamily use. The tax will include interest upon the amount of the additional tax as determined by the assessor, and the additional tax, together with interest and penalty, 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.

(2) Notice and Appeal. Upon determining that a tax exemption is to be cancelled, and after the director's review with the director, the director shall notify the property owner by certified mail. 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 city council will conduct a hearing at which all affected parties may be heard and all competent evidence received. The city council may affirm, modify, or repeal the decision to cancel the exemption based on the evidence received. An aggrieved party may appeal the city council's decision to the Chelan County superior court. (Ord. 2008-23 § 8; Ord. 2001-29 § 2; Ord. 99-7 § 4(G))