



Shelton City Council
Study Session Agenda
April 8, 2025 – 6:00 p.m.
Civic Center & Virtual Platform

A. Call to Order

B. Roll Call

C. Study Agenda

1. Comprehensive Plan Land Use Update – Presented by Community & Economic Development Director Jae Hill
2. Multi-Family Tax Exemption Ordinance – Presented by Community & Economic Development Director Jae Hill

D. New Items for Discussion

E. Adjourn



2025 Looking Ahead

(Items and dates are subject to change)

<p>Tues. 4/15 6:00 p.m.</p>	<p>Regular Meeting</p>	<p>Consent Agenda</p> <ul style="list-style-type: none"> • Vouchers/Payroll Warrants/Meeting Minutes <p>Presentations</p> <ul style="list-style-type: none"> • February Financial Status Report <p>Business Agenda</p> <ul style="list-style-type: none"> • Resolution No. 1375-0325 Work Order #PMX-25001 for MBR Headworks Upgrade/Design • Resolution No. 1377-0325 Work Order #PMX-25002 for Goldsborough Creek Sewer Bypass Removal Project (Design) <p>Public Hearing</p> <ul style="list-style-type: none"> • <p>Action Agenda</p> <ul style="list-style-type: none"> • Resolution No. 1366-1224 WSDOT City Street Striping Contract Amendment • Resolution No. 1374-0325 Gray & Osborne Satellite WWTP Reclaimed Tank Design Contract Amend. No. 5 • Resolution No. 1376-0325 Proposed TBD Ballot Measure <p>Administration Report</p> <ul style="list-style-type: none"> • 	<p>Packet Items Due: 4/4 @ 5:00 p.m.</p>
<p>Tues. 4/22 6:00 p.m.</p>	<p>Study Session</p>	<p>Study Agenda</p> <ul style="list-style-type: none"> • 	<p>Packet Items Due: 4/18 @ noon</p>
<p>Mon. 5/5 8:30 a.m.</p>	<p>Special Meeting</p>	<p>Council Retreat</p>	<p>N/A</p>
<p>Tues. 5/6 6:00 p.m.</p>	<p>Regular Meeting</p>	<p>Consent Agenda</p> <ul style="list-style-type: none"> • Vouchers/Payroll Warrants/Meeting Minutes <p>Presentations</p> <ul style="list-style-type: none"> • <p>Business Agenda</p> <ul style="list-style-type: none"> • Resolution No 1378-0425 Agreement #25-002-PSA for Railroad Crossing Closures Design Services <p>Public Hearing</p> <ul style="list-style-type: none"> • <p>Action Agenda</p> <ul style="list-style-type: none"> • Resolution No. 1375-0325 Work Order #PMX-25001 for MBR Headworks Upgrade/Desing • Resolution No. 1377-0325 Work Order #PMX-25002 for Goldsborough Creek Sewer Bypass Removal Project (Design) 	<p>Packet Items Due: 4/25 @ 5:00 p.m.</p>

		<ul style="list-style-type: none"> Resolution No. 1362-1124 Agreement #24-007-PSA for Systemic Ped. Safety & Olympic Hwy North Improvements Design Services Administration Reports 	
Tues. 5/13 6:00 p.m.	Study Session	<ul style="list-style-type: none"> Study Agenda 	Packet Items Due: 5/9 @ noon
Tues. 5/20 6:00 p.m.	Regular Meeting	<ul style="list-style-type: none"> Consent Agenda <ul style="list-style-type: none"> Vouchers/Payroll Warrants/Meeting Minutes Presentations <ul style="list-style-type: none"> March Financial Status Report Business Agenda Public Hearing Action Agenda <ul style="list-style-type: none"> Resolution No 1378-0425 Agreement #25-002-PSA for Railroad Crossing Closures Design Services Administration Reports 	Packet Items Due: 5/9 @ 5:00 p.m.
Tues. 5/27 6:00 p.m.	Study Session	<ul style="list-style-type: none"> Study Agenda 	Packet Items Due: 5/22 @ noon
Tues. 6/3 6:00 p.m.	Regular Meeting	<ul style="list-style-type: none"> Consent Agenda <ul style="list-style-type: none"> Vouchers/Payroll Warrants/Meeting Minutes Presentations Business Agenda Public Hearing Action Agenda Administration Reports 	Packet Items Due: 5/22 @ 5:00 p.m.
Tues. 6/10 6:00 p.m.	Study Session	<ul style="list-style-type: none"> Study Agenda 	Packet Items Due: 6/6 @ noon
Tues. 6/17 6:00 p.m.	Regular Meeting	<ul style="list-style-type: none"> Consent Agenda <ul style="list-style-type: none"> Vouchers/Payroll Warrants/Meeting Minutes Presentations <ul style="list-style-type: none"> April Financial Status Report Business Agenda Public Hearing Action Agenda Administration Reports 	Packet Items Due: 6/6 @ 5:00 p.m.

Other – TBD

- International Property Maintenance Code
- Downtown Street Tree/Sidewalk Repair Project
- Civic Center Police Area Fencing Project

Updated 4/4/2025

- MBR Treatment Plant Tank Project
- Angleside Pressure Zone Improvement Project
- Civic Center Uninterrupted Power Supply (UPS) Replacement Project (State Contract Procurement)
- Shelton Reservoir Vent Hood Replacement Project

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2025

	March	April	May	June	July	August	September	October	November	December
Comp Plan Steering Committee	3/11/2025 Parks & Rec Housing	4/8/2025 Land Use	5/13/2025 Introduction Econ Development	6/10/2025 Transportation	7/8/2025 Full Drafts					
	3/25/2025 General Update, Cap Facilities & Utilities	4/22/2025 Shoreline Management	5/27/2025 Urban Growth Area	6/24/2025 Climate	7/22/2025 Full Drafts					
City Council Joint Workshop						8/12/2025 Land Use, Transportation, Housing				
						8/26/2025 All Other, Plus Update				
City Council							9/2/2025 Resolution Read #1			
							9/2/2025 Resolution Read #2		11/18/2025 Ordinance Adoption	

Comp Plan Steering Committee				
Element	Draft Reviewed	Scheduled	Draft Complete	Scheduled
Introduction	<input type="checkbox"/>	5/13/2025	<input type="checkbox"/>	6/24/2025
Land Use	<input type="checkbox"/>	4/8/2025	<input type="checkbox"/>	6/24/2025
Parks and Recreation	<input checked="" type="checkbox"/>	3/11/2025	<input checked="" type="checkbox"/>	6/24/2025
Transportation	<input checked="" type="checkbox"/>	6/10/2025	<input type="checkbox"/>	6/24/2025
Housing	<input checked="" type="checkbox"/>	3/11/2025	<input type="checkbox"/>	6/24/2025
Capital Facilities and Utilities	<input checked="" type="checkbox"/>	3/25/2025	<input type="checkbox"/>	6/24/2025
Shoreline Management	<input type="checkbox"/>	4/22/2025	<input type="checkbox"/>	6/24/2025
Historic Preservation	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	6/24/2025
Economic Development	<input type="checkbox"/>	5/13/2025	<input type="checkbox"/>	6/24/2025
Urban Growth Area (UGA)	<input type="checkbox"/>	5/27/2025	<input type="checkbox"/>	6/24/2025
Climate	<input type="checkbox"/>	6/24/2025	<input type="checkbox"/>	6/24/2025

Shelton Comprehensive Plan EIS

DRAFT Table of Alternatives

	No Action Alternative	Alternative 1: Growth Within Existing Capacity	Alternative 2: Residential Targeted Areas
Growth Assumption (City and UGA)	<p>Increase of 5,850 people¹</p> <p>Increase of 2,270 housing units</p>	<p>Increase of 7,401 people²</p> <p>Increase of 2,872 housing units</p> <p>1,161 Single Family Detached housing units</p> <p>1,537 Multi-family (2+ units per structure) housing units</p> <p>176 Mfg. homes, cottages, and ADUs</p>	<p>Increase of 7,401 people²</p> <p>Increase of 2,872 housing units</p> <p>[same breakdown as Alternative 1]</p>
Areas of Growth	<p>Distributed across the city, with growth likely to occur in the northeast portion of the city, which is zoned for neighborhood development but is not built out.</p>	<p>Distributed across the city, with growth likely to occur in the northeast portion of the city, which is zoned for neighborhood residential development but is not built out.</p>	<p>Same as Alternative 1, plus creation of two Residential Targeted Areas (RTAs) which would provide tax exemptions to encourage residential development.</p>

Predecisional – Internal Discussion Draft

			RTAs would be located in the downtown area (to encourage infill development and denser redevelopment) and in the Goose Lake area (to encourage residential development in an area with more constraints due to presence of critical areas)
Policies	No new policies. Policies in existing Comp Plan would remain in place.	New policies would be adopted, including policies in the climate element.	New policies would be adopted, including policies in the climate element.
UGA Changes	None	None	None
Zoning Changes	None	None	None

¹Based on the amount of growth anticipated in the previous Comprehensive Plan (2036 anticipated population of 16,200), subtracting the 2024 OFM population estimate (10,350).

[https://ofm.wa.gov/sites/default/files/public/dataresearch/pop/april1/ofm_april1_population_final.pdf]

²Based on FCS Group Housing Needs Assessment (January 2025), Exhibit 27 (Mason County Housing Needs: Scenario D)

Chapter 3.38

MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION

Sections:

- 3.38.010 Purpose.**
- 3.38.020 Authority.**
- 3.38.030 Definitions.**
- 3.38.040 Director's authority.**
- 3.38.050 Residential targeted areas – Criteria – Designation – Rescission.**
- 3.38.060 Project eligibility.**
- 3.38.070 Application procedure and fee.**
- 3.38.080 Application review – Issuance of conditional certificate – Denial – Appeal.**
- 3.38.090 Amendment of MFTE contract.**
- 3.38.100 Extension of conditional certificate.**
- 3.38.110 Final certificate – Application – Issuance – Denial and appeal.**
- 3.38.120 Exemption – Duration – Affordability requirements – Limits.**
- 3.38.130 Annual certification.**
- 3.38.140 Cancellation of exemption.**
- 3.38.150 Appeals to Hearing Examiner.**
- 3.38.160 Annual reporting.**
- 3.38.170 Alternative compliance.**
- 3.38.180 Conflicts.**
- 3.38.190 Severability.**

3.38.010 Purpose.

A. The purposes of this chapter are:

1. To increase the supply of multifamily housing opportunities within the City for low and moderate income households;
 2. To promote community development and affordable housing in the City within Residential Targeted Areas;
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3. To encourage additional housing in certain areas to support investment in public transit projects; and
4. To accomplish the planning goals required under the Growth Management Act, Chapter [36.70A](#) RCW, as implemented by the City's comprehensive plan.

B. Anyone or a combination of these purposes may be furthered by the designation of a Residential Targeted Area under this chapter.

3.38.020 Authority.

A. *Purpose.* This chapter is adopted under the authority of RCW [84.14](#) which provides for special valuations for eligible improvements associated with multifamily housing in designated Residential Targeted Areas to improve residential opportunities including affordable housing. The purpose of this section is to define the responsibilities, rules, procedures, and requirements for the interpretation of this chapter.

3.38.030 Definitions.

A. The following definitions are specific to this chapter and shall have the following meanings:

“Affordable housing unit” means a dwelling unit as defined in the Shelton Zoning Code that is reserved for occupancy by eligible households and rented at an affordable rent.

“Affordable rent” means that the annual rent and other required expenses for the unit do not exceed 30 percent of the percentage of the applicable area median income adjusted for household size designated in SMC [3.38.120](#) for qualifying affordable units.

“Area median income” means the median income for Mason County as most recently determined by the Secretary of Housing and Urban Development (the “Secretary”) under Section 8(f)(3) of the United States Housing Act of 1937, as amended. If HUD no longer publishes median income figures for Mason County, the City may use or determine such other method as it may choose to determine the area median income, adjusted for

household size. Also referred to as the “Mason County area median income” and “median income.”

“Assessor” means the Mason County Assessor.

“Director” means the Director of the City’s Community & Economic Development Department, or his or her authorized designee.

“Eligible household” means one or more adults and their dependents who, as set forth in the regulatory agreement referenced in SMC [3.38.060.F](#), certify that their household annual income does not exceed the applicable percent of the area median income, adjusted for household size, and who certify that they meet all qualifications for eligibility, including, if applicable, any requirements for recertification on income eligibility.

“Household annual income” means the aggregate annual income of all persons over 18 years of age residing within the same household for a period of at least four months.

“MFTE” means multifamily housing property tax exemption.

“MFTE contract” means the agreement between the property owner and the City regarding the terms and conditions of the project and eligibility for exemption under this chapter.

“MFTE covenant” means the agreement that is in a form acceptable to the City Attorney that addresses price restrictions, eligible household qualifications, long-term affordability, and any other applicable topics of the affordable housing units as referenced in SMC [3.38.060](#).

“Multifamily housing” means a structure designed for permanent residential occupancy resulting from new construction.

“Owner” means the property owner of record.

“Permanent residential occupancy” means multifamily housing that provides rental occupancy for a period of at least one month and excludes transient lodging.

“Project” means the multifamily housing or portion of the multifamily housing that is to receive the tax exemption.

“Residential targeted area” means an area within an urban center as defined by Chapter [84.14](#) RCW that the City has so designated by the City Council pursuant to this chapter.

"Urban center" means a compact identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

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

3.38.040 Director's authority.

- A. *General Authority.* The Director of the Community & Economic Development Department is charged with the administration and enforcement of the provisions of this chapter.
 - B. *Recording.* The Director is authorized to cause to be recorded, or to require the owner to record, in the real property records of the Mason County Auditor's Office, the MFTE covenant with the City required under SMC [3.38.060](#), and such other document(s) as will identify such terms and conditions of eligibility for exemption under this chapter as the Director deems appropriate for recording, including requirements under this chapter relating to affordability of units.
 - C. *Power to Correct Errors.* The Director may amend an administrative decision to correct errors clearly identifiable from the public record. Such a correction does not affect any time limit provided for in this chapter.
 - D. *Power to Clarify.* The Director may clarify a statement in a written administrative decision.
 - E. *Power to Adopt Procedures.* The Director may develop, adopt, and carry out procedures as needed to implement this code.
 - F. *Power to Modify Fees.* The Director is also delegated authority to modify fees for the MFTE application and other related procedures in order to cover the costs incurred by the City and the Assessor in administering this chapter; provided, that the increase shall not exceed the most recently published Consumer Price Index (CPI) – Wage Earners and Clerical Workers for
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the Seattle-Tacoma area, as published by the U.S. Department of Labor – Bureau of Labor Statistics. If an increase greater than the CPI is necessary to cover the City's costs, the Director shall submit the increase to the City Council for approval.

G. *Interpretation.*

1. *Responsibility.* The Director of the City's Community & Economic Development Department or his/her designee shall be responsible for interpreting the provisions of this chapter, except where expressly provided otherwise.
2. *Request for Interpretation.* Any interested person may apply for an interpretation of this chapter where this chapter, or its application to specific circumstances, is ambiguous, i.e., where this chapter is susceptible to two or more reasonable interpretations. Applications for administrative interpretation of this chapter shall be processed using the same procedures as set forth in the Shelton Municipal Code 20.02.090, Interpretations, and shall be subject to the same criteria. Interpretations of this chapter shall not be considered land use decisions, however, and shall not be subject to appeal to the superior court under the Land Use Petition Act ("LUPA").

3.38.050 Residential targeted areas – Criteria – Designation – Rescission.

A. Following notice and public hearing as prescribed in RCW [84.14.040](#) (now or as hereafter amended), the City Council may designate one or more Residential Targeted Areas, in addition to the areas stated in subsection [D](#) of this section, upon a finding by the City Council in its sole discretion that the Residential Targeted Area meets the following criteria:

1. The Residential Targeted Area is within an urban center as defined by Chapter [84.14](#) RCW or as hereafter amended;
2. The Residential Targeted Area lacks sufficient available, desirable and convenient residential housing, including affordable housing, to meet the needs of the public who would be likely to live in the urban center if the affordable, desirable, attractive and livable residences were available; and

3. Providing additional housing opportunity in the Residential Targeted Area will assist in achieving one or more of the following purposes:

- a. Encourage increased multifamily residential opportunities within the City; or
- b. Stimulate the construction of new affordable multifamily rental housing.

B. In designating a Residential Targeted Area, the City Council may also consider other factors, including:

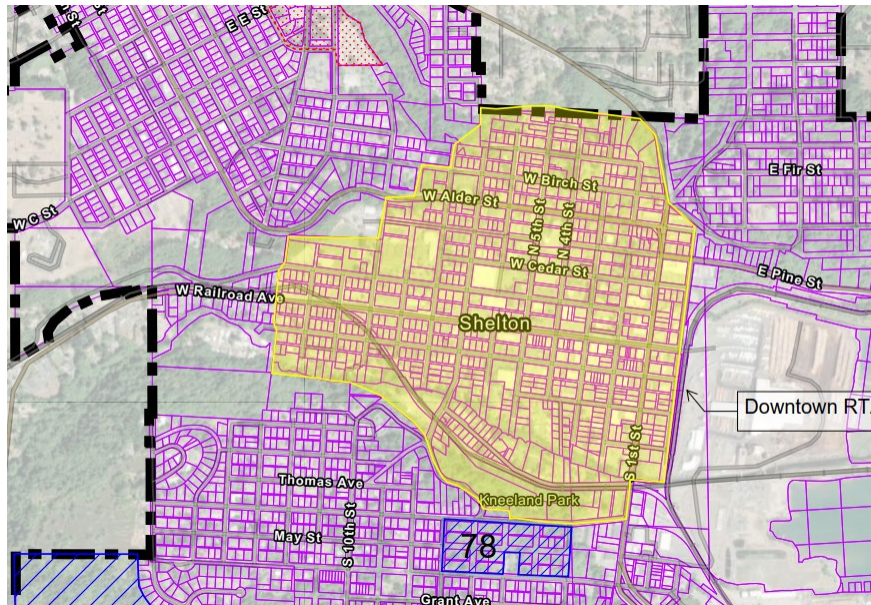
1. Whether additional housing in the Residential Targeted Area will attract and maintain an increase in the number of permanent residents;
2. Whether providing additional housing opportunities for low- and moderate-income households would meet the needs of individuals likely to live in the area if affordable residences were available;
3. Whether an increased permanent residential population in the Residential Targeted Area will help to achieve the planning goals mandated by the Growth Management Act under Chapter [36.70A](#) RCW, as implemented through the City's Comprehensive Plan; or
4. Whether encouraging additional housing in the Residential Targeted Area supports plans for significant public investment in public transit or a better jobs and housing balance.

C. The City Council may, by ordinance, in its sole discretion, amend or rescind the designation of a Residential Targeted Area pursuant to the same procedural requirements as set forth in this chapter for the original designation.

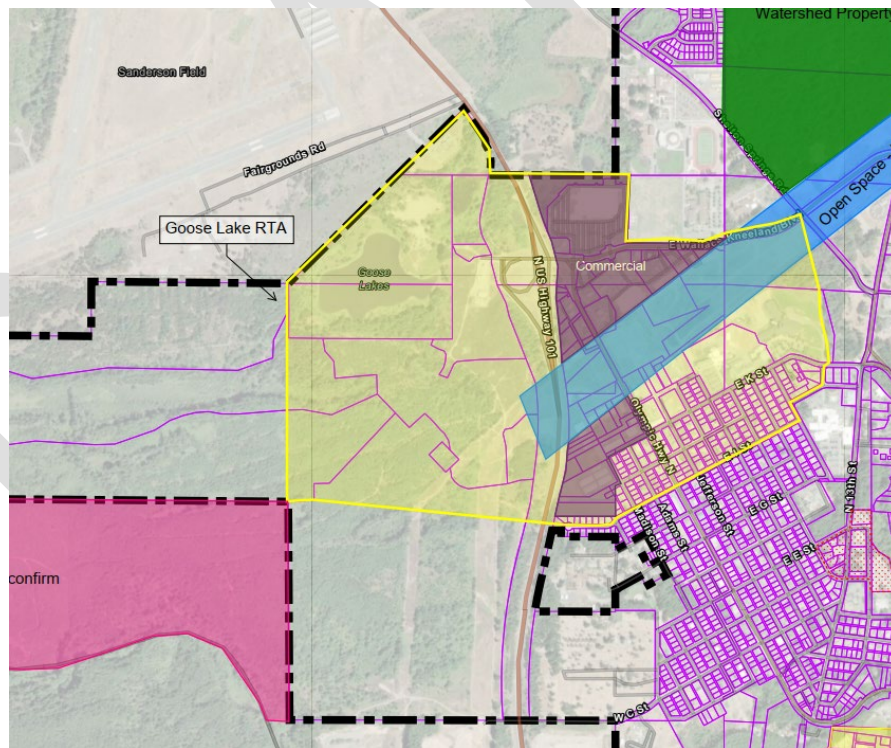
D. The following areas, as shown in Maps 1 and 2 in this section, meet the criteria of this chapter for Residential Targeted Areas and are designated as such:

1. Downtown; and
2. Goose Lake.

Map 1: Downtown



Map 2: Goose Lake



E. If a part of any legal lot is within a residential targeted area as shown in Maps 1 and 2 in this section, then the entire lot shall be deemed to lie within such Residential Targeted Area.

3.38.060 Project eligibility.

To be eligible for exemption from property taxation under this chapter, the property shall satisfy all of the following requirements:

- A. The property must be located in a Residential Targeted Area.
 - B. The project must be construction of new multifamily rental housing consisting within a residential structure or as part of a mixed-use development, in which at least 50 percent of the space within such residential structure or mixed-use development is intended for permanent residential occupancy.
 - C. A minimum of 10 new dwelling units must be created.
 - D. No application may result in the net loss of existing affordable housing which receives housing assistance through federal low- or moderate-income housing programs (e.g., HUD Section 8 program).
 - E. Affordable housing shall be provided in the project as described in SMC [3.38.120](#) or through an alternative compliance method as described in SMC [3.38.170](#).
 - F. Prior to issuing a certificate of occupancy, a MFTE covenant in a form acceptable to the City Attorney that addresses price restrictions, eligible household qualifications, long-term affordability, and any other applicable topics of the affordable housing units shall be recorded with the Mason County Auditor's Office. This MFTE covenant shall be a covenant running with the land and shall be binding on the assigns, heirs and successors of the owner. Affordable units that are provided under this section shall remain as affordable housing for the life of the project from the date of initial occupancy.
 - G. The mix and configuration of housing units (e.g., very small units, studio, one-bedroom, two-bedroom, etc.) used to meet the requirement for affordable units under SMC [3.38.120](#) shall be substantially proportional to the mix and configuration of the total housing units in the project unless otherwise approved by the Director. The exterior materials and design of the affordable housing units must be comparable with the other dwelling units in the development, with similarity in building finishes, rooflines and landscaping. The interior finish and quality of construction of the affordable units shall at a minimum be comparable to entry-level rental housing elsewhere in the City.
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H. The project shall comply with all applicable provisions of the Shelton Municipal Code.

I. Construction of new multifamily housing must be completed within three years from the date of approval of the application, as described in SMC [3.38.080](#), or within an extension authorized under this chapter.

3.38.070 Application procedure and fee.

A. *Application Procedure.* The owner of property applying for exemption under this chapter shall submit an application to the Director, on a form established by the Director. The owner shall verify the application by oath or affirmation. The application shall contain such information as the Director may deem necessary or useful, and shall include but not be limited to:

1. A brief written description of the project, including phasing if applicable, and preliminary schematic site and floor plans of the multifamily units and the structure(s) in which they are proposed to be located;
2. A statement from the owner acknowledging the potential tax liability when the property ceases to be eligible for exemption under this chapter; and
3. Information describing how the owner will comply with the affordability requirements in SMC [3.38.120](#).

B. *Fee.*

1. At the time of application under this section, the owner shall pay to the City an initial **application fee as established by resolution**. In addition, at the time of application under this section, the owner shall pay to the City a fee in an amount necessary to cover the county assessor's administrative costs.
2. If the Director approves the application pursuant to SMC [3.38.110](#), the City shall forward the fee for the county assessor's administrative costs to the county assessor. If the Director denies the application pursuant to SMC [3.38.110.E](#), the City shall refund the fee for the assessor's administrative costs to the owner within 30 days of the Director's decision, or in

the event the owner appeals the Director's decision, within 30 days of the final decision of any appeal pursuant to the provisions of SMC [3.38.150](#).

C. *Notice of Completeness*. The director shall notify the owner within 30 days of the application being filed if the Director determines that an application is not complete and shall identify what additional information is required before the application will be complete. Within 14 days of receiving additional information, the Director shall notify the owner in writing if the Director determines that the application is still not complete, and what additional information is necessary. An application shall be deemed to be complete if the Director does not notify the owner in writing by the deadline in this section that the application is incomplete; however, a determination of completeness does not preclude the Director from requiring additional information during the review process if more information is needed to evaluate the application according to the criteria in this chapter.

D. *Deadline*. The deadline for application generally shall be any time before the date the first building permit is issued for the multifamily housing structure. The Director may determine if a project's circumstances warrant allowing flexibility in the timing of application submittal.

3.38.080 Application review – Issuance of conditional certificate – Denial – Appeal.

A. The Director shall approve an application for tax exemption if the Director determines the project meets the eligibility requirements in SMC [3.38.060](#). If the application fails to meet the requirements of SMC [3.38.060](#) the Director must deny the application. If the application is approved, the owner shall enter into a MFTE contract with the City regarding the terms and conditions of the project and eligibility for exemption under this chapter. The Director's approval or denial shall take place within 90 days of the Director's receipt of the completed application. Following execution of the MFTE contract by the owner and the City, the Director shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate shall expire three years from the date of approval unless an extension is granted as provided in this chapter.

B. If the application is denied, the Director shall state in writing the reasons for the denial and send notice of denial to the owner's last known address within ten calendar days of the denial.

C. An owner may appeal the Director's denial in accordance with the provisions of SMC [3.38.150](#).

3.38.090 Amendment of MFTE contract.

- A. An owner may seek amendment(s) to the MFTE contract between the owner and the City by submitting a request in writing to the Director at any time prior to receiving the final certificate of tax exemption ("final certificate").
- B. The Director shall have authority to approve amendments to the MFTE contract between the owner and the City that are reasonably within the scope and intent of the MFTE contract.
- C. Any owner seeking amendments to the approved MFTE contract shall pay to the City an amendment application fee as established by the resolution.
- D. The date for expiration of the conditional certificate shall not be extended by contract amendment unless all the conditions for extension set forth in SMC [3.38.100](#) are met.

3.38.100 Extension of conditional certificate.

- A. The Director may extend the conditional certificate for a period not to exceed 24 consecutive months. The owner shall submit a written request stating the grounds for the extension together with a fee as established by the Director. The Director may grant an extension if the Director determines that:
1. The anticipated failure to complete construction 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 MFTE contract between the owner and the City will be satisfied upon completion of the project.

3.38.110 Final certificate – Application – Issuance – Denial and appeal.

A. Upon completion of construction as provided in the MFTE contract between the owner and the City, and upon issuance of a certificate of occupancy, the owner may request a final certificate of tax exemption. The owner shall file with the Director such information as the Director may deem necessary or useful to evaluate eligibility for the final certificate, and shall include:

1. A statement of expenditures made with respect to each multifamily housing unit, including phasing if applicable, 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 or any approved extension; and
4. Information on the owner's compliance with the affordability requirements in SMC [3.38.120](#).

B. Within 30 days of receipt of all materials required for a final certificate, the Director shall determine whether the completed work is consistent with the application and MFTE contract and is qualified for limited exemption under RCW [84.14.060](#), and which specific improvements completed meet the requirements of this chapter and the required findings of RCW [84.14.060](#), now or hereafter amended.

C. If the director determines that the project has been completed in accordance with the MFTE contract between the City and owner, and with subsection [A](#) of this section, the City shall file a final certificate of tax exemption with the assessor within 10 days of the expiration of the 30-day period provided under subsection [B](#) of this section.

D. The Director is authorized to cause to be recorded, or to require the owner to record, in the real property records of the Mason County Auditor's Office, the contract with the City required under subsection [A](#), and such other document(s) as will identify such terms and conditions of eligibility for exemption under this chapter as the Director deems appropriate for recording, including requirements under this chapter relating to affordability of units.

E. The Director shall notify the owner in writing that the City will not file a final certificate if the Director determines that the project was not completed within the required three-year period or any approved extension or was not completed in accordance with subsection [B](#) of this section; or if the Director determines that the owner's property is not otherwise qualified under this chapter; or if the owner and the Director cannot agree on the allocation of the value of the improvements allocated to the exempt portion of new construction and multiuse new construction.

F. Within 30 days of the date of notice of denial of final certificate, the owner may file a notice of appeal with the City Clerk along with the appeal fee as established by resolution specifying the factual and legal basis for the appeal. The appeal shall be heard by the City's Hearing Examiner pursuant to SMC [3.38.150](#).

3.38.120 Exemption – Duration – Affordability requirements – Limits.

A. The value of new housing construction qualifying under this chapter shall be exempt from ad valorem property taxation as follows:

1. *In the Downtown and Goose Lake Residential Targeted Area.*
 - a. *Length of Exemption.* For eight or 12 successive years beginning January 1 of the year immediately following the calendar year of issuance of the certificate for rental projects where at least the required minimum number of units are affordable units as specified in Table 1.
 - b. *Table 1: Required Minimum Affordability Levels.* Affordable Rents as indicated:

Table 1. Downtown and Goose Lake Residential Targeted Areas

Length of Exemption	Number of Units	Affordability Level
8 years	First 10%	80% AMI

Length of Exemption	Number of Units	Affordability Level
12 years	First 10%	80% AMI
	Second 10%	60% AMI

B. For any affordable units required in this section, the following shall apply:

1. Affordable units shall have affordable rents as defined in SMC [3.38.030](#). The mix and configuration of affordable units (e.g., very small units, studio, one-bedroom, two-bedrooms, etc.) at each affordability level shall be substantially proportional to the mix and configuration of the total housing units in the project unless otherwise approved by the Director.
2. Affordable units will be reserved for occupancy by eligible households who certify that their household annual income does not exceed the applicable percent of the area median income; and who certify that they meet all qualifications for eligibility, including any requirements for recertification on income eligibility as set forth in the MFTE covenant referenced in SMC [3.38.060.F](#).
3. The location of the affordable housing units shall be approved by the Director, with the intent that they generally be intermingled with all other dwelling units in the development.
4. If the percentage of affordable units in the project required is a fraction, then the number of required affordable units shall be rounded up to the next whole number (units) if the fraction of the whole number is at least 0.50.

C. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, to increases in assessed valuation of land and nonqualifying improvements, or to increases made by lawful order of the Mason County Board of Equalization, Washington State Department of Revenue, State Board of Tax Appeals, or Mason County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law.

3.38.130 Annual certification.

- A. A property that receives a tax exemption under this chapter shall continue to comply with the contract and the requirements of this chapter to retain its property tax exemption.
- B. Within 30 days after the first anniversary of the date the City filed the final certificate of tax exemption and each year for the tax exemption period, the property owner shall file a certification with the Director, verified upon oath or affirmation, which shall contain such information as the Director may deem necessary or useful, and shall include the following information:
1. A statement of occupancy and vacancy of the multifamily units during the previous year;
 2. A certification that the property has not changed use since the date of filing of the final certificate of tax exemption, and continues to follow the MFTE contract with the City and the requirements of this chapter;
 3. A description of any improvements or changes to the property made after the filing of the final certificate or last declaration, as applicable;
 4. Information demonstrating the owner's compliance with the affordability requirements of SMC [3.38.120](#);
 5. The total monthly rent of each unit;
 6. The income of each household at the time of initial occupancy and their current income;
 7. The value of the tax exemption for the project; and
 8. Any additional information requested by the City in regard to the units receiving a tax exemption (pursuant to meeting any reporting requirements under Chapter [84.14](#) RCW).
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3.38.140 Cancellation of exemption.

A. The Director may cancel the tax exemption if the property owner breaches any term of the MFTE contract or any part of this chapter. Reasons for cancellation include but are not limited to the following:

1. Failure to file the annual certification or filing a defective certification.
2. Violation of any applicable zoning requirements, land use regulations, or building and housing code requirements contained in SMC Titles 17 through 21. Timely and cooperative resolution of the violation(s) may serve as a mitigating factor in the Director's decision of whether to cancel the exemption.
3. Conversion of the multifamily housing to another use. The owner shall notify the Director and the county assessor within no less than 60 days of the intended change in use. Upon such change in use, the tax exemption shall be canceled pursuant to this section.
4. Noncompliance with SMC [3.38.120](#) for affordable units. In the event an affordable unit is rented to a household other than an eligible household, or at a rental rate greater than prescribed in the MFTE covenant referenced in SMC [3.38.060](#), the property tax exemption for the property shall be canceled pursuant to this section.

B. 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 determining that a tax exemption shall be canceled, the Director 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 along with the appeal fee established by resolution within 30 days of the date of notice of cancellation, specifying the factual and legal basis for the appeal in writing. The appeal shall be heard by the Hearing Examiner pursuant to SMC [3.38.150](#).

C. Failure to submit the annual declaration may result in cancellation of the tax exemption pursuant to this section.

3.38.150 Appeals to Hearing Examiner.

A. *Appeal.* An owner aggrieved by the Director's denial of an application, final certification, or cancellation of an exemption under this chapter shall have the right to appeal to the Hearing Examiner. Any such appeal shall be in writing and shall be filed with the Hearing Examiner within 30 days of the Director's decision. The appeal shall specify the factual and legal basis on which the Director's decision is alleged to be erroneous. The appeal shall be accompanied by the applicable appeal fee established by resolution of the City Council. Failure to follow the appeal procedures in this section shall preclude the owner's right to appeal.

B. The Hearing Examiner's procedures shall apply to hearings under this chapter to the extent they are consistent with the requirements of this chapter and Chapter [84.14](#) RCW. All affected parties may be heard and all competent evidence received by the Hearing Examiner. The Hearing Examiner shall give substantial weight to the Director's decision and the burden of overcoming the weight and proving that the Director's decision was not supported by substantial evidence or was clearly erroneous shall be on the appellant. The Hearing Examiner must affirm, modify, or overturn the decision of the Director based on the evidence received. The decision of the Hearing Examiner constitutes the final decision of the City. An aggrieved party may appeal the decision of the Hearing Examiner on a final certificate of exemption or cancellation thereof to superior court under RCW [34.05.510](#) through [34.05.598](#) if the appeal is properly filed within 30 days of the date of the notification by the City to the appellant of the Hearing Examiner's decision.

C. *Merger.* When an appeal under this chapter is associated with a land use permit application, the appeal will be heard with any appeal on the land use application as required under SMC 17.08.026.

3.38.160 Annual reporting.

A. If the City issues tax exemption certificates pursuant to this chapter, the Director shall submit the report required by RCW [84.14.100](#) to the Department of Commerce by December 31st of each year.

B. Annually, beginning in **2026**, the Director or designee shall review the program established by this chapter and provide a report to the City Council describing development activity, types

and numbers of units produced and their locations, rent, information regarding the number of low- and moderate-income households benefiting from the program, and other appropriate factors. These reports may include recommendations on whether any Residential Targeted Areas should be added or removed, feedback from owners who have MFTE contracts with the City and whether affordability limits should be changed in certain areas. The annual report shall be submitted to the City Council no later than **March 30th** of each year the program is in effect, starting in **2026**; each report shall include information for the previous year.

3.38.170 Alternative compliance.

- A. While the goal of the multifamily property tax exemption program is to achieve affordable housing on-site, the Director may approve a request for satisfying all or part of the affordable housing requirements with alternative compliance methods proposed by the applicant, if they meet the intent of this section.
 - B. The owner may propose one or more alternative compliance methods together with a request for a property tax exemption for a maximum of 8 years. The alternative compliance method may involve provision of affordable housing off-site or cash payment in lieu of providing affordable housing on-site provided the method is consistent with the criteria in (C). Cash payments in lieu of providing the actual housing units will be used only for the subsequent provision of affordable housing units by the City or other housing provider approved by the Director.
 - C. Decision Criteria for the Director include and are not limited to the following:
 - 1. The alternative compliance method will achieve a result better than providing affordable housing on-site.
 - 2. The proposed off-site location for required affordable housing pursuant to the alternative compliance provision must locate in such a way that it achieves seamless integration of the affordable housing component into the overall project. Property that is immediately proximate to the project site will be considered by the Director as most closely achieving this criteria, though other properties may be considered if it can be demonstrated that the goal of dispersal of affordable housing throughout the City is achieved.
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3. The proposed alternative property for affordable housing units is under site control at the time of approval of the final certificate.
 4. Housing units provided through the alternative compliance method must be based on providing the same type and tenure of units as the units in the project that give rise to the requirement.
 5. In the case of cash payments in lieu of providing affordable housing on-site, the cash payment obligation and timing must be determined by the Director to be satisfactory to support achievement of the alternative compliance method.
 6. No individual property that receives off-site affordable housing units or payment in lieu may have more than 25 percent of its units as affordable housing units, unless the property will be utilizing public funding sources for affordable housing.
 7. The proposed alternative property for affordable housing is planned for completion within three years of approval of the final certificate. The Director may determine if a project's circumstances warrant allowing flexibility in the timing of completion of the affordable units.
- D. *Timing.* Application for and approval by the Director for alternative compliance must be made no later than the time of initial application for an 8-year multifamily property tax exemption, unless otherwise permitted by the Director.
- E. The MFTE contract between the applicant and the City in a case of alternative compliance shall modify the requirements of SMC [3.38.070](#) through [3.38.160](#) as appropriate to reflect the terms and conditions of the alternative compliance.
- F. Completion of payment of an in-lieu fee, provision of affordable units off-site and/or satisfaction of other conditions required pursuant to an alternative compliance approval shall constitute full and complete satisfaction of the requirements of this SMC [3.38](#). Following such satisfaction, the applicant shall have no further obligations under this SMC [3.38](#), except as otherwise set forth in the MFTE contract.
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3.38.180 Conflicts.

A. If a conflict exists between the provisions of this chapter or between this chapter and the laws, regulations, codes or rules promulgated by other authority having jurisdiction within the City, the requirement that best advances the purposes set forth in SMC [3.38.010](#) shall be applied, except when constrained by federal or state law, or where specifically provided otherwise in this chapter.

3.38.190 Severability.

A. The provisions of this chapter are severable. If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of this chapter and its application are not affected and will remain in full force and effect.