

06/26/23
07/03/23

ORDINANCE NO. M-4416

AN ORDINANCE of the City of Vancouver relating to changes to the City's Multi-Family Housing Tax Exemption Program (MFTE); adopting legislative findings; amending Sections 3.22.010, 3.22.020, 3.22.030, and 3.22.040 of the Vancouver Municipal Code (VMC) to clarify code language, reflect changes in state law, and provide for new residential target areas as well as updated income-based and market-rate multi-family tax exemption options and associated eligibility and application requirements, fees, and procedures; providing for severability; and setting an immediate effective date.

WHEREAS, Washington State law (RCW 84.14) authorizes cities to adopt an MFTE program in certain residential target areas for the purpose of incentivizing the development of multiple-unit housing including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs, and

WHEREAS, the City of Vancouver adopted a Multi-Family Housing Tax Exemption (MFTE) program in 1997 and updated the program in 2011, 2016, and 2021, and

WHEREAS, City Council desires to update the MFTE program to reflect changes in state law and, to expand the program to additional areas within the City, provide for greater program

efficiency, and further incentivize and facilitate the development of affordable housing in the City, and

WHEREAS, the City of Vancouver has a deficit of approximately 5,600 housing units and a vacancy rate below 5% for all rental units in the City; and

WHEREAS, U.S. Census data indicates that there are 13,905 renter households with very low income in Vancouver that face a high housing cost burden, representing 39.7 percent of all renters; and

WHEREAS, U.S. Census data estimates that there are 6,670 homeowners with very low income in Vancouver that are cost burdened by housing expenses, approximately 17.7 percent of homeowners; and

WHEREAS, On April 11, 2016 the City Council declared the existence of an emergency with respect to the availability of affordable housing for very low-income households within the City of Vancouver,

WHEREAS, the demand for subsidized housing for households earning less than 50% of Area Median Income has increased to the point that the Vancouver Housing Authority has had to close many of the rent restricted waitlists since the number of applicants exceeds the capacity to assist existing waiting households for several years.; and

WHEREAS, household incomes are not keeping pace with Vancouver's housing costs, with average apartment rent increasing 28 percent between 2017 to 2022 according to The Columbian and median household income increasing by only 4 percent according to U.S. Census data; and

WHEREAS, the City engaged an economic consultant, ECONorthwest, to perform both a housing market study for the City of Vancouver and an evaluation of the City's current MFTE program, and

WHEREAS, the ECONorthwest housing market and program study confirmed that housing in the City is increasingly unaffordable, and

WHEREAS, the ECONorthwest study recommended specific changes to the MFTE program to improve the program's effectiveness and respond to the shortage of affordable housing in the City, including expanding the program to additional target areas in the City, replacing the negotiated public benefit requirement for market-rate projects with a fee in lieu of affordability option that is tied to minimum density goals increasing housing densities to achieve the MFTE program goals, and

WHEREAS, in order to reduce the risk of future displacement for economically vulnerable tenants and promote the availability of affordable housing, the City Council desires to amend the MFTE program to limit rent increases for five years following the expiration of the 12-year income-based exemption, and

WHEREAS, the MFTE program application and processing fees have not been adjusted for many years and the City Council now desires to adjust them to more accurately capture the administrative cost of processing MFTE applications, and

WHEREAS, the City issued a public review draft of proposed changes to the MFTE program in February of 2023, and

WHEREAS, the City has performed extensive public outreach regarding the proposed changes to the MFTE program, seeking input through the City MFTE webpage, an interactive "Be Heard" communications webtool, hosted virtual forums with both development and community member stakeholder groups, and workshops with the City Center Redevelopment Agency and Vancouver City Council, and

WHEREAS, The proposed MFTE program changes and a summary of the public comments that have been received were presented to the City Center Redevelopment Agency on May 18, 2023, and June 15, 2023 and City Council in a pre-hearing workshop on June 5, 2023.

WHEREAS, the City Council desires to amend VMC 3.22 to incorporate the ECONorthwest study recommendations and other changes to increase the program's efficiency and promote the development of multi-family housing in the City of Vancouver, including the development of affordable housing.

WHEREAS, the City Council adopts and incorporates by reference Staff Report SR-121-23 and finds that the adoption of the changes to the MFTE program set forth in this Ordinance will promote the public health, safety, and general welfare and convenience of the people of Vancouver, and will encourage the development of affordable multi-family housing in the City; and

WHEREAS, with proper notice to the public, the Vancouver City Council conducted a first reading of the proposed ordinance on June 26, 2023, and a public hearing concerning the ordinance and proposed code changes on July 3, 2023.

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF VANCOUVER:

Section 1. Recitals Adopted as Findings.

The City Council hereby adopts and incorporates by reference the above recitals as findings in support of this Ordinance.

Section 2. Target Area Findings.

The City Council finds that the proposed expansion areas, identified in Exhibit A of Resolution 4230 and Section 4 of this Ordinance, meet the applicable criteria set forth at Chapter 84.14.040(1-3) RCW as more specifically set forth below:

1. The target areas are located within an urban center;
2. The target areas lack sufficient available, desirable, affordable, and convenient residential housing to meet the needs of the public who would likely live in the urban center if desirable, affordable, attractive, and livable places were available; and
3. The target areas will assist in achieving the following purposes:
 - a. Encouraging increased residential opportunities within the target area, including income-based housing opportunities; or
 - b. Stimulating the construction of new multi-family housing and/or the rehabilitation of existing vacant and underutilized buildings for multi-family housing; or
 - c. Where appropriate, stimulating the construction, rehabilitation, or conversion of existing vacant and underutilized multi-family rental units to owner-occupied multi-family housing as such property redevelops.
4. The City published the required public hearing notice once each week for two consecutive weeks, not less than seven days nor more than 30 days before the date of the hearing. The notices were published on Friday June 16, and June 23, 2023. The notice stated the time, date, place and purpose of the hearing and generally identified the areas proposed to be designated.

Section 3. **Amendment.** Vancouver Municipal Code Section 3.22.010 entitled “Purpose” as codified by Ordinance Ord. M-3314 and last amended by Ordinance M-3987 §1 is hereby amended as follows:

3.22.010 Purpose.

~~It is the~~The purpose of this ordinance ~~is~~ to encourage new private multi-housing development and redevelopment within designated urban centers to accommodate future population growth, provide places to live close to employment, shopping, entertainment, and transit services and encourage affordable housing where appropriate.

Section 4. **Amendment.** Vancouver Municipal Code Section 3.22.020 entitled “Definitions” as codified by Ordinance Ord. M-3314 and last amended by Ordinance M-4332 § 2 is hereby amended as follows:

3.22.020 Definitions.

“Annual income” means gross annual income adjusted for household size and calculated based on verifiable income documentation provided by the housing applicant/tenant.

“~~Area~~ ~~M~~median family income” means the median income calculated annually by the United States Department of Housing and Urban Development for the Portland-Vancouver-Hillsboro metropolitan statistical area. ~~Area~~ ~~m~~Median family income is adjusted based on household size.

“Director” means the director of the city’s ~~community~~ Economic Prosperity and Housing~~development~~ department or authorized designee.

“Growth Management Act” means Chapter 36.70A RCW.

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

“Income-based housing” means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone and any mandatory recurring fees required as a condition of tenancy for the unit, do not exceed 30 percent of the household’s monthly income. For the purposes of homeownership, the income limits are listed in VMC 3.22.040(D)(98), Options under the Program.

“Market-rate exemption option” means an eight-year property tax exemption with no income or rent requirements, subject to the public benefit requirements as outlined in VMC 3.22.040(D)(98)(a).

“Multi-family 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 multi-family 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 modification to existing occupied structures which convert nonresidential space to residential space and/or increase the number of multi-family housing units.

“Residential target 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.

“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.

Section 4. **Amendment.** Vancouver Municipal Code Section 3.22.030 entitled “Residential target area designation and standards” as codified by Ordinance Ord. M-3314 and last amended by Ordinance M-4332 § 3 is hereby amended as follows:

3.22.030 Residential target area designation and standards.

A. *Criteria.* Following a public hearing, the city council may, in its sole discretion, designate one or more residential target areas. Each designated target area must meet the following criteria, as determined by the city council:

1. The target area is located within an urban center;
2. The target area lacks sufficient available, desirable, affordable, and convenient residential housing to meet the needs of the public who would likely live in the urban center if desirable, affordable, attractive, and livable places were available; and
3. The providing of additional housing opportunities in the target area will assist in achieving the following purposes:
 - a. Encourage increased residential opportunities within the target area, including income-based housing opportunities; or
 - b. Stimulate the construction of new multi-family housing and/or the rehabilitation of existing vacant and underutilized buildings for multi-family housing; or

c. Where appropriate, stimulate the construction, rehabilitation or conversion of existing vacant and underutilized multi-family rental units to owner-occupied multi-family housing as such property redevelops.

4. In designating a residential target area, the city council may also consider other factors, including, but not limited to: whether additional housing in the target area will attract and maintain an increase in the number of permanent residents; whether an increased residential population will help alleviate detrimental conditions in the target area; and whether an increased residential population in the target area will help to achieve the planning goals mandated by the Growth Management Act under RCW 36.70A.020. 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 this chapter for original designation.

5. When designating a residential target area, the city council shall give notice of a hearing to be held on the matter and that notice shall be published once each week for two consecutive weeks, not less than seven days nor more than 30 days before the date of the hearing. The notice must state the time, date, place, and purpose of the hearing and generally identify the area proposed to be designated.

B. *Target Area Standards and Guidelines.* For each designated residential target area, 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 which include parking, height, density, environmental impact, home ownership, public benefit features, compatibility with the surrounding property and such other amenities as will attract and keep permanent residents and will properly enhance the livability of the residential target area. The

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

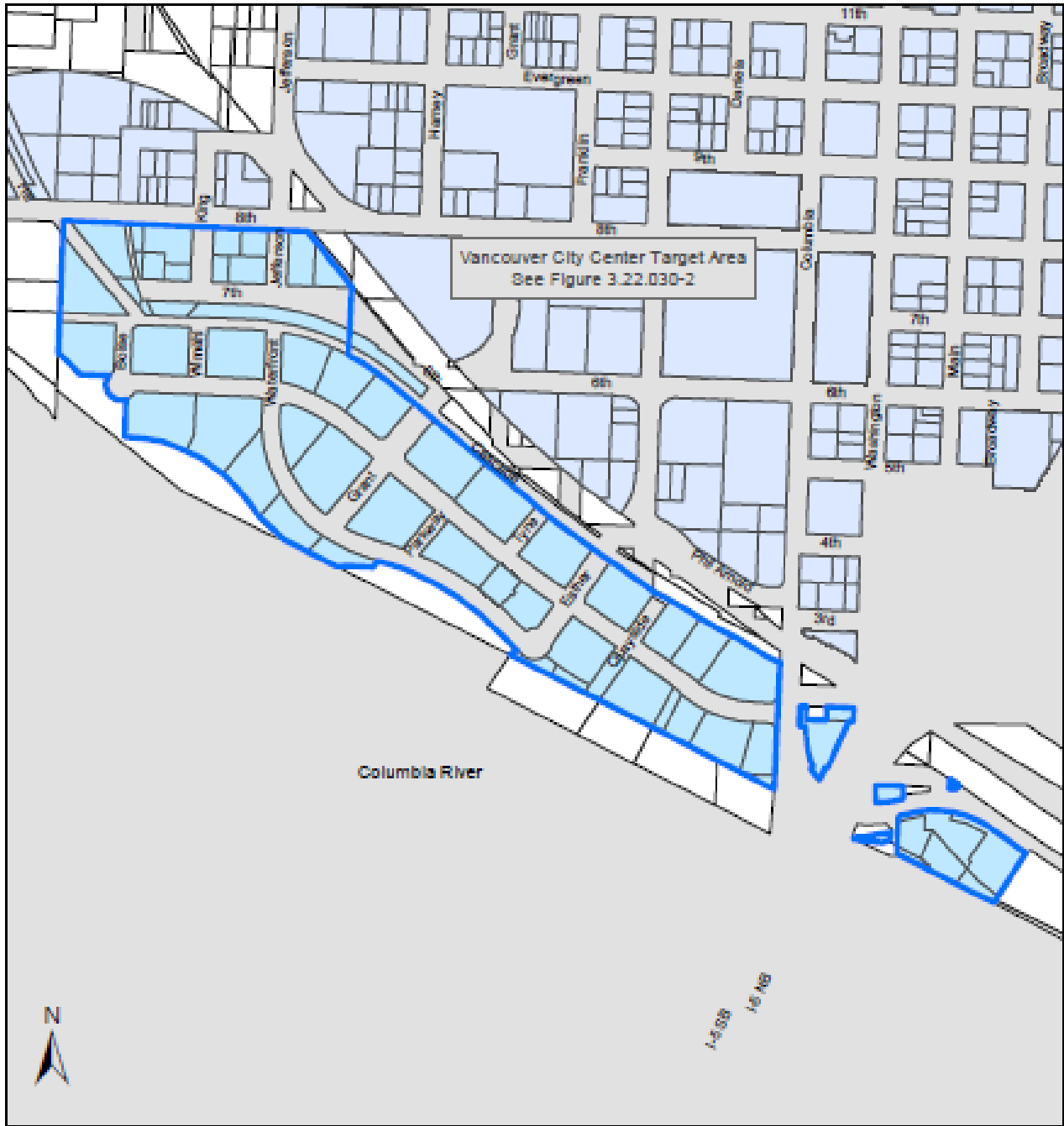
C. *Designated Target Areas.* The following “residential target areas” are designated in the Ccity of Vancouver:

1. The Vancouver ~~area inside the boundaries of the Vancouver City Center Waterfront Target Area Subarea Plan and an adjacent area consisting of approximately two acres located south of SE Columbia and east of Interstate 5 as~~ depicted on Map 1 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as well as the Market rate or income-based requirements under section 3.22.040 (D)(9)(a):

Map 1: Vancouver Waterfront Target Area


~~Vancouver City Center Vision~~





0 500 1,000 2,000 Feet

**FIGURE
3.22.030-1**

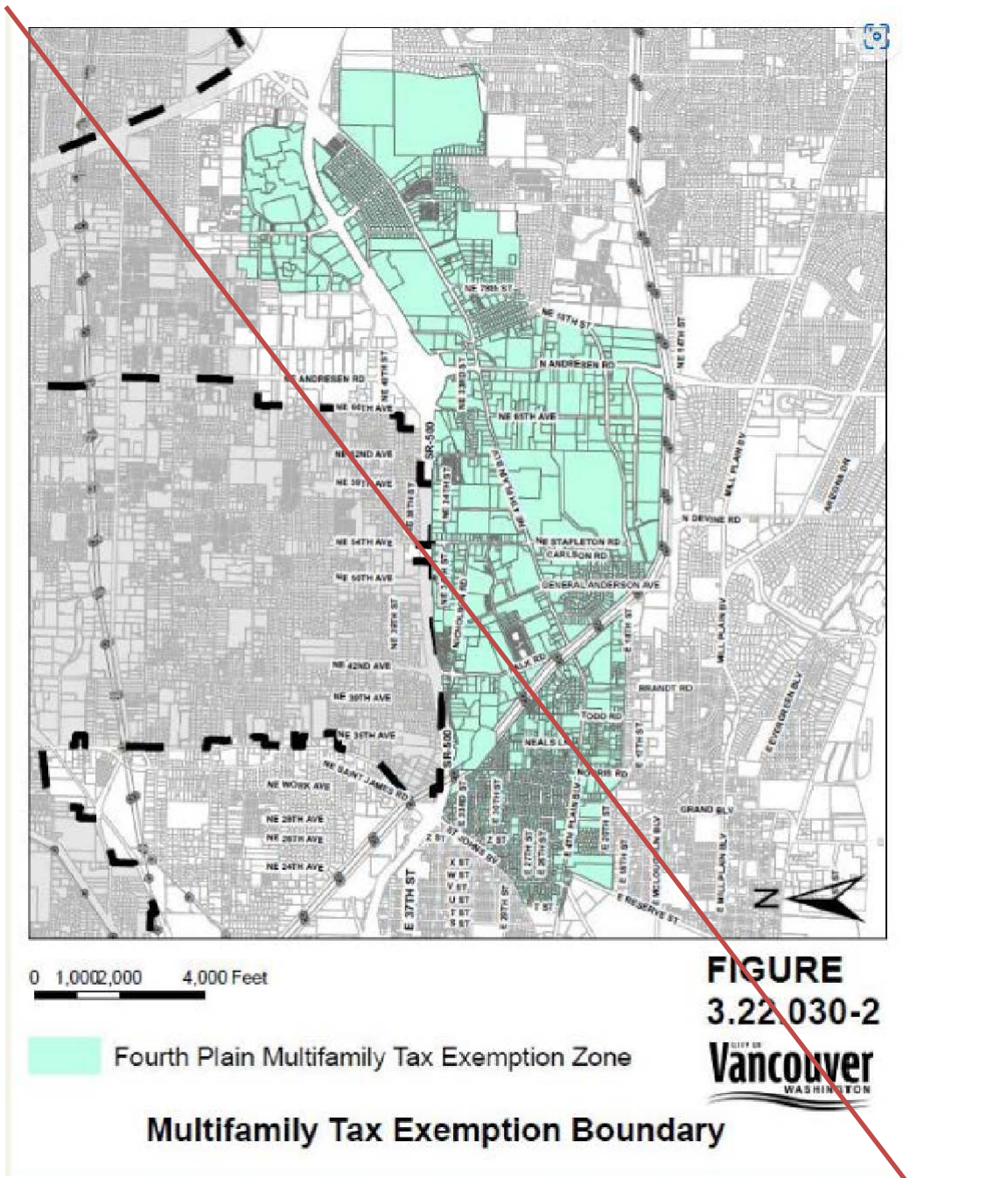
 Downtown Waterfront MFTE Target Area Boundary

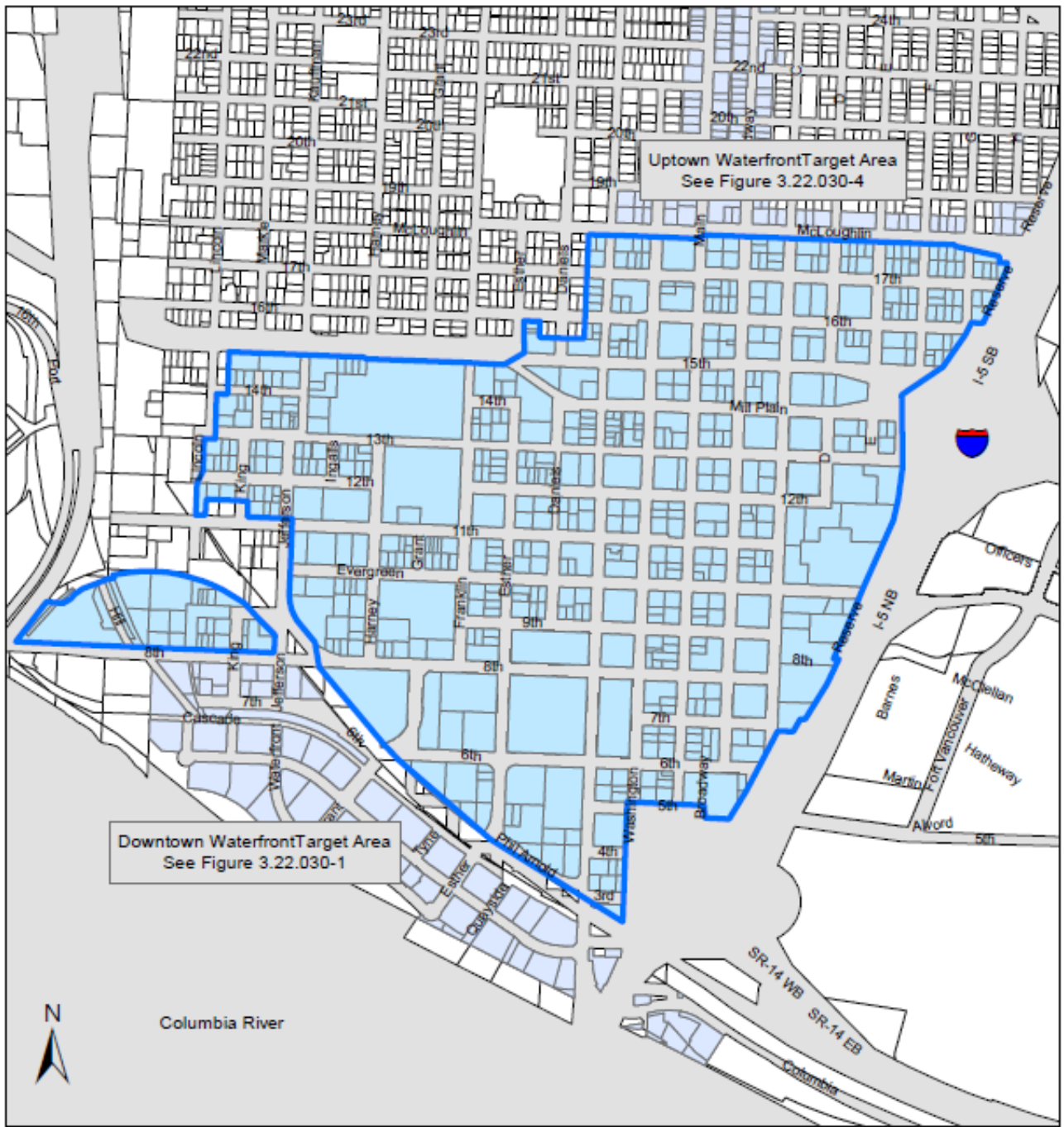
Multifamily Tax Exemption Boundary

~~2. The area inside the boundaries of the Fourth Plain Corridor Subarea Plan as depicted on Map 2 below. This residential target area shall encourage the construction or rehabilitation of owner-occupied multi-family housing as well as rental multi-family housing.~~

2. The Vancouver City Center Target Area depicted on Map 2 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as well as the Market rate or income-based requirements under section 3.22.040 (D)(9)(a)

~~Subarea~~ Map 2: Vancouver City Center Target Area





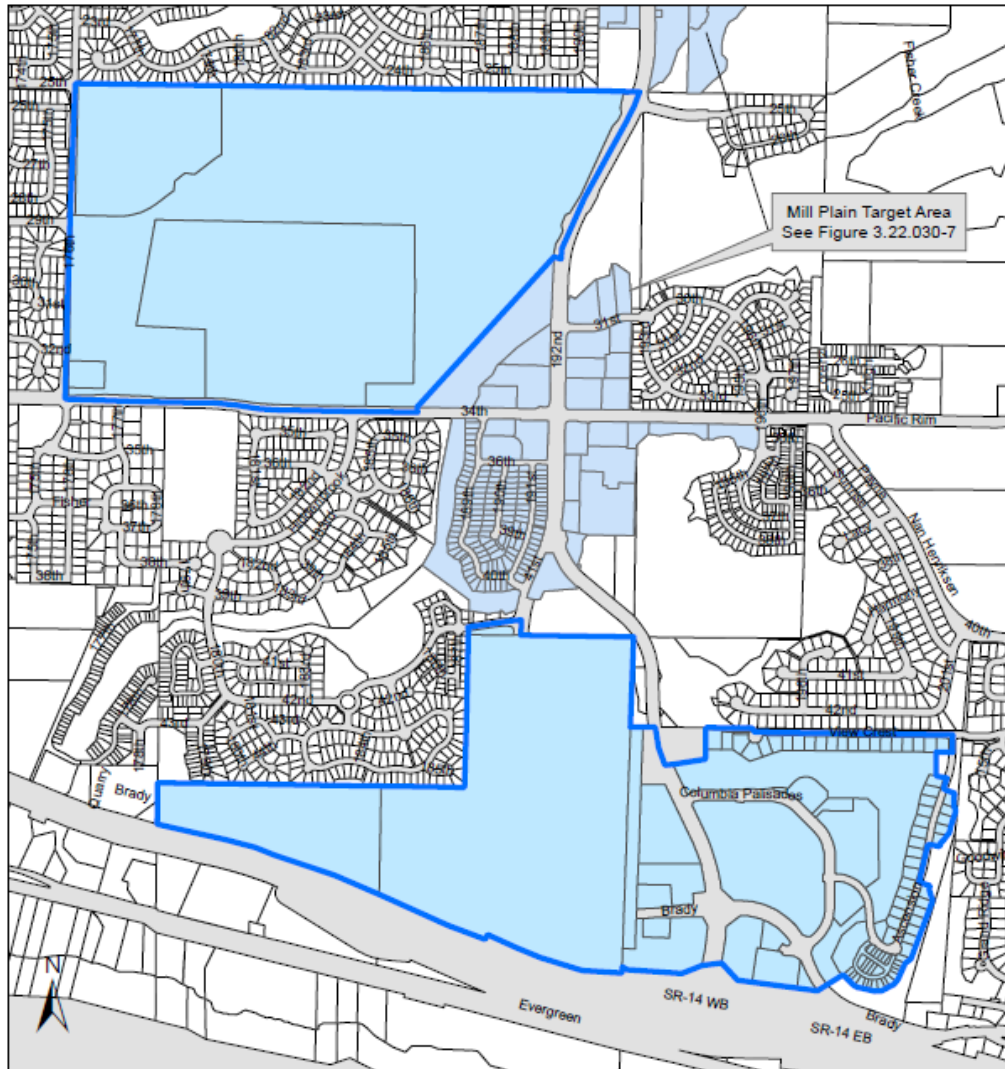
**FIGURE
3.22.030-2**

 Vancouver City Center MFTE Target Area Boundary

Multifamily Tax Exemption Boundary

3. East Vancouver Target Area depicted on Map 3 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as the market rate or income-based requirements under 3.22.040 (D)(9)(a)

Map 3: East Vancouver Target Area



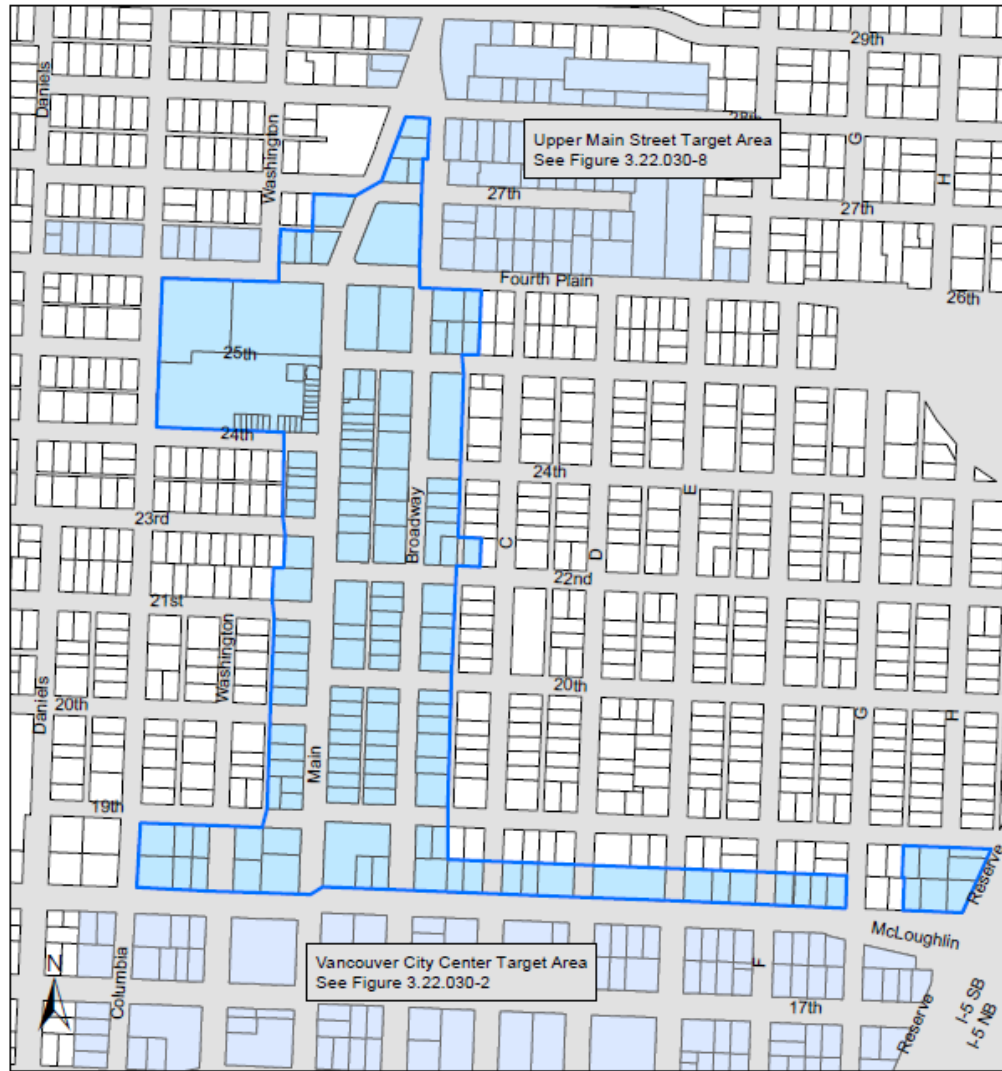
**FIGURE
3.22.030-3**

 East Vancouver MFTE Target Area Boundary

Multifamily Tax Exemption Boundary


- 4. [The Uptown Target Area depicted on Map 4 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as well as the Market rate or income-based requirements under section 3.22.040 \(D\)\(9\)\(a\)](#)

[Map 4: Uptown Target Area](#)



0 500 1,000 2,000 Feet

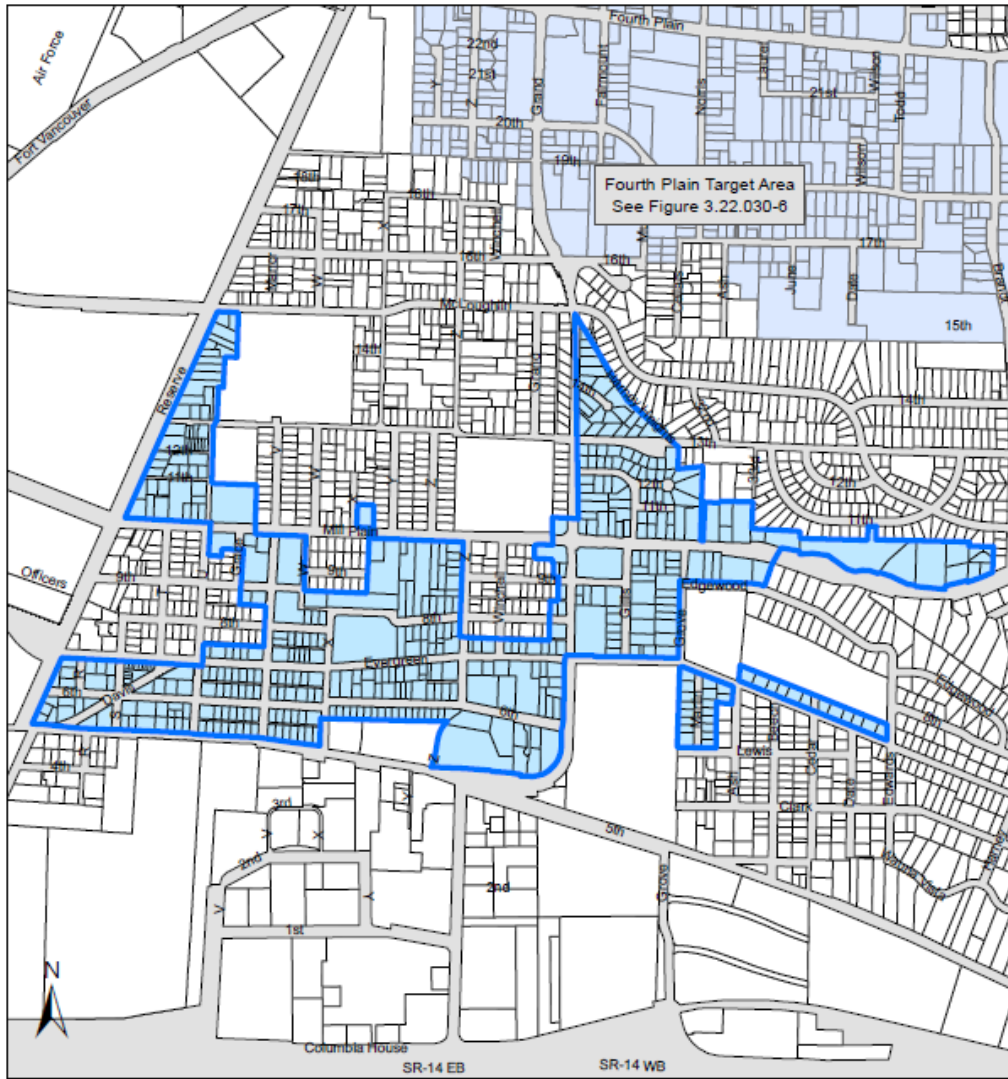
**FIGURE
3.22.030-4**

 Uptown MFTE Target Area Boundary

Multifamily Tax Exemption Boundary


5. The Evergreen/Grand Target Area depicted on Map 5 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as well as the market rate or income-based requirements under section 3.22.040 (D)(9)(a)

Map 5: Evergreen/Grand Target Area



0 500 1,000 2,000 Feet

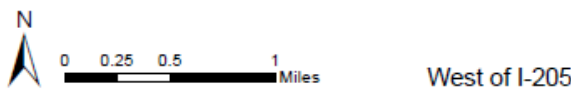
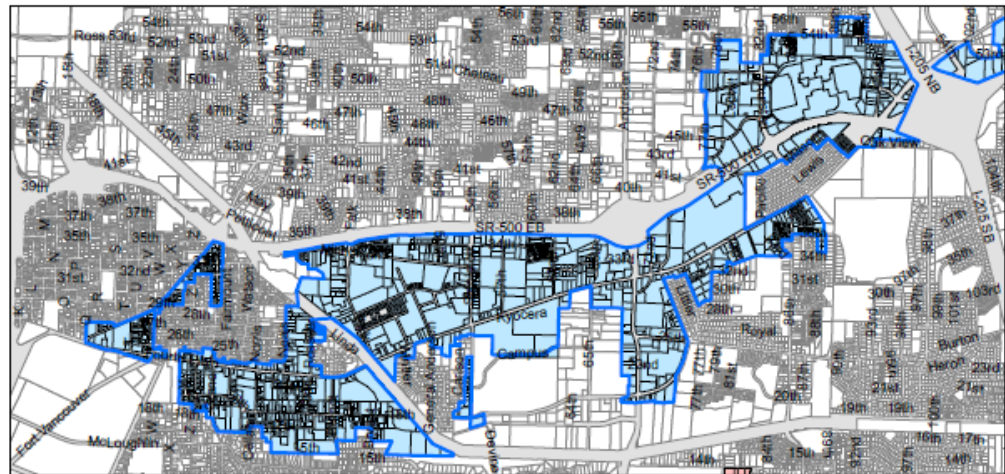
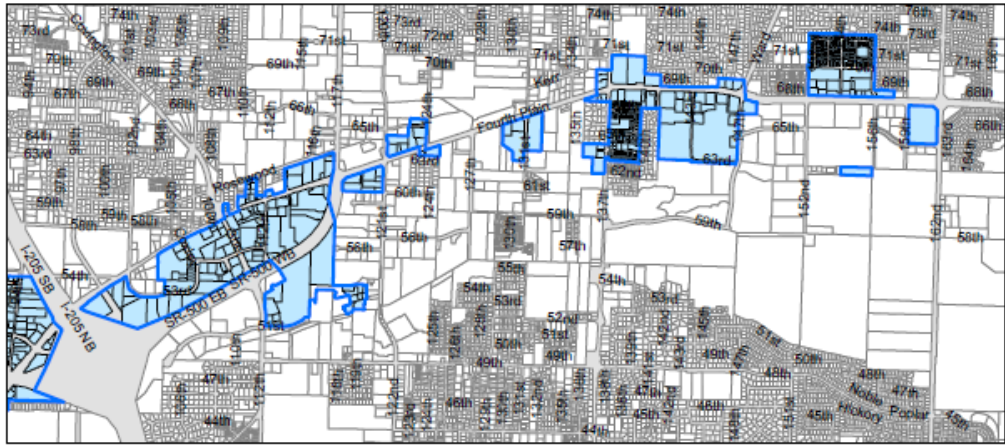
**FIGURE
3.22.030-5**

 Evergreen / Grand MFTE Target Area Boundary


Multifamily Tax Exemption Boundary

6. Fourth Plain Target Area depicted on Map 6 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as the market-rate or income-based requirements under 3.22.040 (D)(9)(a).

Map 6: Fourth Plain Target Area



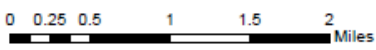
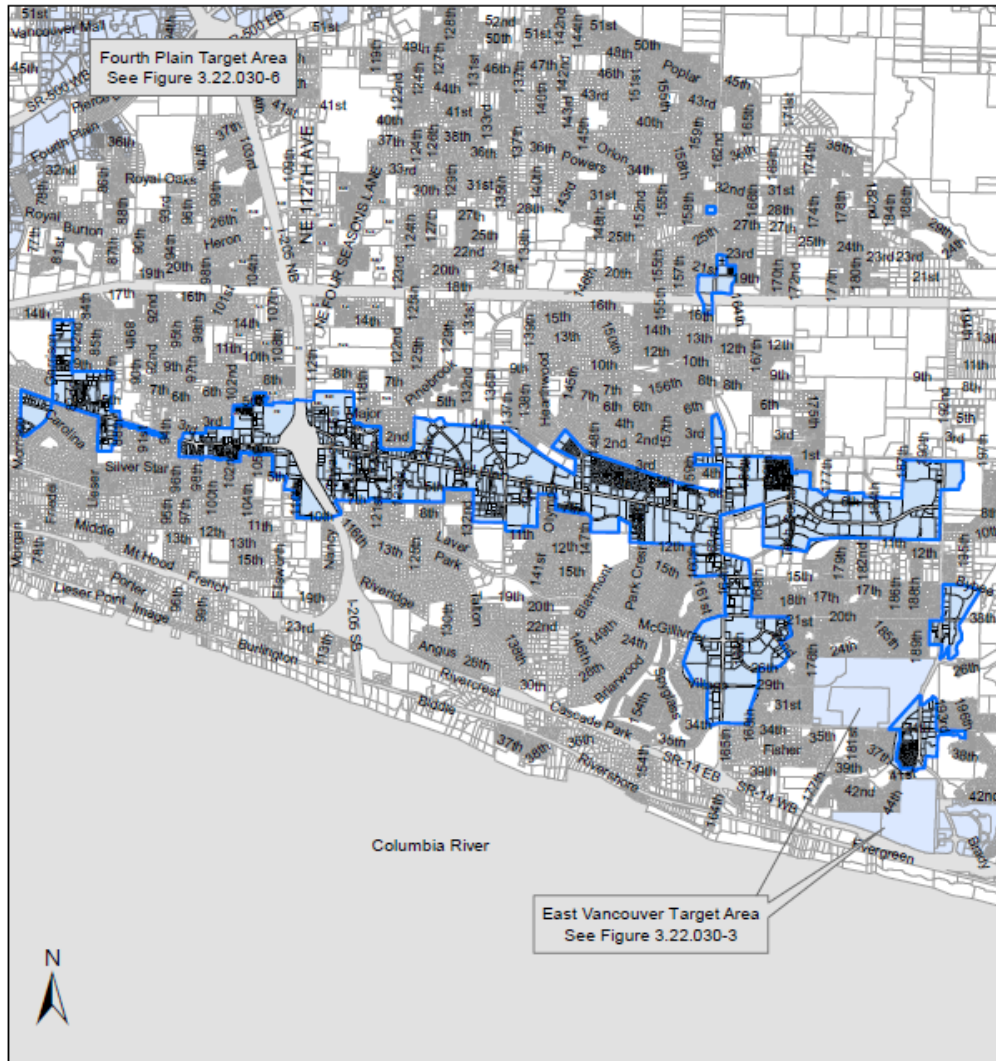
**FIGURE
3.22.030-6**

 Fourth Plain MFTE Target Area Boundary


Multifamily Tax Exemption Boundary

[Map 7: Mill Plain Target Area depicted on Map 7 below. Projects in this target area must meet the zoning requirements of the underlying zoning district as the market rate or income-based requirements under 3.22.040 \(D\)\(9\)\(a\)](#)

[Map 7: Mill Plain Target Area](#)



**FIGURE
3.22.030-7**

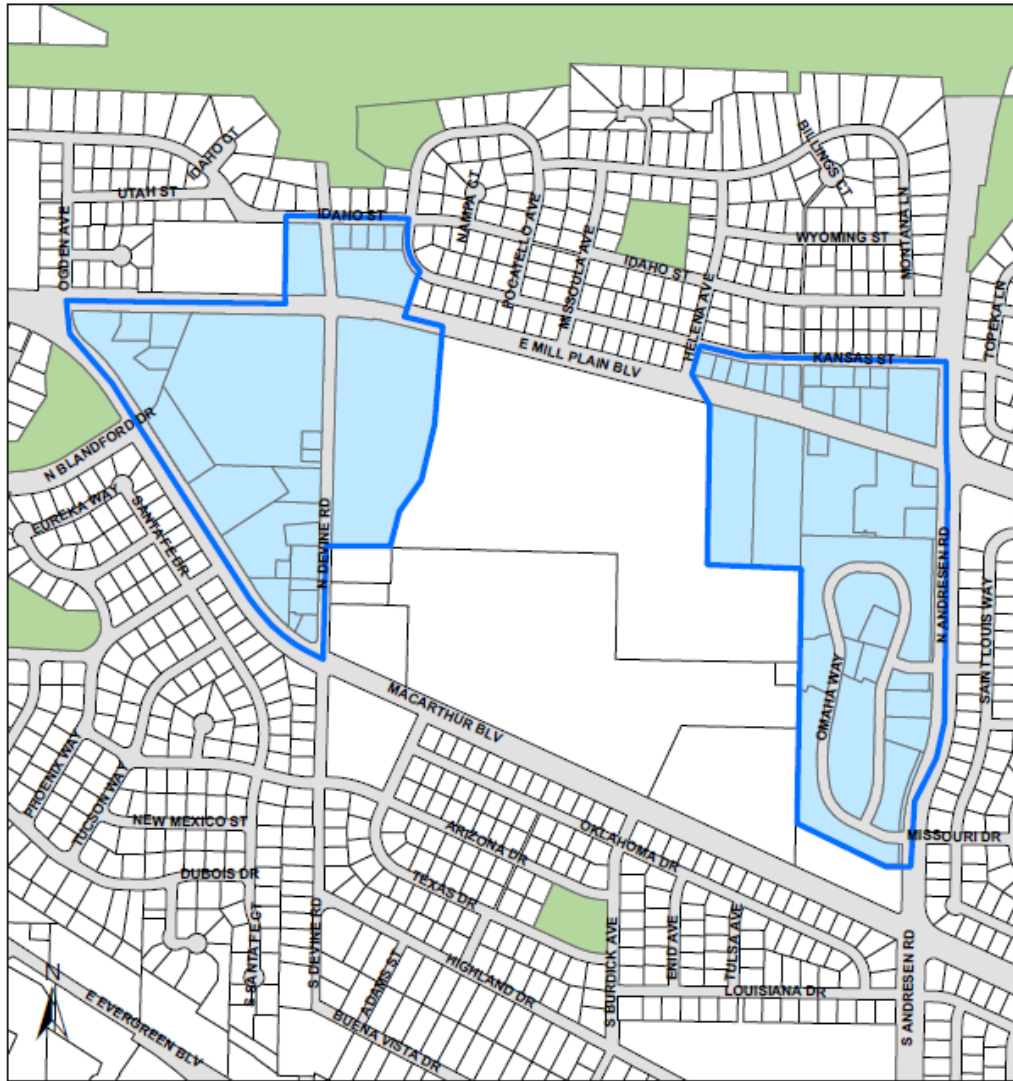
 Mill Plain MFTE Target Area Boundary

Multifamily Tax Exemption Boundary

[8. The Upper Main Street Target Area depicted on Map 8 below. Projects in this target area must](#)
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[in this target area must meet the zoning requirements of the underlying zoning district as well as the income-based requirements under section 3.22.040 \(D\)\(9\)\(a\)](#)

[Map 9: The Heights Target Area](#)



0 500 1,000 2,000 Feet

FIGURE 3.22.030-9

 The Heights MFTE Target Area Boundary

Multifamily Tax Exemption Boundary

D. Target Area Map Boundary Interpretation:

Target area boundary lines are intended to follow property lot lines or be parallel or perpendicular thereto, or along the centerline of alleys, streets, rights-of-way or watercourses.

Where, due to the scale, lack of detail or illegibility of the target area maps, there is uncertainty, contradiction or conflict as to the intended location of any target area boundary as shown thereon, the Director shall provide an interpretation of said map upon request.

Section 4. **Amendment.** Vancouver Municipal Code Section 3.22.040 entitled “Tax exemptions for multi-family housing in residential target areas” as codified by Ordinance Ord. M-3314 and last amended by Ordinance M-4332 § 4 is hereby amended as follows:

3.22.040 Tax exemptions for multi-family housing in residential target areas.

A. *Intent.* Limited ~~8- eight, 10-~~ or 12-year exemptions from ad valorem property taxation for multi-family housing in urban centers are intended to:

1. Encourage increased residential opportunities within urban centers designated by the city council as residential target areas;
2. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multi-family housing in residential target areas to increase and improve housing opportunities;

3. Assist in directing future population growth to designated urban centers target areas and
thereby, ~~thereby~~ reducing development pressure on single-family residential neighborhoods;

4. Achieve development densities which are more conducive to transit use in designated urban centers;
5. Encourage new construction or rehabilitation of owner-occupied multi-family housing where identified as desirable; and
6. Encourage income-based housing [opportunities](#).

B. *Duration of Exemption.* The value of [residential](#) improvements qualifying under this chapter will be exempt from ad valorem property taxation for:

- (1) eight successive years where all applicable criteria herein are met under subsection [D\(98\)](#)(a) ~~or (b)~~, or
- (2) ~~10 successive years if all applicable criteria herein are met, or (3)~~ 12 successive years if all applicable criteria herein are met. In all cases the duration of exemption shall be measured beginning January 1st of the year immediately following the calendar year after issuance of the final certificate of tax exemption.

C. *Limits on Exemption.* The exemption does not apply to the value of land or the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and nonqualifying 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. [The exemption does not apply during construction of the project.](#)

D. *Project Eligibility.* A proposed project must meet the following requirements for consideration for a property tax exemption:

1. *Location.* The project must be located within a residential target area, as designated in VMC 3.22.030.

2. [*Application Date.* A complete MFTE application must be received prior to receiving a construction occupancy permit.](#)

3. *Tenant Displacement Prohibited.* Property proposed to be rehabilitated must be vacant at least 12 months before submitting an application and fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

~~4.~~ *Size.* The project must include at least four units of multi-family 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 multi-family units must be added to existing occupied multi-family housing. Existing multi-family 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 four units of new, converted, or rehabilitated multi-family housing.

54. Permanent Residential Housing. At least 50 percent of the space designated for multi-family housing must be provided for permanent residential occupancy, as defined in VMC 3.22.020.

65. Proposed Completion Date. New construction multi-family housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of conditional certificate the ~~application~~.

76. 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 all applicable housing codes. 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 as defined in Table 1 below.

87. Owner Occupancy. Projects within a residential target area that are developed for owner occupancy shall include ~~an agreement~~ contract or other guarantee acceptable to the director ensuring that some or all of the units within the project are used for purposes of owner occupancy.

98. Options under the Program. To be eligible for the ~~eight year~~ MFTE tax exemption program option under this chapter, the applicant must either commit to providing income-based housing

in exchange for a 12-year tax exemption, or, alternatively, must pay an affordable housing fee in lieu of providing income-based housing (“Affordable Housing Fee”) and meet certain density requirements in exchange for an 8-year tax exemption. ~~may choose between the market-rate option and or the the income based option.~~ The criteria for these options are set forth below:

a. The ~~Under the eight year~~ market-rate exemption option ~~is an 8-year exemption,~~ applicants shall enter into a development agreement with the city specifying requirements such as: that is contingent upon payment of an Affordable Housing Fee in lieu of providing income-based housing as a part of the project (“Affordable Housing Fee”). The Affordable Housing Fee is determined by the specific target area and density as set forth in Table 1. Depending upon the target area and the density of the project, the Affordable Housing Fee shall be either 25% or 50% of the net present value of the property tax exemption over the life of the exemption. Affordable Housing Fees paid pursuant to this subsection shall be held in a separate fund and used to develop affordable housing in the City. The ownership option units will not be subject to the Affordable Housing Fee. The ownership option units must initially sell for less than or equal to two times the HUD Homeownership Value Limit for newly constructed housing in Clark County, which is updated annually. The required number of ownership units for each target area are set forth below in Table 1.

- ~~i. Public art consistent with the city’s adopted arts, culture and heritage plan and subject to review by the Vancouver cultural commission;~~
- ~~ii. Additional structured parking in excess of at least 10 percent of the minimum required parking spaces;~~

~~iii. Significantly enhanced infrastructure (e.g., public plazas of at least 1,000 square feet and permanently accessible to the public, wider sidewalks that provide enhanced amenities for pedestrians such as benches, landscaping and/or public art, undergrounding utilities) not otherwise required by development standards, and homeownership component;~~

~~iv. The documented cost of such features shall collectively be no less than 25 percent of the estimated tax benefit over the abatement period and shall be completed, inspected and verified as to value prior to a certificate of occupancy being issued.~~

~~b. To be eligible for the eight year income based exemption option under this chapter, applicants must commit to renting or selling at least 20 percent of units as income based housing to households with annual incomes at or below 100 percent of area median income.~~

~~9. To be eligible for the 10 year tax exemption, applicants must commit to renting or selling at least 20 percent of units as income based housing to households with annual incomes at or below 80 percent of area median income.~~

~~10. To be eligible for the 12 year tax exemption under this chapter, applicants must commit to renting or selling at least 20 percent of units as income based housing to households with annual incomes at or below 60 percent of area median income.~~

~~11. Table 1 below summarizes the income based requirements for each exemption option.~~

~~options and corresponding requirements for market rate projects in each residential target area.~~

~~To encourage production of larger family-size units, for the purposes calculating the development density required to reduce the affordable housing fee in lieu percentage, 3-bedroom units will count as 1.5 units and 4+ bedroom units will count as 2 units.~~

<u>Residential Target Area</u>	<u>Option1 Market Rate With Affordable Housing Fee</u>	<u>Option2 Market Rate With Density Requirements and/or Affordable Housing Fee</u>	<u>Option 3 Ownership</u>
<u>Downtown Waterfront</u>	<u>50%</u>	<u>275 dwelling units/acre + 25% Affordable Housing Fee In Lieu</u>	<u>No Affordable Housing Fee In Lieu;</u> <u>Minimum of 12 units provided</u>
<u>Vancouver City Center</u>	<u>50%</u>	<u>225 dwelling units/acre + 25% Affordable Housing Fee In Lieu</u>	
<u>East Vancouver</u>	<u>50%</u>	<u>200 dwelling units/acre + 25% Affordable Housing Fee In Lieu</u>	
<u>Uptown</u>	<u>25%</u>	<u>160 dwelling units/acre</u>	
<u>Evergreen / Grand</u>	<u>25%</u>	<u>90 dwelling units/acre</u>	<u>No Affordable Housing Fee In Lieu;</u> <u>Minimum of 4 units provided</u>
<u>Fourth Plain Corridor</u>	<u>25%</u>	<u>90 dwelling units/acre</u>	
<u>Mill Plain Corridor</u>	<u>25%</u>	<u>90 dwelling units/acre</u>	
<u>Upper Main Street Corridor</u>	<u>25%</u>	<u>90 dwelling units/acre</u>	

Exemption Period	Income-Based Requirement
Eight Years	No income-based requirement with development agreement under market rate option; or minimum of 20% of units rented or owned will be as income-based housing to households at/below 100% of area median income
Ten Years	Minimum of 20% of units rented or owned will be as income-based housing to households at/below 80% of area median income
Twelve Years	Minimum of 20% of units rented or owned will be as income-based housing to households at/below 60% of area median income

b. The income-based option is a 12-year tax exemption under which applicants must commit to renting or selling at least 20% of the total development units as income-based housing to households with annual incomes at or below 80% of area median income. The ratio of MFTE unit types (bedrooms) shall be equal to the unit type ratio for the entire development. The property owner must provide information regarding tenant outreach regarding the availability of designated income-based units when advertising the property.

E. *Application Procedure.* A property owner who wishes to propose a project for a tax exemption shall complete the following procedures:

1. File with the city ~~'s community development department~~ the required application and the required fees. The initial application fee to the city shall consist of a base fee of ~~\$5,0300.00~~, plus ~~\$7550.00~~ per multi-family unit, ~~up to a maximum total fee to the city of \$1,000. An additional \$100.00 fee to cover the Clark County assessor's administrative costs shall also be paid to the city.~~ If the city denies the application, the city will retain that portion of the fee attributable to its own administrative costs and refund the balance to the applicant.

2. A complete application shall include:

- a. A completed city of Vancouver multi-family limited tax exemption application form ~~setting forth the grounds for the exemption;~~
- b. A description of the project including the type of project and exemption requested; ~~Preliminary floor and site plans of the proposed project;~~
- c. Preliminary floor and site plans of the proposed project; ~~Detailed list of unit size, number of bedrooms and bathrooms and projected rent or sales price;~~
- d. Detailed list of unit size, number of bedrooms and bathrooms and projected rent or sales price; ~~A statement acknowledging the potential tax liability when the project ceases to be eligible under this chapter;~~
- e. A detailed project budget, financing plan and operating projection; ~~Verification by oath or affirmation of the information submitted;~~
- f. A detailed of green building construction practices proposed for the development.

- g. A detailed advertising plan describing outreach methods for Income-Based tenants.
- h. ~~A detailed project budget, financing plan and operating projection; and~~ 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 shall secure from the city verification of
property noncompliance with the city's minimum housing code.
- i. ~~g.~~ A statement acknowledging the potential tax liability when the project ceases to be eligible or is
cancelled under this chapter;
- j. Verification by oath or affirmation of the accuracy of the submitted information;
- k. Application fee receipt

~~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 shall secure from the city verification of property noncompliance with the city's minimum housing code.~~

F. *Application Review.* ~~Once deemed complete,~~ City staff will review ~~the~~ applications to determine eligibility based on subsection D of this section and evaluate the effect of the deferred tax proceeds. The City will review applications under the approval criteria, procedures, and program guidelines in effect when the City deems an application complete.

G. *Issuance of Conditional Certificate.* The director may certify as eligible an applicant who is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within 90 days of receipt of a complete application.

1. *Approval.* If an application is approved, the applicant shall enter into a contract with the city, subject to approval by the city council in a form of a resolution, 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 applicant shall record the certificate with the Clark County Auditor. The conditional certificate shall expire three years from the date of approval unless an extension is granted as provided in this chapter.

2. *Denial.* If an applicant 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 10 days of the denial. An applicant may appeal a denial to the city council within 30 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.

H. Conditional Certificate Completion. Beginning on the date of the conditional certificate approval, the property owner has three years to obtain an occupancy permit.

l. *Extension of Conditional Certificate.* The conditional certificate may be extended by the director for a period not to exceed 24 consecutive months except as provided below. The applicant must submit a written request stating the grounds for the extension, accompanied by a \$1,000.00 processing fee. 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 applicant;

2. The applicant 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.
4. An additional 12-month extension may be granted where each of the following criteria are met:
 - a. The request for the extension is for a later phase of a development subject to a development agreement; and
 - b. The conditional certificate was granted prior to February 2015; and
 - c. Ownership of the property has been transferred subsequent to the granting of the conditional certificate.

J. *Application for Final Certificate.*

1. 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 ~~the~~ ~~community development services 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 that the rehabilitation improvements or new construction on the owner's property qualify the property for limited exemption;
- c. If applicable, a statement that the project meets the income-based housing requirements as described in RCW 84.14.020; and
- d. A statement that the work was completed within the required three-year period plus any authorized extension.

2. Within 30 days of receipt of all materials required for a final certificate, the director shall determine which specific improvements satisfy the requirements, whether the work was completed, and the rent and income limits of the units are consistent with the application and the contract approved by the city and is qualified for a limited tax exemption under this chapter.

K.J. *Issuance of Final Certificate.*

1. *Review and Approval.* If, after reviewing the application for final certificate, 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 Clark County assessor.

2. *Denial.* 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 owner's application or the contract between the applicant and the city; including if applicable as income-based housing requirements; or

c. The owner's property is otherwise not qualified under this chapter.

3. *Appeal.* 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 on the record to support the director's decision. The city council's decision on appeal will be final.

~~L.K.~~ *Post-exemption Rent Restriction.* At the expiration of the 12-year tax exemption period, a five-year rent restriction will apply to the MFTE units to reduce potential displacement of tenants. In each of the five years following the expiration of the multifamily tax exemption, annual increase in the income-based unit rents shall not exceed the unit rent in the previous year by 5% plus the Consumer Price Index-U. factor, as referenced in in VMC 3.08.100. During this 5-year period, the applicant shall continue to provide the City with timely annual reporting pursuant to subsection 3.22.040 (O) and participate in the City's compliance monitoring program pursuant to subsection 3.22.040 (P).

M. Exemption Renewal. For income-based projects that are within 18 months of exemption expiration the exemption period may be extended for an additional 12 years contingent upon approval by city council. For the property to qualify for a potential extension the applicant must commit to renting or selling at least 20 percent of the multifamily housing units as income-based units low-income households earning at or below 80% area median income.

a. *Application.* Property owners must request the 12-year exemption renewal no later than September 1st (four months prior to initial MFTE expiration date). Staff will review exemption

application and project for compliance before making recommendation to City Council for consideration. A \$1,000 fee is required for the exemption renewal request.

b. Extension Expiration Notice. At the end of both the tenth and eleventh years of a twelve-year extension of a tax exemption, applicants must provide tenants of rent-restricted units with notification of intent to provide the tenant with rental relocation assistance as provided below

c. Tenant Relocation Assistance. At the expiration of any twelve-year exemption or any twelve-year exemption extension, the applicant must provide tenant relocation assistance in an amount equal to one month's rent to a qualified MFTE tenant within the final month of the qualified tenant's lease. To be eligible for tenant relocation assistance the tenant must occupy an income-restricted unit at the time the exemption expires and must qualify as a low-income at the time relocation assistance is sought. If the income-based requirements remain in place for the unit after the expiration of the exemption, relocation assistance in an amount equal to one month's rent must be provided to a qualified tenant within the final month of a qualified tenant's lease who occupies an income-restricted unit at the time those additional affordability requirements cease to apply to the unit.

~~K. N. Annual Compliance Review. 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 tax exemption;~~

For the duration of the exemption the owner of the rehabilitated or newly constructed ~~property~~ development shall file a notarized declaration annually with the director that includes the

following:

1. A statement identifying the total number of occupied and vacant multi-family units receiving a property tax exemption;

2. A certification that the property continues to be in compliance with the contract with the city including any provisions related to income-based housing; and
3. A description of any improvements or changes to the property constructed after the issuance of the certificate of tax exemption;
4. The total monthly rent or total sale amount for each unit;
5. For exemptions granted under the income-based housing provisions of this chapter, 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; and
6. For exemptions granted under the income-based housing provisions of this chapter, documentation showing that 20 percent of the units were rented or sold as income-based housing to ~~low or moderate income~~ low- or moderate-income households. The property owner must maintain records supporting this declaration and those records and the multi-family units are subject to inspection by the city. Failure to submit the annual declaration or maintain adequate records may result in the tax exemption being canceled.

~~OL. Annual Reporting. For the first year of reporting, final MFTE certificates By December 31st April 1 of each year issued by the city in a calendar year, has any outstanding issued limited multi-family tax exemptions the city shall submit a~~ shall be reported to the Washington State Department of Commerce by April 1 ~~state~~ providing the information required by Chapter 84.14 RCW. For the remaining years of the exemption period applicants shall submit annual monitoring reports to the City no later than December 1st.

PM. Annual Monitoring. A review of the rent rolls is required annually including unit number, unit size (bedrooms/bathrooms), household size, income, rent, and utilities. City staff will conduct on-site reviews of tenant files randomly. There is a \$500.00 annual monitoring fee.

QN. Cancellation of Tax Exemption. If the director determines the owner is not complying with the terms of the contract, 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 multi-family housing to another use or otherwise discontinues compliance with this chapter, the owner must notify the director and the Clark County assessor within 60 days of the change in use.

1. *Effect of Cancellation.* If a tax exemption is canceled due to a change in use or other noncompliance, the Clark County assessor may impose an additional tax on the property, together with the interest and penalty, and a priority lien may be placed on the land, pursuant to Chapter 84.14 RCW.

2. *Notice and Appeal.* Upon determining that a tax exemption is to be canceled, 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 will 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 Clark County sSuperior eCourt.

Section 5. Severability. If any clause, sentence, paragraph, section, or part of this ordinance or the application thereof to any person or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such order or judgment shall be confined in its operation to the controversy in which it was rendered and shall not affect or invalidate the remainder of any parts thereof to any other person or circumstances and to this end the provisions of each clause, sentence, paragraph, section or part of this law are hereby declared to be severable.

Section 6. Effective Date. This ordinance shall be effective immediately upon passage.

DATE OF FINAL PASSAGE by the Vancouver City Council: July 3, 2023.

SIGNED this 3rd day of July, 2023.

DocuSigned by:

Anne McEnerny-Ogle

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Anne McEnerny-Ogle, Mayor

Attest:

Approved as to form:

DocuSigned by:

Natasha Ramras

BCF6734E40E94AE...

Natasha Ramras, City Clerk

DocuSigned by:

Jonathan Young

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Jonathan Young, City Attorney

SUMMARY

ORDINANCE NO. M-4416

AN ORDINANCE of the City of Vancouver relating to changes to the City's Multi-Family Housing Tax Exemption Program (MFTE); adopting legislative findings; amending Sections 3.22.010, 3.22.020, 3.22.030, and 3.22.040 of the Vancouver Municipal Code (VMC) to clarify

code language, reflect changes in state law, and provide for new residential target areas as well as updated income-based and market-rate multi-family tax exemption options and associated eligibility and application requirements, fees, and procedures; providing for severability; and setting an immediate effective date.