

ATTACHMENT 1

**ORDINANCE 19-2927**

**AN ORDINANCE OF THE CITY OF BLAINE DESIGNATING A RESIDENTIAL TARGETED AREA AND ADOPTING CHAPTER 5.52 OF THE BLAINE MUNICIPAL CODE FOR THE PURPOSE OF CREATING A MULTIFAMILY TAX EXEMPTION AS AUTHORIZED BY THE REVISED CODE OF WASHINGTON (RCW) 84.14.**

**Whereas**, RCW 84.14 authorizes cities that plan in accordance with RCW 36.70A.215 to establish a multi-family property tax exemption (MFTE);

**Whereas**, the City of Blaine is required to plan in accordance with RCW 36.70A.215;

**Whereas**, the Blaine 2016 Comprehensive Plan anticipates the City requiring 1,072 multifamily units to address the housing needs of a portion of the 2036 population projections;

**Whereas**, the City of Blaine desires to encourage multi-family developments in the waterfront downtown area;

**Whereas**, on April 8, 2019, the Community Development Services Department provided a Council Study Session concerning the MFTE;

**Whereas**, on May 13, 2019, pursuant to the urban center designation requirements of RCW 84.14, the Blaine City Council passed Resolution 1759-19 designating the following Central Business District zones as Residential Targeted Areas for purposes of implementing the multi-family tax exemption: the Market, Town Portal, Waterview, and Garden sub-districts (**Exhibit 1**);

**Whereas**, the MFTE is a modification to the City's assessment and collection of taxes, but does not modify development regulations, and is therefore categorically exempt from SEPA review pursuant to the WAC 197-11-800(14)(b);

**Whereas**, on June 10, 2019 and June 17, 2019, the City posted notice of a public hearing in compliance with RCW 84.14.040 to accept testimony on the proposal to amend Title 5 – Business Licenses, Taxes, and Regulations to include a new chapter to implement the multifamily tax exemption (**Exhibit 2**);

**Whereas**; on June 24, 2019, the City Council held an open record public hearing to accept testimony on the proposed amendments; and

**Whereas**, also on June 24, 2019, the City Council made a motion to keep the public hearing open until July 8, 2019 and deliberate on the amendments that same day.

**Now, Therefore, Be It Resolved**, that the Blaine City Council hereby adopts Chapter 5.52 of the Blaine Municipal Code for the purpose of implementing the multifamily property tax exemption in the residential targeted area identified in Resolution 1759-19.

**ADOPTED AND APPROVED BY THE CITY COUNCIL OF BLAINE,  
WASHINGTON** on the 8<sup>th</sup> day of July 2019, and approved by the Mayor on the same  
day.

**CITY OF BLAINE COUNCIL**

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**Bonnie Onyon**  
Mayor

**ATTEST/AUTHENTICATE:**

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**Samuel Crawford**  
City Clerk

DRAFT

## ATTACHMENT 2

Plain text = existing code with no changes
<del>Strikethrough</del> = existing code to be deleted
<u>Underlined</u> = new code to be added
<del>Double Strikethrough</del> = existing code moved to another location
<u>Double Underline</u> = existing code moved from another location
<i>Italics</i> = instructions to code reviser

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### Modify Title 5: Business Licenses, Taxes, and Regulations

Chapters 5.04 through 5.48: *No change.*

#### Chapter 5.52 PROPERTY TAX EXEMPTIONS FOR ELIGIBLE MULTI-FAMILY DEVELOPMENT IMPROVEMENTS IN RESIDENTIAL TARGETED AREAS

Sections:

5.52.010 Purpose.

5.52.020 Authority.

5.52.030 Definitions.

5.52.040 Exemption – Duration – Valuation.

5.52.050 Residential target area – Criteria.

5.52.060 Designated target area.

5.52.070 Project eligibility.

5.52.080 Application procedure.

5.52.090 Application – Review and issuance of conditional certificate.

5.52.100 Extension of conditional certificate.

5.52.110 Final certificate – Application.

5.52.120 Final certificate – Issuance.

5.52.130 Annual compliance review.

5.52.140 Cancellation of tax exemption.

**5.52.010 Purpose.**

The purposes of this chapter are:

- A. To increase the supply of multi-family housing opportunities within the following Central Business District zones: the Market, Town Portal, Waterview, and Garden sub-districts;
- B. To improve the vitality of the City's urban center; and
- C. To further implement the Housing goals and policies of the City's Comprehensive Plan. *If codified, references to the adopting ordinance will be at the end of each section.*



**5.52.020 Authority.**

This chapter is adopted pursuant to RCW 84.14, which provides for special valuation for eligible improvements associated with the development of multifamily housing in designated Residential Targeted Areas. RCW 84.14 authorizes eligible jurisdictions to waive property tax for a period of up to 8 years. Eligible projects that include affordable housing components as described in this chapter are eligible to waive property tax for a period of up to 12 years.

**5.52.030 Definitions.** *Applicable definitions also exist in Chapter 17.142 BMC.*

- A. "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.
- B. "Director" means the director of Community Development Services or their designee.
- C. "Household" means one person, or two or more related persons, or no more than five unrelated persons living together in a single dwelling unit, with common access to, and common use of, all living and eating areas and all areas and facilities for the preparation and storage of food within the dwelling unit. *Existing definition in BMC 17.142.285 to remain.*
- D. "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.
- E. "MFTE" means multi-family property tax exemption.
- F. "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.

G. “Multifamily dwelling” means a building or portion thereof containing three or more dwelling units.

*Existing definition in BMC 17.142.375 to remain.*

H. “Owner” means an individual, firm, association, syndicate, partnership or corporation having any proprietary interest in land. *Existing definition in BMC 17.142.410 to remain.*

I. “Permanent residential occupancy” means multifamily housing that provides either rental or owner occupancy on a non-transient basis. This includes owner-occupied or rental accommodation that is leased for a period of at least one month. This excludes hotels, motels, bed and breakfasts, and vacation rental units. *This also addresses Airbnb’s and VRBOs.*

J. “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.

K. “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. *Established via Resolution 1759-19.*

#### **5.52.040 Exemption – Duration – Valuation.**

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. 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.

C. The exemptions described in (A) and (B) of this section do not include the value of land or nonhousing-related improvements.

D. 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. *This language would not permit retroactive application for recently completed projects.*

E. This section does not apply to increases in assessed valuation made by the assessor on nonqualifying portions of building and value of land.

F. 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.

**5.52.050 Residential target area – Criteria.**

Following notice and a public hearing, as prescribed in RCW 84.14.040, the City Council may designate one or more residential target areas. The designated target area must meet the definition of an urban center pursuant to 84.14.010(18).

**5.52.060 Designated target area.**

The city council has designated the following Central Business District sub-districts as residential target areas for purposes of implementing the multi-family property tax exemption:

- A. Market;
- B. Town Portal;
- C. Waterview; and
- D. Garden Central sub-districts. *The Wharf District does not anticipate residential uses.*

**5.52.070 Project eligibility.**

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

- A. Location. The project must be located within the City of Blaine’s residential targeted areas as described in BMC 5.52.060.
- B. 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 three 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. *This language required pursuant to RCW 84.14.030.*

C. 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.

D. Affordable Housing. For the property to qualify for the 12-year tax exemption, the project must meet the affordable housing requirements of RCW 84.14.020.

**5.52.080 Application procedure.**

A complete application submitted to the Community Development Services Department shall include:

A. A completed city of Blaine application form setting forth the grounds for the exemption;

B. A narrative of the work to be performed;

C. Preliminary floor and site plans of the proposed project;

D. A statement acknowledging the potential tax liability when the project ceases to be eligible under this chapter; and

E. Verification by oath or affirmation of the information submitted.

F. 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 provide verification of property noncompliance with applicable building and housing codes.

**5.52.090 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. 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.

B. 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 per the procedures of BMC 17.06.180 (C) 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.

**5.52.100 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 the applicant demonstrates all of the following circumstances:

- A. The anticipated failure to complete construction or rehabilitation within the required 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.

**5.52.110 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 the following with the Community Development Services Department:

- A. A statement of expenditures made with respect to all affected multifamily housing units and the total expenditures made with respect to the entire property;
- B. A description of the completed work and a statement of qualification for the exemption;
- C. A statement that the work was completed within the required three-year period plus any authorized extension; and
- D. If applicable, a statement that the project meets the affordable housing requirements as described in RCW 84.14.020.

**5.52.120 Final certificate – Issuance.**

Upon approval of the final certificate per the requirements of BMC 5.52.110, file a final certificate of tax exemption may be filed with the Whatcom County assessor.

A. Denial and Appeal. The director shall notify the applicant in writing that a final certificate will not be filed if the director determines any of the following:

1. The improvements were not completed within the authorized time period;
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 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 per the procedures of BMC 17.06.180. 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.

**5.52.130 Annual compliance review.**

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 RCW 84.14 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. BMC 5.52.040(B).
- F. Failure to submit the annual declaration may result in the tax exemption being cancelled.

**5.52.140 Cancellation of tax exemption.**

The director may cancel the tax exemption if the property owner breaches any term of the MFTE contract. Upon cancellation of the exemption for any reason, the property owner shall be immediately liable for all taxes, interest, and penalties pursuant to law. Upon cancellation, the Director shall notify the property owner by certified mail.